

Dear Shareholder,

EXPLORATION UPDATE – SPRINGFIELD COPPER-GOLD PROJECT

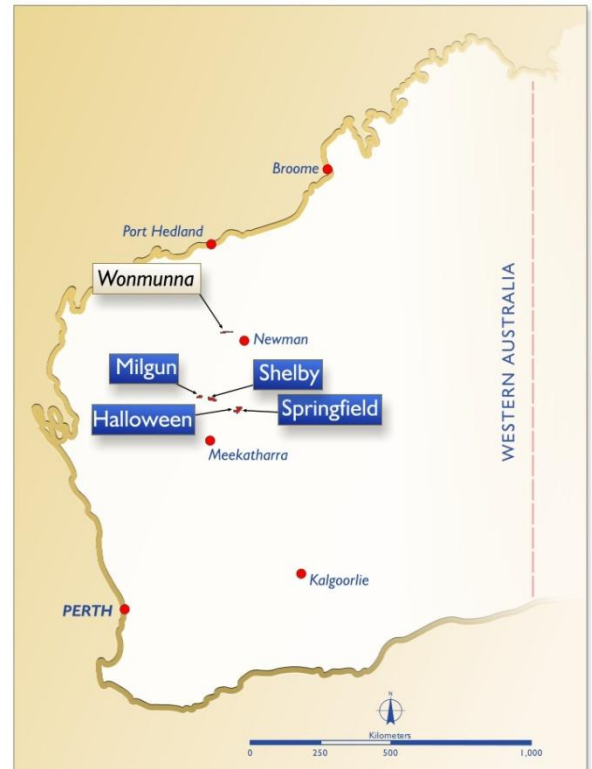
As we move into the New Year, I would like to take this opportunity to update you on what we achieved at our flagship Springfield Copper-Gold Project last year, the key results of that work and our planned exploration program for 2011.

Comprising a 303km² ground package 150km north-east of Meekatharra in the north Murchison Goldfields of Western Australia, Springfield is strategically located immediately along strike to the east of Sandfire Resources' DeGrussa Copper-Gold Project.

DeGrussa – which is a world-class discovery with a current metal inventory of 644,000 tonnes of copper and 724,000 ounces of gold – is expected to move into development this year with first production targeted for late 2011 or early 2012.

The work we have undertaken to date supports the prospectivity of our tenements to host repeats of the Volcanogenic Massive Sulphide (VMS) style of copper-gold mineralisation discovered at DeGrussa – which generally occurs in “clusters” of deposits.

DeGrussa comprises a cluster of four known deposits, and we believe the potential to discover additional deposits or clusters of deposits on our tenements is excellent given the strength, size and grade of the DeGrussa VMS system. VMS fields worldwide can typically host between 20 and 100 separate deposits.



Talisman Mining Ltd Project Locations

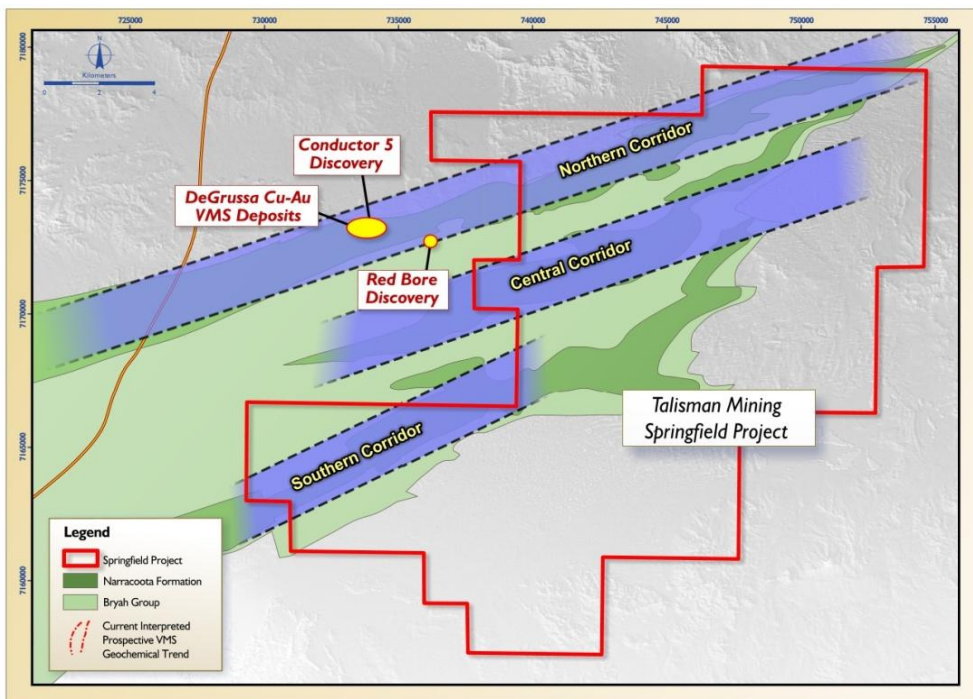
Talisman completed a highly successful exploration campaign at Springfield during 2010, comprising:

- **over 4,600m of diamond drilling, 11,400m of reconnaissance reverse circulation (RC) drilling and 5,300m of rotary air blast (RAB) drilling;**
- **the collection and interpretation of detailed airborne magnetic and radiometric data covering the entire project and surrounding areas;**
- **the collection and interpretation of over 10,000 surface geochemical samples as well as detailed geological mapping and the associated collection of rock chip samples; and**

- the utilisation of a number of **supporting geophysical methods** including down-hole electromagnetic surveys (DHEM), moving loop electromagnetic surveys (MLEM) and detailed gravity surveys.

Key results from the exploration program to date include:

- confirmation that the Springfield Project contains at least **45 strike kilometres of the prospective Narracoota Volcanic sequence**, the same sequence of volcanic rocks which hosts the DeGrussa VMS system;
- identification of this prospective stratigraphic sequence in three parallel corridors (the Northern, Central and Southern Corridors) across the Project;



Springfield Project Prospective Corridors

- verification that the Northern Corridor represents the immediate strike extension of the geological trend that hosts the high-grade DeGrussa deposits 4 to 5km to the west;
- identification of the **Homer and Monty Prospects** as the highest priority targets within the Springfield Project based on the significant presence of copper-rich sulphides (i.e. chalcopyrite), anomalous zones of associated gold and associated alteration that is supportive of the presence of a broader copper-gold VMS system; and
- the generation of multiple new targets by utilising data provided by the detailed airborne magnetic survey, and in particular having the litho-structural setting of the DeGrussa Deposits put into context with the Springfield Project.

Talisman's approach to exploration at the Springfield Project over the past year has been to systematically build a comprehensive understanding of the structure and controls of the mineralisation within the Company's tenements, while identifying the key priority targets with the potential to deliver a significant discovery in the near term.

KEY RESULTS

Homer Prospect:

SPD001

0.5m @ 0.13% Cu

SPD003

1.0m @ 0.13% Cu

1.0m @ 0.16% Cu

SPD004

1.15m @ 0.10% Cu

SPD005

0.60m @ 0.36% Cu

SPD006

1.0m @ 0.26% Cu

0.25m @ 1.54% Cu

SPD012

1.5m @ 0.21% Cu

(incl. 0.5m @ 0.6% Cu)

Monty Prospect:

SPRC082

4.0m @ 0.8g/t Au (incl. 1m @ 1.9g/t Au) and 0.06% Cu

SPRC085

40m @ 0.05% Cu

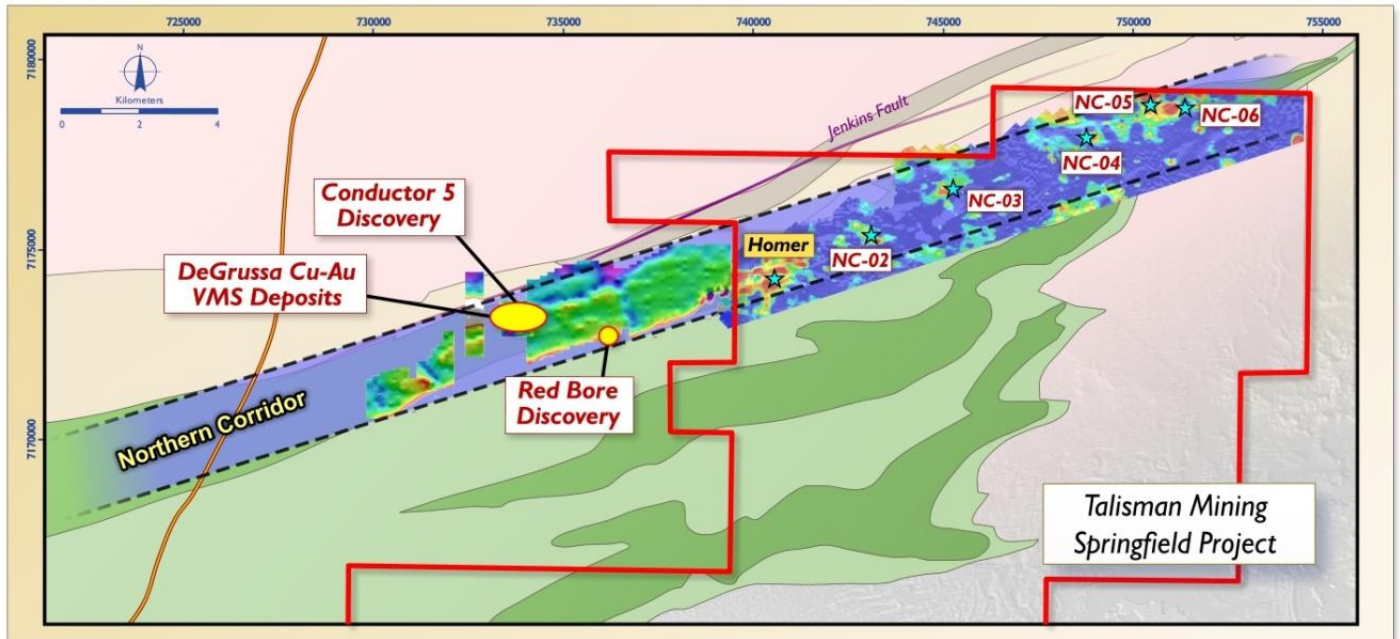
SPD009

0.5m @ 0.45% Cu (sulphide stringers)

Diamond core (SPD001) exhibiting the presence of narrow stringer copper and iron-rich sulphides (i.e. chalcopyrite-pyrite).

Results from a hand-held XRF unit have returned individual readings of up to 11.5% Cu.



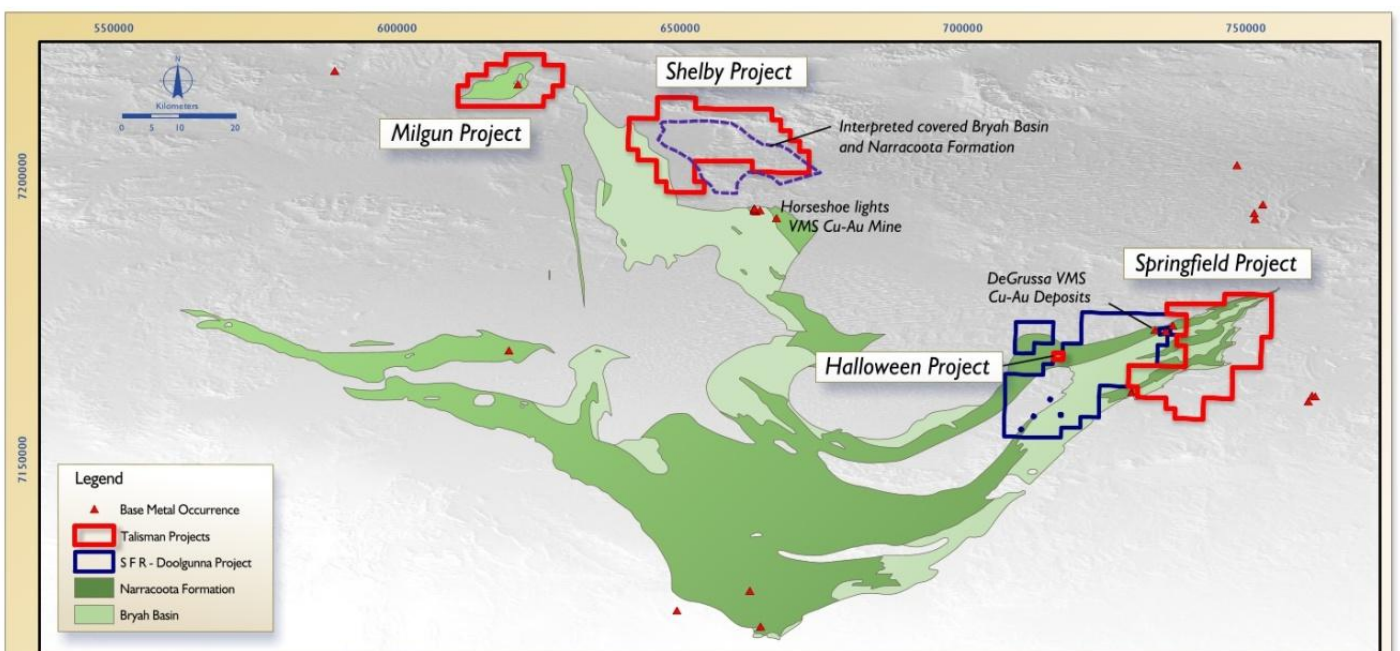


Springfield Project Northern Geochemical Corridor

The Company is well positioned to recommence an extensive and aggressive exploration program at Springfield with drilling scheduled to resume in February 2011.

In addition to news flow from the Springfield Project, we expect to be able to update the market in the coming weeks on several other important developments within the Company including:

- *exploration and project development activities within our broader exploration portfolio in the Bryah Basin region of Western Australia, which includes the Halloween, Shelby and Milgun Projects;*



Talisman Mining Ltd Bryah Basin Projects

- *progress with the recently announced agreement to sell our non-core Wonmunna and Uaroo iron ore projects in the Pilbara region to ASX-listed E-com Multi Limited for a total of \$41.35 million. A non-refundable option fee of \$2 million has already been paid and the remaining consideration of \$32.25 million cash and 35.5 million ECE shares is due on completion of the transaction in early February 2011; and*

- *outcomes from the ongoing assessment of advanced exploration targets in line with Talisman's strategy to identify high-value, near-term, value-adding opportunities.*

Talisman has assembled a highly skilled exploration team comprising exploration and resource geologists, field assistants and logistics and support personnel to implement what will be the largest exploration initiative in its history in 2011.

Together with other developments including the potential for a substantial cash injection from the sale of our non-core iron ore assets, the next 12 months should be a company-defining period for Talisman.

I look forward to keeping you informed on our progress and would like to take this opportunity to wish you well for the New Year.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A Senior', with a long horizontal flourish extending to the right.

Alan Senior
Chairman

Table 1: Significant Copper Intercepts, Springfield Project.

Hole	Easting	Northing	Dip/Az	From	To	Metres	Cu Grade
DIAMOND DRILLING							
SPD001	742000	7175700	-60/180	245.00 441.00	245.50 441.50	0.50 0.50	0.13% 0.13%
SPD003	739900	7174970	-60/180	180.00 315.13	181.00 316.13	1.00 1.00	0.13% 0.16%
SPD004	739880	7173980	-60/000	231.50	232.65	1.15	0.10%
SPD005	739900	7173420	-80/000	333.00	333.60	0.60	0.36% e
SPD006	742000	7175640	-60/180	131.75 259.00 466.00 <i>(incl. 466.75)</i>	132.50 260.00 468.00 467.00	0.75 1.00 2.00 0.25	0.10% 0.26% 0.23% 1.54% x
SPD009	744385	7171745	-60/360 <i>(incl. 120.25)</i>	118.75 120.25	120.75 12.75	2.00 0.50	0.13% 0.45% x
SPD011	739905	7173825	-60/000	140.00 157.00 390.50 564.50	140.50 157.50 391.00 565.00	0.50 0.50 0.50 0.50	0.16% 0.13% 0.31% x 0.18% x
SPD012	741000	7174250	-60/000 <i>(incl. 273.50)</i>	114.50 260.00 272.50 273.50	115.50 260.50 274.00 274.00	1.00 0.50 1.50 0.50	0.10% 0.14% 0.21% 0.57% x
SPD013	739895	7175060	-60/180	329.00 431.50	329.50 432.00	0.50 0.50	0.17% 0.27% x
RC DRILLING							
SPRC093	744485	7175630	-90	56	57	1	0.12%
SPRC102	743230	7175290	-60/000	43	56	13	395ppm x
SPRC105	743205	7174675	-90	24	46	24	293ppm xe
RAB DRILLING							
SPRB003	741419	7175237	-90	21	26	5	480ppm
SPRB014	741510	7174141	-90	14	43	29	385ppm
SPRB027	740402	7174980	-90	11	21	11	403ppm
SPRB031	740386	7175465	-90 <i>(incl. 33)</i>	24 33	42 42	18 9	932ppm 0.12%
SPRB073	742810	7175438	-90	3	22	19	396ppm
SPRB117	744424	7173717	-90	31	43	12	329ppm

Note: All assays are 4-acid digest ICP multi-element unless otherwise noted
x = hand-held XRF composited point-sample assays, yet to be verified by assaying
e = End of hole

Table 2: Significant Gold Intercepts, Springfield Project.

Hole	Easting	Northing	Dip/Az	From	To	Metres	Au Grade
DIAMOND DRILLING							
SPD005	739900	7173420	-80/000	254.00	235.00	2.00	0.50g/t
SPD012	741000	7174250	-60/000	59.00	60.00	1.00	0.67g/t
RC DRILLING							
SPRC007	739896	7173601	-60/000	139 133 147	130 136 150	1 3 3	0.25g/t 0.96g/t 0.30g/t
SPRC082	744390	7171999	-60/180	10	14	4	0.81g/t
SPRC089	739900	7173595	-90	163	167	4	0.23g/t
SPRC096	744500	7176466	-90	48	52	4	0.31g/t

Note: All assays are 4-acid digest ICP unless otherwise noted
e = End of hole

Competent Persons' Statement

Information in this report that relates to Exploration Results is based on information compiled by Mr Harry Cornelius, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Harry Cornelius is a full time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Harry Cornelius consents to the inclusion in this report of the matters based on information in the form and context in which it appears.