



TALISMAN MINING LTD  
ANNUAL REPORT

2014





## ■ CORPORATE DIRECTORY

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Mr Alan Senior	Non Executive Chairman
Mr Gary Lethridge	Managing Director
Mr Graeme Cameron	Technical Director
Mr Brian Dawes	Non Executive Director
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## ■ LETTER FROM THE CHAIRMAN

### Dear Shareholder,

I am pleased to present Talisman's 2014 Annual Report and to reflect on what has been a difficult year with some pleasing progress, in spite of the challenging market conditions which continue to confront the junior resource sector.

Talisman took a major step forward in the exploration of its Bryah Basin copper-gold projects in December 2013 by securing a landmark \$15 million farm-in exploration joint venture with the leading Australian copper producer Sandfire Resources.

Under this joint venture, Sandfire can earn up to 70% of Talisman's interest in the Springfield, Halloween and Halloween West projects by spending a minimum of \$15 million on exploration over five-and-a-half years. The joint venture combines Sandfire's extensive regional geological knowledge base, financial capacity to fund deeper exploration and state-of-the-art VMS exploration capabilities with our own geological knowledge, strategic ground position and comprehensive geo-scientific database which we have built up over the past four years.

Sandfire commenced ground-based exploration activities in June and has an ongoing multi-pronged exploration effort comprising detailed litho-chemical analysis, extensive programs of aircore drilling as well as comprehensive surface and downhole geophysical surveys across several prospective sequences.

This is a very exciting development for Talisman, with the joint venture giving the Company free-carried exposure to one of the most comprehensive, technically sophisticated and well-directed VMS copper-gold exploration programs underway anywhere in the world.

We continued to pursue our business development strategy and have assessed a large number of potential acquisitions.

Our preference in terms of commodity exposure remains copper and nickel – both of which we believe have attractive market fundamentals. Experience however has shown that quality assets with the potential to deliver genuine value for shareholders remain few and far between.

The Company continues to adopt a conservative approach to managing our cash resources. During the year we have further reduced staffing levels, implemented material salary reductions and renegotiated our office lease.

In conclusion, I would like to thank our Managing Director, Gary Lethridge, and our team of staff and consultants for their hard work and dedication in steering the Company through what has been another challenging year.

I would also like to sincerely thank our shareholders for their continued support.

With our financial position remaining strong, exploration gathering momentum at Springfield, and our business development team continuing to pursue quality opportunities, I am confident that shareholders can look forward to better times ahead.

Yours faithfully

Alan Senior  
Chairman



## REVIEW OF OPERATIONS

### OVERVIEW

The past 12 months has seen Talisman conduct several phases of exploration activities within its portfolio of projects located in the Northern Murchison Region of Western Australia (see **Figure 1**).

The first six months of the financial year saw various exploration programs conducted at the **Springfield** (copper), **Livingstone** (nickel) and **Halloween West** (copper) projects. In late December 2013, the Company secured the involvement of leading Australian copper producer Sandfire Resources NL (ASX: SFR) in the next phase of exploration on its Doolgunna Projects at the **Springfield, Halloween and Halloween West JV** Projects (see **Figure 1**) through a \$15 million farm-in exploration joint venture. This farm-in exploration joint venture marks the beginning of a new period of exploration activity across the Company's Doolgunna exploration portfolio.

Having secured external exploration funding for its Doolgunna Copper-Gold Projects as a consequence of the farm-in agreement with Sandfire, the second half of the reporting period saw Talisman strategically focus its business development activities on the identification of potential quality exploration projects located within Australia. Principal commodities under consideration were nickel sulphide, copper-gold and gold.

Further details of exploration activities undertaken across Talisman's Projects during the year are contained in the following exploration project reviews.

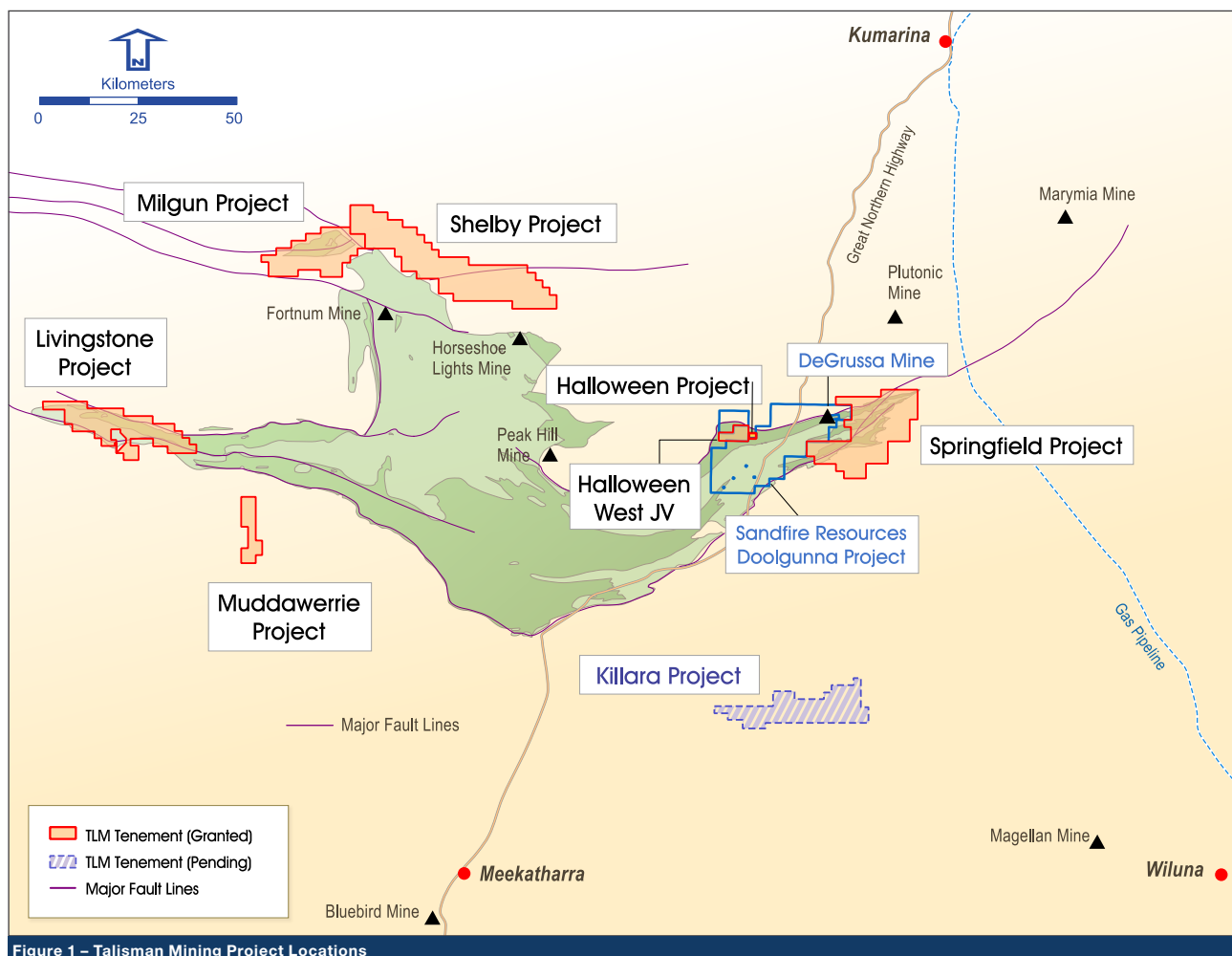


Figure 1 – Talisman Mining Project Locations





## REVIEW OF OPERATIONS

### DOOLGUNNA PROJECTS

Talisman's **Springfield** Project lies immediately along strike, to the east; from Sandfire's operating DeGrussa Copper-Gold mine, and the **Halloween** and **Halloween West JV** Projects about Sandfire's Doolgunna Project to the west. These Projects are interpreted to contain extensions of the volcanic rock package which hosts the DeGrussa VMS deposits (see **Figure 2**).

The \$15 million exploration farm-in joint venture signed with Sandfire Resources in Dec 2013 grants Sandfire the right to farm into Talisman's wholly-owned **Springfield** and **Halloween** Projects, as well as its joint venture rights over the **Halloween West** Project (**Talisman's Doolgunna Copper-Gold Projects**) and enables the two companies to work together and share local exploration knowledge in order to target potential copper-gold discoveries at these projects.

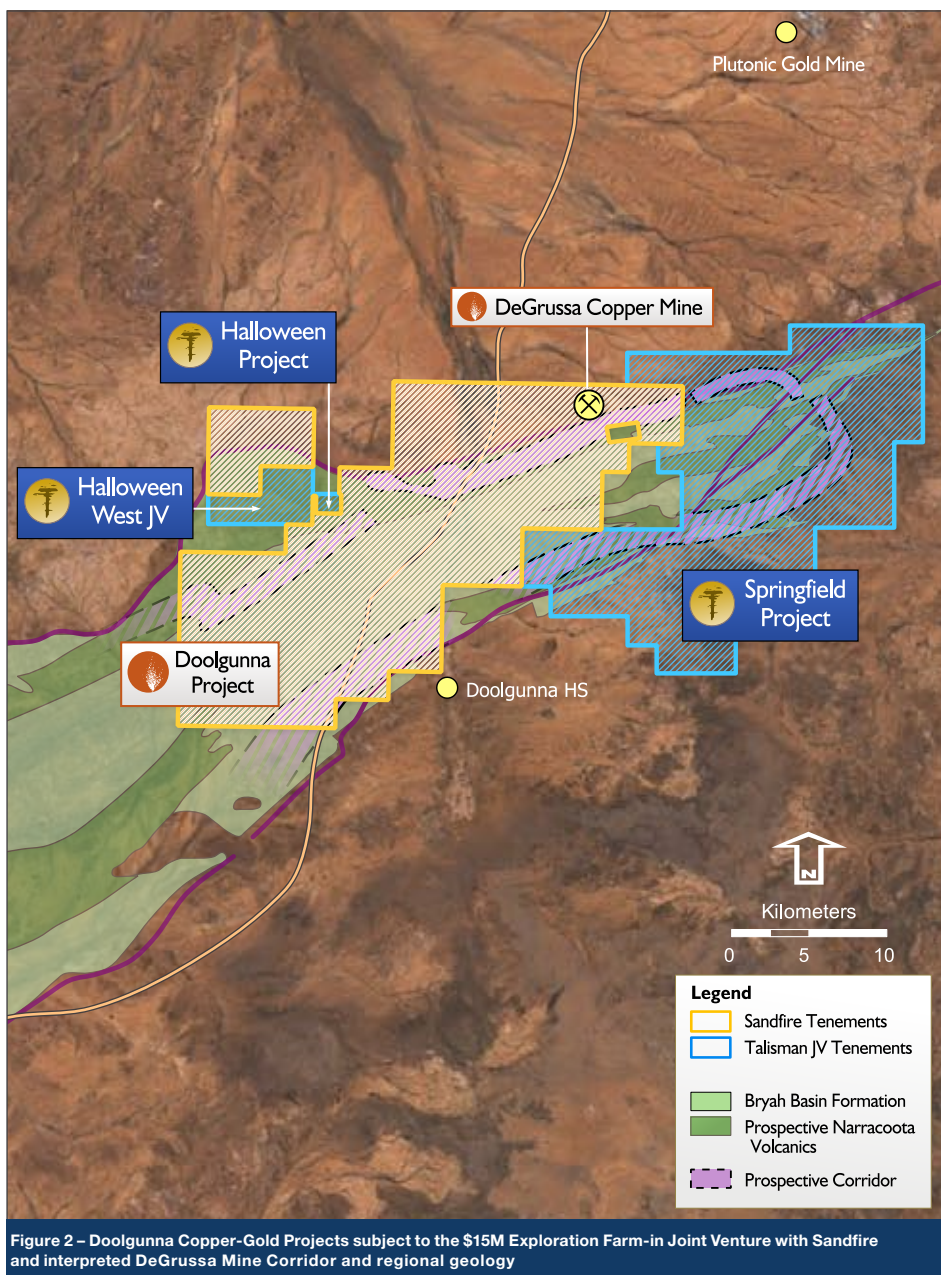


Figure 2 – Doolgunna Copper-Gold Projects subject to the \$15M Exploration Farm-in Joint Venture with Sandfire and interpreted DeGrussa Mine Corridor and regional geology



## ■ REVIEW OF OPERATIONS

The key commercial terms of the exploration farm-in joint venture are as follows:

- Sandfire has the right to earn a 70% ownership interest in Talisman's interests in the Doolgunna Copper-Gold Projects by spending \$15 million on exploration across the Doolgunna Projects within 5½ years from entering into the exploration farm-in joint venture.
- Sandfire has a minimum expenditure commitment of \$5 million within the first two years before it can elect to either:
  - i. withdraw from the agreement with no further commitment and no project equity interest; or
  - ii. spend an additional \$5 million (for a total of \$10 million) within a further 2-year period (total 4 years) in order to earn a 51% interest in the Doolgunna Copper-Gold Projects (First Interest).
- After Sandfire acquires the First Interest, a Joint Venture will be formed between Sandfire and Talisman, with Sandfire holding a 51% interest and Talisman a 49% interest, in Talisman's current rights and interests in Talisman's Doolgunna Copper-Gold Projects
- At that time Sandfire then has the option to sole fund a further \$5 million (for a total of \$15 million) on exploration expenditure within a further 18 month period in order to acquire a further 19% (Second Interest) in Talisman's current rights and interests in Talisman's Doolgunna Copper-Gold Projects, thereby taking its total interest to 70%.
- If Sandfire gives a notice ceasing sole funding prior to acquiring the Second Interest it shall be deemed to have earned a 51% interest (with Talisman retaining a 49% interest) and the exploration joint venture will then be operated on a pro rata contributing basis or under standard industry dilution terms.
- Should Sandfire elect to earn the Second Interest by spending a minimum of \$15 million in total and thereby hold a 70% joint venture interest, Talisman will have the right to maintain its 30% interest by contributing to exploration expenditure on a pro rata basis or dilute under industry standard terms.
- Sandfire will manage all exploration activities during the farm-in period.
- Sandfire's right to farm into Talisman's joint venture rights over the Halloween West Project is subject to the terms of the existing joint venture arrangements (with Chrysalis Resources Limited - ASX: CYS) in respect of that Project.

### SPRINGFIELD COPPER - GOLD PROJECT

(100% Talisman Mining Ltd –subject to Sandfire farm-in exploration joint venture)

The Springfield Project comprises a 303km<sup>2</sup> ground package located approximately 150km north-east of Meekatharra in the northern Murchison Goldfields region of Western Australia (see **Figure 1**). Springfield is 4km directly along strike from Sandfire Resources' DeGrussa Copper-Gold Mine.

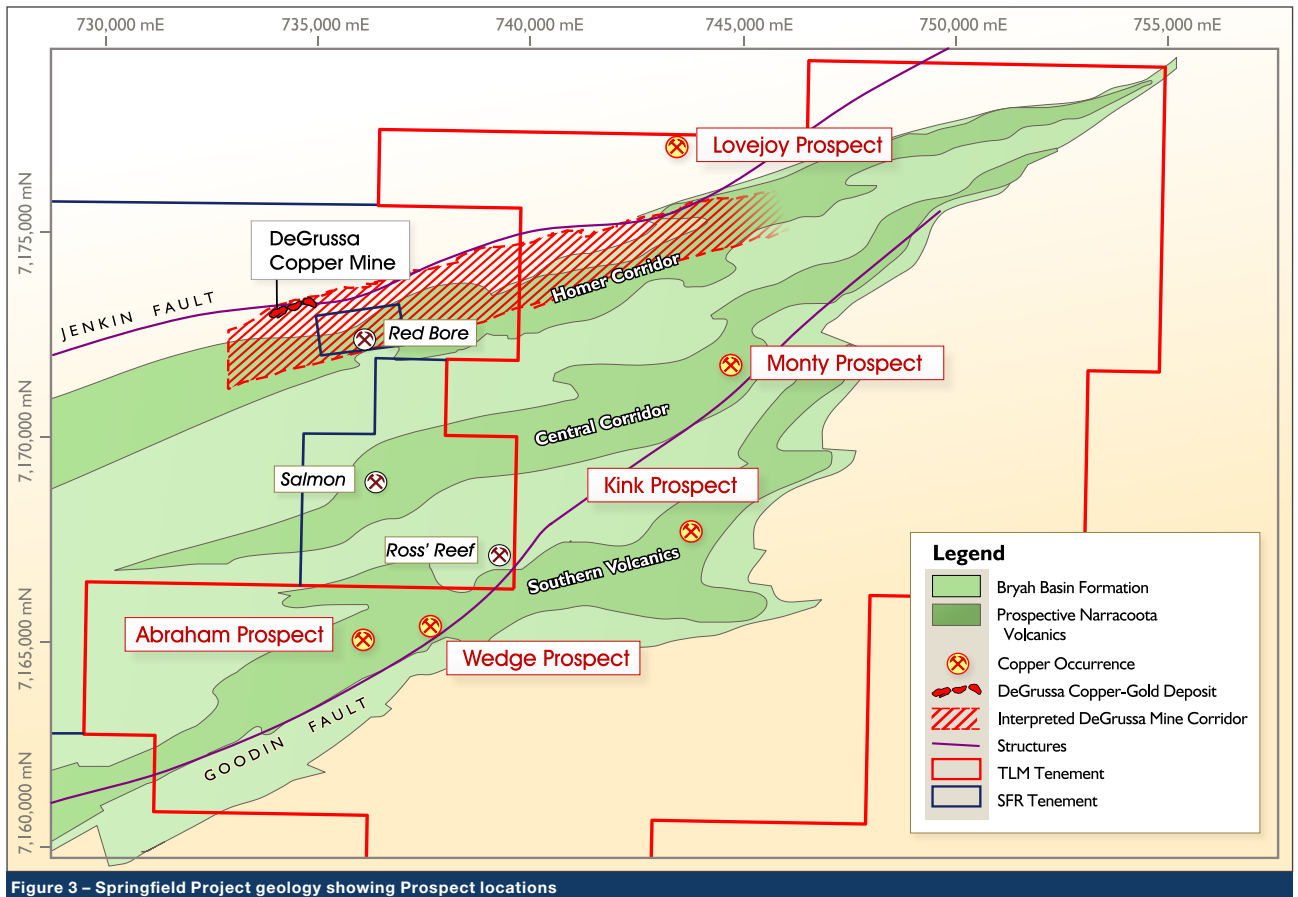
### EXPLORATION ACTIVITIES

Previous exploration activities by Talisman at the Springfield Project focused on systematically testing prospective stratigraphic horizons for DeGrussa-style Volcanic-hosted Massive Sulphide (VHMS) mineralization, primarily along the Homer (DeGrussa), **Monty**, and **Central** Volcanic Corridors, as well as first-pass reconnaissance-style exploration within the **Southern Volcanic sequence** (see **Figure 3**).

An in-depth, independent technical review completed early in the financial year identified that, in addition to DeGrussa-style VHMS mineralisation, the Springfield Project is also prospective for a range of structurally-controlled, sediment-hosted copper mineralisation styles. These mineralisation styles are evident at the nearby Thaduna and Green Dragon deposits, as well as other examples at the Mt Isa copper mine in Queensland and the Nifty copper mine in northern WA.



## REVIEW OF OPERATIONS



### Jenkin Fault Zone

As a result of the technical review, the Company identified a broad target area along the Jenkin Fault Zone comprising strongly deformed and silicified dolomitic sediments and carbonaceous black shale of the Yerrida Basin Windplain Formation in faulted contact with the Archaean Marymia granite (see **Figure 4**).

It is interpreted that the Yerrida shales and dolomites may be “preferred host rocks” for structurally-controlled copper mineralization (i.e. in veins and breccia). It is also interpreted that the boundary between the Yerrida sediments and the overlying oxidised wackes and siltstones of the Karalundi Formation constitutes a major oxidation boundary that may be an important control on the deposition of copper sulphides along favourable fluid pathways.

Historical exploration along the Jenkin Fault Zone had been limited to very broadly-spaced geochemical drilling traverses with isolated deeper RC/Diamond drilling at the **Lovejoy** Prospect in 2012 to test a discrete electromagnetic conductive target. This drilling intersected highly-silicified dolomitic sediments and sheared carbonaceous shales with minor copper and iron sulphides associated with quartz-carbonate veining, confirming the prospectivity of the area.





## REVIEW OF OPERATIONS

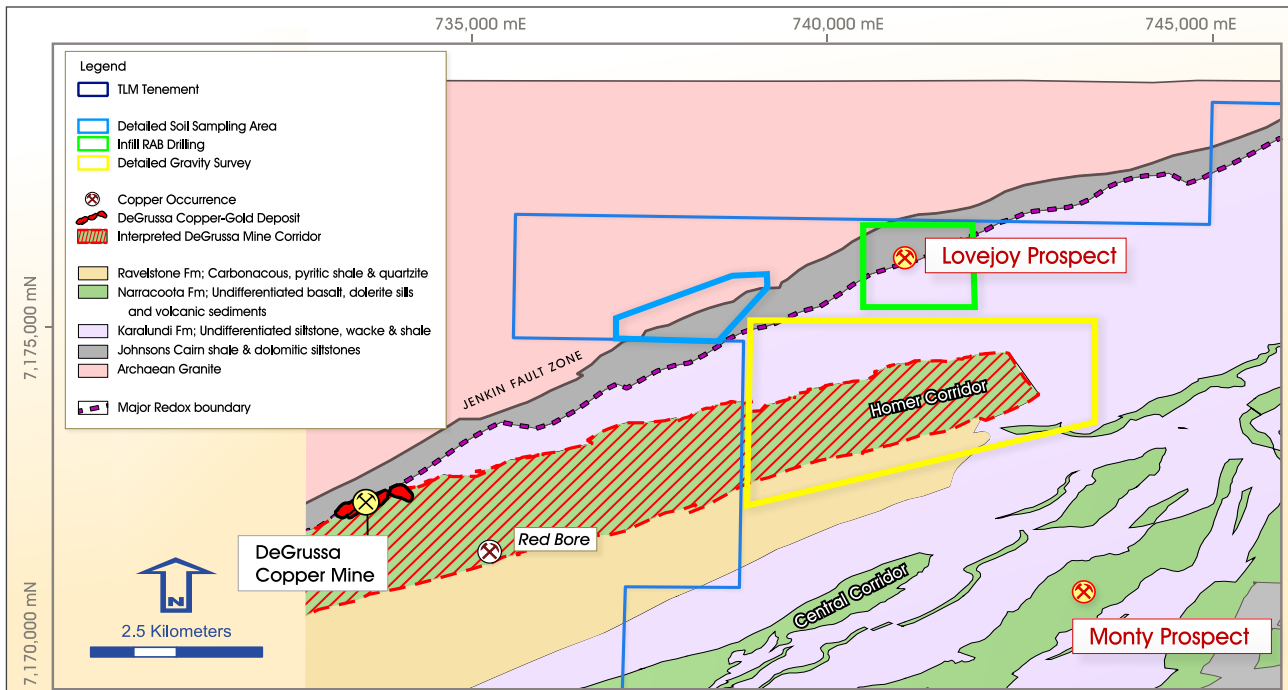


Figure 4 – Springfield Project geology showing areas of completed work programs by Talisman

Consequently, two geochemical sampling programs were developed and undertaken early in the second quarter of the financial year to explore an area extending over 6km in a direct line from the **Lovejoy** Prospect and terminating at Sandfire’s adjoining tenement boundary to the south-west (see **Figure 4**). These phases of geochemical sampling were designed to test a series of structural targets along the Jenkin Fault Zone and across the interpreted major redox boundary between the Yerrida shales and the Karalundi sediments.

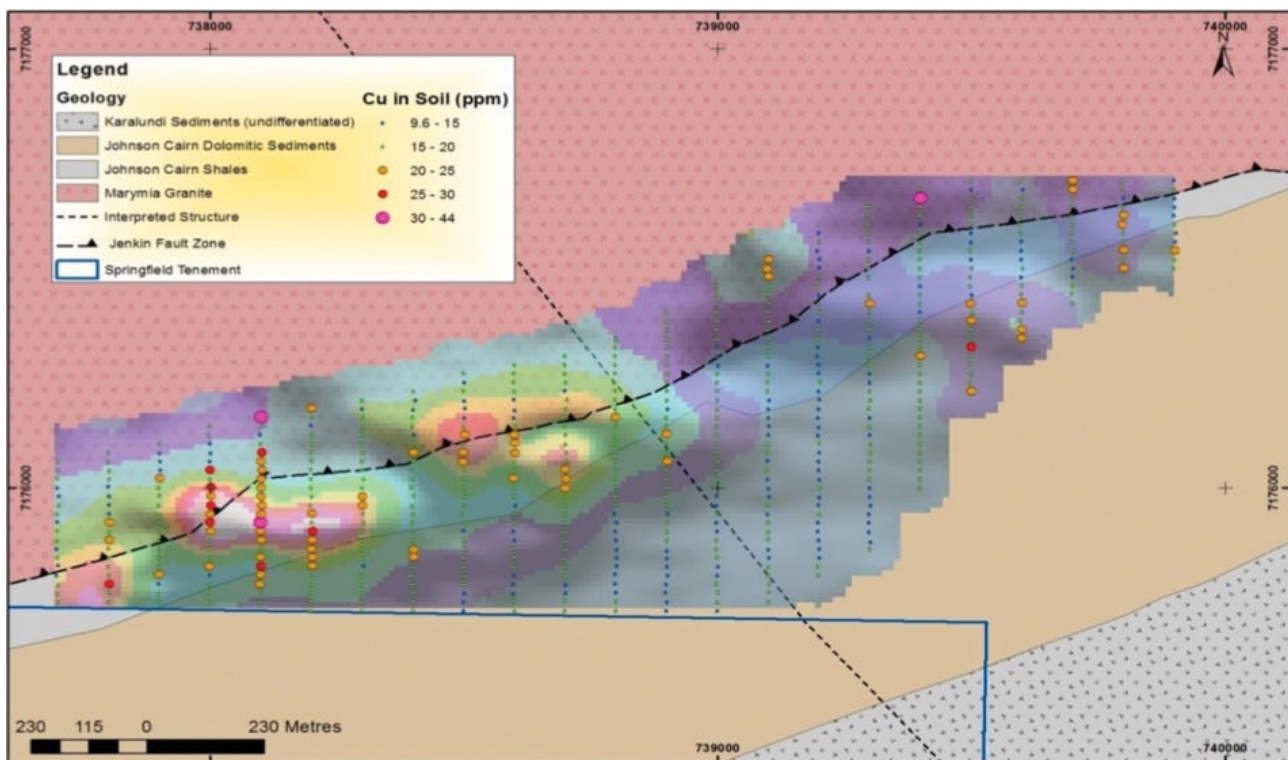


Figure 5 – Detailed soil sampling over Jenkins Fault Zone target with copper assays (points) over gridded zinc geochemical image and interpreted geology.



## REVIEW OF OPERATIONS

Final assays highlighted a coherent, but low-order, Cu-Zn-Co anomaly with a maximum Cu value of 30.5ppm (approximately double the background threshold). The anomalous zone was of the dimensions 300m x 300m and straddled the granite-sediment contact (see **Figure 5**). Field checking indicated the peak of the anomaly is largely over outcropping granite and most likely related to a series of cross-cutting NE-SW trending faults.

Following completion of the first phase of soil sampling, an in-fill geochemical Aircore drilling program was conducted at the **Lovejoy** Prospect in the second quarter of the financial year. The program comprised 43 vertical holes for 2,580m on five 200m-spaced lines and was designed to test a late-time conductive MLEM anomaly associated with the structural confluence of a major NW trending gravity structure and the Jenkin Fault Zone (see **Figure 6**).

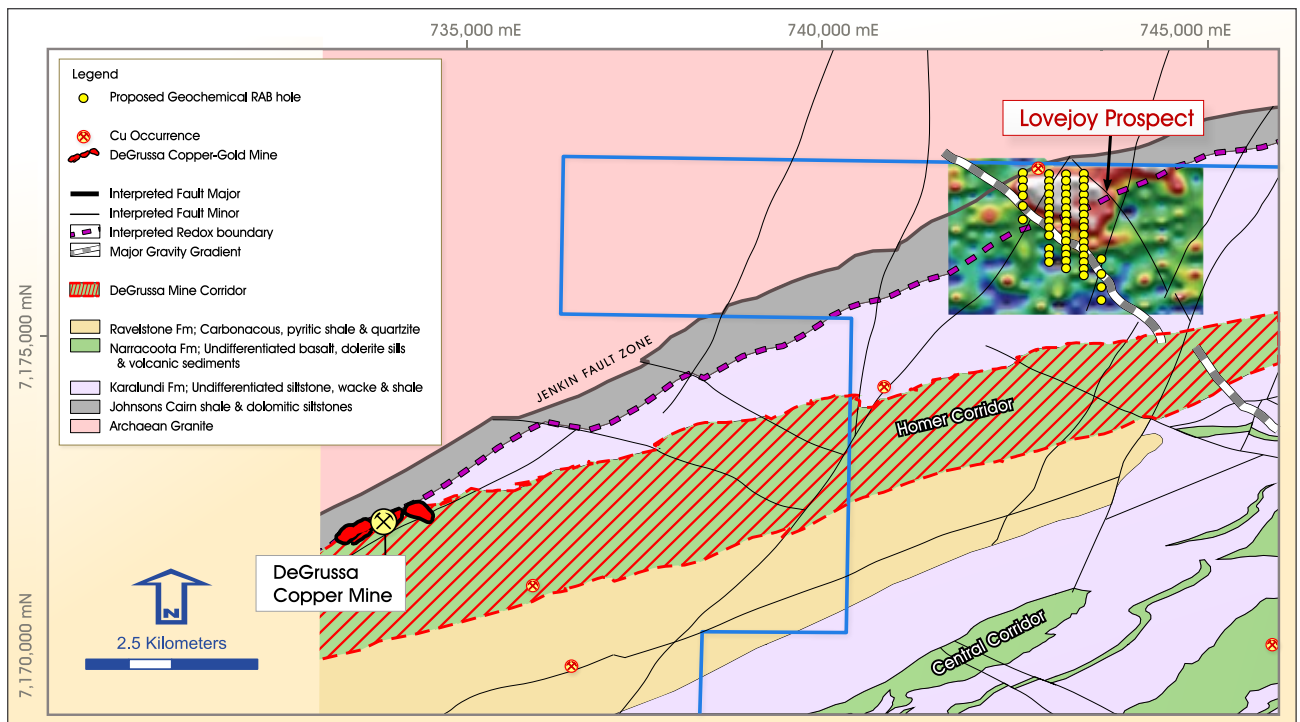


Figure 6 – Springfield geology map showing geochemical RAB drilling over Lovejoy MLEM target associated with an interpreted major redox front and NW trending gravity structure.

Drilling from south to north intersected altered and volcanic wackes and siltstones of the Karalundi formation before passing into highly-silicified dolomites and shale of the Johnson Cairn Formation, and then coarse Archaean granite to the north (see **Figure 7**).

The rocks showed variable degrees of chlorite-silica alteration with abundant quartz-carbonate veins that may indicate the presence of a mineralising hydrothermal system.

The assay results clearly defined a coherent east-west trending zone of copper anomalism to a maximum of 577 ppm Cu over a strike length of 600m along the Johnson Cairn-Karalundi contact, and broadly coincident with the MLEM anomaly (see **Figure 7**). Furthermore, it is clear from the drilling results that a major NW fault zone exerts a strong control on the Lovejoy copper anomaly.



## REVIEW OF OPERATIONS

All of this data was provided to Sandfire as part of the exploration farm-in joint venture and is expected to assist in refining the geological interpretation and better definition of anomalous trends for possible future follow-up exploration by Sandfire at this prospect.

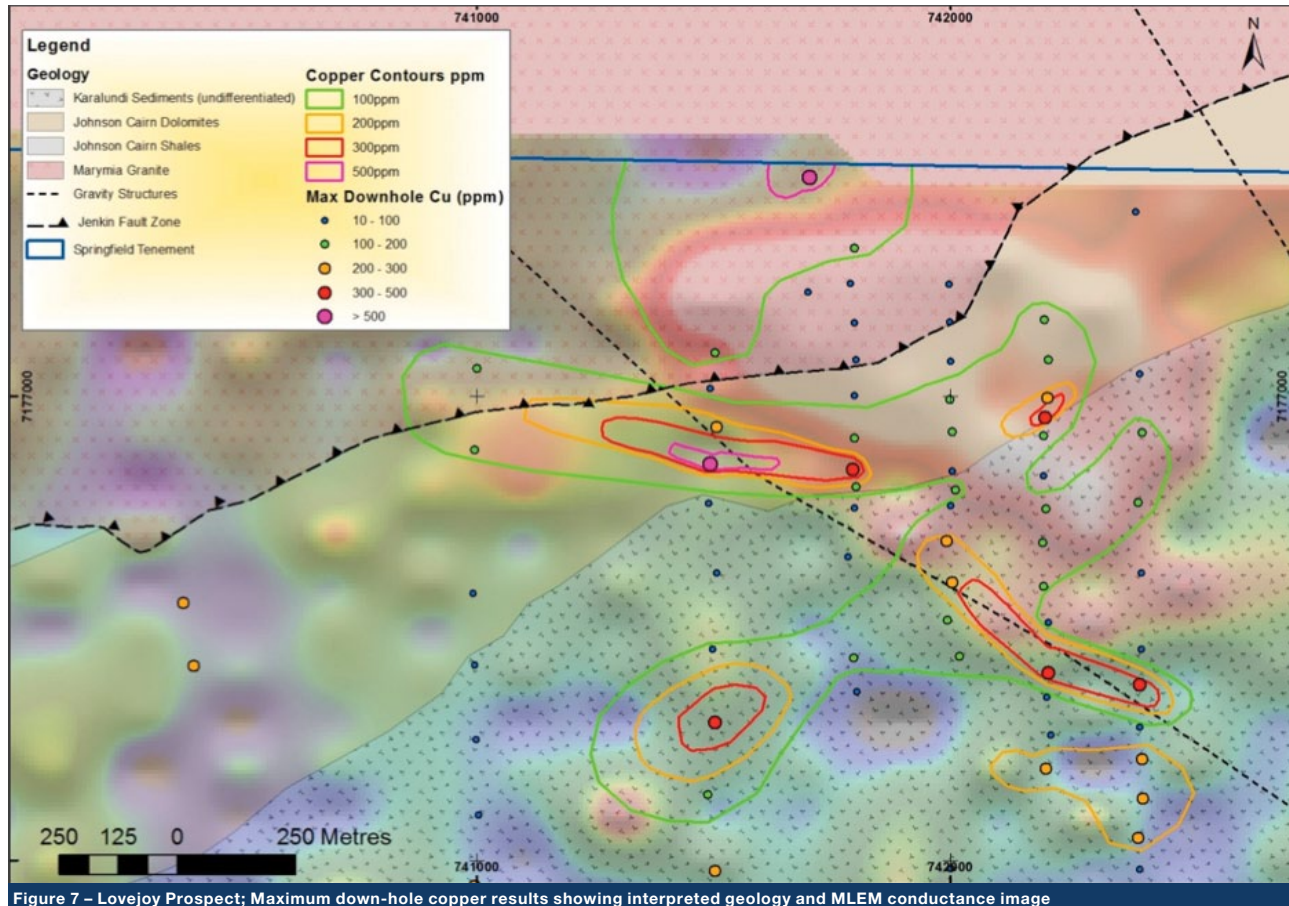


Figure 7 – Lovejoy Prospect; Maximum down-hole copper results showing interpreted geology and MLEM conductance image

### Homer Corridor Detailed Gravity Survey

A detailed review of the Springfield drilling data undertaken during the year confirmed widespread copper-iron sulphide deposition along the **Homer** (DeGrussa) volcanic corridor at multiple stratigraphic levels within the Narracoota volcanic succession. The copper mineralisation is principally hosted by geological structures within altered volcanoclastic sediments adjacent to basaltic flows and mafic sills that appear to have preferentially intruded along several sedimentary horizons.

Consequently, the Company undertook a detailed gravity survey along 50m and 100m spaced lines over the entire **Homer** Corridor (see **Figure 4**) to clearly identify the key structural controls and key mafic units and adjacent mineralized sediments within the volcanic sequence as well as defining the distribution and attitude of discrete dense geological units (comprising mafic volcanic horizons) as well as the less-dense target sediment horizons.

Processing and interpretation of this detailed gravity data will be conducted by Sandfire as part of the exploration farm-in joint venture and it is anticipated that it may assist in the development of a significantly refined geological framework for the Homer/DeGrussa volcanic corridor, potentially delineating further structural and stratigraphic targets within the Springfield Project.





## ■ REVIEW OF OPERATIONS

### Exploration Farm-in Joint Venture with Sandfire Resources NL

Following the signing of the Exploration Farm-in Joint Venture Agreement in December 2013, Talisman provided a copy of its Doolgunna Project datasets to Sandfire. Full integration, processing and evaluation of these datasets by Sandfire commenced during the first half of 2014 with a focus on identification of initial priority target areas along the extended DeGrussa Mine Corridor at Springfield.

Sandfire have reported that this work has identified a combined 65km strike length of prospective Volcanogenic Massive Sulphide (VMS) horizon across the combined Talisman and Sandfire tenements, providing a significantly expanded search horizon for potential new VMS deposits (see **Figure 2**).

This technically driven and systematic approach by Sandfire's in-house exploration team is being supported by Talisman technical personnel as well as external expert consultants including Newexco.

### High-Powered Electromagnetic Surveys at the Springfield Project Copper-Gold Project

A critical step towards robust new target generation is the compilation, integration and evaluation of the Talisman geophysical datasets in combination with data collated by Sandfire during the exploration, discovery and development of the DeGrussa Mine.

Sandfire has demonstrated considerable capability with the successful discovery of the "blind" C4 and C5 mineralised lenses at DeGrussa using these high-energy electromagnetic methods and has the ability to apply these same techniques over targets on the Doolgunna JV Projects.

During the Quarter ended 30 June 2014, Sandfire completed Stage 1 of a four-stage high-powered fixed-loop electromagnetic (FLEM) survey across the **Homer** Prospect (see **Figure 8**) which was designed to provide a better test, beyond the extent of previous ground electromagnetic surveys, for the presence of electromagnetic conductors which could represent accumulations of massive sulphides similar to the DeGrussa copper-gold VMS lenses. Sandfire also completed high-energy DHEM surveys on six drill-holes previously drilled by Talisman at the **Homer** Prospect during the quarter.

The results from the Stage 1 high-energy FLEM survey and the DHEM surveys were integrated with existing data sets and analysed by Sandfire with input from their geophysical consultants, Newexco.

This analysis resulted in the detection of a late-time conductor which is interpreted to sit within the extension of the prospective DeGrussa stratigraphic horizon (see **Figure 8**). This conductor is located approximately 5km east of the DeGrussa Copper-Gold Mine.

During June 2014, Sandfire completed a single diamond drill hole (TLD0001), to a final depth of 1,099m, with the aim of intersecting the modelled conductor at a target vertical depth of approximately 400m (see **Figure 8**). Additionally, this drill hole was used to establish a platform for further down-hole EM to better define the position of the existing target as well as potentially identifying other conductors in the vicinity; both at depth and away from this principal EM target as well as to gather important geological and geochemical information across the Homer sequence.

TLD0001 intersected a thick sequence of inter-bedded siltstone, sandstone, conglomerate and sedimentary breccia, intercalated with dolerite and peperitic basalt flows. The presence of peperite is encouraging as it indicates nearby volcanic activity as well as the presence of permeable contact horizons for possible replacement ore.

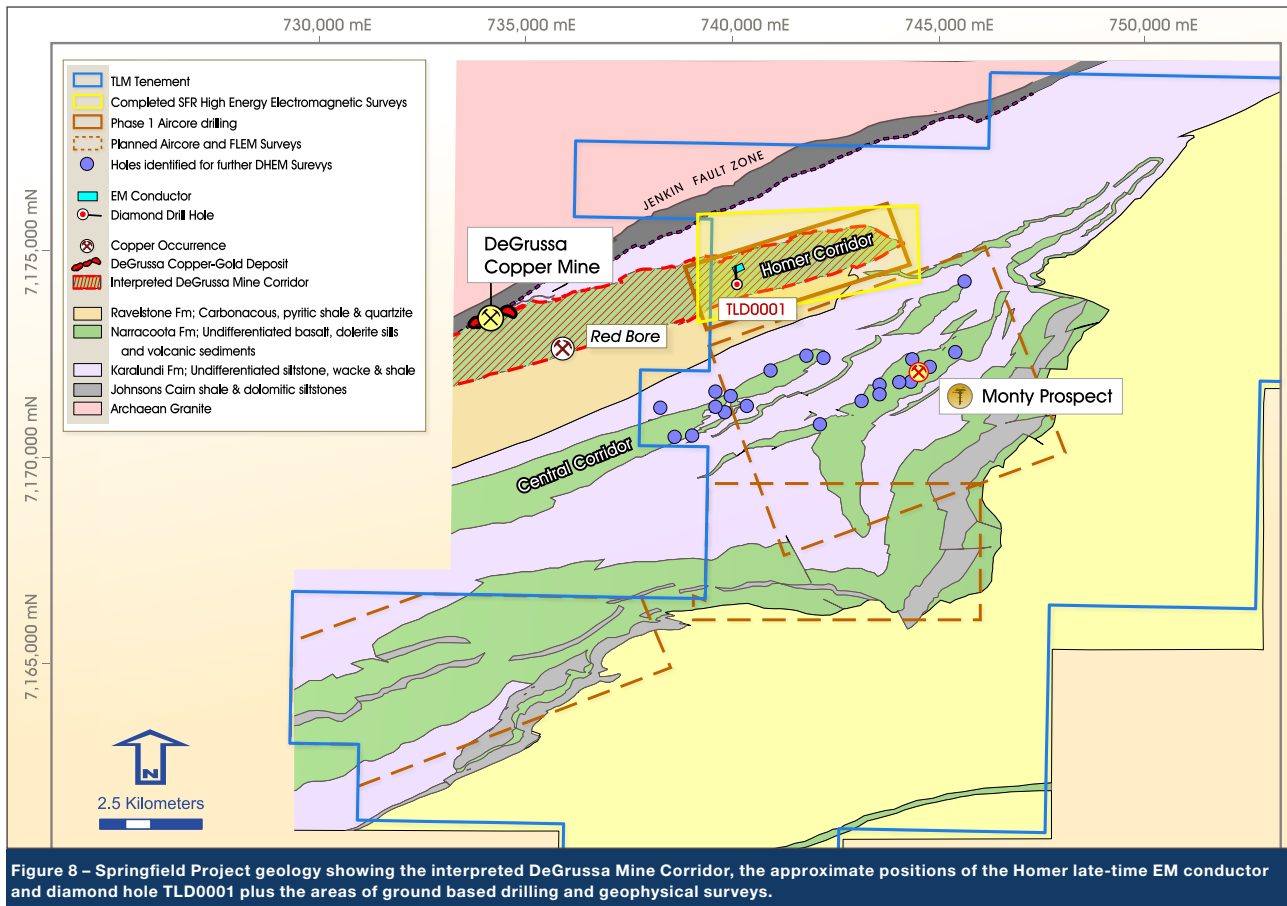
Importantly, strong hematite-silica (jasper) alteration with minor blebby chalcopyrite and disseminated pyrite was noted in laminated sediments, which are indicative of strong hydrothermal activity associated with volcanogenic exhalative processes.

Furthermore, it is interpreted that these altered sediments represent a possible stratigraphic equivalent of the DeGrussa host sequence and represent an important marker horizon along the mine corridor. This intersection will provide invaluable constraints to assist Sandfire in developing an enhanced understanding of the 3D geology within the Springfield Project.





## REVIEW OF OPERATIONS



Subsequent to the end of the reporting period, Sandfire completed high-powered FLEM surveys across the remainder of the Homer Corridor (see **Figure 8**). The data from these EM surveys is under assessment by geophysical consultants Newexco, who will embark on detailed analysis and modelling to integrate the DHEM data from TLD0001 with current and future FLEM surveys.

VMS deposits such as DeGrussa, Conductor 1 and Conductor 4 have very small strike lengths and extremely subtle geophysical and geochemical signatures relative to the broader search space. Sandfire has developed and continues to evolve its use of sophisticated methodologies to vector in on potential target areas.

### Future Planned Activities at Springfield – 2015 Financial Year

Sandfire has indicated that, based on the initial observations from diamond drill-hole TLD0001 and other recent work; it is able to confirm that the Homer sequence hosts the interpreted extension of the DeGrussa mine stratigraphy. As a result, Sandfire's regional exploration priority within the Doolgunna region in the near and medium term will be focused predominantly on Talisman's Springfield Project.

## HALLOWEEN PROJECT

(100% Talisman Mining Ltd –subject to Sandfire farm-in exploration joint venture-)

The Halloween Project is located approximately 16.5km west of the Springfield Copper-Gold Project and 11.5km south-west of Sandfire Resources high-grade DeGrussa VMS Copper-Gold Project (see **Figure 1**). The Halloween Project covers the interpreted western extension of the Narracoota Volcanic Formation that locally hosts the DeGrussa Deposit.

The next phase of exploration activity at the Halloween Project will involve a process of integration, analysis and modelling of the exploration data collected by Talisman which will be funded and managed by Sandfire under the terms of the farm-in exploration joint venture.



## REVIEW OF OPERATIONS

### HALLOWEEN WEST JOINT VENTURE PROJECT (Cu-Au)

(63% Talisman Mining Ltd – Talisman’s interest subject to Sandfire farm-in exploration joint venture)

Prior to the farm-in exploration joint venture with Sandfire, field exploration activity during the first half of the financial year at the Halloween West JV (Talisman ~63%; Chrysalis Resources Ltd ~37%) comprised of approximately 800 soil samples taken along 100m and 200m-spaced soil sampling traverses.

The exploration program was designed to test for the surface expression of copper-gold mineralization across two previously defined target areas including the western extension of the Halloween VMS target horizon at the **Wizard** Prospect and a malachite-bearing (secondary copper) sedimentary horizon in the east of the tenement at the **Malachite** Prospect (see **Figure 9**).

At the **Wizard** Prospect, a zone of coherent copper-gold anomalism was defined and correlates with the interpreted western extension of the prospective Halloween volcano-sedimentary corridor (see **Figure 9**).

At the **Malachite** Prospect, copper-gold anomalism was confirmed as occurring across the general area surrounding a known malachite occurrence (see **Figure 9**). Geological mapping at the **Malachite** Prospect indicates that the surface copper-gold anomalism is associated with a copper-bearing inter-volcanic sedimentary horizon and as such may warrant further mapping and geochemical evaluation to determine its possible extents and significance.

The next phase of activity at the Halloween Projects will involve a process of integration, analysis and modelling of the combined exploration data sets by Sandfire which may lead to future phases of exploration activity. Talisman’s share of future exploration activities on this Project will be funded and managed by Sandfire under the terms of the farm-in exploration joint venture.

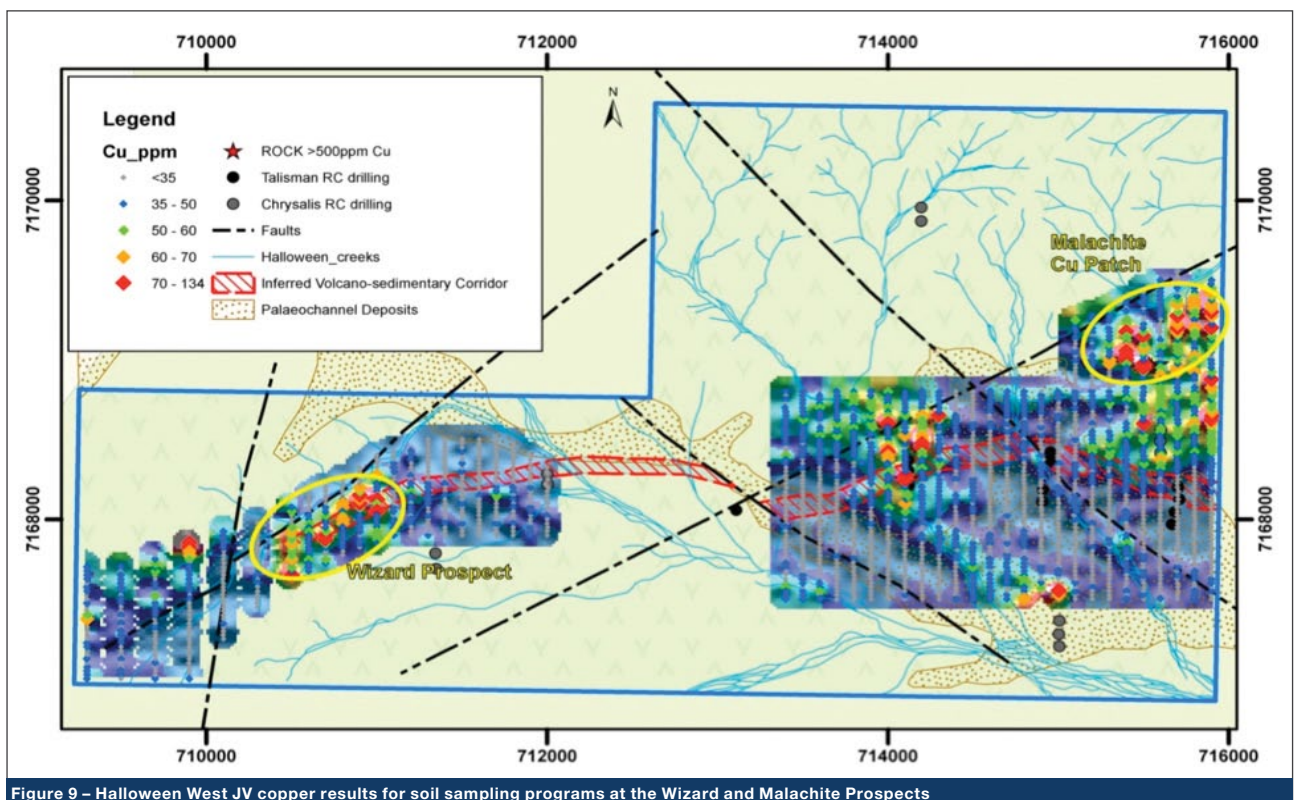


Figure 9 – Halloween West JV copper results for soil sampling programs at the Wizard and Malachite Prospects



## REVIEW OF OPERATIONS

### BRYAH BASIN PROJECTS

#### LIVINGSTONE PROJECT

(80% Talisman Mining Ltd)

The Livingstone Project is located approximately 130km to the north-west of Meekatharra (see **Figure 1**) and consists of three Exploration Licences covering an area of 208 km<sup>2</sup>. The Project straddles the western extension of the prospective Bryah Basin at the northern margin of the Yilgarn Craton and a major shear zone traverses the entire Project with widespread gold intercepts returned by historic percussion drilling programs over a strike length of more than 31km.

During the financial year, exploration activities at the Livingstone Project focused primarily on the **Kerba** Prospect (see **Figure 10**), which is located along a major regional shear zone and is considered prospective for intrusive-related magmatic nickel-copper-PGE sulphide mineralization.

#### Kerba Prospect

Historical regional soil sampling by Talisman over the **Kerba** Prospect returned coherent nickel-copper-PGE anomalism over three 400m spaced lines. A detailed in-fill soil sampling program was completed across this broad zone on a 100m x 50m grid with the aim of potentially defining a coherent nickel-copper-PGE geochemical target.

Results for this in-fill soil programme were received in July 2013 and clearly defined a coherent east-west trending zone of anomalous nickel-in-soil of >1,000ppm Ni over a strike length of at least 1.8 km.

During the September Quarter, a detailed FLEM (fixed loop electro-magnetic) survey was completed over the **Kerba** Prospect with the aim of testing for highly conductive anomalies possibly associated with accumulations of massive nickel-copper-PGE sulphides within the Kerba ultramafic intrusive body.

Following detailed analysis and 3D modelling of the FLEM data, three priority EM targets were identified which are in part coincident with a coherent Ni-Cu-Pt-in-soil anomaly and lie above the ovoid Kerba mafic-ultramafic intrusion (see **Figure 10**).

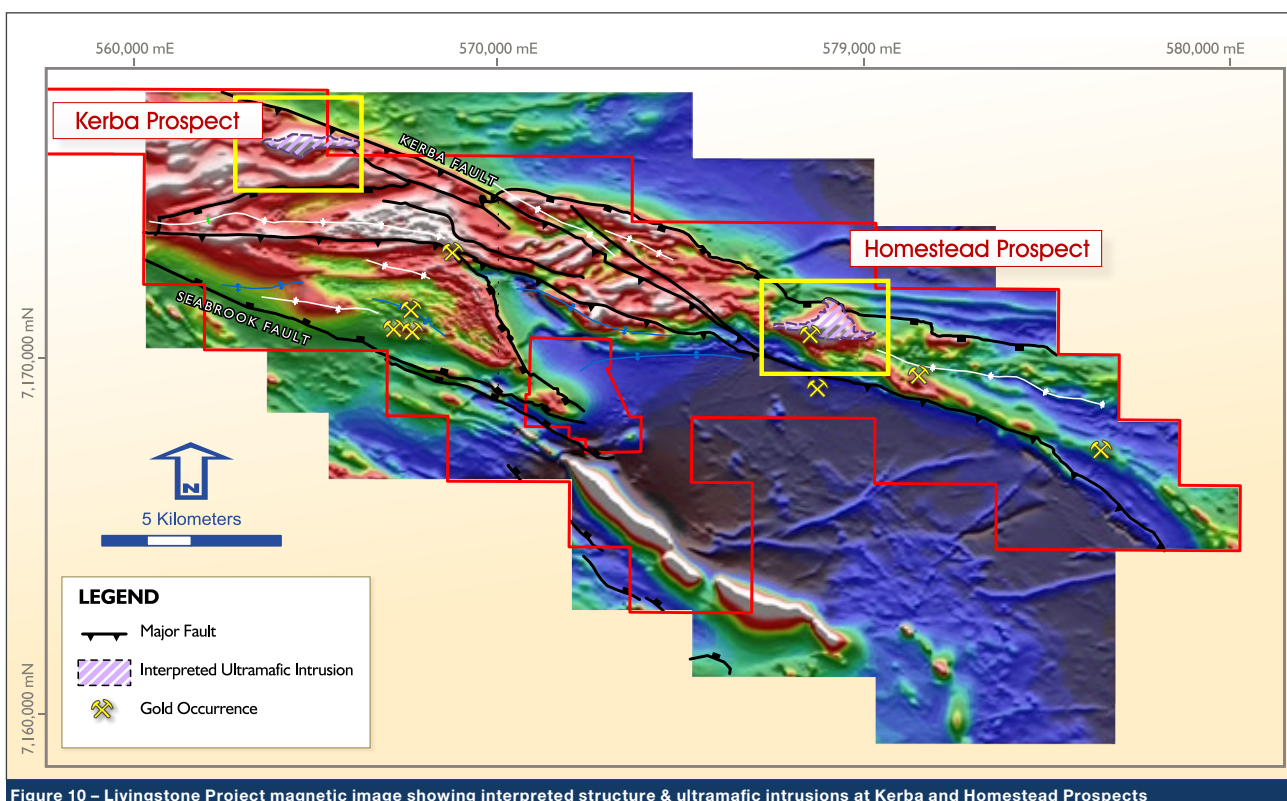


Figure 10 – Livingstone Project magnetic image showing interpreted structure & ultramafic intrusions at Kerba and Homestead Prospects





## REVIEW OF OPERATIONS

An initial 4-hole RC drilling program for 983m was completed during the December Quarter to test for the presence of nickel sulphide mineralisation as well as to establish a platform for deeper down-hole electromagnetic (DHEM) surveying (see **Figure 11**).

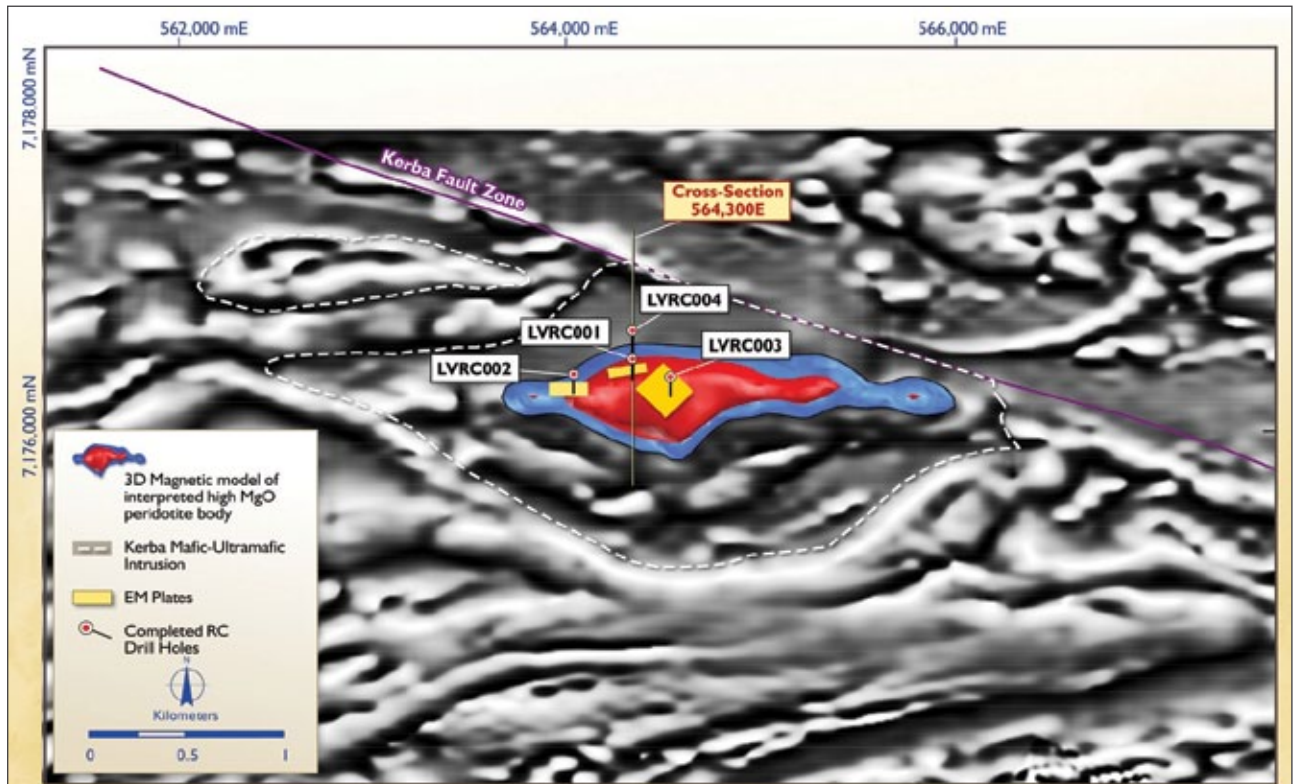


Figure 11 – Kerba Prospect oblique view of the 3D magnetic model looking to the north-east, showing drill hole locations and modelled priority FLEM plates

Drill holes LVRC001, LVRC002 and LVRC003 were drilled to intersect three FLEM plates with associated Ni-Cu-PGE soil geochemistry, while LVRC004 was drilled down-dip of LVRC002, to provide a platform for DHEM at depth beyond the resolution of the FLEM survey data.

All RC drill holes drilled through high-MgO lithologies including pyroxenite, chlorite-carbonate schists and gabbro before passing into a highly serpentinized, cumulate-textured peridotite body which is interpreted to represent the strongly magnetic Kerba intrusion observed in the regional datasets.

Importantly, petrographic examination of the drill chips has noted widespread sulphide development within the mafic-ultramafic lithologies. Minor blebs of chalcopyrite and pyrite are preferentially developed in the pyroxenite unit and trace, fine-grained nickel sulphide (pentlandite) was observed at the pyroxenite-peridotite contact. A recent review highlighted that the basal contact of the main peridotite body lies to the south of the current drilling and as such remains untested.





## REVIEW OF OPERATIONS

Down-hole electromagnetic (DHEM) surveys were completed and a number of minor in-hole anomalies were returned but none of these are considered to be directly associated with a significant massive nickel sulphide target. The original FLEM anomalies are interpreted to be a result of weathering effects, possibly deeper and clay enriched over the western part of the intrusion. Alternatively, there appears to be a significant amount of magnetite and pyrite in the system which in terms of the volume/extent may be the cause of the weak-moderate FLEM anomalies.

It is important to note the strong Ni-Cu enrichment in LVRC001 within the saprolite horizon above the nickel-sulphide bearing ultramafic contact, with an intersection of up to 6m @ 0.47% Ni from 6m depth (see **Figure 12**).

While these elevated results in the near-surface environment are the result of weathering processes, they may provide a useful vector to primary nickel-copper sulphides at depth elsewhere in the Kerba intrusion.

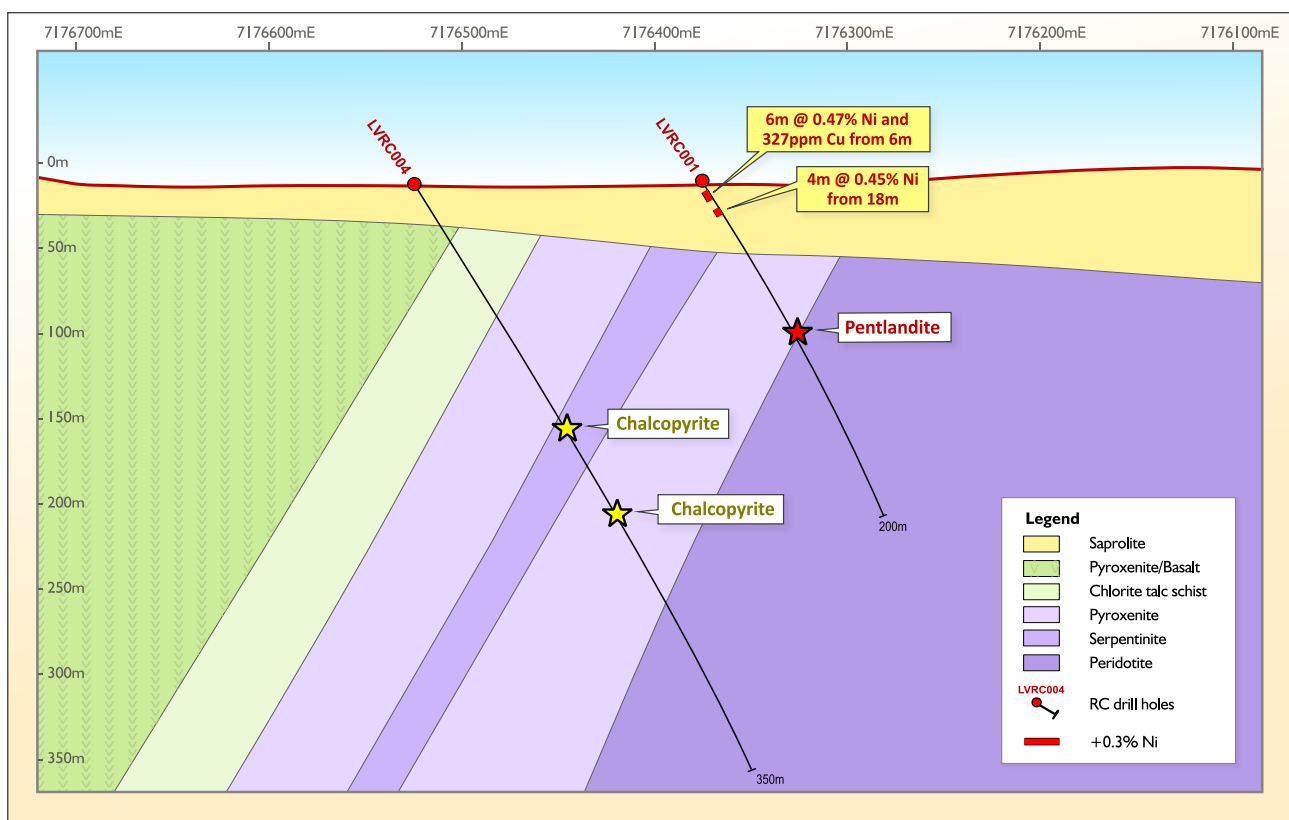


Figure 12 – Kerba Prospect X-Section on 564,300E with drill hole LVRC001 and LVRC004 drilled to test FLEM plate and 3D magnetic model.

## Homestead Prospect

Previous soil sampling over the **Homestead** Prospect detected a second discrete east-west trending coincident nickel anomaly associated with a strongly magnetic feature that is also interpreted to be a dyke-like mafic-ultramafic intrusion. It is interpreted that highly variable transported regolith materials at Homestead may obscure its surface expression to the east of the main nickel anomaly.

Importantly, these encouraging soil geochemistry results across the **Kerba** and **Homestead** Prospects indicate the presence of high-magnesium ultramafic rocks. Combined with the presence of essential pathfinder geochemical anomalism, the **Kerba** and **Homestead** Prospects demonstrate the potential to host magmatic/hydrothermal nickel-copper-PGE sulphide mineralization.



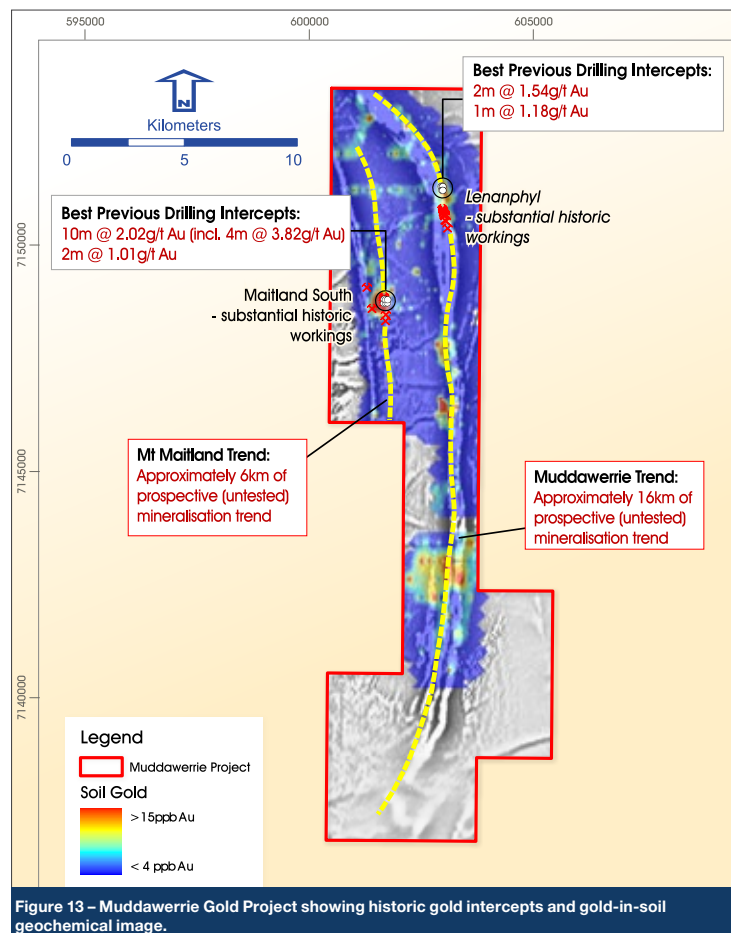
## REVIEW OF OPERATIONS

### MUDDAWERRIE GOLD PROJECT (80% Talisman Mining Ltd)

The Muddawerrie Project is located approximately 100km north west of Meekatharra in the Murchison Region of Western Australia (see **Figure 1**). The granted Exploration License covers an area of approximately 52km<sup>2</sup> and encompasses the entire 16km strike length of an Archaean greenstone belt that is highly prospective for banded iron formation (BIF) and mafic hosted shear zone hosted gold deposits, similar to those at Mt Magnet and Meekatharra.

The Muddawerrie Project comprises two mineralised trends, Mt Maitland and Muddawerrie, which extend for 6km along the western and eastern sides of the Project area respectively. Both trends are characterised by highly anomalous gold geochemistry in highly sheared mafic volcanic rocks coincident with a number of historic gold workings along each trend (see **Figure 13**).

Several reconnaissance site visits were undertaken during the financial year to further ground truth several gold-in-soil anomalies and to help refine sites for potential first pass RC drilling to test these targets. At least six areas of interest have been identified from this work which is associated with sheared banded-iron formations and/or basalt horizons cross-cut by a series of NW and NE-trending faults.



### SHELBY PROJECT (Cu-Au) (100% Talisman Mining Ltd)

The Shelby Project is located along the northern margin of the Bryah Basin approximately 30km north of the Horseshoe Lights Copper-Gold Mine (see **Figure 1**). Talisman is targeting large scale mineral deposits along a 60 kilometre extent of an interpreted crustal suture zone along the interpreted northern edge of the Yilgarn Craton.



## REVIEW OF OPERATIONS

On the basis of its geological setting, the Shelby Project has been identified by Talisman as having potential to host large Iron Oxide-Copper-Gold (IOCG) deposits (e.g. Olympic Dam, Prominent Hill) and/or a Voisey's Bay-style mafic-ultramafic intrusive hosted nickel-copper-PGE sulphide deposits.

Previous exploration activities undertaken by Talisman included a 1,452m-deep diamond hole (SHD001A) which was designed to test a large magnetic body identified by a detailed airborne magnetic survey (see **Figure 14**) and the completion of a detailed infill gravity survey over the Shelby magnetic anomaly and immediate environs.

Drilling identified strong IOCG-style magnetite alteration (and minor chalcopyrite) associated with ultra-mafic intrusions beneath younger cover with several other magnetic anomalies identified along a major regional structure that may be associated with similar intrusive bodies. The mafic-ultramafic rocks and strong magnetite-amphibole-chlorite alteration intersected by SHD001A demonstrated encouraging evidence that Shelby could host a large iron oxide-copper-gold mineralising system.

Following a technical review, tenements E52/2660, E52/2661 and E52/2662 were interpreted to be of lower prospectivity and were subsequently relinquished during the financial year in order to rationalize the exploration commitment across the Shelby Project.

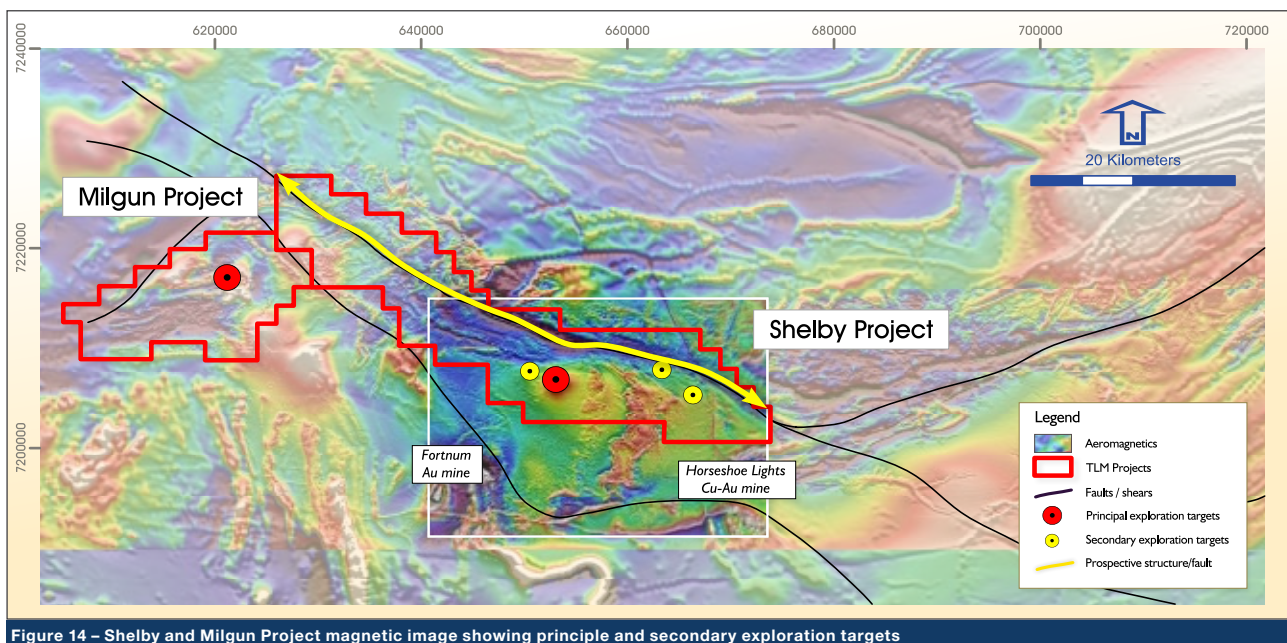


Figure 14 – Shelby and Milgun Project magnetic image showing principle and secondary exploration targets

### MILGUN PROJECT (Cu-Au) (100% Talisman Mining Ltd)

The Milgun Project is located approximately 20km north west of the Shelby Project and covers what Talisman has identified as a northern outlier of the Bryah Basin (see **Figure 1** and **14**).

An internal technical review completed during the financial year highlighted the potential prospectivity of the Milgun Project area, which is interpreted to be located within a tectonically uplifted block of Bryah basement rocks containing highly prospective Narracoota volcanic and sedimentary rocks. It is interpreted that basement uplift is an effective mechanism for focused fluid flow and possible copper-gold mineralisation.

Talisman completed a Versatile Time Domain Electromagnetic Survey (VTEM) covering the interpreted Narracoota Volcanics at Milgun in late 2012 to identify near-surface conductors possibly associated with massive sulphide mineralization however; no significant near-surface late-time conductive targets were identified by the survey.

Following a technical review, tenements E52/2689, E52/2690 and E52/2691 were interpreted to be of lower prospectivity and were subsequently relinquished during the financial year in order to rationalize the exploration commitment across the Milgun Project.

Potential remains at Milgun for structurally-controlled orogenic gold and copper mineralization as well as VMS copper-gold.



## ■ REVIEW OF OPERATIONS

### KILLARA PROJECT (Cu-Au)

In June 2014 the Company made application for exploration ground that had become available in an area that was assessed as being prospective for VMS and sediment hosted copper-gold mineralisation. Identification of this area stems from a strategic high-level targeting exercise undertaken by Talisman in 2013 to identify terrains and exploration assets with the potential to host quality copper-gold mineralisation.

This new project, Killara, comprises 68 blocks over an area of 210km<sup>2</sup> and is located approximately 75kms north of Meekatharra (see **Figure 1**).

### FUTURE DEVELOPMENTS

The Company will continue to work with Sandfire Resources under the \$15 million exploration farm-in joint venture and to share local exploration knowledge in order to target potential copper-gold discoveries at its Doolgunna Copper-Gold Projects.

A summary of anticipated exploration activities by Sandfire across the Doolgunna Copper-Gold during the first half of the financial year ending 30 June 2015 under the exploration farm-in joint venture is as follows:

- Further high-powered DHEM surveying of 18 deep holes previously drilled by Talisman across the Homer and Monty prospects as well as the Central Corridor;
- In-fill Aircore geochemical drilling (205 holes) along the Homer Trend for the purpose of further detailed low-level geochemical analysis and geological assessment;
- Extensive geochemical aircore drilling programmes over the Central Corridor, Southern Volcanics and Monty Prospects;
- Extensive detailed high-powered FLEM surveying over the Central Corridor, Southern Volcanics and Monty Prospects; and
- Detailed low-level geochemical analysis from historical drill holes to better define potential areas with the characteristic DeGrussa litho-chemical signature.

Further exploration activities during the financial year will be determined by the results of the above work programs.

In addition to the exploration activities covered under the exploration farm-in joint venture at the Company's Doolgunna Copper-Gold Projects outlined above, the Company will continue to assess and progress its remaining portfolio of exploration projects.

The company will continue business development activities with a strategic focus on the identification of quality nickel sulphide, copper-gold and gold exploration projects based in Australia.

Disclosure of further information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, further information has not been disclosed in this report.

#### **Competent Persons Statement:**

*Information in this Annual Report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Graeme Cameron, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Graeme Cameron 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 2012 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Graeme Cameron consents to the inclusion in this report of the matters based on information in the form and context in which it appear.*





## TENEMENT SCHEDULE

As at date of report

Project	Tenement	Blocks (Area)	Talisman Equity (%)	JV Partner	Farm-In party	Expiry	Annual Commitment	Comments
<b>HALLOWEEN WEST</b>	HWW - E52/2275	6	63	Chrysalis Resources Ltd	Sandfire Resources NL	8/02/2019	\$50,000	
<b>HALLOWEEN</b>	HLW - P52/1241	(200.0 HA)	100		Sandfire Resources NL	17/03/2016	\$8,000	
<b>SPRINGFIELD</b>	SPR - E52/2282	70	100		Sandfire Resources NL	24/11/2014	\$105,000	
	SPR - E52/2313	14	100		Sandfire Resources NL	24/11/2014	\$30,000	
	SPR - E52/2466	14	100		Sandfire Resources NL	5/04/2015	\$30,000	
<b>LIVINGSTONE</b>	LVS - E52/2565	15	80	Zebina Minerals Pty Ltd		17/04/2016	\$30,000	
	LVS - E52/2566	31	80	Zebina Minerals Pty Ltd		17/04/2016	\$46,500	
	LVS - E52/2593	24	80	Zebina Minerals Pty Ltd		17/04/2016	\$36,000	
	LVS - P52/1423	(195 HA)	100			12/03/2017	\$7,840	
	LVS - E52/2931	2	100			15/04/2019	\$15,000	
<b>MUDDAWERRIE</b>	MDW - E51/1447	17	80	Zebina Minerals Pty Ltd		17/04/2016	\$30,000	
<b>SHELBY</b>	SHL - E52/2499	42	100			10/12/2014	\$63,000	
	SHL - E52/2500	36	100			10/12/2014	\$54,000	
	SHL - E52/2519	3	100			7/01/2015	\$21,459	
	SHL - E52/2628	29	100			16/11/2015	\$43,500	
	SHL - E52/2629	9	100			16/11/2015	\$30,000	
	SHL - E52/2634	19	100			28/11/2015	\$30,000	
<b>MILGUN</b>	MLG - E52/2281	41	100			20/01/2019	\$82,000	
	MLG - E52/2708	21	100			25/08/2016	\$21,000	
<b>KILLARA</b>	KLR - E51/1643	68	100			-	-	Application



## ■ CORPORATE GOVERNANCE STATEMENT

### Approach to Corporate Governance

Talisman Mining Limited (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the ASX Corporate Governance Council Principles and Recommendations 2nd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

The following governance-related documents can be found on the Company's website at <http://www.talismanmining.com.au/about-us/corporate-governance.html>, under the section marked "Corporate Governance":

### Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee

### Policies and Procedures

- Policy and Procedure for Selection and (Re) Appointment of Directors
- Process for Performance Evaluations
- Policy on Assessing the Independence of Directors
- Diversity Policy
- Code of Conduct (summary)
- Policy on Continuous Disclosure (summary)
- Compliance Procedures (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Policy
- Risk Management Policy (summary)

The Company reports below on how it has followed each of the recommendations during the 2013/2014 financial year (**Reporting Period**). The information in this statement is current at the date of this report.

### Board

#### Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds in the first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.



### **Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)**

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The Board takes into account the skills and experience required, in the context of the Company's operations and activities to ensure an appropriate blend of directors with the necessary expertise and relevant industry experience required by the Company. It is the view of the Board that it consists of an appropriate balance between executives possessing extensive direct experience and expertise in the core business activities of the Company and non-executive members who are able to bring to the Board a diverse range of general mining and exploration industry commercial expertise and experience relevant to the operations and activities of the Company.

### **Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)**

The Board did not have a majority of directors who were independent during the financial year ending 30 June 2014. The Board believes that the structure during the year was appropriate for the Company having regard to its size, its current level of operations and its strategy of minimising operating costs. As of 1 July 2014 the Board has a majority of directors who are independent. As the Company grows and/or its circumstances changes, the Board may make further appointments of independent directors if considered appropriate.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company during the financial year were Alan Senior and Karen Gadsby. As of 1 July 2014 Brian Dawes is also considered an independent director. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The non-independent directors of the Company during the financial year were Gary Lethridge (Managing Director), Graeme Cameron (Technical Director) and Brian Dawes (non-executive since 1 July 2011 and independent as of 1 July 2014).

The independent Chair of the Board is Alan Senior.

The Managing Director is Gary Lethridge who is not Chair of the Board.

### **Independent professional advice (Recommendation: 2.6)**

To assist directors with independent judgment, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.



### **Selection and (Re)Appointment of Directors (Recommendation: 2.6)**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

## **Board committees**

### **Nomination Committee (Recommendations: 2.4, 2.6)**

The Board has established a Nomination Committee comprising three non-executive directors; Alan Senior (Chair), Karen Gadsby and Brian Dawes.

The Nomination Committee held one meeting during the Reporting Period. Details of director attendance at the Nomination Committee meeting held during the Reporting Period are set out in a table in the Directors' Report.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

### **Audit Committee (Recommendations: 4.1, 4.2, 4.3, 4.4)**

The Board has established an Audit Committee, which comprises three non-executive directors: Karen Gadsby (Chair), Alan Senior and Brian Dawes.

The Audit Committee is structured in compliance with Recommendation 4.2, as it comprises three non-executive directors, a majority of whom are independent and it is chaired by Karen Gadsby who is independent and not also Chair of the Board.

The Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

The Audit Committee held two meetings during the Reporting Period. Details of director attendance at Audit Committee meetings held during the Reporting Period are set out in a table in the Directors' Report.

Details of each of the director's qualifications are set out in the Directors' Report. All members of the Audit Committee consider themselves to be financially literate and have an understanding of the industry in which the Company operates. In addition, Karen Gadsby, the Chair of the Audit Committee is a Chartered Accountant.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period.





The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

### **Remuneration Committee (Recommendations: 8.1, 8.2, 8.3, 8.4)**

The Board has established a Remuneration Committee, which comprises three non-executive directors; Alan Senior (Chair), Karen Gadsby and Brian Dawes.

The Remuneration Committee is structured in accordance with Recommendation 8.2 as it comprises three non-executive directors, a majority of whom are independent and it is chaired by Alan Senior who is independent.

The Remuneration Committee held one meeting during the Reporting Period. Details of director attendance at the Remuneration Committee meeting held during the Reporting Period are set out in a table in the Directors' Report. The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. Executive pay and reward consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as provide additional incentive and is typically linked to various percentage growth targets in the Company's share price.

There are no termination or retirement benefits for non-executive directors (other than for superannuation)

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is disclosed on the Company's website.

## **Performance evaluation**

### **Managing Director and other senior executives (Recommendations: 1.2, 1.3)**

The Nomination Committee (or its equivalent) is responsible for evaluating the Managing Director. Evaluation is undertaken with the assistance of the Remuneration Committee. Other senior executives are evaluated by the Managing Director.

Given the current size and structure of the Company, the performance of the Managing Director and senior executives are evaluated informally through open and regular communication against both individual performance and overall business measures, in addition to formal discussions at Board and Committee meetings as applicable.

During the Reporting Period an evaluation of the Managing Director and other senior executives took place in accordance with the process disclosed.



**Board, its committees and individual directors  
(Recommendations: 2.5, 2.6)**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. Evaluation of the Board, its committees and individual directors is undertaken via ongoing discussions with regard to the performance of the Board and its directors. In addition, annually the following process under supervision of the Nomination Committee is undertaken to review the Board, its committees and individual directors:

- a Board, Committee and Director Evaluation Questionnaire is prepared and circulated to each director for completion;
- the Company Secretary summarises and collates the responses to the questionnaires and reports back to the Chair; and
- the Chair discusses the responses to the questionnaire with the Board, addresses any issues as required and meets with directors individually if required.

***Measures against which the performance of the Board, its committees and individual directors are measured include:***

- effectiveness of the Board and individual directors in fulfilling its roles and responsibilities;
- the structure and performance of the Board as a whole and of its various committees;
- awareness of directors of their fiduciary and ethical responsibilities and duties as directors of the Company and of relevant corporate governance and compliance requirements;
- awareness of the Company's objectives;
- understanding by the directors of the significant business risks facing the Company and management of those risks; and
- avenues for continuing improvement of Board functions and Board performance.

During the Reporting Period an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

## **Ethical and responsible decision making**

**Code of Conduct  
(Recommendations: 3.1, 3.5)**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

**Diversity  
(Recommendations: 3.2, 3.3, 3.4, 3.5)**

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

The following measurable objectives for achieving gender diversity have been set by the Board in accordance with the Diversity Policy:



Objective	Progress
<b>Recognised Equal Opportunity Culture</b>	
To maintain and improve a culture where our employees believe that Talisman has an equal opportunity culture where men and women are able to demonstrate equally their talent, commitment and results.	The Board believes that it has maintained a culture where the Company's employees believe that the Company has an equal opportunity culture where men and women are able to demonstrate equally their talent, commitment and results.
<b>Development of High Performing Women (and other individuals)</b>	
To ensure that high performing women (and other individuals) are identified and developed for career progression as part of the company's succession planning process.	High performing women (and other individuals) have been identified and continue to be actively developed for career progression. Identified persons were further developed during the period and appropriate mentoring took place.
<b>Flexible Working Arrangements</b>	
To ensure that flexible working initiatives continue to be encouraged and supported by management where practicable and where appropriate made available to employees to achieve improved business outcomes and support work/life balance.	Flexible working arrangements have been defined in the appropriate workplace policies and/or are actively utilised as an encouragement tool by management. Management feedback on usage and effectiveness is reviewed by Managing Director annually and discussed with the Remuneration Committee.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30 June 2014 are set out in the following table:

	Proportion of women
Employees in the whole organisation*	4 out of 6 (67%)
Senior executive positions	0 out of 2 (0%)
Board	1 out of 5 (20%)

\*Excluding Directors and including 2 female consultants employed on a part-time basis.

The Company's Diversity Policy is disclosed on the Company's website.

### **Continuous Disclosure (Recommendations: 5.1, 5.2)**

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

### **Shareholder Communication (Recommendations: 6.1, 6.2)**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.



## Risk Management

### Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who, with assistance of Senior Executives, is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has established systems to identify, categorise and manage the Company's material business risks. The Company utilises a risk matrix, which is used to identify the Company's material business risks, assess the severity and likelihood of each risk and promote a risk management strategy. The risk matrix is reviewed by the Board at each Board meeting to identify any changes that need to be made, and is updated as required. The key risks addressed include:

- occupational health and safety;
- market related risk;
- legal and compliance risk;
- financial reporting;
- operational;
- environmental; and
- human capital

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.





## ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

Principles	Recommendation	Comply
<b>Principle 1:</b>	<b>Lay solid foundations for management and oversight</b>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	<input checked="" type="checkbox"/>
1.2	Companies should disclose the process for evaluating the performance of senior executives.	<input checked="" type="checkbox"/>
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	<input checked="" type="checkbox"/>
<b>Principle 2:</b>	<b>Structure the board to add value</b>	
2.1	A majority of the board should be independent directors.	***
2.2	The chair should be an independent director.	<input checked="" type="checkbox"/>
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	<input checked="" type="checkbox"/>
2.4	The board should establish a nomination committee.	<input checked="" type="checkbox"/>
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	<input checked="" type="checkbox"/>
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	<input checked="" type="checkbox"/>
<b>Principle 3:</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	<input checked="" type="checkbox"/>
•	the practices necessary to maintain confidence in the company's integrity;	<input checked="" type="checkbox"/>
•	the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	<input checked="" type="checkbox"/>
•	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	<input checked="" type="checkbox"/>
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	<input checked="" type="checkbox"/>
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	<input checked="" type="checkbox"/>
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	<input checked="" type="checkbox"/>
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	<input checked="" type="checkbox"/>
<b>Principle 4:</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	<input checked="" type="checkbox"/>
4.2	The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.	<input checked="" type="checkbox"/>
4.3	The audit committee should have a formal charter.	<input checked="" type="checkbox"/>
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	<input checked="" type="checkbox"/>
<b>Principle 5:</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	<input checked="" type="checkbox"/>
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	<input checked="" type="checkbox"/>
<b>Principle 6:</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	<input checked="" type="checkbox"/>
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	<input checked="" type="checkbox"/>
<b>Principle 7:</b>	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<input checked="" type="checkbox"/>
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	<input checked="" type="checkbox"/>
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks..	<input checked="" type="checkbox"/>
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	<input checked="" type="checkbox"/>
<b>Principle 8:</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	<input checked="" type="checkbox"/>
8.2	The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	<input checked="" type="checkbox"/>
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<input checked="" type="checkbox"/>
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	<input checked="" type="checkbox"/>

\*\*\* The Board did not have a majority of directors who are independent during the year. As of 1 July 2014 the Board has a majority of directors who are independent.



## DIRECTORS' REPORT

Your directors submit herewith the annual financial report of the consolidated entity (referred to hereafter as the Group) consisting of Talisman Mining Ltd and the entities it controlled during the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Information about directors

The names and particulars of the directors who held office during or since the end of the financial year are:

Name	Particulars
<b>Alan Senior</b> Asscshp Mech Eng, FIEAUST, FAusIMM Appointed 7 November 2007	<b>Chairman (Non-Executive/Independent)</b> Alan graduated from the West Australian Institute of Technology (Curtin University) with an Associateship in Mechanical Engineering in 1968. He is an engineer with over 37 years' experience in design and project development, mainly associated with the mining and mineral processing industry in Australia.  Alan has extensive experience at all stages of projects, from pre-feasibility through to commissioning and operation, for plants handling and/or processing iron ore, gold, copper, bauxite, uranium, and coal. Throughout his career Alan has worked for the iron ore industry. In the 1970's and early 80's he worked as a designer on major expansion projects for Mt Newman Mining (now BHPB) and Hamersley Iron (now CRA).  Alan was a non-executive Director of Jubilee Mines NL up until its purchase by Xstrata. Before joining the board of Jubilee in 2003 he led the team which completed the feasibility study for the Cosmos Nickel project and its successful implementation, followed three years later by the transition from open cut to underground mining. Alan is also a non-executive Director of Amex Resources Limited.  Alan is the Chairman of the Company's Nomination and Remuneration Committees and also serves on the Company's Audit Committee. With extensive industry experience and being financially literate, Alan is considered qualified to hold these responsibilities.  Alan is a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Mining and Metallurgy.
<b>Gary Lethridge</b> B. Com, CA, FCIS, FGIA, MAICD Appointed 2 February 2009	<b>Managing Director (Executive/Non-Independent)</b> Gary is an experienced executive whose industry involvement has included exposure to all phases of mineral resources projects; from exploration, discovery, feasibility, development and through to operations.  Prior to joining Talisman in early 2009, Gary held the position of Executive General Manager-Corporate and Chief Financial Officer at the highly successful Australian nickel producer Jubilee Mines NL, where he was part of the senior executive management team from 2003 until that Company's acquisition by Xstrata in early 2008. Before that, Gary held senior executive positions with LionOre Mining International Limited in Australia (now Norilsk Nickel) and has also previously acted as a Non-Executive Director of two Australian listed resources companies.
<b>Graeme Cameron</b> B. Sc (Hons), MSc, MAusIMM Appointed 17 November 2011	<b>Technical Director (Executive/Non-Independent)</b> Graeme is a Geologist with over 20 years experience in the mineral exploration industry. During this period he has held Senior Management positions at Falcon Minerals, AngloGold Ashanti, Geoinformatics Exploration and Sons of Gwalia, exploring for large precious and base metal systems in Australia, Canada, South America and Indonesia. In particular, he has been involved in the discovery and development of several Precambrian gold and nickel deposits in the West Australian Goldfields, and the Tanami region of the Northern Territory.  Graeme holds a BSc (Honours) in Geology and Geophysics from the University of Western Australia, an MSc from Edith Cowan University and is a Member of the Australian Institute of Mining and Metallurgy.



Name	Particulars
<p><b>Brian Dawes</b> B. Sc. Mining, MAusIMM(CP) Appointed 17 June 2009</p>	<p><b>Non-Executive Director (Non-independent)</b></p> <p>Brian has a mining engineering background with over 30 years experience in project development and operational roles within the mining industry across Australia and overseas, including Africa and the Middle East. Brian joined Talisman as an Executive Director on 17 June 2009 and took up a Non-Executive role on 1 July 2011. Prior to his role as Executive General Manager Operations and Projects at Jubilee Mines NL, he was General Manager Operations with ASX-listed nickel producer Western Areas NL, where he was responsible for the establishment of the Forrestania Nickel Project and Flying Fox Nickel Mine development. Prior to that he was the Group Mining Engineer with LionOre Australia, part of the LionOre Mining International group.</p> <p>Brian serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience and being financially literate, Brian is considered qualified to hold these responsibilities.</p>
<p><b>Karen Gadsby</b> B Com, FCA, MAICD Appointed 3 April 2008</p>	<p><b>Non-Executive Director (Independent)</b></p> <p>Karen has over 28 years experience in Finance, graduated from UWA with a Bachelor of Commerce in 1984 and qualified as a Chartered Accountant with Coopers and Lybrand (WA) in 1987.</p> <p>Karen worked for North Ltd throughout Australia for 13 years in various executive roles including 6 years with Robe River Iron Associates in Perth. She has held the positions of General Manager Finance, CFO and Company Secretary.</p> <p>She now resides in WA, has been involved with boards for over 13 years and now predominately works as a non-executive director. She is currently a director of the boards of Landgate, Community First International Ltd, Community First Campbell Page Ltd and Strategen Environmental Consultants Pty Ltd and was previously a director of AMES (Vic), GMHBA (Vic), Western Health (Vic), Forest Products Commission and Perth Home Care Services. Karen has been the Chair of the Finance, Audit and Risk Management committees for these boards.</p> <p>Karen is the Chair of the Company's Audit Committee and serves on the Company's Nomination and Remuneration Committees. With her extensive experience in finance and also having held a number of Audit Committee positions, Karen is considered qualified to hold these responsibilities.</p> <p>Karen is a Fellow of the Institute of Chartered Accountants and is a Member of the Australian Institute of Company Directors.</p>

The above named directors held office for the entire period.

## Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Appointed	Resigned
Alan Senior	Tanami Gold NL	31-Jul-07	15-Nov-12
Alan Senior	Amex Resources Limited	1-Jul-12	current
Graeme Cameron	Falcon Minerals Limited	17-Feb-09	10-Oct-11

## Directors' Shareholdings

The following table sets out each director's relevant interest in shares, and rights or options in shares of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares Number	Share options Number
Alan Senior	116,666	750,000
Gary Lethridge	1,666,667	3,000,000
Graeme Cameron	-	2,000,000
Brian Dawes	353,333	500,000
Karen Gadsby	311,334	-



## Remuneration of key management personnel

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report.

## Share options granted to key management personnel

During and since the end of the financial year an aggregate 2,250,000 share options were granted to the following directors and senior management as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
Alan Senior (i)	750,000	Talisman Mining Limited	750,000
Brian Dawes (ii)	500,000	Talisman Mining Limited	500,000
Daniel Madden (iii)	1,000,000	Talisman Mining Limited	1,000,000

- (i) 187,500 vested on 26 May 2014; 187,500 options vest 25 November 2014; 187,500 options vest 26 May 2015; and 187,500 vest 25 November 2015.
- (ii) 125,000 vested on 26 May 2014; 125,000 options vest 25 November 2014; 125,000 options vest 26 May 2015; and 125,000 vest 25 November 2015.
- (iii) 250,000 vested on 26 May 2014; 250,000 options vest 25 November 2014; 250,000 options vest 26 May 2015; and 250,000 vest 25 November 2015.

## Company Secretary

### *Daniel Madden BComAcc (Hons), ACA*

Daniel joined Talisman on 23 November 2009 and was appointed Company Secretary of Talisman on 1 December 2009. Daniel is also Talisman's Chief Financial Officer. Daniel has spent over 10 years in the resources industry in Western Australia previously holding positions as Financial Controller for Jubilee Mines NL and Xstrata Nickel Australasia. Before Daniel joined Talisman he held the senior position of Manager of Finance for Xstrata Nickel Australasia.

## Principal activities

The principal activity of Talisman Mining Limited during the course of the financial year was the exploration for minerals, primarily base metals, copper, copper-gold and gold.

## Review of operations and Future Developments

A detailed review of operations during the financial year and commentary on future developments is set out in the section titled "Review of Operations" in this Annual Report.

## Financial Performance and Financial Position

### *Financial Performance*

During the financial year the Group reported an operating loss after tax of \$1,390,644 (2013: loss after tax \$4,658,220).

Revenue for the year of \$669,570 consisted primarily of bank interest earned on the Groups short-term deposits held during the year.

The Group recorded a \$594,298 impairment of exploration expenditure during the year (2013:\$ nil) relating to previously capitalised exploration costs written off on non-core tenements relinquished during the year.

Administrative costs of \$177,699 (2013: \$352,222) and employee benefits expense of \$764,667 (2013: \$1,425,082) were reduced by approximately half compared to the previous year as a result of cost rationalisation measures introduced during the year.

### *Financial Position*

As at 30 June 2014 the Group had net assets of \$46,431,979 (2013: \$47,551,616) including \$16,083,171 of cash and cash equivalents (2013: \$19,472,656).





The strong statement of financial position and net working capital position will provide support for the Group's planned exploration and growth activities for the forthcoming financial year.

## Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year other than as set out in this report.

## Subsequent events

There has not been any matter or circumstance occurring subsequent to end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Environmental regulations

The Group's environmental obligations are regulated under both State and Federal legislation. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time to government agency audits and site inspections. No significant or material environmental breaches have been notified by any government agency during the year ended 30 June 2014.

## Dividends

No dividends have been paid or declared since the start of the financial year. No recommendation for the payment of a dividend has been made.

## Share options

### *Shares under option or issued on exercise of options*

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Talisman Mining Limited	750,000	Ordinary	\$0.72	31-Oct-14
Talisman Mining Limited	750,000	Ordinary	\$0.80	31-Oct-14
Talisman Mining Limited	750,000	Ordinary	\$1.00	31-Oct-14
Talisman Mining Limited	750,000	Ordinary	\$1.12	31-Oct-14
Talisman Mining Limited	400,000	Ordinary	\$0.69	31-Dec-14
Talisman Mining Limited	400,000	Ordinary	\$0.73	31-Dec-14
Talisman Mining Limited	400,000	Ordinary	\$0.78	31-Dec-14
Talisman Mining Limited	400,000	Ordinary	\$0.83	31-Dec-14
Talisman Mining Limited	400,000	Ordinary	\$0.85	31-Dec-14
Talisman Mining Limited	250,000	Ordinary	\$1.02	31-Jul-15
Talisman Mining Limited	250,000	Ordinary	\$1.13	31-Jul-15
Talisman Mining Limited	250,000	Ordinary	\$1.41	31-Jul-15
Talisman Mining Limited	250,000	Ordinary	\$1.53	31-Jul-15
Talisman Mining Limited	562,500	Ordinary	\$0.43	31-Oct-16
Talisman Mining Limited	562,500	Ordinary	\$0.51	31-Oct-16
Talisman Mining Limited	562,500	Ordinary	\$0.60	31-Oct-16
Talisman Mining Limited	562,500	Ordinary	\$0.69	31-Oct-16

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

### *Shares issued on exercise of options*

There were no shares or interests issued during or since the end of the financial year as a result of the exercise of options.



**Options that expired/lapsed**

Details of employee options that expired or lapsed during or since the end of the financial year are:

Issuing entity	Number of options expired/lapsed	Class of shares	Exercise price of options	Expiry date of options	
Talisman Mining Limited	(400,000)	Ordinary	\$1.00	30-Nov-13	
Talisman Mining Limited	(200,000)	Ordinary	\$1.10	30-Nov-13	
Talisman Mining Limited	(200,000)	Ordinary	\$1.20	30-Nov-13	
Talisman Mining Limited	(250,000)	Ordinary	\$1.27	30-Nov-13	
Talisman Mining Limited	(200,000)	Ordinary	\$1.30	30-Nov-13	
Talisman Mining Limited	(250,000)	Ordinary	\$1.35	30-Nov-13	
Talisman Mining Limited	(250,000)	Ordinary	\$1.44	30-Nov-13	
Talisman Mining Limited	(250,000)	Ordinary	\$1.53	30-Nov-13	
Talisman Mining Limited	(50,000)	Ordinary	\$1.19	14-Mar-14	
Talisman Mining Limited	(125,000)	Ordinary	\$0.90	31-Jul-14	
Talisman Mining Limited	(125,000)	Ordinary	\$0.97	31-Jul-14	
Talisman Mining Limited	(125,000)	Ordinary	\$1.03	31-Jul-14	
Talisman Mining Limited	(125,000)	Ordinary	\$1.09	31-Jul-14	
Talisman Mining Limited	(50,000)	Ordinary	\$0.78	31-Dec-14	(i)
Talisman Mining Limited	(50,000)	Ordinary	\$0.44	31-Aug-15	(i)
Talisman Mining Limited	(50,000)	Ordinary	\$0.47	31-Aug-15	(i)
Talisman Mining Limited	(50,000)	Ordinary	\$0.49	31-Aug-15	(i)
Talisman Mining Limited	(50,000)	Ordinary	\$0.52	31-Aug-15	(i)

(i) Options expired as option holder ceased to be an eligible person for the purpose of holding options.

**Indemnification of officers and auditors**

During the financial year, the Company entered into a contract insuring the directors and executive officers of the Company and of any related body corporate against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or related body corporate against a liability incurred as an officer or auditor.

**Directors' meetings**

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 board meetings, 3 audit committee meetings, 1 remuneration committee meeting and 1 nomination committee meeting were held.

Directors	Board of directors		Audit committee		Remuneration committee		Nomination committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Alan Senior	10	9	3	2	1	1	1	1
Gary Lethridge	10	10	-	3	-	1	-	1
Brian Dawes	10	10	3	3	1	1	1	1
Graeme Cameron	10	10	-	2	-	-	-	1
Karen Gadsby	10	10	3	3	1	1	1	1

Note: Executive directors attending committee meetings during the year attended by invitation of the relevant Committee.

**Proceedings on behalf of the company**

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of Talisman Mining Limited.



## Non-audit services

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditor's behalf).

## Auditor's independence declaration

The auditor's independence declaration is included on page 42 of the Annual Report and forms part of the Directors' Report.

# ■ REMUNERATION REPORT

This Remuneration Report, which forms part of the directors' report, sets out information about the remuneration of the key management personnel of Talisman Mining Limited (the "Company") for the financial year ended 30 June 2014. The information in the remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The prescribed details for each person covered by this report are detailed below under the following headings:

- (a) key management personnel details;
- (b) remuneration policy and relationship between the remuneration policy and company performance;
- (c) remuneration of key management personnel; and
- (d) key terms of employment contracts.

## (a) Key management personnel details

The key management personnel of Talisman Mining Limited during the year were:

Alan Senior	Non-Executive Chairman
Gary Lethridge	Managing Director
Graeme Cameron	Technical Director
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director
Peter Cash	Manager Corporate Development
Daniel Madden	Chief Financial Officer and Company Secretary

## (b) Remuneration policy and relationship between the remuneration policy and company performance

### *Key management personnel (excluding non-executive directors)*

The Board is responsible for determining the remuneration policies for the Group, including those affecting executive directors and other key management personnel. The Board may seek appropriate external advice to assist in its decision making.

The Company's remuneration policy for executive directors and key management personnel is designed to promote superior performance and long term commitment to the Company. The main principles of the policy when considering remuneration are as follows:

- executive directors and key management personnel are motivated to pursue long term growth and success of the Company within an appropriate control framework;
- interests of key leadership are aligned with the long-term interests of the Company's shareholders; and
- there is a clear correlation between performance and remuneration.

The remuneration policy for executive directors and other key management personnel has three main components, fixed remuneration, long term incentive and a potential discretionary bonus.

### *Fixed remuneration*

Executive directors and other key management personnel receive fixed remuneration in the form of a base salary (plus statutory superannuation) which is reviewed annually by the Remuneration Committee. The review process includes a review of companywide and individual performance, comparative compensation in the market and internally, and, if appropriate, external advice to assist in its decision making.



### ***Long term incentives***

To align the interests of key management personnel with the long term objectives of the Group and its shareholders, the Group's policy, having regard to the stage of development of its assets, is to issue share options at the complete discretion of the Board, subject to shareholder approval for directors. The issue of share options as remuneration represents cost effective consideration to directors and key management personnel for their commitment and contribution to the Group and are used as a strategic tool to recruit and retain high calibre personnel. Options issued during the year vest at various periods during the life of the options and value is only realised by directors and key management personnel upon growth of between 257% and 471% of the 5 day volume weighted share of the Company's share price from the date of the grant of the options.

Vesting conditions relating to the performance of the Group are not considered appropriate having regard to the stage of development of the Group's assets.

### ***Potential discretionary bonus***

A potential discretionary bonus may be paid to executive directors and other key management personnel. Any potential bonus paid is at the discretion of the Remuneration Committee and will typically be made in recognition of contribution to the Company's performance and other significant efforts of executive directors and other key management personnel in applicable and appropriate circumstances. There were no discretionary bonuses paid during or with regard to the financial years ending 30 June 2013 or 30 June 2014.

### ***Non-executive directors***

The Group's non-executive directors receive fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Group's non-executive directors reflect the demands on, and responsibilities of, the directors. They do not receive any retirement benefits (other than compulsory superannuation). The Board decides annually the level of fees to be paid to non-executive directors with reference to market standards.

Non-executive directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Group's development. Such options vest across the life of the option and are primarily designed to provide an incentive to non-executive directors to remain with the Group. Options issued to non-executive directors are subject to shareholder approval.

A non-executive directors' fee pool limit of \$300,000 per annum was approved by the shareholders at the General Meeting on 19 May 2008 and was utilised to a level of \$211,399 (inclusive of superannuation) for the financial year ending 30 June 2014. The fee paid for the 2014 financial year to the Chairman was \$85,500 per annum and \$54,000 per annum for the non-executive directors (excluding statutory superannuation). Non-executive directors fees were reduced by 10% from 2013 as all non-executive directors accepted a voluntary 10% reduction in fees and superannuation for the 2014 financial year.

Non-executive directors have accepted a voluntary 15% reduction in fees and superannuation for the 2015 year as a result of a number of cost reduction initiatives introduced to reduce corporate and administrative overheads prior and subsequent to the current financial year end. As a consequence the non-executive director fee pool is currently utilized to a level of \$180,100 (inclusive of superannuation).

## **(c) Key terms of employment contracts**

Remuneration and other terms of employment for executive directors are formalised in a letter agreement. The Managing Director, Mr Gary Lethridge's remuneration and other terms are formalised by way of a letter agreement which is ongoing. The Technical Director, Mr Graeme Cameron's remuneration and other terms are formalised by way of a letter agreement which is ongoing. The notice periods for executive directors are three months and payment of a termination benefit on early termination by the Group (other than for gross misconduct) at the end of the notice period, is three month's base salary. Where the Group elects to dispense with the notice period and terminate employment, six month's base salary applies.

Other key management personnel as at the date of this report are:

Daniel Madden	Chief Financial Officer and Company Secretary
Peter Cash	Manager Corporate Development

Remuneration and other terms of employment for Mr Madden and Mr Cash are formalised by way of letter agreements which are ongoing. The notice period for key management personnel is three months and a termination benefit payable on early termination by the Group (other than for gross misconduct) is equal to three month's base salary.

Remuneration for executive directors and key management personnel consists of a base salary, superannuation and performance incentives. Long term performance incentives may include options granted at the discretion of the Board subject to obtaining the relevant approvals. The remuneration of the Managing Director is recommended to the Board by the Remuneration Committee. Remuneration of other executive directors and key management personnel is recommended annually by the Remuneration Committee in consultation with the Managing Director.





### (d) Remuneration of key management personnel

Details of the nature and amount of each element of the remuneration for each director and key management personnel during the year are set out in the following tables:

2014	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation linked to performance
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options (i)		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
Alan Senior	85,500	-	-	-	7,909	-	16,993	110,402	15%
Gary Lethridge	330,750	-	15,980	-	25,000	-	21,308	393,038	5%
Graeme Cameron	270,000	-	-	-	24,975	-	17,377	312,352	6%
Brian Dawes	54,000	-	-	-	4,995	-	11,329	70,324	16%
Karen Gadsby	54,000	-	-	-	4,995	-	-	58,995	0%
<b>Executives</b>									
Peter Cash	216,000	-	-	-	19,980	-	-	235,980	0%
Daniel Madden	216,000	-	-	-	19,980	-	22,658	258,638	9%
	1,226,250	-	15,980	-	107,834	-	89,665	1,439,729	

All executive and non-executive directors have voluntarily accepted a 15% reduction in salary and superannuation for the 2015 financial year as a result of a number of initiatives introduced to reduce corporate and administrative overheads prior and subsequent to the current financial year end.

2013	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation linked to performance (i)
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options (ii)		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
Alan Senior	95,000	-	-	-	8,550	-	31,233	134,783	23%
Gary Lethridge	367,500	-	21,530	-	25,000	-	188,914	602,944	31%
Graeme Cameron	300,000	-	-	-	25,000	-	153,837	478,837	32%
Brian Dawes	60,000	-	-	-	5,400	-	-	65,400	0%
Karen Gadsby	60,000	-	-	-	5,400	-	38,418	103,818	37%
<b>Executives</b>									
Peter Cash	240,000	-	-	-	21,600	-	63,395	324,995	20%
Daniel Madden	240,000	-	-	-	21,600	-	-	261,600	0%
	1,362,500	-	21,530	-	112,550	-	475,797	1,972,377	

(i) The value of share based payments shown in the table are non-cash values based on an accounting valuation calculated under the Black & Scholes option pricing method.

***Incentive share based payment arrangements in existence during the financial year***

During the financial year the following incentive share based payment arrangements for key management personnel were in existence:

	<b>Options Series</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Fair value per option at grant date</b> \$( <sup>(i)</sup> )	<b>Vesting date</b>
1	Issued 27 January 2010	23-Nov-09	30-Nov-13	\$0.70	on grant date
2	Issued 27 January 2010	23-Nov-09	30-Nov-13	\$0.70	30-Jun-10
3	Issued 27 January 2010	23-Nov-09	30-Nov-13	\$0.69	31-Dec-10
4	Issued 27 January 2010	23-Nov-09	30-Nov-13	\$0.67	30-Jun-11
5	Issued 27 January 2010	23-Nov-09	30-Nov-13	\$0.66	31-Dec-11
6	Issued 14 December 2010	7-Dec-10	30-Nov-13	\$0.62	on grant date
7	Issued 14 December 2010	7-Dec-10	30-Nov-13	\$0.60	1-Dec-11
8	Issued 14 December 2010	7-Dec-10	30-Nov-13	\$0.60	1-Jun-12
9	Issued 14 December 2010	7-Dec-10	30-Nov-13	\$0.59	1-Dec-12
10	Issued 18 July 2011	18-Jul-11	31-Jul-14	\$0.37	on grant date
11	Issued 18 July 2011	18-Jul-11	31-Jul-14	\$0.36	17-Jul-12
12	Issued 18 July 2011	18-Jul-11	31-Jul-14	\$0.36	17-Jan-13
13	Issued 18 July 2011	18-Jul-11	31-Jul-14	\$0.35	17-Jul-13
14	Issued 25 August 2011	25-Aug-11	31-Dec-14	\$0.41	on grant date
15	Issued 25 August 2011	25-Aug-11	31-Dec-14	\$0.40	31-Dec-11
16	Issued 25 August 2011	25-Aug-11	31-Dec-14	\$0.39	30-Jun-12
17	Issued 25 August 2011	25-Aug-11	31-Dec-14	\$0.39	31-Dec-12
18	Issued 25 August 2011	25-Aug-11	31-Dec-14	\$0.39	30-Jun-13
19	Issued 18 November 2011	18-Nov-11	31-Oct-14	\$0.21	18-May-12
20	Issued 18 November 2011	18-Nov-11	31-Oct-14	\$0.20	17-Nov-12
21	Issued 18 November 2011	18-Nov-11	31-Oct-14	\$0.18	18-May-13
22	Issued 18 November 2011	18-Nov-11	31-Oct-14	\$0.17	17-Nov-13
23	Issued 15 March 2012	15-Mar-12	31-Jul-15	\$0.18	13-Sep-12
24	Issued 15 March 2012	15-Mar-12	31-Jul-15	\$0.18	15-Mar-13
25	Issued 15 March 2012	15-Mar-12	31-Jul-15	\$0.16	13-Sep-13
26	Issued 15 March 2012	15-Mar-12	31-Jul-15	\$0.16	15-Mar-14
27	Issued 25 November 2013	25-Nov-13	31-Oct-16	\$0.04	26-May-14
28	Issued 25 November 2013	25-Nov-13	31-Oct-16	\$0.04	25-Nov-14
29	Issued 25 November 2013	25-Nov-13	31-Oct-16	\$0.04	26-May-15
30	Issued 25 November 2013	25-Nov-13	31-Oct-16	\$0.03	25-Nov-15

*(i) The fair value per option at grant date is not the exercise price but the non-cash inferred value based upon the Black & Scholes option pricing model.*

Potential value at the vesting date of options currently granted to directors and key management personnel is only realised by those optionholders upon increases in the Company's share price of between 47% and 471% of the 5 day volume weighted share price at the date of grant of the options and the optionholder subsequently exercise those options. This represents a performance criteria directly related to substantial share price increases prior to realisation of potential value. Optionholders must also be either a director or employee at the time of vesting for granted options to vest. Other than the above there are no other performance criteria that need to be met in relation to options granted under series 1 to 30 before the beneficial interest vests in the recipient.



The following grants of share based payment compensation made to key management personnel during the current financial year.

Name	Options Series (as per previous table)	During the financial year				
		No. granted	No. Vested and exercisable	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
Alan Senior	27, 28, 29, 30	750,000	187,500	25%	N/A	15%
Brian Dawes	27, 28, 29, 30	500,000	125,000	25%	N/A	16%
Daniel Madden	27, 28, 29, 30	1,000,000	250,000	25%	N/A	9%

The primary purpose of the grant of share based payment compensation to key management personnel is to provide cost effective consideration for their ongoing retention, commitment and contribution to the Company. The determined fair values of share based payments contained within this Report are non-cash, inferred values and realisation of any value from the options requires significant growth in the share price between the date of grant of the options and the vesting date of the options in addition to the options then being exercised. The vesting dates of options granted as share based payments are structured to encourage and potentially reward longevity of service to the Company and realisation of value to shareholders.

Options granted to executive and non-executive directors are approved by shareholders at general meetings of the Company.

The assessed fair value at the grant date of options granted to individuals is allocated equally over the period from the grant date to the vesting date, and the amount is included in the remuneration tables in this remuneration report. Fair values at grant date are determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk free rate for the term of the option.

Inputs into model	Option series (as per previous table)			
	27	28	29	30
Exercise price	\$0.43	\$0.51	\$0.60	\$0.69
Grant date	25-Nov-13	25-Nov-13	25-Nov-13	25-Nov-13
Expiry date	31-Oct-16	31-Oct-16	31-Oct-16	31-Oct-16
Share price at grant (5 day vwap)	\$0.095	\$0.095	\$0.095	\$0.095
Expected volatility (%)	121%	121%	121%	121%
Risk-free interest rate (%)	3.04%	3.04%	3.04%	3.04%

During the year, no key management personnel exercised options that were granted to them as part of their compensation in that year.

#### Value of options issued to directors and executives

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors or executives.

Name	Value of options granted at the grant date (i) \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse (ii) \$	Total
Alan Senior	28,631	-	(603,000)	(574,369)
Brian Dawes (iii)	19,088	-	-	19,088
Daniel Madden	38,175	-	(681,000)	(642,825)

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) The value of options lapsing during the period reflects the total fair value determined at issue date.

(iii) Mr Dawes held zero options as at 1 July 2013.

**(e) Other transactions with key management personnel**

The Group paid \$3,750 to Ailie Services Pty Ltd, a related party of Mr Brian Dawes, for consultancy services provided over a 3 day period during the financial year ending 30 June 2014 which are deemed to be provided outside the ordinary requirements of Non-Executive Director duties. This transaction was made on normal terms and conditions.

There were no other transactions with key management personnel of the Group during the 2014 and 2013 financial years.

**(f) Shareholdings of key management personnel**

	Opening bal at 1 July No.	Shares received on exercise of options No.	Net other change No.	Balance at 30 June No.
<b>2014</b>				
<b>Directors</b>				
Alan Senior	116,666	-	-	116,666
Gary Lethridge	1,666,667	-	-	1,666,667
Graeme Cameron	-	-	-	-
Brian Dawes	353,333	-	-	353,333
Karen Gadsby	311,334	-	-	311,334
<b>Executives</b>				
Peter Cash	350,000	-	145,000	495,000
Daniel Madden	-	-	-	-
	2,798,000	-	145,000	2,943,000
<b>2013</b>				
<b>Directors</b>				
Alan Senior	116,666	-	-	116,666
Gary Lethridge	1,666,667	-	-	1,666,667
Graeme Cameron	-	-	-	-
Brian Dawes	353,333	-	-	353,333
Karen Gadsby	311,334	-	-	311,334
<b>Executives</b>				
Peter Cash	-	-	350,000	350,000
Daniel Madden	-	-	-	-
	2,448,000	-	350,000	2,798,000



**(g) Option holdings of key management personnel**

	Opening bal at 1 July No.	Granted as remuneration No.	Options Exercised No.	Net other change No.	Balance at 30 June No.	Vested but not exercisable No.	Vested during the year No.	Vested and exercisable as at 30 June No.
<b>2014</b>								
<i>Directors</i>								
Alan Senior	1,000,000	750,000	-	(1,000,000)	750,000	-	187,500	187,500
Gary Lethridge	3,000,000	-	-	-	3,000,000	-	750,000	3,000,000
Graeme Cameron	2,000,000	-	-	-	2,000,000	-	500,000	2,000,000
Brian Dawes	-	500,000	-	-	500,000	-	125,000	125,000
Karen Gadsby	500,000	-	-	-	500,000	-	125,000	500,000
<i>Executives</i>								
Peter Cash	1,000,000	-	-	-	1,000,000	-	-	1,000,000
Daniel Madden	1,000,000	1,000,000	-	(1,000,000)	1,000,000	-	250,000	250,000
<b>Total</b>	<b>8,500,000</b>	<b>2,250,000</b>	<b>-</b>	<b>(2,000,000)</b>	<b>8,750,000</b>	<b>-</b>	<b>1,937,500</b>	<b>7,062,500</b>
<b>2013</b>								
<i>Directors</i>								
Alan Senior	1,000,000	-	-	-	1,000,000	-	250,000	1,000,000
Gary Lethridge	3,000,000	-	-	-	3,000,000	-	1,500,000	2,250,000
Graeme Cameron	2,000,000	-	-	-	2,000,000	-	900,000	1,500,000
Brian Dawes	2,000,000	-	-	(2,000,000)	-	-	-	-
Karen Gadsby	500,000	-	-	-	500,000	-	250,000	375,000
<i>Executives</i>								
Peter Cash	1,000,000	-	-	-	1,000,000	-	400,000	1,000,000
Daniel Madden	1,000,000	-	-	-	1,000,000	-	-	1,000,000
<b>Total</b>	<b>10,500,000</b>	<b>-</b>	<b>-</b>	<b>(2,000,000)</b>	<b>8,500,000</b>	<b>-</b>	<b>3,300,000</b>	<b>7,125,000</b>

This director's report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

**Gary Lethridge**  
**Managing Director**  
 Perth, 12 September 2014



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Talisman Mining Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

**Perth, Western Australia  
12 September 2014**

**M R W Ohm  
Partner**

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Talisman Mining Limited

### **Report on the Financial Report**

We have audited the accompanying financial report of Talisman Mining Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Accountants | Business and Financial Advisers

### ***Auditor's opinion***

In our opinion:

- (a) the financial report of Talisman Mining Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### **Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### ***Auditor's opinion***

In our opinion the remuneration report of Talisman Mining Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

*HLB Mann Judd*

**HLB Mann Judd  
Chartered Accountants**

**M R W Ohm  
Partner**

**Perth, Western Australia  
12 September 2014**



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## ■ DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (b) in the directors' opinion, the attached financial statements, notes and additional disclosures of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - i. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and performance for the year then ended.
- (c) in the directors' opinion the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

**Gary Lethridge**  
**Managing Director**

Perth, 12 September 2014





## ■ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	note	30-Jun-14 \$	30-Jun-13 \$
<b>Continuing operations</b>			
Other income	3	669,570	1,377,902
Employee benefits expense	4	(764,667)	(1,425,082)
Exploration expenditure expensed as incurred		(452,465)	(331,447)
Impairment of exploration expenditure	10	(594,298)	-
Occupancy expenses		(300,681)	(291,032)
Administrative expenses	4	(177,699)	(352,222)
Depreciation and amortisation expense		(133,606)	(172,505)
Disposal of fixed assets		(29,955)	(611)
Impairment of available-for-sale financial assets	8	-	(3,576,000)
<b>Loss before income tax expense</b>		<b>(1,783,801)</b>	<b>(4,770,997)</b>
Income tax benefit	5	393,157	112,777
<b>Loss after tax from continuing operations</b>		<b>(1,390,644)</b>	<b>(4,658,220)</b>
<b>Net loss for the period</b>		<b>(1,390,644)</b>	<b>(4,658,220)</b>
<b>Other comprehensive income for the period, net of tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net change in the fair value of available-for-sale financial assets		177,500	-
<b>Other comprehensive income for the period, net of tax</b>		<b>177,500</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(1,213,144)</b>	<b>(4,658,220)</b>
<b>Loss per share:</b>			
Basic loss per share (cents per share)	15	(1.06)	(3.54)
Diluted loss per share (cents per share)	15	n/a	n/a

The accompanying notes form part of these financial statements.



## ■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	note	30-Jun-14 \$	30-Jun-13 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	16,083,171	19,472,656
Trade and other receivables	7	370,086	416,608
<b>Total Current Assets</b>		<b>16,453,257</b>	<b>19,889,264</b>
<b>Non-Current Assets</b>			
Receivables	7	70,184	70,184
Other financial assets	8	713,000	535,500
Property, plant and equipment	9	261,096	404,446
Deferred exploration and evaluation expenditure	10	31,930,540	30,245,441
<b>Total Non-Current Assets</b>		<b>32,974,820</b>	<b>31,255,571</b>
<b>Total Assets</b>		<b>49,428,077</b>	<b>51,144,835</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	213,850	335,559
Employee benefits	12	33,428	115,682
<b>Total Current Liabilities</b>		<b>247,278</b>	<b>451,241</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	5	2,748,820	3,141,978
<b>Total Non-Current Liabilities</b>		<b>2,748,820</b>	<b>3,141,978</b>
<b>Total Liabilities</b>		<b>2,996,098</b>	<b>3,593,219</b>
<b>Net Assets</b>		<b>46,431,979</b>	<b>47,551,616</b>
<b>Equity</b>			
Issued capital	13	37,404,278	37,404,278
Reserves	14	1,923,900	3,003,293
Retained earnings	14	7,103,801	7,144,045
<b>Total Equity</b>		<b>46,431,979</b>	<b>47,551,616</b>

The accompanying notes form part of these financial statements.





## ■ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Share-based Payments Reserve \$	Total Equity \$
<b>Balance at 1 July 2012</b>	37,404,278	10,166,605	-	4,131,385	51,702,268
Loss for the period	-	(4,658,220)	-	-	(4,658,220)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	(4,658,220)	-	-	(4,658,220)
Recognition of share-based payments	-	-	-	507,568	507,568
Unlisted options lapsing	-	1,635,660	-	(1,635,660)	-
<b>Balance at 30 June 2013</b>	<b>37,404,278</b>	<b>7,144,045</b>	<b>-</b>	<b>3,003,293</b>	<b>47,551,616</b>
<b>Balance at 1 July 2013</b>	37,404,278	7,144,045	-	3,003,293	47,551,616
Loss for the period	-	(1,390,644)	-	-	(1,390,644)
Net change in fair value of available-for-sale financial assets	-	-	177,500	-	177,500
<b>Total comprehensive income/ (loss) for the period</b>	-	(1,390,644)	177,500	-	(1,213,144)
Recognition of share-based payments	-	-	-	93,507	93,507
Unlisted options lapsing	-	1,350,400	-	(1,350,400)	-
<b>Balance at 30 June 2014</b>	<b>37,404,278</b>	<b>7,103,801</b>	<b>177,500</b>	<b>1,746,400</b>	<b>46,431,979</b>

The accompanying notes form part of these financial statements.



## ■ CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	note	30-Jun-14 \$ inflows/(outflows)	30-Jun-13 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,237,642)	(1,488,382)
Interest received		673,419	1,116,749
Net cash used in operating activities	6	(564,223)	(371,633)
<b>Cash flows from investing activities</b>			
Proceeds from sale of mining tenements		-	550,000
Payments for property, plant and equipment		(817)	(15,166)
Proceeds from sale of plant and equipment		1,818	-
Payments for exploration and evaluation expenditure		(2,826,263)	(8,992,700)
Net cash used in investing activities		(2,825,262)	(8,457,866)
<b>Cash flows from financing activities</b>			
Net cash provided by financing activities		-	-
Net decrease in cash held		(3,389,485)	(8,829,499)
Cash and cash equivalents at the beginning of the period		19,472,656	28,302,155
<b>Cash and cash equivalents at the end of the period</b>	6	<b>16,083,171</b>	<b>19,472,656</b>

The accompanying notes form part of these financial statements.



# ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Talisman Mining Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol "TLM") and operating in Australia.

Talisman Mining Limited's registered office and its principal place of business are as follows:

**Registered Office**

6 Centro Avenue  
Subiaco  
Western Australia 6008

**Principal place of business**

6 Centro Avenue  
Subiaco  
Western Australia 6008

The principal activity of Talisman Mining Limited during the course of the financial year was the exploration for minerals, primarily base metals, copper, copper-gold and gold.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

The financial report was authorised for issue on 12th September 2014.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Talisman Mining Limited and its subsidiaries. The financial report has been prepared on a consolidated basis for the year ending 30 June 2014.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

**Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Talisman Mining Limited ('company') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Talisman Mining Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.



## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Share-based payment transactions***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, using the assumptions detailed in Note 18.

#### ***Exploration and evaluation costs carried forward***

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. These costs may be carried forward in respect of an area that has not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. In conducting the review, the directors also consider whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. These facts and circumstances include:

- (i) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (ii) Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; and
- (iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

The ultimate recoupment of the costs carried forward is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### ***Impairment of available-for-sale financial assets***

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

#### **Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Talisman Mining Limited.





## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Adoption of new and revised Accounting Standards and changes in accounting policy on initial application of Accounting Standards**

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Directors that there is no impact material or otherwise, of these new and revised Standards and Interpretations on its business and therefore no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and therefore, no change necessary to Group accounting policies.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### **a. Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **b. Employee benefits**

##### ***Wages, salaries, annual leave, long service leave and sick leave***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any other employee benefits expected to be settled within 12 months of the balance date are recognised in other payables and are measured at the nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

#### **c. Financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

##### ***Available-for-sale investments***

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any other category. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.



## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

##### *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

##### *Loans and receivables*

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

#### e. Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### f. Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **Tax consolidation legislation**

Talisman Mining Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation during the 2012 financial year. Current and deferred tax amounts are accounted for on a consolidated basis. Talisman Mining Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.



## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### g. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### h. Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- (ii) At least one of the following conditions is also met:
  - a) The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - b) Exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

#### i. Interests in joint ventures

The group has an interest in an exploration joint venture which is a contractual arrangement whereby the parties have joint control to the rights to the assets, and obligations for the liabilities, relating to the arrangement.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interests a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with AASBs applicable to the particular assets, liabilities, revenues and expenses. Details of the Group's interests are disclosed in Note 20.





## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j. Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

#### k. Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment	4-10 years
Motor vehicle	8-10 years
Leasehold improvements	10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### l. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### m. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.



## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### n. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Interest income - recognised on a time proportionate basis that takes into account the effective yield on the financial asset.
- Gains from sale of exploration interests - recognised at the fair value of the consideration received or receivable, less the carrying value of the exploration interests sold.

#### o. Share-based payment transactions

##### *Equity settled transactions*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, further details of which are given in Note 18.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Talisman Mining Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 15).

Equity-settled share-based payments are measured at fair value at the date of grant by use of the Black & Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.



## ■ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### p. Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

#### q. Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The Group does not report diluted earnings per share on incurring an operating loss for the financial year.

#### r. Parent entity financial information

The financial information for the parent entity, Talisman Mining Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### ***Investments in subsidiaries, associates and joint venture entities***

Investments in subsidiary and joint venture entities are accounted for at cost in the financial statements of Talisman Mining Limited.



### 3. OTHER INCOME

	30-Jun-14 \$	30-Jun-13 \$
Bank interest receivable	645,570	1,059,598
Profit from sale of Anticline and Tom Price Projects	-	318,304
Other income	24,000	-
	<u>669,570</u>	<u>1,377,902</u>

### 4. EXPENSES

	30-Jun-14 \$	30-Jun-13 \$
Loss for the year includes the following expenses:		
Non-cash share based payment expense	93,507	507,568
Operating lease rental expense	300,681	291,032

### 5. INCOME TAX

	30-Jun-14 \$	30-Jun-13 \$
<b>Income tax recognised in profit or loss</b>		
The major components of tax expense are:		
Current tax benefit	(393,157)	(112,777)
Total tax benefit	<u>(393,157)</u>	<u>(112,777)</u>
Attributable to:		
Continuing operations	<u>(393,157)</u>	<u>(112,777)</u>





	30-Jun-14 \$	30-Jun-13 \$
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before income tax	(1,783,801)	(4,770,997)
Income tax benefit calculated at 30% (2013: 30%)	(535,140)	(1,431,299)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share-based payments	28,052	152,270
Impairment expense	-	1,072,800
Other	(8,838)	(91,717)
Movement in current year temporary differences	(918,389)	(2,481,453)
Effect of unused losses not recognised as deferred tax assets	1,041,158	2,666,622
Income tax benefit reported in the statement of comprehensive income	(393,157)	(112,777)

	30-Jun-14 \$	30-Jun-13 \$
<b>Deferred tax liabilities</b>		
Opening balance	3,141,978	3,254,755
Temporary differences arising from exploration	505,530	2,341,541
Carry forward losses from current year not recognised as deferred tax assets	(1,041,158)	(2,666,623)
Deductible temporary differences	142,470	212,305
	2,748,820	3,141,978

	30-Jun-14 \$	30-Jun-13 \$
<b>Unrecognised deferred tax assets</b>		
A deferred tax asset has not been recognised in respect of the following item:		
Impairment of available-for-sale financial assets	1,961,100	2,014,350

	30-Jun-14 \$	30-Jun-13 \$
<b>Income tax benefit not recognised in equity</b>		
Share issue costs	-	19,702



## 6. CASH AND CASH EQUIVALENTS

### (a) Reconciliation of cash and cash equivalents

	30-Jun-14 \$	30-Jun-13 \$
Cash at bank and on hand	263,171	409,166
Short-term deposits	15,820,000	19,063,490
	16,083,171	19,472,656

### (b) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the current or prior year.

### (c) Reconciliation of loss for the year to net cash flow from operating activities

	30-Jun-14 \$	30-Jun-13 \$
Loss for the year after tax	(1,390,644)	(4,658,220)
Gain on sale of mining tenements	-	(318,304)
Impairment of available-for-sale financial assets	-	3,576,000
Depreciation and amortisation	133,606	172,505
Exploration expenditure expensed as incurred	452,465	331,447
Impairment of exploration	594,298	-
Disposal of fixed assets	29,955	611
Equity settled share-based payments	93,507	507,568
<b>Changes in net assets and liabilities</b>		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	10,488	126,449
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	(12,488)	57,583
Provisions	(82,254)	(54,495)
Deferred tax liability	(393,156)	(112,777)
Net cash used in operating activities	(564,223)	(371,633)



## 7. TRADE AND OTHER RECEIVABLES

	30-Jun-14 \$	30-Jun-13 \$
<b>Current</b>		
Goods and services tax recoverable	19,816	35,871
Other debtors	43,451	43,145
Other debtors - security bonds	162,000	162,000
Prepayments and accrued income	144,819	175,592
	<b>370,086</b>	<b>416,608</b>
<b>Non Current</b>		
Other debtors - security bonds	70,184	70,184

Due to the nature of the Group's receivables, no ageing is presented.

## 8. OTHER FINANCIAL ASSETS

	30-Jun-14 \$	30-Jun-13 \$
<b>Non Current</b>		
Available-for-sale listed investments carried at fair value	713,000	535,500

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. The carrying amount of financial assets recorded in the financial statements represents their net fair values, determined in accordance with the accounting policies disclosed in Note 2.

At year end, an assessment of the fair value of all available for sale investments resulted in a gain of \$177,500 being recognised in the statement of comprehensive income in the line item "Net change in the fair value of available-for-sale financial assets". The Group's assessment of the fair value was made in accordance with AASB 139 and was based on the share price of the investment below cost as quoted by the Australian Securities Exchange.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.



## 9. PROPERTY, PLANT AND EQUIPMENT

	Office furniture and equipment \$	Leasehold Improvements \$	Motor vehicles \$	Total \$
<b>Year ended 30 June 2014</b>				
At 1 July 2013, net of accumulated depreciation	173,976	48,598	181,872	404,446
Additions	22,029	-	-	22,029
Disposals	(1,000)	(30,773)	-	(31,773)
Depreciation charge for the year	(92,405)	(6,648)	(34,553)	(133,606)
	102,600	11,177	147,319	261,096
<b>Year ended 30 June 2013</b>				
At 1 July 2012, net of accumulated depreciation	288,233	57,738	216,425	562,396
Additions	15,166	-	-	15,166
Disposals	(611)	-	-	(611)
Depreciation charge for the year	(128,812)	(9,140)	(34,553)	(172,505)
	173,976	48,598	181,872	404,446
<b>At 30 June 2014</b>				
Cost or fair value	679,248	25,439	286,895	991,582
Accumulated depreciation	(576,648)	(14,262)	(139,576)	(730,486)
Net carrying amount	102,600	11,177	147,319	261,096
<b>At 30 June 2013</b>				
Cost or fair value	658,219	68,161	286,895	1,013,275
Accumulated depreciation	(484,243)	(19,563)	(105,023)	(608,829)
Net carrying amount	173,976	48,598	181,872	404,446

The carrying value of plant and equipment held under finance lease and hire purchase contracts as at 30 June 2014 is nil (2013: nil).

## 10. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	30-Jun-14 \$	30-Jun-13 \$
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of financial year	30,245,441	22,440,304
Carrying value of tenements sold	-	(231,696)
Expenditure incurred	2,279,397	8,036,833
	32,524,838	30,245,441
Expenditure written off	(594,298)	-
	31,930,540	30,245,441

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.



## 11. TRADE AND OTHER PAYABLES

	30-Jun-14 \$	30-Jun-13 \$
<b>Current</b>		
Trade payables	60,354	87,442
Accruals	24,424	100,564
Other payables	129,072	147,553
	213,850	335,559

Trade payables are non-interest bearing and are normally settled on 30 day terms.

## 12. EMPLOYEE BENEFITS

	30-Jun-14 \$	30-Jun-13 \$
<b>Current</b>		
Employee benefits	33,428	115,682

Employee benefits relates to annual leave and long service leave entitlements accrued to employees.

## 13. ISSUED CAPITAL

	30-Jun-14 \$	30-Jun-13 \$
<b>Ordinary Shares</b>		
Issued and fully paid	37,404,278	37,404,278

	30-Jun-14		30-Jun-13	
	No.	\$	No.	\$
<b>Movements in ordinary shares on issue</b>				
At 1 July	131,538,627	37,404,278	131,538,627	37,404,278
At 30 June	131,538,627	37,404,278	131,538,627	37,404,278

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	30-Jun-14		30-Jun-13	
	No.	\$	No.	\$
<b>Movements in options over ordinary shares on issue</b>				
At 1 July	8,800,000	3,003,293	15,150,000	4,131,385
Directors' remuneration	1,250,000	67,007	-	412,403
Employees' remuneration	1,000,000	26,500	200,000	95,165
Unlisted Options Lapsing	(2,300,000)	(1,350,400)	(6,550,000)	(1,635,660)
At 30 June	8,750,000	1,746,400	8,800,000	3,003,293

Share options are exercisable on a 1:1 basis at various exercise prices. The options expire between 31/07/2014 and 31/10/2016. Further details of options granted to directors and employees are contained in Note 18 to the financial statements.



**14. RETAINED EARNINGS AND RESERVES**

	30-Jun-14 \$	30-Jun-13 \$
<b>Retained Earnings</b>		
Balance at beginning of financial year	7,144,045	10,166,605
Net loss for the year	(1,390,644)	(4,658,220)
Transfer on expiry of unexercised options	1,350,400	1,635,660
Balance at end of financial year	7,103,801	7,144,045

	30-Jun-14 \$	30-Jun-13 \$
<b>Reserves</b>		
Asset revaluation reserve	177,500	-
Share based payment reserve	1,746,400	3,003,293
Balance at end of financial year	1,923,900	3,003,293

**Asset revaluation reserve**

The asset revaluation reserve is used to record temporary fluctuations between the market value of available-for-sale investments and the acquisition price.

**Share based payment reserve**

The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 18 for further details.

**15. EARNINGS PER SHARE****Basic loss per share**

	30-Jun-14 cent per share	30-Jun-13 cent per share
Basic loss per share	(1.06)	(3.54)
	\$	\$
Net loss for the period	(1,390,644)	(4,658,220)
	No.	No.
Weighted average number of ordinary shares for the purpose of basic loss per share	131,538,627	131,538,627

**Diluted loss per share**

Diluted loss per share was not calculated for the year ended 30 June 2014 as the company was in a loss making situation which did not increase the loss per share.



## 16. COMMITMENTS AND CONTINGENCIES

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are not provided for in the financial report and are payable as follows:

	30-Jun-14 \$	30-Jun-13 \$
<b>Exploration expenditure</b>		
Within one year	519,620	759,041
After one year but not more than five years	641,680	852,781
Greater than five years	-	3,974
	<b>1,161,300</b>	<b>1,615,796</b>

If the Group decides to relinquish certain exploration leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

### *Operating Leases*

Operating lease arrangements comprise an agreement for the rental of office space with a lease term of 2 years; storage facilities with a lease term of 1 year and a motor vehicle operating lease with a term of 2 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	30-Jun-14 \$	30-Jun-13 \$
<b>Non-cancellable operating lease commitments</b>		
Within one year	147,880	253,868
After one year but not more than five years	121,875	20,272
Greater than five years	-	-
	<b>269,755</b>	<b>274,140</b>

## 17. FINANCIAL INSTRUMENTS

### (a) Introduction

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Capital risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's aim is to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**(b) Categories of financial instruments**

	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Receivables	440,270	486,792
Cash and cash equivalents	16,083,171	19,472,656
Available-for-sale investments	713,000	535,500
	<b>17,236,441</b>	<b>20,494,948</b>
<b>Financial liabilities</b>		
Trade and other payables	213,850	335,559
Other financial liabilities	33,428	115,682
	<b>247,278</b>	<b>451,241</b>

***Fair value of financial assets and liabilities***

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2.

During the year, an assessment of the fair value of available-for-sale investments resulted in a gain of \$177,500 recognised in the statement of comprehensive income in the line item "Net change in the fair value of available-for-sale financial assets".

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

**(c) Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Audit Committee annually. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**(d) Liquidity Risk Management**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is the responsibility of the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and identifying when further capital raising initiatives are required.

***Liquidity and interest risk table***

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities and have been prepared on the following basis:

- Financial assets – based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period; and
- Financial liabilities – based on undiscounted cash flows on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.



	Less than 1 month \$	1-3 months \$	3 months to 1 Year \$	1-5 years \$	5 plus years \$	No fixed term \$	Total \$
<b>2014</b>							
<i>Financial Assets</i>							
Non-interest bearing	19,968	-	-	-	-	-	19,968
Variable interest rate	263,019	-	-	-	-	-	263,019
Fixed interest rate	8,779,005	7,061,364	121,504	162,000	-	-	16,123,873
	9,061,992	7,061,364	121,504	162,000	-	-	16,406,860

<i>Financial Liabilities</i>							
Non-interest bearing	139,850	-	33,428	-	-	-	173,278
Fixed interest rate	-	-	-	-	-	-	-
	139,850	-	33,428	-	-	-	173,278

	Less than 1 month \$	1-3 months \$	3 months to 1 Year \$	1-5 years \$	5 plus years \$	No fixed term \$	Total \$
<b>2013</b>							
<i>Financial Assets</i>							
Non-interest bearing	36,102	-	-	-	-	-	36,102
Variable interest rate	408,935	-	-	-	-	-	408,935
Fixed interest rate	-	19,141,036	122,420	162,000	-	-	19,425,456
	445,037	19,141,036	122,420	162,000	-	-	19,870,493

<i>Financial Liabilities</i>							
Non-interest bearing	261,560	-	115,682	-	-	-	377,242
Fixed interest rate	-	-	-	-	-	-	-
	261,560	-	115,682	-	-	-	377,242

## (e) Interest rate risk

The Group is not exposed to interest rate risk as it has not borrowed funds at fixed/variable interest rates.

Some of the Group's assets are subject to interest rate risk but the Group is not dependent on this income.

### *Interest rate sensitivity analysis*

The sensitivity analysis of the Group's exposure to interest rate risk at the reporting date has been determined based on a change of 50 basis points in interest rates taking place at the beginning of the financial year and held constant throughout the year.

At reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Group's net loss would have reduced by \$1,315 (2013 net loss reduced by \$2,045).

## (f) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of equity only, comprising issued capital and reserves, net of accumulated losses. The Group's policy is to use capital market issues to meet the funding requirements of the Group.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.



**(g) Fair value of financial instruments**

AASB 7 Financial Instruments: Disclosures which require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group’s assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2014</b>				
<b>Assets</b>				
Available-for-sale financial assets	713,000	-	-	713,000
<b>2013</b>				
<b>Assets</b>				
Available-for-sale financial assets	535,500	-	-	535,500

**18. SHARE BASED PAYMENTS**

**Employee Share Options**

The Group has an Employee Share Option Plan (“ESOP”) for executives and employees of the Group. In accordance with the provisions of the ESOP, as approved by shareholders at a previous annual general meeting, executives and employees may be granted options at the discretion of the directors.

Each employee share option converts into one ordinary share of Talisman Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the directors subject to the total number of outstanding options being issued under the ESOP not exceeding 5% of the Company’s issued capital at any one time.

Options issued to directors are not issued under the ESOP but are subject to approval by shareholders and attach vesting conditions as appropriate.





### Incentive share based payment arrangements in existence during the period

The following share-based payment arrangements were in existence during the reporting period:

Option Series	Number	Grant date	Expiry date	Vesting date	Exercise price \$	Fair Value at grant date \$	
9	200,000	23-Nov-09	30-Nov-13	Immediate	1.00	0.70	(i)
10	200,000	23-Nov-09	30-Nov-13	30-Jun-10	1.00	0.70	(i)
11	200,000	23-Nov-09	30-Nov-13	31-Dec-10	1.10	0.69	(i)
12	200,000	23-Nov-09	30-Nov-13	30-Jun-11	1.20	0.67	(i)
13	200,000	23-Nov-09	30-Nov-13	31-Dec-11	1.30	0.66	(i)
21	250,000	7-Dec-10	30-Nov-13	Immediate	1.27	0.62	(i)
22	250,000	7-Dec-10	30-Nov-13	1-Dec-11	1.35	0.60	(i)
23	250,000	7-Dec-10	30-Nov-13	1-Jun-12	1.44	0.60	(i)
24	250,000	7-Dec-10	30-Nov-13	1-Dec-12	1.53	0.59	(i)
26	50,000	14-Mar-11	14-Mar-14	31-Aug-12	1.19	0.54	(i)
27	125,000	18-Jul-11	31-Jul-14	Immediate	0.90	0.37	
28	125,000	18-Jul-11	31-Jul-14	17-Jul-12	0.97	0.36	
29	125,000	18-Jul-11	31-Jul-14	17-Jan-13	1.03	0.36	
30	125,000	18-Jul-11	31-Jul-14	17-Jul-13	1.09	0.35	
31	50,000	31-Jul-11	31-Dec-14	31-Dec-12	0.78	0.48	(i)
32	400,000	25-Aug-11	31-Dec-14	Immediate	0.69	0.41	
33	400,000	25-Aug-11	31-Dec-14	31-Dec-11	0.73	0.40	
34	400,000	25-Aug-11	31-Dec-14	30-Jun-12	0.78	0.39	
35	400,000	25-Aug-11	31-Dec-14	31-Dec-12	0.83	0.39	
36	400,000	25-Aug-11	31-Dec-14	30-Jun-13	0.85	0.39	
40	750,000	18-Nov-11	31-Oct-14	18-May-12	0.72	0.21	
41	750,000	18-Nov-11	31-Oct-14	17-Nov-12	0.80	0.20	
42	750,000	18-Nov-11	31-Oct-14	18-May-13	1.00	0.18	
43	750,000	18-Nov-11	31-Oct-14	17-Nov-13	1.12	0.17	
44	250,000	15-Mar-12	31-Jul-15	13-Sep-12	1.02	0.18	
45	250,000	15-Mar-12	31-Jul-15	15-Mar-13	1.13	0.18	
46	250,000	15-Mar-12	31-Jul-15	13-Sep-13	1.41	0.16	
47	250,000	15-Mar-12	31-Jul-15	15-Mar-14	1.53	0.16	
48	50,000	22-Aug-12	31-Aug-15	21-Feb-13	0.44	0.08	(i)
49	50,000	22-Aug-12	31-Aug-15	23-Aug-13	0.47	0.08	(i)
50	50,000	22-Aug-12	31-Aug-15	24-Feb-14	0.49	0.08	(i)
51	50,000	22-Aug-12	31-Aug-15	23-Aug-14	0.52	0.07	(i)
52	562,500	25-Nov-13	31-Oct-16	26-May-14	0.43	0.04	
53	562,500	25-Nov-13	31-Oct-16	25-Nov-14	0.51	0.04	
54	562,500	25-Nov-13	31-Oct-16	26-May-15	0.60	0.04	
55	562,500	25-Nov-13	31-Oct-16	25-Nov-15	0.69	0.03	

(i) These options expired/lapsed during the financial year.

The fair value of the share options granted during the financial year is \$85,895 (2013: \$15,400). Options were priced using a Black & Scholes pricing model. Expected volatility is based on the expected movement of the underlying share price around its average share price over the expected term of the option. Based on historical experience, the directors have determined the expected period of exercise to be similar to the option life.



The following table list the inputs to the model for options issued in the year:

Inputs into model	Option series			
	52	53	54	55
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected volatility (%)	121%	121%	121%	121%
Risk-free interest rate (%)	3.04%	3.04%	3.04%	3.04%
Expected life of option (yrs)	3.0	3.0	3.0	3.0
Exercise price	\$0.43	\$0.51	\$0.60	\$0.69
Grant date share price (5 day vwap)	\$0.12	\$0.12	\$0.12	\$0.12

The following reconciles the outstanding share options granted as share based payments at the beginning and end of the financial year:

	30-Jun-14		30-Jun-13	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the year	8,800,000	1.00	15,150,000	0.84
Granted during the year	2,250,000	0.56	200,000	0.48
Expired during the year	(2,300,000)	1.18	(6,550,000)	0.62
Outstanding at the end of the year	8,750,000	0.84	8,800,000	1.00
Exercisable at end of the financial year	7,062,500	0.89	7,275,000	0.96

The weighted average fair value of options granted during the year was \$0.04.

**Exercised during the financial year**

No options were exercised during the financial year.

**Balance at end of the financial year**

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 0.96 years (2013 1.25 years). The range of exercise prices for options outstanding at the end of the year was \$0.43 - \$1.53 (2013: \$0.44 - \$1.53).

## 19. DIRECTORS AND EXECUTIVES DISCLOSURES

**Details of Key Management Personnel**

The key management personnel of Talisman Mining Limited during the year were:

**Directors**

Alan Senior	Non-Executive Chairman
Gary Lethridge	Managing Director
Graeme Cameron	Technical Director
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director

**Executives**

Daniel Madden	Chief Financial Officer and Company Secretary
Peter Cash	Manager Corporate Development

Key management personnel compensation is disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited.



The total of remuneration paid to key management personnel of the company and the Group during the year are as follows:

	30-Jun-2014 \$	30-Jun-2013 \$
Short-term employee benefits	1,242,230	1,384,030
Post-employment benefits	107,834	112,550
Other long-term benefits	-	-
Share-based payments (i)	89,665	475,797
<b>Total key management personnel compensation</b>	<b>1,439,729</b>	<b>1,972,377</b>

(i) The value of share-based payments shown in the table are non-cash values based on an accounting valuation calculated under the Black & Scholes option pricing method.

#### Other transactions with key management personnel

The Group paid \$3,750 to Ailie Services Pty Ltd, a related party of Mr Brian Dawes, for consultancy services provided over a 3 day period during the financial year ending 30 June 2014 which are deemed to be provided outside the ordinary requirements of Non-Executive Director duties. This transaction was made on normal terms and conditions.

There were no other transactions with key management personnel of the Group during the 2014 and 2013 financial years.

## 20. JOINT VENTURES

The Group has a 62.9% (2013: 60%) interest in the Halloween West Project Joint Venture with Chrysalis Resources Ltd. Under the terms of the agreement the Company is the Joint Venture Manager, and is the majority holder of the project.

Joint venture accounts which are proportionately consolidated based on the above equity percentages in the consolidated financial statements are disclosed as follows:

<b>Financial Position</b>		
	30-Jun-14 \$	30-Jun-13 \$
<b>Assets</b>		
Cash and cash equivalents	50,097	-
Receivables	332	11,175
Deferred exploration and evaluation expenditure	928,288	861,271
<b>Total assets</b>	<b>978,717</b>	<b>872,446</b>
<b>Liabilities</b>		
Amount payable to Talisman Mining Ltd	54,675	11,175
<b>Total liabilities</b>	<b>54,675</b>	<b>11,175</b>
<b>Net assets</b>	<b>924,042</b>	<b>861,271</b>
Group ownership share of net assets	62.90%	60.00%
<b>Carrying amount of interest in joint venture</b>	<b>581,222</b>	<b>516,763</b>



The joint venture has no contingent liabilities and capital commitments with the exception that in order to maintain current rights of tenure to exploration tenements, the joint venture is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are not provided for in the financial report and are payable as follows:

<b>Commitments for expenditure</b>		
	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration expenditure</b>		
Within one year	50,000	50,000
After one year but not more than five years	180,685	230,685
Greater than five years	-	-
	<b>230,685</b>	<b>280,685</b>

## 21. SEGMENT REPORTING

The Group continues to operate in one geographical segment, being Western Australia and in one operating category, being mineral exploration and evaluation.

The chief operating decision-maker has been identified as the Board of Talisman Mining Limited and information reported to the Board for the purpose of resource allocation and assessment of performance is focused on mineral exploration and evaluation within Western Australia. Consequently the Group reports within one segment.

## 22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors there are no contingent liabilities or assets as at 30 June 2014 and no contingent liabilities or assets were incurred in the interval between the period end and the date of this financial report.

## 23. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Talisman Mining Limited and the subsidiaries listed in the following table:

<b>Name</b>	<b>Country of Incorporation</b>	<b>% Equity Interest</b>		<b>Investment \$</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Talisman A Pty Ltd	Australia	100	100	10	10
Haverford Holdings Pty Ltd	Australia	100	100	68,000	68,000

Talisman Mining Limited is the ultimate parent entity and ultimate parent of the Group.



## 24. PARENT ENTITY DISCLOSURES

Disclosures as at 30 June 2014 and for the year then ended in relation to Talisman Mining Limited as a single entity are noted below.

<b>Financial Position</b>		
	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	16,455,920	19,889,255
Non-current assets	32,972,147	31,320,993
<b>Total assets</b>	<b>49,428,067</b>	<b>51,210,248</b>
<b>Liabilities</b>		
Current liabilities	247,266	441,232
Non-current liabilities	2,748,822	3,141,979
<b>Total liabilities</b>	<b>2,996,088</b>	<b>3,583,211</b>
<b>Net assets</b>	<b>46,431,979</b>	<b>47,627,037</b>
<b>Equity</b>		
Issued capital	37,404,278	37,404,278
Reserves		
Asset revaluation reserve	177,500	-
Share based payment reserve	1,746,400	3,003,293
Retained earnings	7,103,801	7,219,466
<b>Total equity</b>	<b>46,431,979</b>	<b>47,627,037</b>
<b>Financial Performance</b>		
	<b>Year ended</b>	<b>Year ended</b>
	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(1,466,065)	(4,658,220)
Net change in the fair value of available for sale financial assets	177,500	-
<b>Total comprehensive loss</b>	<b>(1,288,565)</b>	<b>(4,658,220)</b>
<b>Commitments for expenditure</b>		
	<b>30-Jun-14</b>	<b>30-Jun-13</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration expenditure</b>		
Within one year	334,280	449,201
After one year but not more than five years	261,437	258,911
Greater than five years	-	-
	<b>595,717</b>	<b>708,112</b>





## 25. REMUNERATION OF AUDITORS

The auditor of Talisman Mining Limited is HLB Mann Judd.

	30-Jun-14 \$	30-Jun-13 \$
Audit or review of the financial report	29,800	28,485

## 26. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events subsequent to reporting date.



## ■ ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 12 SEPTEMBER 2014

### 1. NUMBER OF HOLDERS OF EQUITY SECURITIES

#### (a) Distribution of holders of equity securities

Range	Fully paid ordinary shares	Number of holders
1 to 1,000	98,395	169
1,001 to 5,000	1,733,726	553
5,001 to 10,000	3,541,346	407
10,001 to 100,000	32,334,076	864
100,001 and Over	93,841,084	207

#### (b) Voting rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

#### (c) Less than marketable parcel of shares

The number of shareholders holding less than a marketable parcel is 485 (holding a total of 772,953 shares) given a share value of \$0.14 cents per share.

#### (d) Substantial Shareholdings:

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	%
Mr Kerry Harmanis	15,943,452	12.1%

Set out above is an extract from the Company's register of last substantial shareholder notices as received by the Company and/or lodged at the ASX. Shareholdings and percentages reported in the table are as reported in the most recent notifications received, however these may differ from current holdings as substantial holders are required to notify the Company only in respect of changes which act to increase or decrease their percentage holding by at least 1% of total voting rights.

### 2. COMPANY SECRETARY

The name of the company secretary is Daniel Madden.

### 3. REGISTERED OFFICE AND PRINCIPAL ADMINISTRATIVE OFFICE

Registered and principal administrative office:  
Ground Level, 6 Centro Avenue  
Subiaco Western Australia 6008  
Telephone +61 8 9380 4230

Registered securities are held at the following address:  
Link Market Services Limited  
Level 4, Central Park  
152 St Georges Terrace  
Perth Western Australia 6000



## 4. SECURITIES EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

## 5. RESTRICTED SECURITIES

There are no restricted securities or securities in voluntary escrow at the date of this report.

## 6. TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Ordinary Shareholders			
Rank	Name	Number	%
1	TYCHE HOLDINGS PTY LTD	6,400,001	4.87%
2	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	6,186,373	4.70%
3	TYCHE HOLDINGS PTY LTD	3,510,000	2.67%
4	COLBERN FIDUCIARY NOMINEES PTY LTD	3,080,451	2.34%
5	STEVEN JAMES ELLIOT	2,736,669	2.08%
6	REDCODE PTY LTD	2,500,000	1.90%
7	NATIONAL NOMINEES LIMITED	2,477,440	1.88%
8	HAWERA PTY LTD	2,383,333	1.81%
9	GROSVENOR PIRIE MANAGEMENT LTD	2,276,974	1.73%
10	YF HOLDINGS PTY LTD	1,949,010	1.48%
11	MRS JASMINE KAILIS	1,946,000	1.48%
12	SIREB PTY LTD	1,904,464	1.45%
13	LUJETA PTY LTD	1,480,000	1.13%
14	TYCHE HOLDINGS PTY LTD	1,470,000	1.12%
15	HARMANIS HOLDINGS PTY LTD	1,458,000	1.11%
16	MR PAUL ROZIER OOST & MRS JANINE LEE OOST	1,200,000	0.91%
17	HAWERA PTY LTD	1,100,000	0.84%
18	MR LAFRAS LUITINGH	1,000,000	0.76%
18	MR GARY LETHRIDGE	1,000,000	0.76%
19	CITICORP NOMINEES PTY LIMITED	977,400	0.74%
20	HAWERA PTY LTD	900,000	0.68%



## 7. UNQUOTED EQUITY SECURITIES

Class	Exercise Price \$	Expiry date	Unlisted Options	
			Number	Number of Holders
Unlisted Options	0.72	31-Oct-14	750,000	1
Unlisted Options	0.80	31-Oct-14	750,000	1
Unlisted Options	1.00	31-Oct-14	750,000	1
Unlisted Options	1.12	31-Oct-14	750,000	1
Unlisted Options	0.69	31-Dec-14	400,000	2
Unlisted Options	0.73	31-Dec-14	400,000	2
Unlisted Options	0.78	31-Dec-14	400,000	2
Unlisted Options	0.83	31-Dec-14	400,000	2
Unlisted Options	0.85	31-Dec-14	400,000	1
Unlisted Options	1.02	31-Jul-15	250,000	1
Unlisted Options	1.13	31-Jul-15	250,000	1
Unlisted Options	0.41	31-Jul-15	250,000	1
Unlisted Options	0.53	31-Jul-15	250,000	1
Unlisted Options	0.43	31-Oct-16	562,500	3
Unlisted Options	0.51	31-Oct-16	562,500	3
Unlisted Options	0.60	31-Oct-16	562,500	3
Unlisted Options	0.69	31-Oct-16	562,500	3

All options have no voting rights.

## 8. ON-MARKET BUY BACK

At the date of this report the company is not involved in an on-market buy-back.



TALISMAN MINING LTD

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Western Australia 6008

**Telephone:** + 61 8 9380 4230

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