

Thursday 29th January, 2015

Talisman Mining – Springfield 2015 exploration program commences – Maintain Spec Buy

Talisman Mining (ASX: TLM, Share Price: \$0.15, Market Cap: \$20m) is one of our preferred exploration plays and our most recent coverage was in MLW 193 during November 2014. The company maintains an important exploration farm-out joint venture with Sandfire Resources (ASX: SFR), revolving around its flagship Springfield Project in Western Australia, where Sandfire can earn up to a 70% stake in three of Talisman's projects by spending at least \$15 million over a 5½-year period.

Talisman has advised today that Sandfire has resumed exploration activities for 2015 at Springfield, as part of a major campaign to define potential drill targets, with extensive air-core drilling continuing.



Market Significance

With respect to its Doolgunna regional exploration projects, Talisman retains exposure to a potential minimum of \$15 million worth of exploration and appraisal expenditure at no cost, being fully-funded by regional neighbor, Sandfire Resources possesses deep pockets and has the strong incentive of adding to its overall DeGrussa project life. Preliminary observations from the initial phases of exploration at the Springfield Project have delivered significant geological encouragement, confirming that the project contains interpreted extensions of the volcanic rock package that hosts the DeGrussa VMS deposits.

Announcement Detail

Talisman has provided an update on drilling and exploration activities within its Doolgunna Copper-Gold Projects in Western Australia, where its joint venture partner Sandfire Resources continues to progress a major exploration program - and has recently re-commenced drilling.

Extensive programs of detailed air-core drilling were undertaken by Sandfire during Q4 2014 across the Homer (DeGrussa) and Southern Volcanic trends, with a total of 278 holes drilled for 16,780 metres. A total of 21,099 metres of air-core drilling was completed by Sandfire for the 2014 calendar year at Springfield.

Sandfire re-commenced its air-core drilling program at Springfield during early January 2015 and plans to continue drilling activities through the March 2015 Quarter. Final assay results for the geochemical air-core drilling are pending and a detailed interpretation of the geochemical and geological information will begin during H1 2015 once all results have been returned, validated and integrated with historical Talisman drill-hole data.

At the end of December 2014, the first two phases of planned FLEM surveys, consisting of a total of 24 high-powered FLEM loops (each 1,200m by 1,000m), had been completed over the northern extension of the DeGrussa Formation at Homer, as well as the Central Volcanic Corridor and the Monty Prospect. The third and fourth phases of the regional FLEM program re-commenced in early January 2015 and are planned to comprise 25 loops encompassing a large proportion of the Southern mafic volcanic succession. This work program is ongoing and may be completed during the March Quarter 2015.

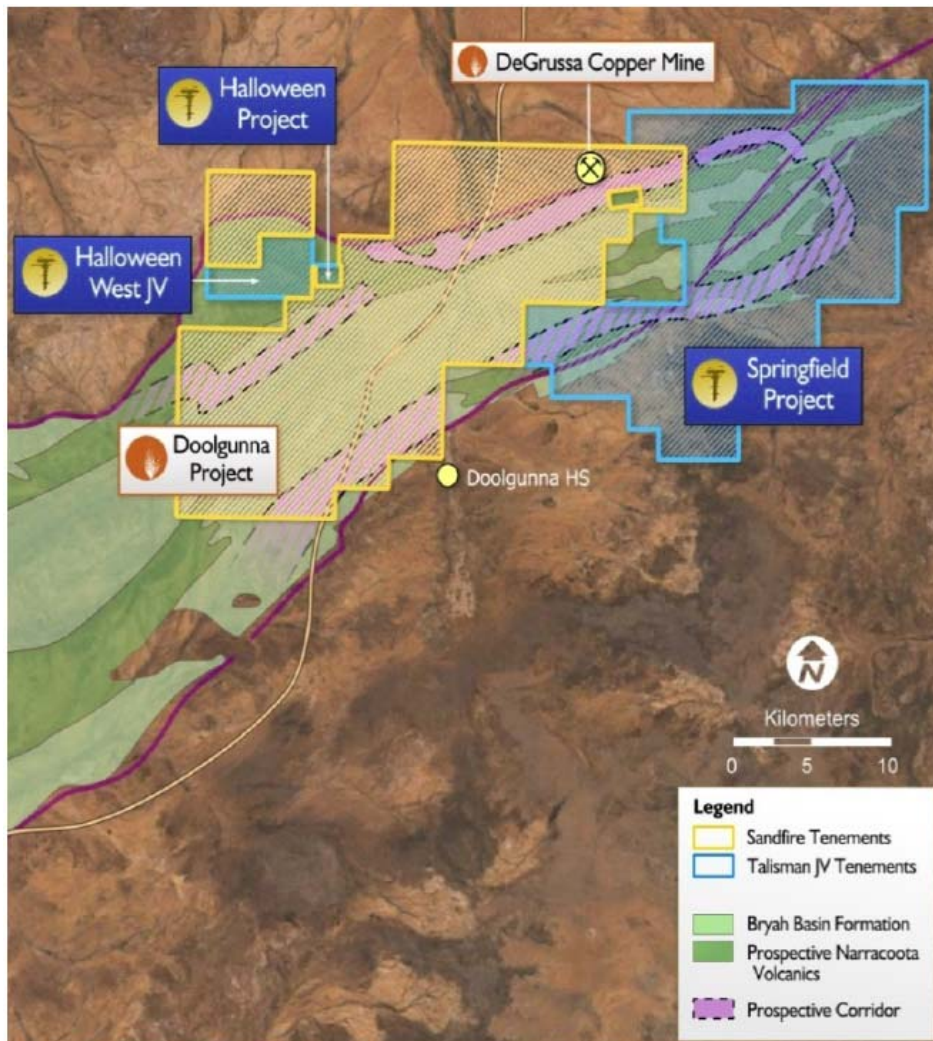
In addition to the ground EM surveys, a total of 20 RC and diamond drill holes were re-surveyed during Q4 2014 using the latest high-powered (100A) Fluxgate down-hole EM technology. Both the ground FLEM and DHEM data are currently being assessed by geophysical consultants *Newexco* and will be integrated with the new geochemical and geological data in order to identify DeGrussa-style copper-gold targets for drilling.

Technical Significance

Geological units encountered in drilling included sediments, mafic volcanic sediments, dolerites and basalts, which are interpreted to be consistent with the geology encountered along the DeGrussa corridor on Sandfire's tenements.

High-powered down-hole DHEM (down-hole electromagnetic surveying) and FLEM (fixed-loop electromagnetic surveying) are key tools in VHMS exploration, and these geophysical techniques have proven to be successful in the DeGrussa environment. Accordingly, they are being extensively deployed by Sandfire across the prospective stratigraphy at the Springfield Project.

Project Background



Sandfire has the right to earn a 70% ownership interest in Talisman's interests within the Doolgunna region by spending \$15 million on exploration across the projects within a 5½-year period. As part of the deal, Sandfire has a minimum expenditure commitment of \$5 million within the first two-year period.

Sandfire can then elect to either withdraw from the agreement with no further commitment and no project equity interest, or spend an additional \$5 million within a further two-year period in order to earn a 51% interest in the projects. Following this period a joint venture will be formed, with Sandfire holding a 51%

interest and Talisman a 49% interest, in the projects. At this point, Sandfire has the option to sole-fund a further \$5 million worth of exploration expenditure within a further 18-month period, which will see it acquire a further 19% stake in the projects, taking its total interest to 70%. The deal is hugely significant as it provides the potential to unlock a new generation of copper-gold discoveries, by combining Sandfire's emerging geological knowledge (gained from the discovery and development of the high-profile DeGrussa discovery) with Talisman's extensive Doolgunna datasets and geological knowledge.

Summary

Talisman has put enormous effort over the past five years into its overall exploration approach, its review of exploration models and prioritisation of exploration targets. Talisman has invested more than \$20 million in exploring its Doolgunna regional projects over the past five years. At the end of the day however, intensive large-scale regional exploration is best suited to a company like Sandfire, which possesses both deep pockets and the very strong incentive of adding to its DeGrussa resource base and extending overall mine life. Talisman retains exposure to a potential minimum of \$15 million worth of exploration and appraisal expenditure at no cost. We retain our Speculative Buy recommendation on Sandfire Resources around current price levels.

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