

Monday 18th May, 2015

Talisman Mining – Strong off-hole conductor identified at Monty prospect – Maintain Spec Buy

Talisman Mining (ASX: TLM, Share Price: \$0.17, Market Cap: \$22m) is one of our preferred exploration plays. We introduced the stock to our Portfolio during January 2014 and our most recent coverage was in MLW 196 during February 2015. It maintains an important exploration farm-out JV with Sandfire Resources (ASX: SFR) involving its flagship Springfield Project in WA, where Sandfire can earn up to a 70% stake in three of Talisman's projects by spending at least \$15m over a 5½-year period.

Sandfire has advised that a high-powered DHEM survey undertaken on diamond hole TLDD0002A at the Monty prospect has identified a highly conductive late-time anomaly, 15m off-hole at a depth of 410m.



Market Significance

With respect to its Doolgunna regional exploration projects, Talisman retains exposure to a minimum potential \$15 million worth of exploration and appraisal expenditure at no cost, being fully-funded by regional neighbor Sandfire Resources. Sandfire 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.

Sandfire has completed reconnaissance diamond drill-hole TLDD0002A at the Monty prospect, within Talisman's Springfield copper-gold project. TLDD0002A is part of a new exploration program by Sandfire at the Monty and Homer prospects. TLDD0002A was drilled to test a subtle, discrete off-hole electromagnetic (EM) conductor identified from both a high-powered surface FLEM survey and a high powered DHEM survey completed on a historical Talisman drill-hole - SPD021.

A high-powered DHEM survey undertaken on TLDD0002A has identified a highly-conductive, late-time anomaly approximately 15 metres off-hole that's potentially indicative of an accumulation of mineralised massive sulphides.

Technical Significance

SPD021 was drilled by Talisman as part of a diamond drilling program conducted at the Monty Corridor during the June 2011 Quarter, as a follow-up to diamond hole SPD020, which intersected a narrow zone of potentially remobilised copper, including an intersection of 0.3 metre @ 7.6% Cu (502.0 metres – 502.3 metres). SPD021 was drilled up-dip of SPD020 and also intersected a narrow zone of potentially remobilised copper, including an intersection of 0.5 metre @ 1.3% Cu and 1.0g/t Au (347.5 metres – 348 metres).

Encouragingly, the recent high-powered DHEM survey on Sandfire hole TLDD0002A has identified a highly conductive late-time anomaly measuring 50 metres by 50 metres, approximately 15 metres off-hole centred at a down-hole depth of 410 metres. Significantly, this highly conductive anomaly (of the order of 5,590 siemens) has the potential to represent an accumulation of mineralised massive sulphides.

Logging of TLDD0002A by Sandfire identified a zone of haematitic siliceous jasper nodules with trace disseminated chalcopyrite and significant magnetite between 379.05 metres and 387.64 metres down-hole, within a broader sedimentary package of approximately 38 metres.

Importantly, the zone closely resembles that of the exhalite adjacent to the massive sulphide mineralisation at DeGrussa and may correlate to the location of the newly identified conductor.

In terms of follow-up activity, Sandfire is currently drilling hole TLDD0003 at the Homer prospect and upon completion the rig will return to drill-hole TLDD0004, which will target the newly-identified DHEM conductor.

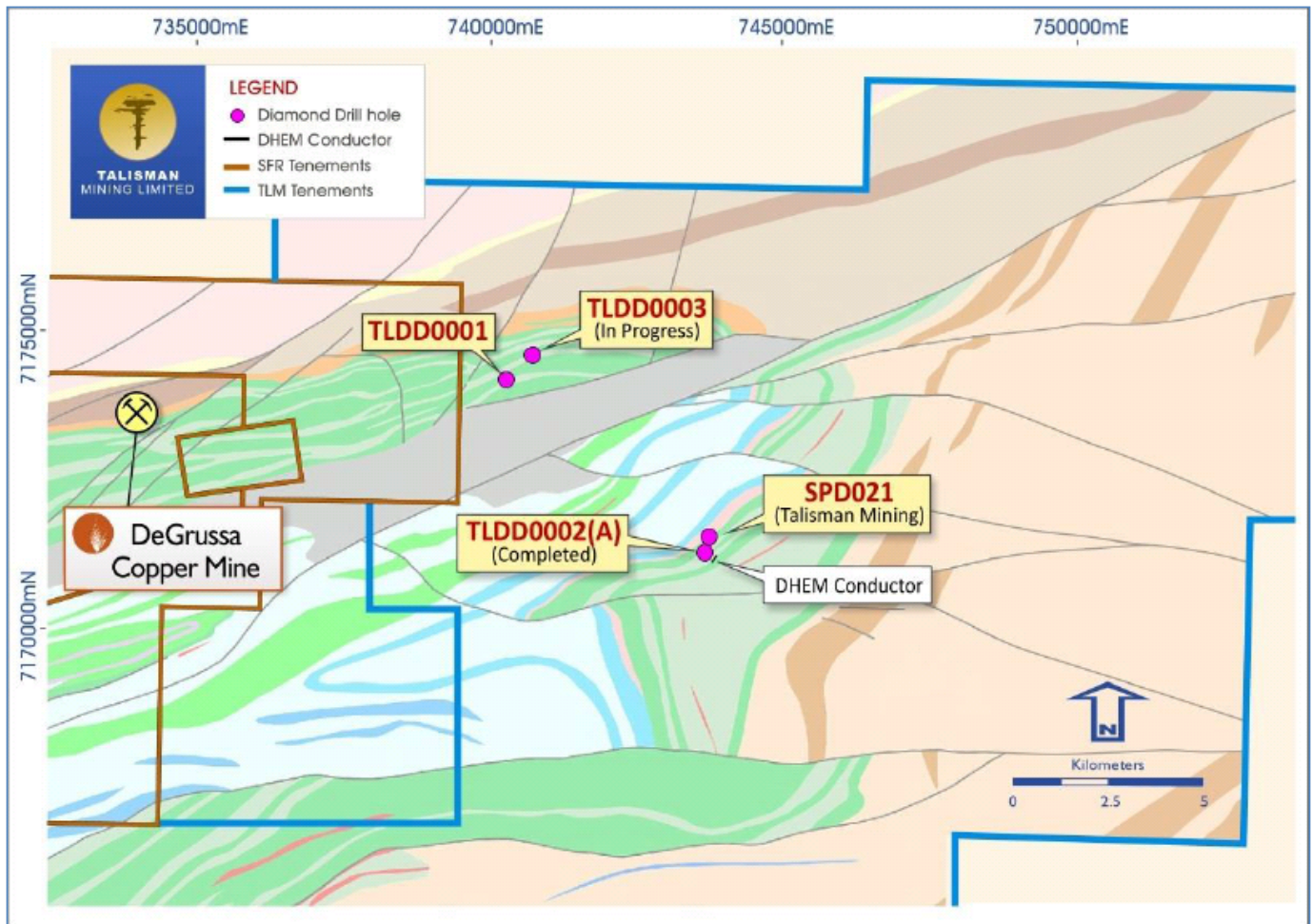


Figure 1: Plan showing interpreted geology and the approximate locations of TLDD0002A and TLDD0003 reconnaissance diamond drill-holes at the Springfield Project, historic diamond drill-holes SPD021 and TLDD0001, and the approximate location of the off-hole DHEM conductor at Monty

Project Background

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.

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 Talisman Mining around current price levels of \$0.17.

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