2018 ANNUAL REPORT

TALISMAN
MINING LIMITED

CORPORATE DIRECTORY

DIRECTORS

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Mr Daniel Madden	Managing Director
Mr Alan Senior	Non-Executive Director
Mr Brian Dawes	Non-Executive Director
Ms Karen Gadsby	Non-Executive Director

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LETTER FROM THE CHAIRMAN

Dear Talisman Shareholder,

I am pleased to present to you Talisman's Annual Report for the 2018 Financial Year.

The 12-month period was highlighted by a number of important milestones and culminated in the proposal to realise significant value from the sale of our 30% share in the Doolgunna Project Joint Venture, which includes the Monty-Copper Gold Mine, to our joint venture partner Sandfire Resources NL.

This transaction is subject to a vote of Talisman shareholders on 4 October 2018 and, if the proposed resolutions are approved, will facilitate the return of up to A$46.5 million to shareholders and leave the Company well capitalised to continue its growth strategy.

Following the finalisation of the Monty project financing package in October 2017, development activities were broadly tracking to plan. The exploration program at Springfield continued throughout the period as several targets were tested, both near-Monty and regionally.

At the start of FY18 Talisman made its first strategic move into the Lachlan Fold region of New South Wales based on the outcomes of a large targeting exercise by our exploration team. By the end of FY18, Talisman controlled a large 3,084km^2 land package prospective for copper-gold, gold and base metal deposits. Our low-cost entry gives us a fantastic opportunity to create value for shareholders.

Our team is adopting a methodical approach to exploration in NSW to ensure targets are identified and thoroughly tested. The high potential of the area was clearly demonstrated by the number of targets generated and, critically, the results of our first RC drilling program in NSW. Good widths of high-grade copper were returned at the Blind Calf Prospect which warrant immediate follow up. Activities at Blind Calf and across the Lachlan Cu-Au Project will gather momentum during FY19.

The Sinclair Nickel Project remains a valuable strategic asset. In FY18 drilling was completed on a number of regional targets and further work is planned for all of these prospects. Sinclair's prospectivity, the extensive mining and processing infrastructure already in place and growing strategic interest in nickel assets ensures Sinclair will receive a greater level of focus in FY19.

The last financial year was a period of great achievement for Talisman and on behalf of the Board, I would like to extend my appreciation to the Company's talented team of staff, contractors and consultants for their continued efforts.

I would also like to acknowledge the support of our shareholders in the Company's activities. We believe FY18 has been a definitive period where significant value has been realised for Talisman shareholders and the Company has been strongly positioned for the next phase of its growth.

Yours faithfully,

Jeremy Kirkwood
Chairman

REVIEW OF OPERATIONS

OVERVIEW

The past twelve months saw ongoing development of the Monty Copper-Gold Mine ("Monty") located within Talisman Mining Limited's ("Talisman" or the "Company" (ASX: TLM)) Doolgunna Projects Joint Venture (the "Joint Venture") with Sandfire Resources NL ("Sandfire" (ASX: SFR)). Siteworks at Monty continued throughout the year with the completion of the boxcut on 22 September 2017. The mine portal and underground decline development commenced in October 2017 and at the end of the financial year total development advance was 2,163 metres. In addition, all on-site construction activities related to pre-production surface and underground infrastructure was completed.

Subsequent to the end of the financial year, the Company reached agreement with its Joint Venture partner, Sandfire, to sell to Sandfire the subsidiary that holds its 30% share of the Joint Venture for A$72.3 million less the amounts owing under the Company's financing arrangements with Taurus Mining Finance Fund. The sale transaction includes the granting to the Company of an uncapped and perpetual 1% net smelter return royalty applying to 100% of all contained copper and gold in ore mined and sold from within the Joint Venture tenement area above the respective contained metal levels in the Monty mine plan (based on the Monty Feasibility Study released in April 2017).

The Company continued to grow its footprint in the prospective eastern Lachlan Fold Belt (the "Lachlan Cu-Au Project") in New South Wales ("NSW") where it now controls 3,084km^2 of exploration tenure through its 100% owned Crowl Creek Project, and joint ventures with Peel Mining NL and Bacchus Resources Pty Ltd. The Company commenced on-ground exploration during the financial year including geological mapping and systematic geochemical sampling. Additionally, the Company completed its maiden reverse circulation ("RC") drilling campaign at Crowl Creek, targeting the Blind Calf Prospect which returned wide, high-grade copper results including: **13m @ 5.71% Cu**[1], from 129m downhole, **11m @ 4.78% Cu**[1], from 127m downhole, and **7m @ 5.68% Cu**[1], from 98m downhole. The Company is continuing to build an extensive geological and geochemical database for the wider Lachlan Cu-Au Project area, which is resulting in the definition of new target areas that will be systematically drill tested over the coming financial year.

Figure 1: Talisman Project locations

1 Refer to Talisman ASX release dated 18 June 2018 and 5 July 2018 for details.

At the Sinclair Nickel Project, the Company continued its strategy of completing staged, cost effective exploration focused on the identification of additional shallow nickel sulphide mineralisation. Exploration activities during the year included mapping and rock-chip sampling, shallow systematic air-core drilling and deeper RC drill testing with DHEM geophysical surveys.

DOOLGUNNA PROJECTS (JV WITH SANDFIRE RESOURCES NL)

The Doolgunna Projects Joint Venture is between the Company and Sandfire with Sandfire acting as Joint Venture Manager. The Joint Venture encompasses the Springfield and Halloween Projects (30%:70%, TLM:SFR) and the Halloween West Project (19%:81%, TLM:SFR) which are volcanogenic massive sulphide ("VMS") copper-gold exploration projects in the Bryah Basin region of Western Australia (Figure 2).

Initial mine development commenced at Monty in July 2017 following the completion of a successful feasibility study and approval of the Mining Proposal and Mine Closure Plan by the Western Australian Department of Mines, Industry Regulation and Safety ("DMIRS"). During the financial year, the Company also completed debt financing with Taurus Mining Finance Fund ("Taurus") for 100% of the Company's forecast share of Monty pre-production development costs.

Subsequent to the financial year end, the Company reached agreement with Sandfire for Sandfire to acquire the Company's 30% interest in the Joint Venture via the acquisition of the subsidiary holding the Company's 30% interest for $72.3 million less the amounts owing at transaction completion under the Company's financing arrangements with Taurus. The sale transaction also includes the grant to the Company of an uncapped and perpetual 1% net smelter return royalty applying to 100% of all contained copper and gold in ore mined and sold from within the Joint Venture tenement area above the respective contained metal levels in the Monty mine plan. In addition, Sandfire agreed to assume the obligations for the 2.25% gross revenue royalty on the Company's share of Monty production that was put in place as part of the Taurus funding for Monty development.

Figure 2: Doolgunna Projects Joint Venture – Springfield and Halloween West Project locations.

Figure 3: Monty Cu-Au Project: site office, power generators and associated infrastructure.

Springfield Project

(30% Talisman Mining Ltd – Joint Venture with Sandfire Resources NL)

The Springfield Project comprises a 303km^2 ground package located approximately 150km north-east of Meekatharra in the northern Murchison Goldfields region of Western Australia. The project area is 4km directly along strike, to the east from Sandfire's DeGrussa Copper-Gold Mine and hosts the high-grade Monty Deposit, within one of several corridors that are prospective for VMS style mineralisation. These VMS corridors are Monty, Homer, Central and Southern Volcanics (Figure 2).

The maiden Ore Reserve estimate for Monty, as at 31 March 2017, totals 0.92Mt at 8.7% copper and 1.4g/t gold[2]. Contained metal stands at 80kt copper and 42koz gold. All the current Ore Reserve estimate is contained in the Probable Ore Reserve category. The Company's 30% share of the defined Probable Ore Reserve estimate is 24kt copper and 13koz gold, being 0.28Mt at 8.7% copper and 1.4g/t gold.

Monty Mining Development

On the 4 July 2017, the Company received advice that the DMIRS (formerly Department of Mines and Petroleum) had approved the Mining Proposal and Mine Closure Plan for Monty, facilitating the commencement of on-ground earthworks.

On-site construction activities for Monty progressed throughout the financial year (Figure 3). Significant Infrastructure milestones included:

- Works Approval by Western Australian Department of Water and Environmental Regulation to allow for dewatering;
- Completion of all contracted bulk earthworks and civils including:
  - Boxcut;
  - Monty haul road;
  - Water supply pipeline to Monty site;
  - Site infrastructure;
- Commencement of underground mine development;
- Completion of ventilation shaft (blind sink to approximately 40m);
- Completion of high-voltage infrastructure (including underground substation commissioning); and
- Breakthrough of the return air-drive to the base of the vent shaft.

2 See Talisman ASX announcement dated 13 April 2016.

Figure 4: Monty Cu-Au Project: charging of the decline face, December 2017.

The underground mining contractor, Byrnecut Australia Pty Ltd, continued to progress Monty development and at the end of June 2018 the decline had advanced to 1,013 metres (Figure 4) with total development advance at 2,163 metres. Initial stope production is planned to commence in 2019.

Springfield Exploration

Exploration throughout the financial year continued to focus on enhancing geological and structural knowledge to unlock the regional potential of the broader Joint Venture area. Exploration activities carried out included:

- air-core, RC and diamond drilling;
- down-hole and surface geophysical surveys; and
- geological studies.

Drilling across the Springfield Project area comprised:

Springfield Project Drilling Statistics

Hole Type	Number of Holes	Total Metres
Air-core	238	10,736
RC	9	3,193
Diamond	12	3,918
TOTAL:	**259**	**17,847**

Table 1: Springfield Project drilling statistics 1 July 2017 – 30 June 2018

Regional systematic air-core drilling across a number of prospect areas including Monty NE, Monty South, Southern Volcanics and Homer, provided geological and geochemical data to better delineate the host sedimentary units within the prospective stratigraphic sequence.

In addition, RC and diamond drilling were used to:

- provide additional structural and geotechnical data in the Upper Zone of the Monty Deposit;
- follow up geological interpretations of the potential Monty off-set; and
- follow up litho-geochemical anomalies identified in air-core drilling.

Monty Upper Zone

A program of infill diamond drilling of the Monty Upper Zone was conducted by the Joint Venture Manager to provide additional geotechnical, geological and analytical data on the Upper Zone

This program provided infill drilling between the existing resource definition drill holes in selected areas. All the completed drill holes into the Monty Upper Zone intersected massive sulphide mineralisation and results show a good correlation with the current orebody model used for the existing Monty JORC Resource.

The Upper Zone is not included in the current mine plan for Monty and further work is required by the Joint Venture to assess the Monty Upper Zone orebody including the potential impact of localised fault structures and to further develop the interpretation of Upper Zone mineralisation.

Monty Off-set

RC drilling to the west of the Mataro fault confirmed the interpreted position of the Monty host stratigraphy with target lithologies intersected in both completed holes. (Figure 5).

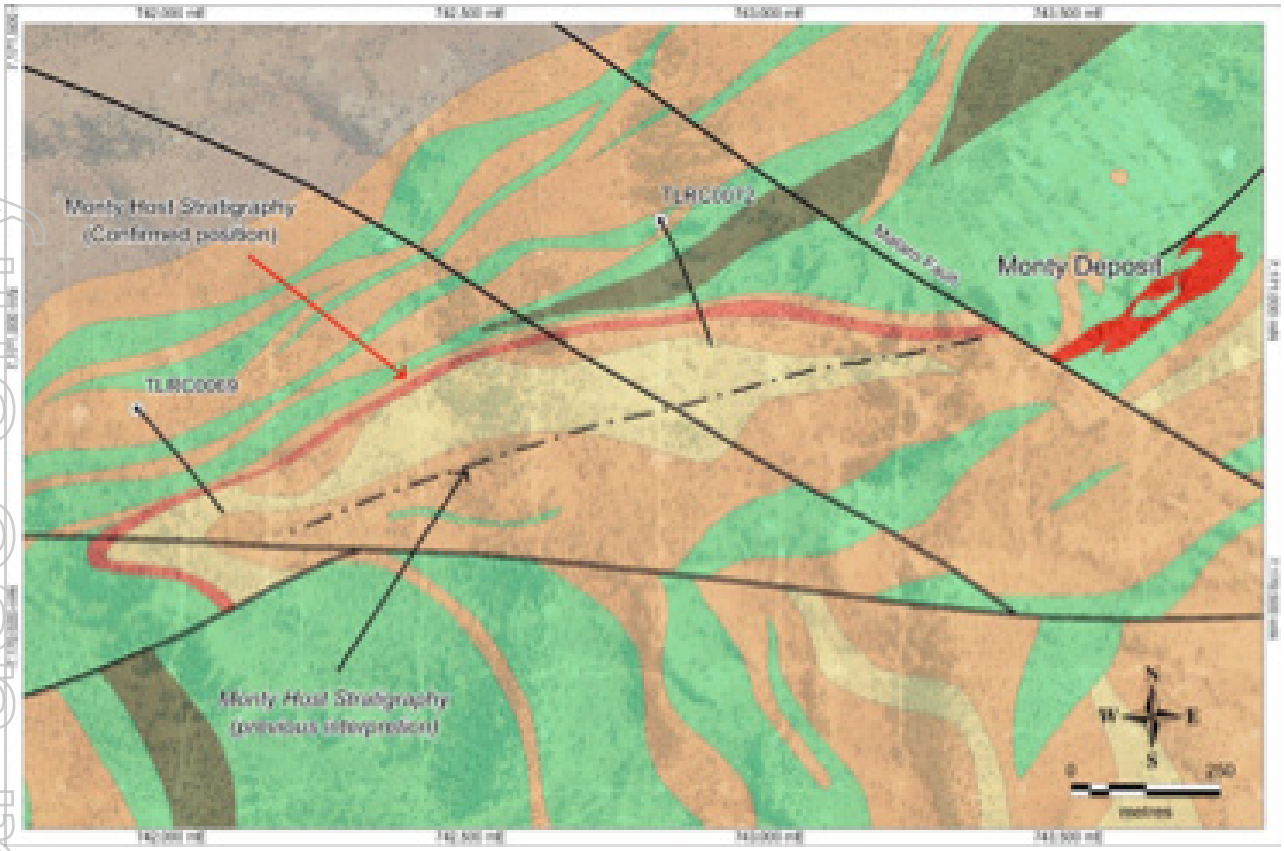

Figure 5: Monty offset geological interpretation showing updated geological interpretation.

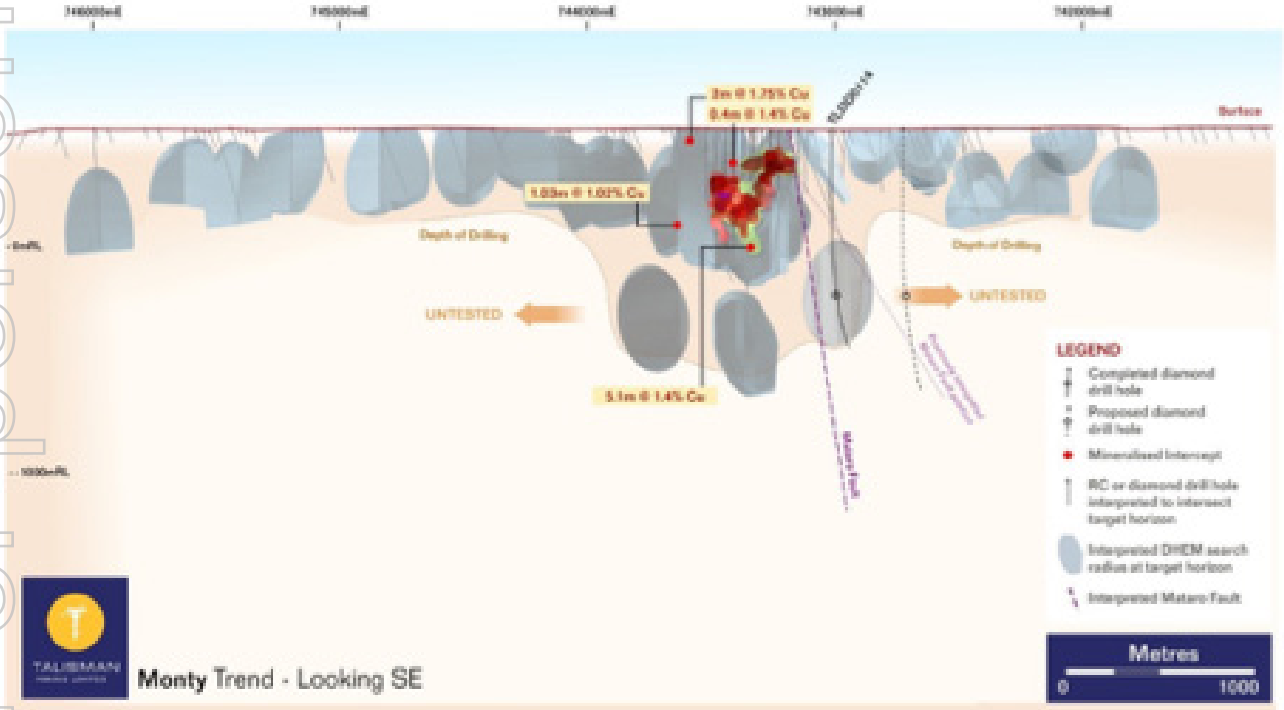

Figure 6: Monty Deposit projected long section with diamond holes, interpreted DHEM coverage and interpreted orientation of the Mataro Fault, showing TLDD0114 pierce point to the west of the Mataro Fault.

One diamond hole (TLDD0114) was completed (Figure 6) to further test for any off-set mineralisation to the west of the Mataro fault. The hole intersected the host lithology at depth to the west of the Mataro fault and provided a deep platform for a subsequent downhole electromagnetic ("DHEM") survey. The DHEM survey of TLDD0114 provided geophysical coverage off-hole of TLDD0114 and immediately to the west of the Mataro Fault. There were no geochemical or geophysical indicators observed in the existing RC or deep diamond drilling completed below the Monty Deposit.

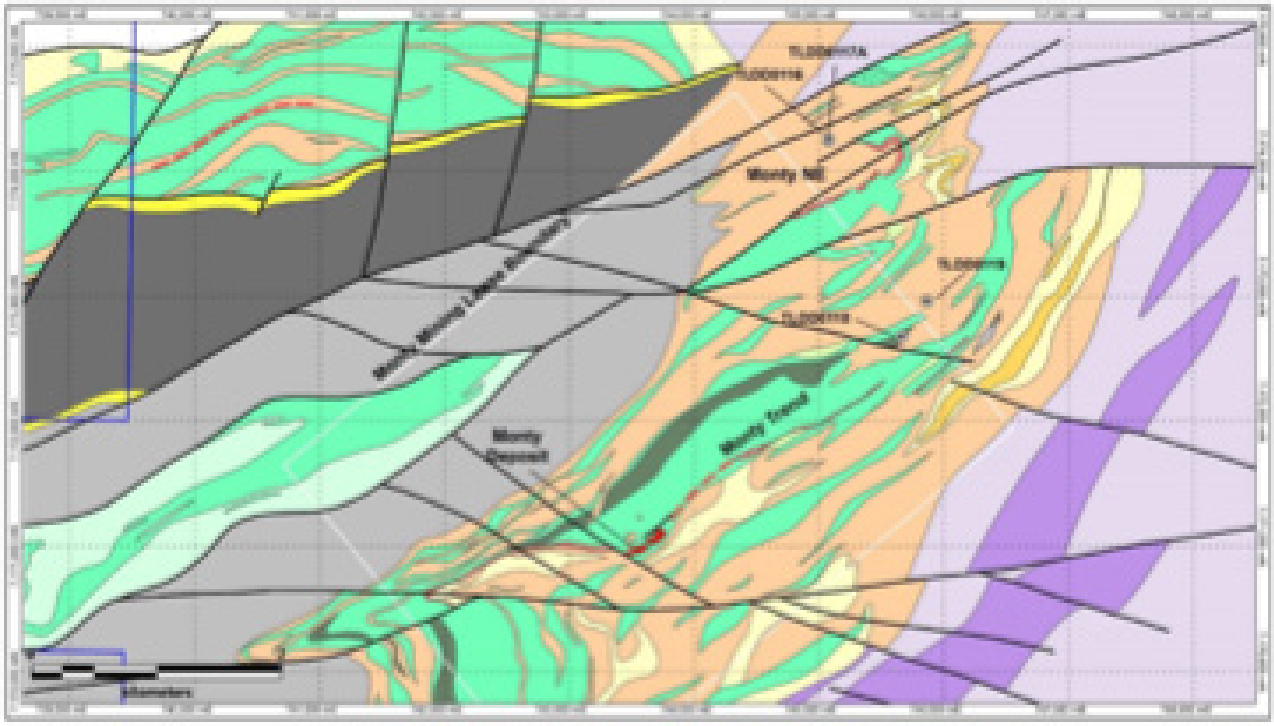

Figure 7: Monty region interpreted surface geology.

Monty East & Monty NE

RC and diamond drilling were utilised to test the potential host stratigraphy to the east and north-east of the Monty Deposit. A number of target areas were tested to in-fill interpreted gaps in previous drill testing along the Monty East trend and to follow-up a weak geophysical anomaly associated with low-grade shallow copper mineralisation in air-core drilling at Monty NE (Figure 7).

Drilling at Monty NE and the Monty East trend intersected the host stratigraphy, confirming geological interpretations. DHEM surveys were completed in all drill holes. No significant copper mineralisation was encountered during the drilling, and subsequent DHEM surveys did not identify any conductive bodies within the search limits of the surveys.

Halloween

(30% Talisman Mining Ltd – Joint Venture with Sandfire Resources)

The Halloween Project is located approximately 17km west south-west of Sandfire's DeGrussa Copper-Gold Mine. The Halloween Project covers the interpreted western extension of the Narracoota Volcanic Formation that locally hosts the DeGrussa Copper-Gold Deposit

No on-ground exploration work was completed on the Halloween Project tenement during the financial year. Exploration work by the Joint Venture Manager has been limited to desktop studies and a review of historic work completed over the project.

Halloween West

(18.8% Talisman Mining Ltd – Joint Venture with Sandfire Resources NL)

The Halloween West Project is located immediately to the west of the Halloween Project and approximately 20km west south-west of Sandfire's DeGrussa Copper-Gold Mine.

No on-ground exploration work was completed on the Halloween West Project tenement during the financial year. Exploration work by the Joint Venture Manager has been limited to desktop studies and a review of historic work completed over the project.

NSW LACHLAN COPPER - GOLD PROJECT

Throughout the financial year the Company continued to evaluate new opportunities and grow its on-ground footprint in NSW through the submission of new exploration license applications, joint ventures and project acquisitions. As at 30 June 2018 the Company's Lachlan Cu-Au Project consists of 3,084km^2 of exploration tenure straddling the regional Gilmore Suture fault zone which is prospective for epithermal copper/gold and base metal mineralisation, as well as 'Cobar Style' structurally controlled mineralisation. (Figure 8 & Figure 9).

The Company has divided the Lachlan Cu-Au Project area into three regions; the Northern, Central and Southern regions (Figure 9) and one sub-project, the Michelago project which is located to the south-east of Canberra. The Lachlan Cu-Au Project area has seen little to no modern systematic exploration, with previous exploration comprising sporadic

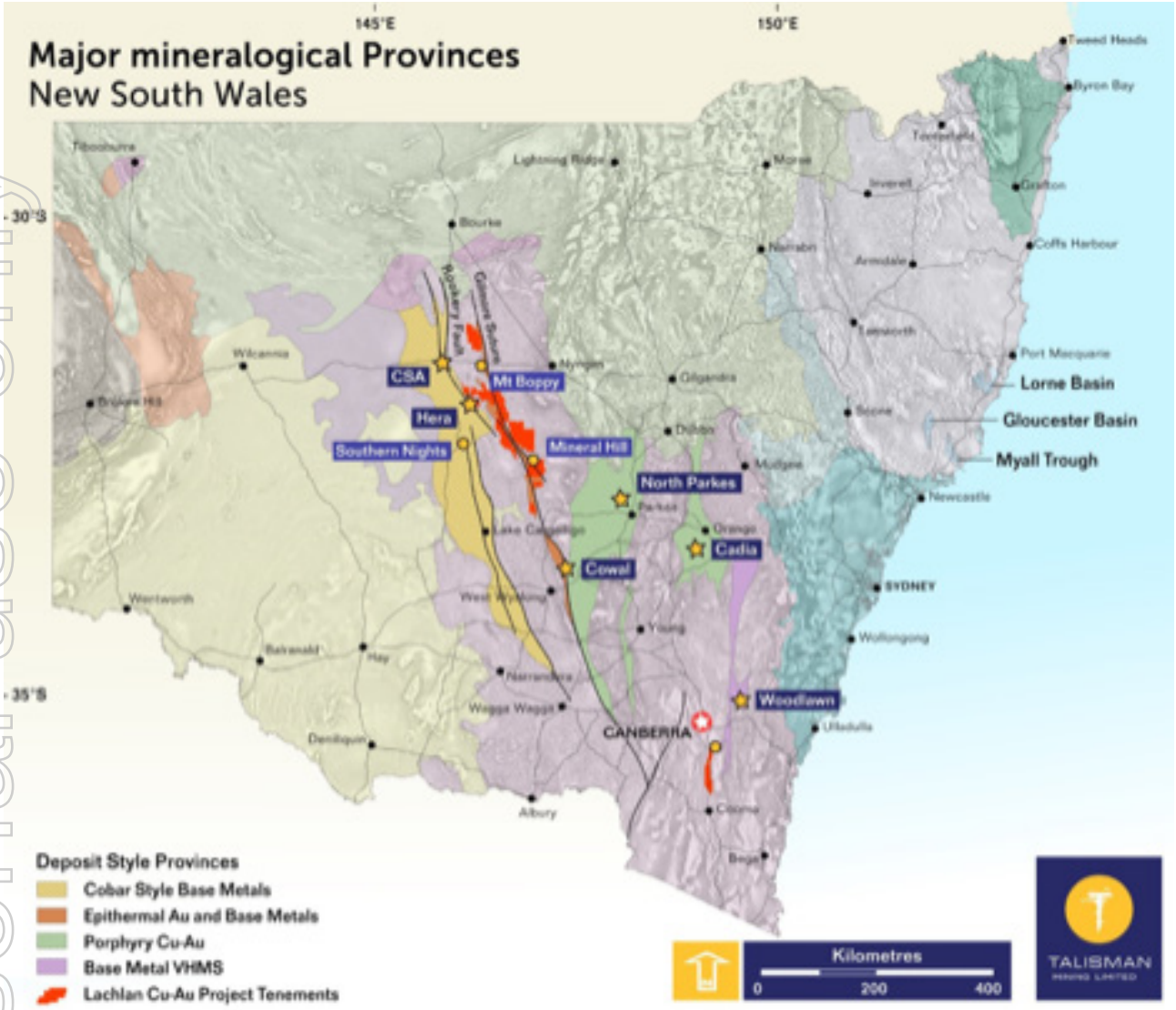

Figure 8: NSW mineralogical provinces map, showing Lachlan Cu-Au Project tenure and broad deposit style provinces.

rock-chip and soil sampling and limited shallow drilling beneath historic workings. Work completed by the Company throughout the year included extensive historical data compilation and evaluation, land access negotiations, regional prospecting/ first pass mapping and rock-chip sampling, systematic auger geochemical sampling, detailed structural mapping, and RC drilling with DHEM geophysical surveys (Table 2).

Lachlan Cu-Au Project

Drilling Statistics

Hole Type	Number of Holes	Total Metres
RC	7	984
TOTAL:	7	984

Table 2: Lachlan Cu-Au Project - Drill hole information summary.

Peel Mining Ltd - Farm-in Agreement

In late 2017, the Company signed a farm-in agreement with Peel Mining Ltd ("Peel"), whereby the Company has the right to earn up to a 75% interest in two granted exploration licences held by Peel, EL8414 and EL8451, covering an area of approximately 450km^2 in the Lachlan Fold Belt through on-ground expenditure of $700,000 over a five-year period. EL8451 is located in the south-east of the Lachlan Fold Belt and forms the Company's Michelago Project.

Bacchus Resources Pty Ltd - Farm-in Agreement

In early 2018, the Company signed a farm-in agreement with Bacchus Resources Pty Ltd ("Bacchus") whereby the Company has the right to earn up to an 80% interest in six granted exploration licences held by Bacchus (EL8547, EL8571, EL8638, EL8657, EL8658 and EL8680) covering an area of approximately 1,067km^2 in the Lachlan Fold Belt through on-ground expenditure of $2.3 million over a four-year period.

In accordance with the farm-in agreement, the Company will undertake staged farm-in with expenditure as follows:

- $1.3 million in the first 36 months from commencement to earn a 51% interest; and
- Should the Company elect to continue to farm-in, further expenditure of $1.0 million over 12 months to earn an 80% interest.

Once the Company has earned its final interest in the licenses held by Bacchus, a formal joint venture will be entered into which provides that Bacchus will be free carried for 10% of its joint venture interest until a decision to mine. Post a decision to mine, Bacchus can then elect to contribute, or the Company has a right to acquire Bacchus' interest in the joint venture for 95% of fair value as agreed by the joint venture participants. In addition, at the end of the farm-in period, the Company will transfer to Bacchus a 20% interest in the three granted exploration licences (EL8615, EL8659, and EL8677) that the Company currently holds on a 100% basis. Bacchus's interest in these tenements will form part of the formal joint venture and as such, Bacchus will contribute to expenditure on the terms outlined above.

Figure 9: Lachlan Cu-Au Project tenure and simplified regional geology.

Lachlan Cu-Au Project - Southern Region

The Southern region tenements comprise both the Company's and Bacchus farm-in (the Company earning 80%) tenure and contain the historic Blind Calf mining centre and are adjacent to and along strike from the existing Mineral Hill Mine (Figure 10).

Work completed by the Company during the financial year in the Southern Region included land holder access negotiations, reconnaissance mapping and rock-chip sampling, systematic auger sampling and, at the Blind Calf Prospect, RC drilling with DHEM geophysical surveys.

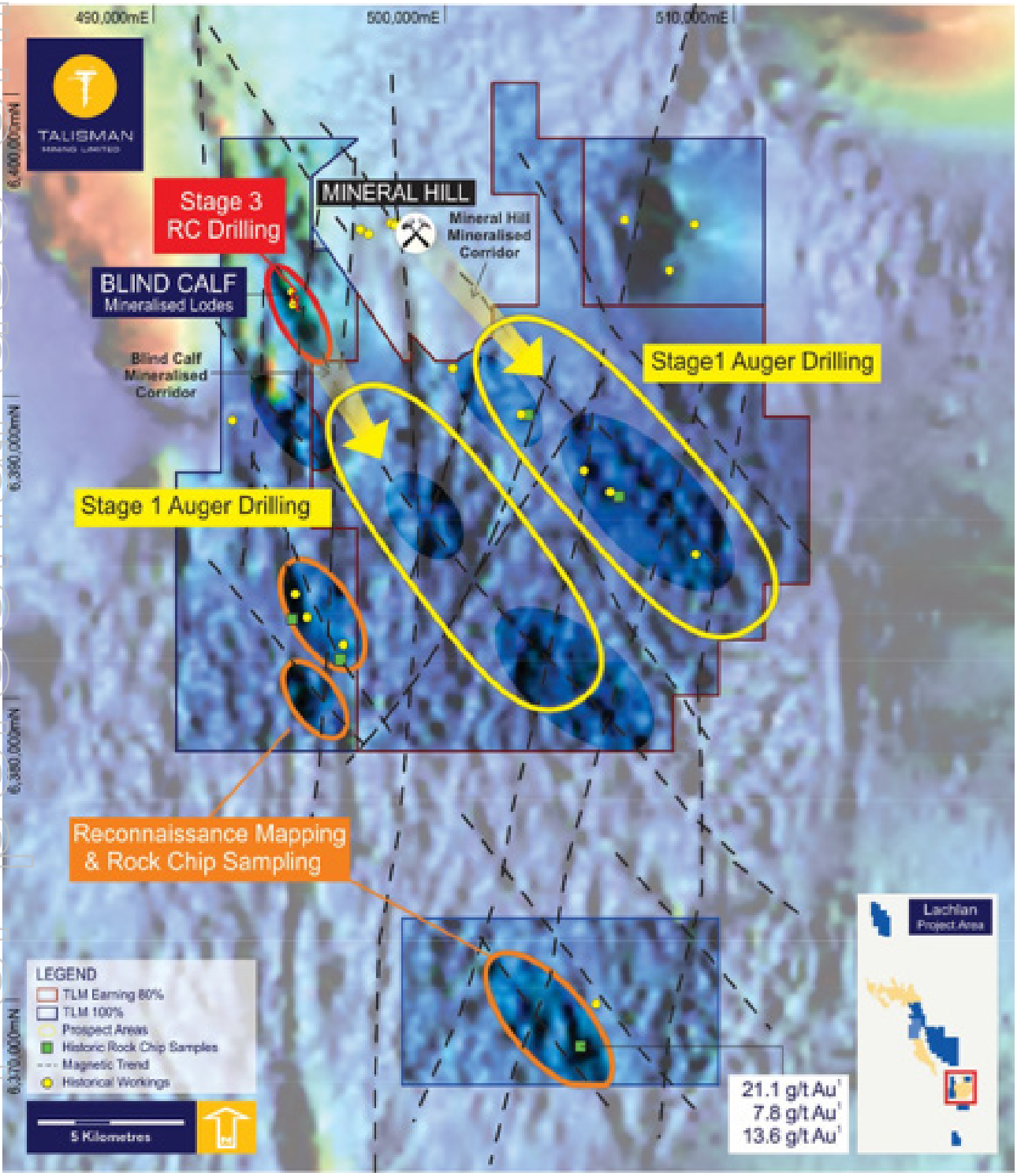

Figure 10: Lachlan Cu-Au Project - Southern Region, indicating areas of Stage 1 auger sampling, reconnaissance mapping and Stage 3 RC drilling.

Figure 11: Lachlan Cu-Au Project - Southern Region, Blind Calf historic workings

Blind Calf Prospect

The Blind Calf Prospect comprises a cluster of 13 historic (early 1900's) mining shafts developed on a series of shear hosted sulphide rich quartz lodes with mapped outcrop strike extents of between 40 metres to 100 metres and widths of 5 metres at surface (Figure 11).

The Company completed seven holes for 984 metres to a maximum depth of 187 metres, and intersected quartz veining and sulphide mineralisation in all holes ranging from broad zones of disseminated sulphides (pyrite and chalcopyrite) in siliceous host rocks to zones of foliated quartz veining with up to 50% sulphides logged in drill cuttings.

Results included wide zones of high-grade mineralisation within sulphidic quartz veins and show a broadening of the Blind Calf copper lode at depth, as well as a significant increase in the grades compared to those reported by previous explorers (Figure 12 & Figure 13).

Best results included[3]:

- BCRC005: 7m @ 5.68% Cu, from 98m downhole
  Inc. 4m @ 7.85% Cu from 100m downhole;
- BCRC006: 13m @ 5.71% Cu, from 129m downhole
  Inc. 4m @ 11.06% Cu from 136m downhole
- BCRC007: 11m @ 4.78% Cu, from 127m downhole
  Inc. 4m @ 8.40% Cu from 127m downhole;

3 Refer to Talisman ASX release dated 18 June 2018 and 5 July 2018 for details.

Copper mineralisation at the Blind Calf Prospect is associated with a sheared quartz lode system with moderate sulphide mineralisation (chalcopyrite/pyrite) logged in RC drill chips. The main quartz lode is encased in a zone of altered siliceous host rock with disseminated sulphides, which has returned copper grades of between 0.5% – 1% copper for some distance on both the hanging wall and foot wall. Further drilling, including diamond core, is required to fully understand the geological setting and nature of this high-grade copper system.

DHEM surveys were completed on five of the seven drill holes. The survey results have shown several coherent off-hole conductors, which appear to be mapping the high-grade core of copper mineralisation (Figure 13). The modelled DHEM plates are coincident with the >5% copper intersections reported in completed RC drilling and extend down-dip beyond the limit of the existing drilling.

A similar, separate, moderate off-hole DHEM anomaly has been modelled in an untested zone beneath the current drill testing of the adjacent Dunbar lode.

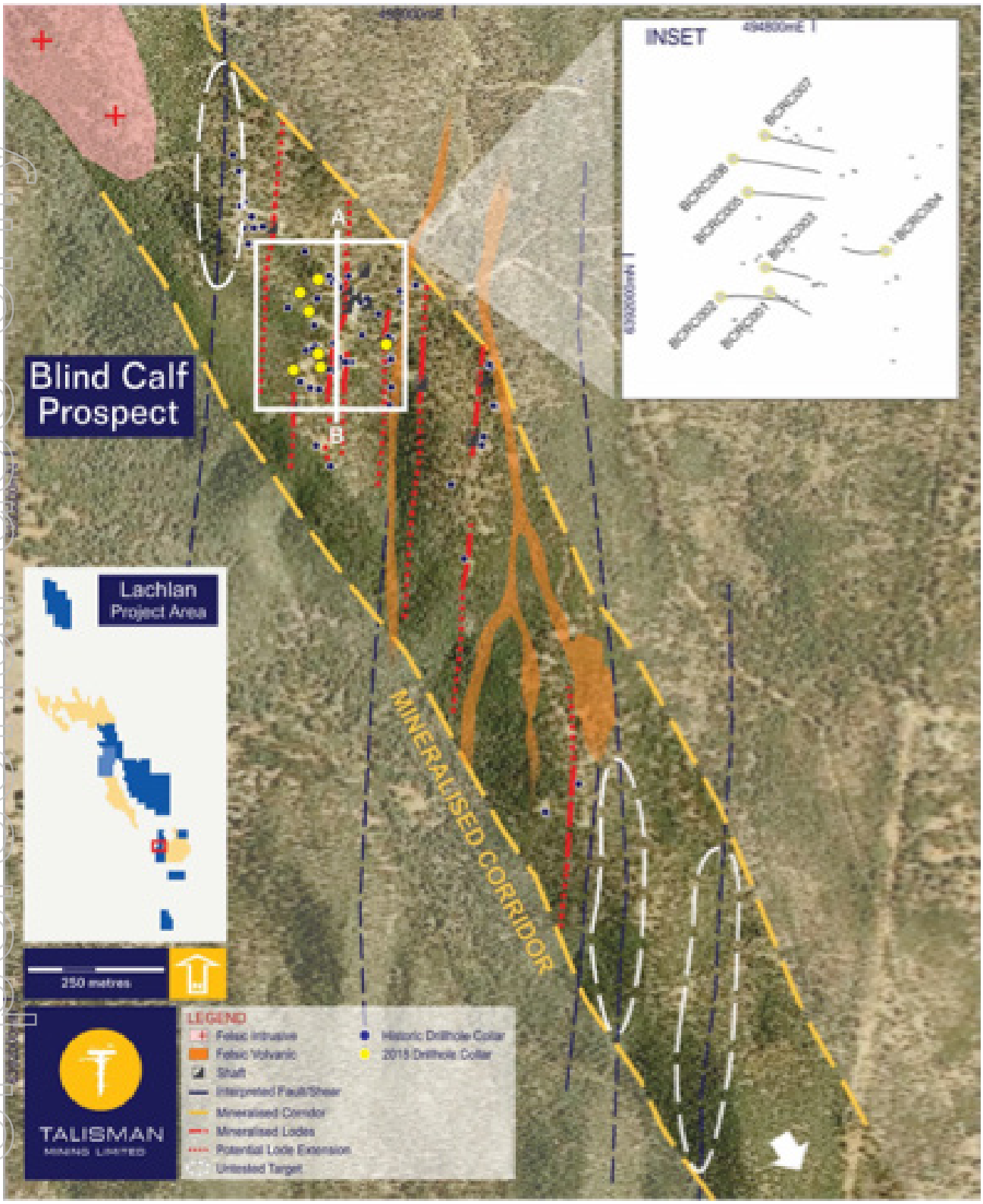

Figure 12: Blind Calf Prospect – showing interpreted mineralised corridor, outcropping mineralised lodes and Talisman drill collars.

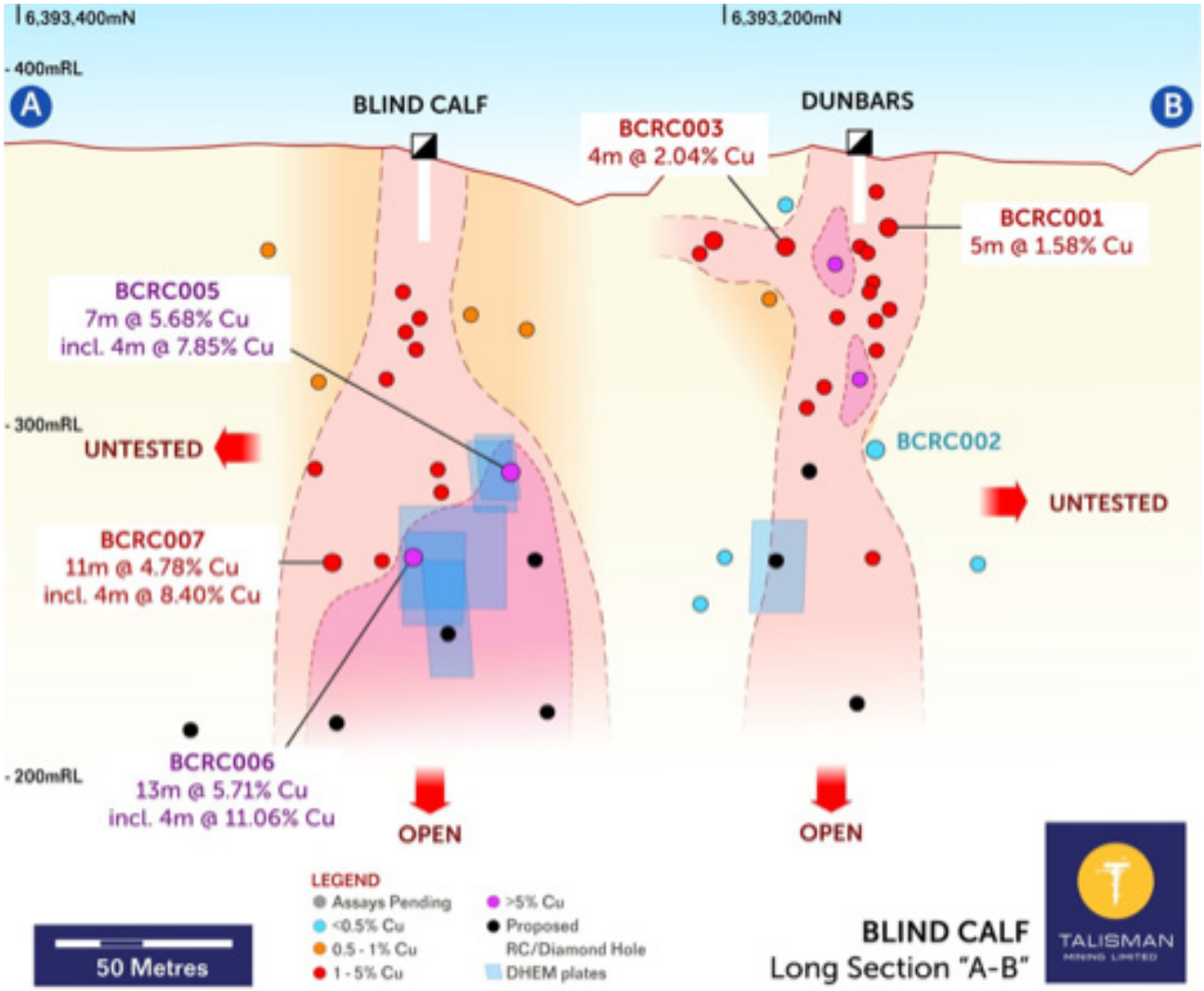

Figure 13: Blind Calf Prospect long section showing historic drilling, and recent high-grade Intersections from Talisman drilling.

Lachlan Cu-Au Project - Central Region

The Central Region tenements comprise Bacchus farm-in (the Company earning 80%), and Peel farm-in (the Company earning 75%) tenure, along strike to the north of the Mineral Hill Mine (Figure 9). The project area contains a number of historic mining centers including the Rip & Tear lead mine and the Babinda copper mine.

Work completed by the Company in the Central Region during the financial year included extensive systematic auger geochemical sampling at the Rip & Tear, Noisy Ned and Cumbine Prospects, the latter of which contains an untested historic induced polarisation anomaly that is associated with anomalous gold in rock-chip/soil sampling completed by previous explorers (Figure 14).

Portable XRF analysis identified a strong coincident copper-zinc-lead anomaly (Noisy Ned) in the northern most area covered by sampling. The anomaly extends over three of the 300 metre spaced traverses and shows consistently high copper, zinc and lead grades for over 400 – 600 metres across strike, defined by greater than 300ppm zinc (Figure 15). The coincident base-metal anomalies are associated with abundant brecciated and gossanous iron rich quartz vein outcrop and strong manganese alteration of the surrounding host rocks, which is indicative of epithermal style mineralisation.

A number of other geochemical anomalies were identified that require follow-up testing with RC and/or additional auger sampling.

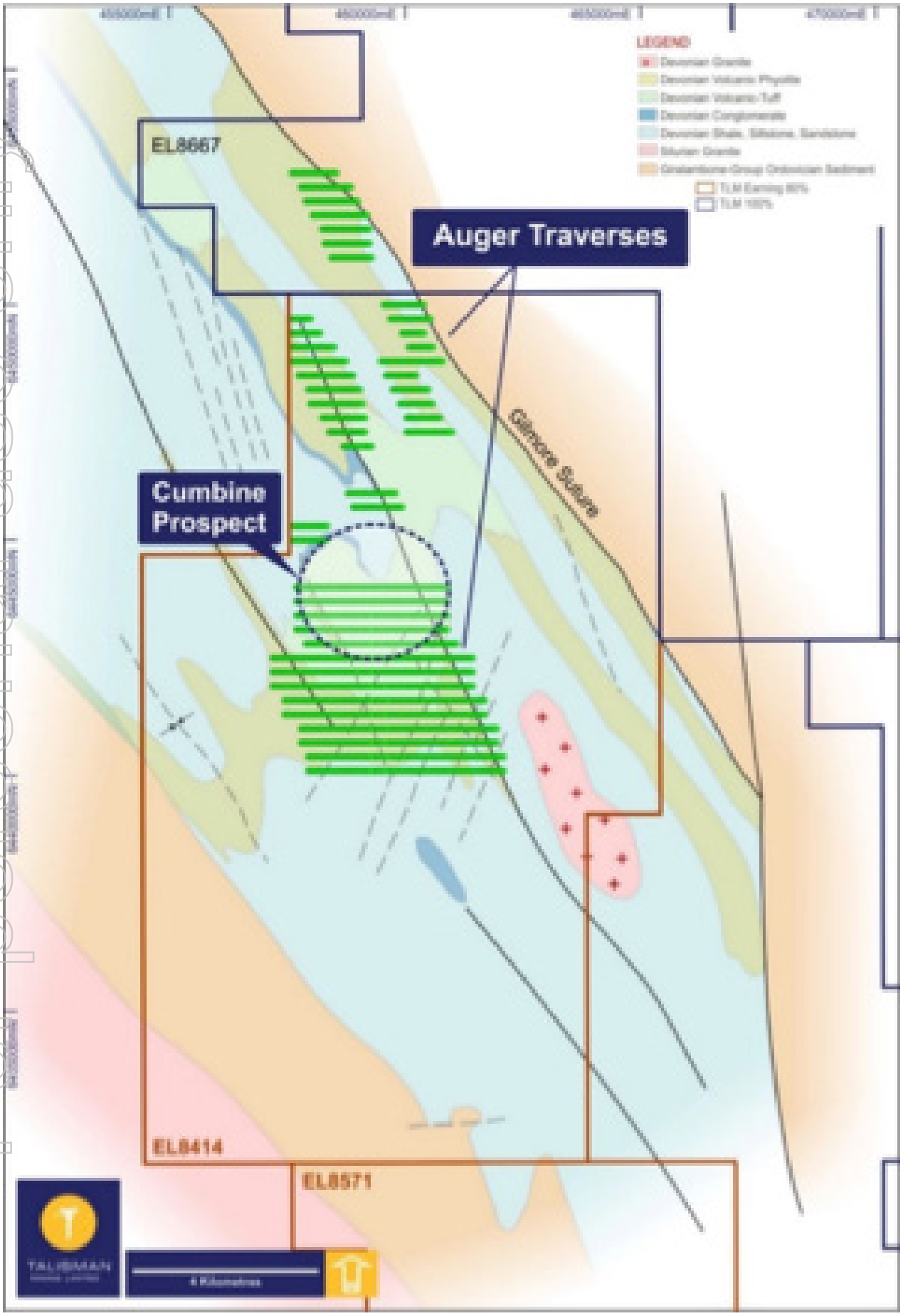

Figure 14: Lachlan Cu-Au Project Central Region - Phase 1 Auger drilling campaign.

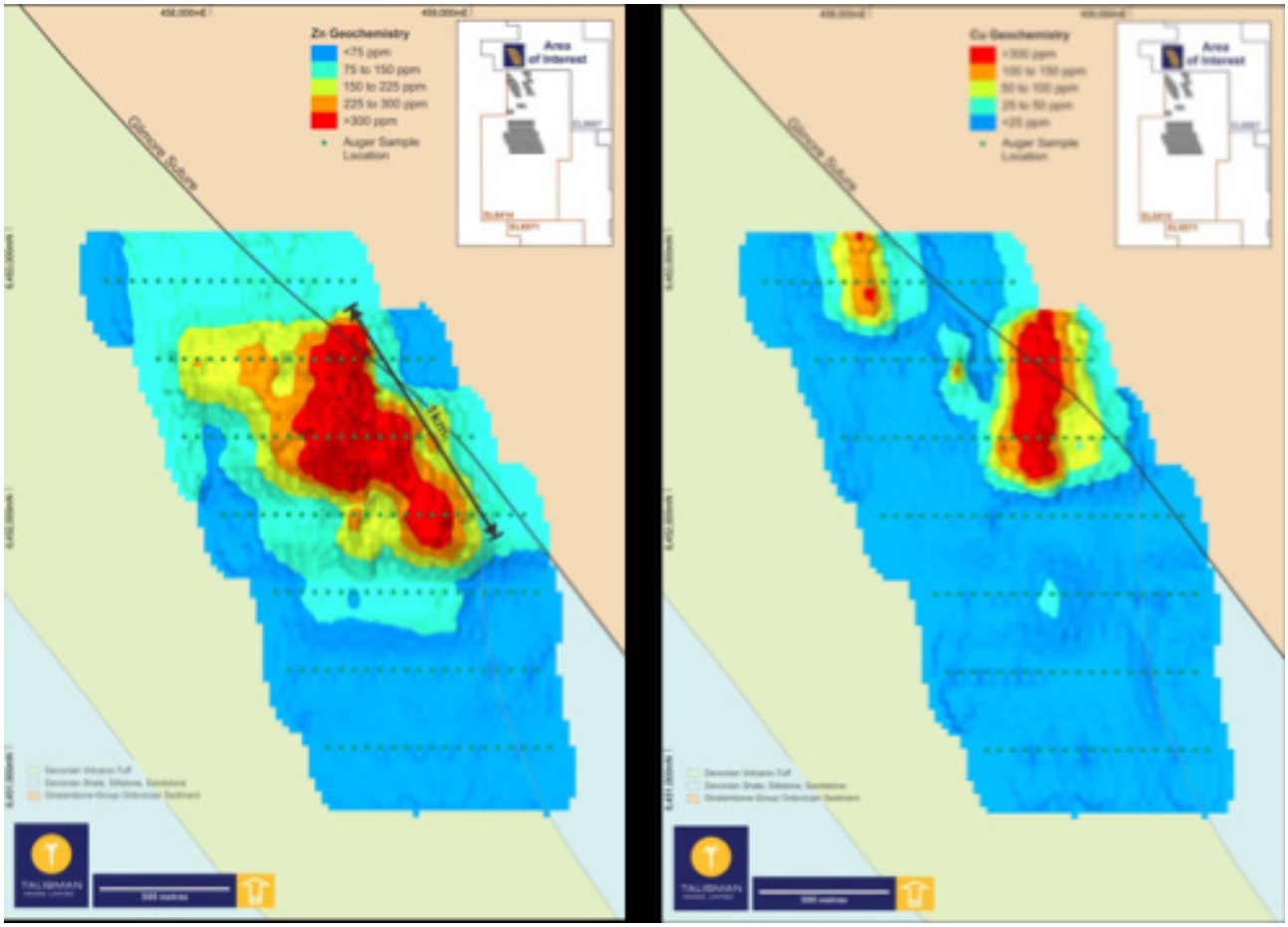

Figure 15: Noisy Ned Prospect auger geochemistry showing copper (right hand side) and zinc (left hand side) anomalism

Lachlan Cu-Au Project - Northern Region

The Northern Region comprises a single tenement which is part of the Bacchus farm-in (the Company earning 80%) (Figure 9). The tenement contains a number of historic copper and gold occurrences and during the financial year the Company successfully completed a number of land access negotiations that allow the Company access to the highest priority areas.

Lachlan Cu-Au Project - Michelago Project

The Michelago project comprises a single tenement to the south-east of Canberra, which forms part of the Peel farm-in agreement, where the Company is earning a 75% interest through on-ground exploration expenditure.

During the financial year the Company commenced land access negotiations with landholders located over higher priority areas within the tenement.

SINCLAIR NICKEL PROJECT

The Company's Sinclair Nickel Project ("Sinclair") is located in the world-class Agnew-Wiluna Greenstone Belt in Western Australia's north-eastern Goldfields. The Sinclair Nickel Deposit, developed and commissioned in 2008 and operated successfully before being placed on care and maintenance in August 2013, produced approximately 38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% Ni. Sinclair has extensive infrastructure and includes a substantial 290km^2 tenement package covering more than 80km strike of prospective ultramafic contact within a 35km radius of the existing processing plant and infrastructure (Figure 16 & Figure 17).

During the financial year the Company continued to advance Sinclair through cost efficient, staged exploration focused across the project. The Company completed air-core and RC drilling (Table 3) at the Delphi, Delphi North, Mt Clifford, Schmitz Well South and Sturt Meadows Prospects (Figure 18). The aim of this work was to in-fill areas where there had been no or minimal regional drill testing of the target ultramafic sequences and to follow-up selected previously identified nickel sulphide mineralisation.

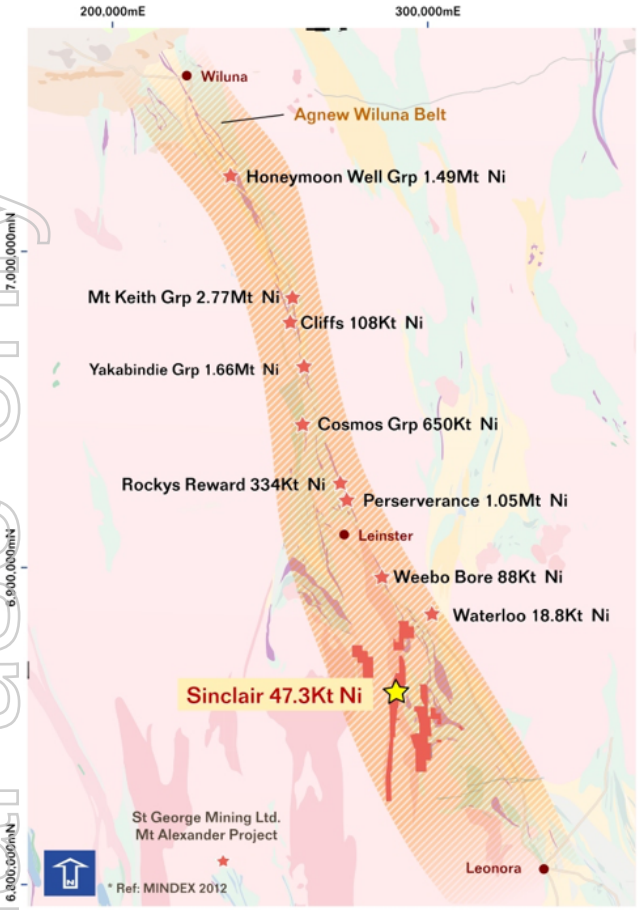

Figure 16: Sinclair Nickel Project regional geology, nickel production centres and reported contained nickel (MINDEX 2012) of the Agnew-Wiluna Belt.

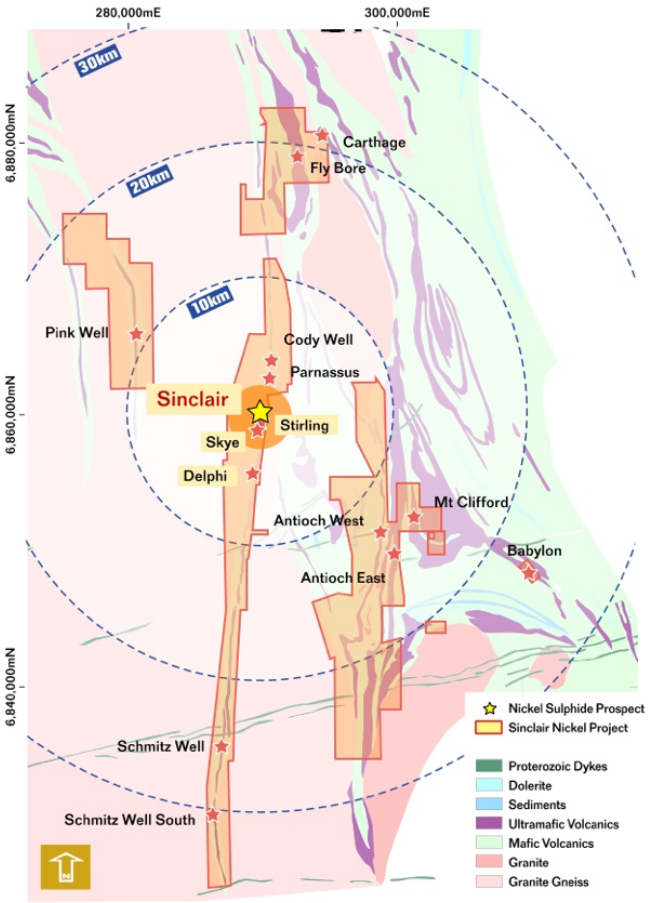

Figure 17: Sinclair Nickel Project – Prospect locations

Sinclair NICKEL Project Drilling Statistics

Hole Type	Number of Holes	Total Metres
Air-core	114	6,758
RC	5	1,123
TOTAL:	**119**	**7,881**

Table 3: Sinclair Nickel Project - Drill hole information summary,

Delphi

The Delphi Prospect is located on the Sinclair ultramafic trend approximately 8km south of Sinclair, and 2.5km south of Delphi North (where drilling in late 2016 returned massive sulphide intersections of 9m @ 4.20% Ni in hole SNRC019[4], Figure 18).

During the financial year four air-core traverses were drilled (totaling 32 holes for 2,099m) across an area covering approximately 500m of prospective ultramafic stratigraphy that had not been previously drilled. No significant assay results were returned from this drilling. The Company will complete detailed interpretation of the results from this program to understand the geological context and potential to host massive nickel sulphide mineralisation.

Delphi North

The Company completed one RC drill hole during the financial year to further understand the interpreted massive and disseminated nickel sulphide mineralisation in the vicinity of high conductance electromagnetic (EM) conductors identified from previous drilling[5]. The drill hole intersected the lower edge of previously modelled EM conductors and encountered massive and disseminated nickel sulphide mineralisation on the basal contact (Figure 18). Assays returned:

- SNRC031: 2m @ 1.95% Ni from 198m down-hole
  Inc.: 1m @ 2.97% Ni from 199m down-hole

Previous RC and diamond drilling returned significant results as shown in Figure 18.

4 Refer to ASX announcement dated 27 October 2016 for full details and JORC tables.
5 Refer to ASX announcements dated 07 October 2016 and 9 January 2017 for full details and JORC tables.

Figure 18: Delphi North projected long section showing new and existing nickel massive sulphide intersections, newly modelled (and historic) DHEM conductors, and an interpreted Massive Sulphide Envelope.

Schmitz Well South Prospect

Historic RC drilling by the Company at Schmitz Well South intersected broad zones of prospective high-MgO ultramafic rocks containing multiple zones of trace to disseminated (cloud) nickel sulphides.

Three air-core drill traverses were completed in July 2017 in close proximity to the previous nickel sulphide intersections to follow-up from this previous drilling. Three broadly spaced air-core drill traverses were also completed to the north to provide confirmation of the continuation of the fertile ultramafic trend where no previous drilling had been completed.

Moderate to high magnesian ultramafic rocks were successfully intersected in all six drill traverses completed, confirming the continuity of the fertile Sinclair ultramafic trend at Schmitz Well South. Oxide material after disseminated and stringer nickel sulphides was logged within the ultramafic rock sequence in two holes to the north along strike from the previously intersected cloud sulphides (Figure 19), returning nickel intersections[6] of:

- SNAC0083 1m @ 0.68% Ni from 27m.
- SNAC0096 5m @ 0.50% Ni from 50m; and 4m @ 1.30% Ni from 57m.

The anomalous results intersected in hole SNAC0096 included very high copper values and elevated platinum & palladium values which are indicative of komatiite hosted, magmatic nickel sulphide mineralisation.

A series of four RC holes for 880m were drilled beneath, and along strike from the air-core drilling at Schmitz Well South (Figure 19). The drill holes intersected a thick sequence of high-magnesian ultramafic rocks including localised visible disseminated sulphide mineralisation that are interpreted to represent a fertile sequence with the potential to host nickel sulphide mineralisation. No significant assays were returned from this drilling.

6 Refer Talisman ASX release 23 August 2017.

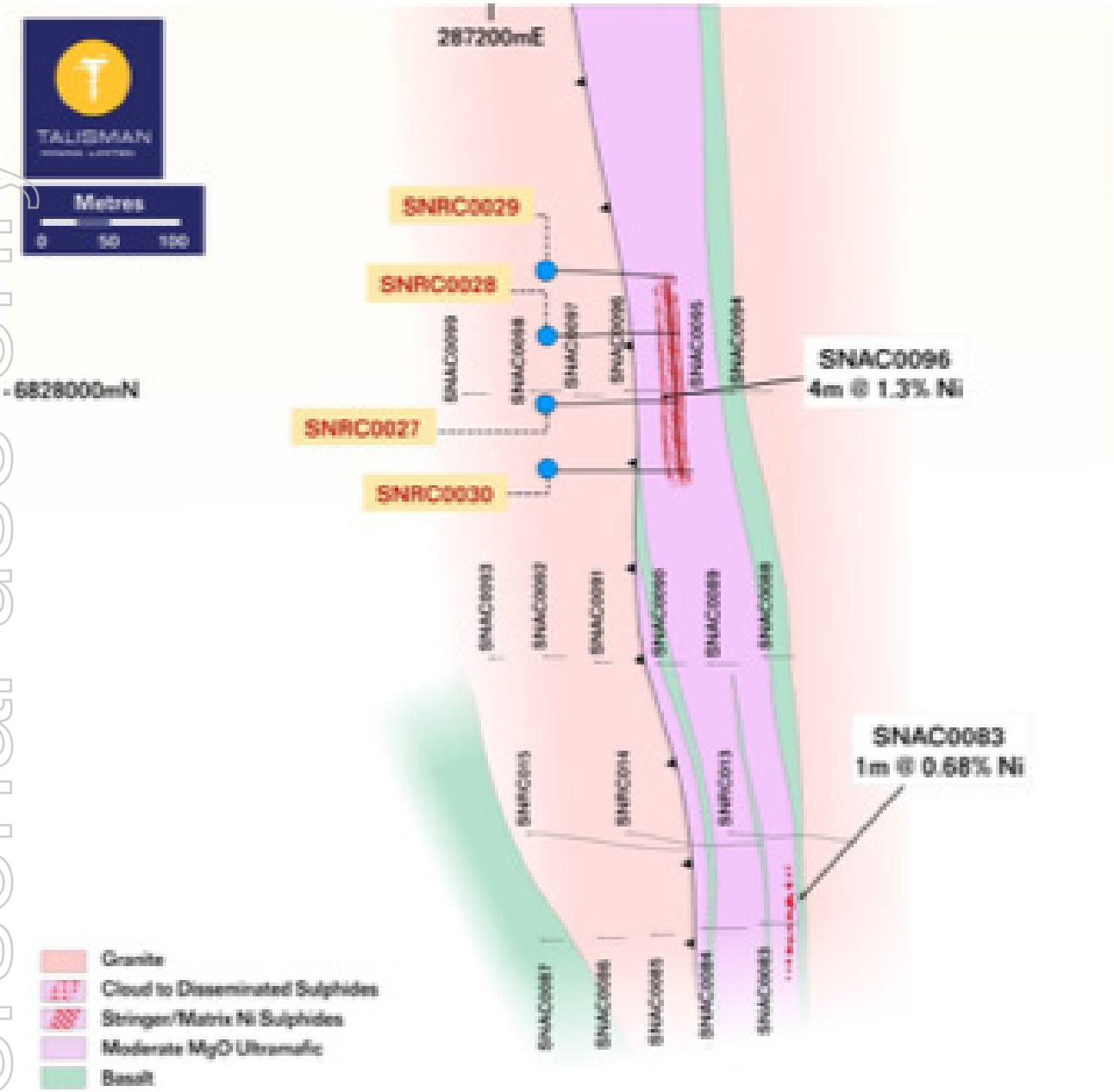

Figure 19: Plan view of Schmitz Well South showing magnetics, interpreted ultramafic unit under cover and completed air-core and RC drill holes

Mt Clifford Prospect

The Mt Clifford Prospect tenements were granted to the Company in August 2016. They cover a very sparsely explored sequence of ultramafic rocks that the Company interprets to have the potential to host massive nickel sulphides. The area has the potential to host a significant strike length of ultramafic as well as potential extensions to the Marriotts nickel deposit.

As part of early evaluation of the prospect, the Company completed a single traverse of air-core drilling (a total of 12 holes for 364m) across the interpreted ultramafic sequence to provide geological information and assess the potential fertility of the ultramafic sequence. Drilling identified areas of high-magnesian ultramafic rocks that require additional interpretation and potential exploration.

Sturt Meadows (Au)

The Company's 2017 targeting review highlighted a gold anomaly from historic RAB drilling in an area of structural complexity and interpreted to potentially be along strike from the historic Bannockburn gold mine. An air-core drilling program consisting of 38 holes for 2,998m on three traverses was undertaken covering the most significant parts of the historic anomaly. No significant assay results were returned.

2018 MINERAL RESOURCE AND ORE RESERVE STATEMENT

Monty Mineral Resource – 100% Basis

The Mineral Resource estimate for the Monty Deposit (previously announced by the Company refer ASX announcement "Monty Maiden Resource Estimate" published on 13 April 2016), prepared in accordance with JORC (2012) and detailed in Table 4, has been classified as an Indicated and Inferred Mineral Resource based primarily on geological interpretation, grade continuity and sample spacing. Most of the deposit has been drilled to within a 40m nominal spacing and this has allowed for an Indicated classification across almost all of the Mineral Resource estimate. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimate in the original market announcement continue to apply and have not materially changed.

Mineral Resource estimate on 100% Basis[7] as at 31 March 2016

Mineralisation Style	Classification	Tonnes (t)[7]	Grade Cu (%)	Grade Au (g/t)	Ctd Metal Cu (t)[7]	Ctd Metal Au (oz)[7]
Massive Sulphides	Indicated	754,000	12.0	2.1	91,000	51,000
	Inferred	9,000	20.7	2.7	2,000	1,000
	Total	**763,000**	**12.1**	**2.1**	**92,000**	**52,000**
Halo	Indicated	287,000	2.2	0.3	6,000	3,000
	Inferred	-	-	-	-	-
	Total	**287,000**	**2.2**	**0.3**	**6,000**	**3,000**
Total	**Indicated**	**1,041,000**	**9.3**	**1.6**	**97,000**	**54,000**
	Inferred	**9,000**	**20.7**	**2.7**	**2,000**	**1,000**
	Total	**1,050,000**	**9.4**	**1.6**	**99,000**	**55,000**

Note: Mineral Resource is based on a 1.0% Cu cut-off

Table 4: Mineral Resource estimate for the Monty Deposit (100% basis).

The maiden Ore Reserve estimate for the Monty Deposit (previously announced by the Company refer ASX announcement "Monty Feasibility Study Results" published on 6 April 2017), contains 920kt at 8.7% copper and 1.4g/t gold (Table 5). It is based on the Indicated Mineral Resource estimate and includes both the defined Upper and Lower Zones of mineralisation at Monty. All of the current Ore Reserve estimate is contained in the Probable Ore Reserve category. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimate in the original market announcement continue to apply and have not materially changed.

Ore Reserve estimate 100% Basis as at 31 March 2017

Reserve Category	Tonnes (t)[7]	Copper (%)	Gold (g/t)	Contained Copper (t)[7]	Contained Gold (oz)[7]
Proved	-	-	-	-	-
Probable	920,000	8.7	1.4	80,000	42,000
Total	**920,000**	**8.7**	**1.4**	**80,000**	**42,000**

Table 5: Ore Reserve estimate for the Monty Deposit (100% basis)

Ore Reserve estimate on Talisman 30% Basis as at 31 March 2017

Reserve Category	Tonnes (t)[7]	Copper (%)	Gold (g/t)	Contained Copper (t)[7]	Contained Gold (oz)[7]
Proved	-	-	-	-	-
Probable	280,000	8.7	1.4	24,000	13,000
Total	**280,000**	**8.7**	**1.4**	**24,000**	**13,000**

Table 6: Ore Reserve estimate and Mine Plan for the Monty Deposit (30% basis)

7 Data is rounded to reflect appropriate precision in the estimates and differences may occur due to the rounding

Sinclair Nickel Project Mineral Resource

For the avoidance of doubt, the Mineral Resource and Ore Reserve Statement is stated as at 30 June 2018. Although not forming part of the Mineral Resource and Ore Reserve Statement, subsequent to the end of the financial year, the Company announced to the ASX a JORC (2012) Mineral Resource estimate and Exploration Target for the Sinclair Nickel Project (refer ASX announcement on 31 August 2018 "Sinclair Nickel - Talisman Maiden JORC Mineral Resource" which contains the relevant JORC tables and competent persons' statements (Sinclair Announcement)). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Sinclair Announcement and that all material assumptions and technical parameters underpinning the estimates in the Sinclair Announcement continue to apply and have not materially changed.

Mineral Resource and Ore Reserve Governance

The Monty Mineral Resource and Ore Reserve estimates are reported in accordance with the JORC (2012) guidelines. Information that relates to the Monty JORC 2012 compliant Mineral Resource and Ore Reserve estimate is information previously published by Sandfire Resources NL ("Sandfire", ASX: SFR) and is available on the Sandfire and ASX websites (see announcement "Maiden High-Grade Mineral Resource for Monty VMS Deposit: 99,000t of Copper and 55,000oz of Gold", dated 13 April 2016 and "Positive Monty Feasibility Study Paves Way for Development of New High-Grade Copper Mine", dated 6 April 2017).

The Monty Mineral Resource and Ore Reserve estimates were completed by or under the supervision of a suitably qualified Sandfire Competent Person. The Company is satisfied with the procedures Sandfire advised it had in place for the estimation of the Monty Mineral Resource and Ore Reserve. Suitably qualified Company personnel have also reviewed relevant underlying documentation and are satisfied with the methodologies used by Sandfire in this estimate.

Competent Persons' Statement – Exploration Results and Targets

Information in this report that relates to Exploration Results and Exploration Targets is based on information completed by Mr Anthony Greenaway, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Greenaway is a full-time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and types of deposits 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 Greenaway consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

No new information that is considered material is included in this document. All information relating to exploration results has been previously released to the market and is appropriately referenced in this document. JORC tables are not considered necessary to accompany this document.

Competent Persons' Statement – Monty Mineral Resources

The information in this report that relates to the Monty Mineral Resource is based on information compiled by Mr Callum Browne who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Browne is a permanent employee of Sandfire Resources NL and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserve. Mr Browne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Persons' Statement – Monty Ore Reserves

The information in this report that relates to the Monty Ore Reserve is based on information compiled by Mr Neil Hastings who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hastings is a permanent employee of Sandfire Resources NL and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hastings consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report that relates to the relevant part of the Monty Ore Reserves and which also specifically relates to the Company (being its 30% share of the Monty Ore Reserves and the financial impact on the Company resulting from the application of the Mining Joint Venture Agreement and Ore Sale Agreement) is based on, and fairly represents, information and supporting documentation prepared by Mr Benjamin Wilson,

who is a member of the Australasian Institute of Mining and Metallurgy. Mr Wilson has sufficient experience which is relevant to the style of mineralisation and types of deposits 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 Wilson consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

Forward-Looking Statements

This report may include forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates and assumptions about the industry in which the Company operates, and beliefs and assumptions regarding the Company's future performance. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are only predictions and are not guaranteed, and they are subject to known and unknown risks, uncertainties and assumptions, some of which are outside the control of the Company. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Actual values, results or events may be materially different to those expressed or implied in this presentation. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and the ASX Listing Rules, the Company does not undertake any obligation to update or revise any information or any of the forward looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward looking statement is based.

TENEMENT SCHEDULE

As at date of report

Project / Tenement	Location and Blocks (Area)	Tenement Status	Talisman Equity (%)	Expiry Date	Joint Venture Partner / Farm-In Party
HALLOWEEN WEST	Western Australia				JV - Sandfire Resources NL
E52/2275	6	Granted	18.8%	08-02-19	
HALLOWEEN	Western Australia				JV - Sandfire Resources NL
P52/1528	(200 HA)	Granted	30%	31-08-20	
SPRINGFIELD	Western Australia				JV - Sandfire Resources NL
E52/2282	42	Granted	30%	24-11-19	
E52/2313	8	Granted	30%	24-11-19	
E52/2466	14	Granted	30%	05-04-20	
E52/3423	1	Granted	30%	13-02-22	
E52/3424	1	Granted	30%	13-02-22	
E52/3425	6	Granted	30%	13-02-22	
E52/3466	12	Granted	30%	09-03-22	
E52/3467	20	Granted	30%	09-03-22	
L52/170	(246.4HA)	Granted	30%	16-02-38	
M52/1071	(1,642HA)	Granted	30%	29-03-38	

Project /Tenement	Location and Blocks (Area)	Tenement Status	Talisman Equity (%)	Expiry Date	Joint Venture Partner / Farm-In Party
SINCLAIR NICKEL PROJECT	Western Australia				N/A
E36/650	16	Granted	100%	15-10-18	
E37/903	13	Granted	100%	21-09-18	
E37/1231	3	Granted	100%	28-08-21	
L36/198	(103.1 HA)	Granted	100%	19-04-28	
L37/175	(83.9 HA)	Granted	100%	19-04-28	
M36/444	(568.0 HA)	Granted	100%	27-03-29	
M36/445	(973.0 HA)	Granted	100%	27-03-29	
M36/446	(843.0 HA)	Granted	100%	27-03-29	
M37/362	(981.5 HA)	Granted	100%	20-05-34	
M37/383	(841.7 HA)	Granted	100%	28-01-35	
M37/384	(536.7 HA)	Granted	100%	28-01-35	
M37/385	(926.8 HA)	Granted	100%	28-01-35	
M37/386	(983.8 HA)	Granted	100%	28-01-35	
M37/424	(891.0 HA)	Granted	100%	03-02-36	
M37/426	(505.0 HA)	Granted	100%	03-02-36	
M37/427	(821.0 HA)	Granted	100%	03-02-36	
M37/590	(120.0 HA)	Granted	100%	27-03-29	
M37/692	(136.1 HA)	Granted	100%	27-03-29	
M37/735	(959.0 HA)	Granted	100%	27-03-29	

Project /Tenement	Location and Blocks (Area)	Tenement Status	Talisman Equity (%)	Expiry Date	Joint Venture Partner / Farm-In Party
M37/816	(818.4 HA)	Granted	100%	27-03-29	
M37/818	(806.5 HA)	Granted	100%	27-03-29	
M37/819	(380.2 HA)	Granted	100%	28-08-29	
M37/1063	(604.0 HA)	Granted	100%	27-03-29	
M37/1089	(574 HA)	Granted	100%	22-04-29	
M37/1090	(478 HA)	Granted	100%	22-04-29	
M37/1126	(603 HA)	Granted	100%	27-03-29	
M37/1127	(603 HA)	Granted	100%	27-03-29	
M37/1136	(986 HA)	Granted	100%	27-03-29	
M37/1137	(850 HA)	Granted	100%	27-03-29	
M37/1148	(44.78 HA)	Granted	100%	27-03-29	
M37/1168	(190 HA)	Granted	100%	27-03-29	
M37/1223	(675 HA)	Granted	100%	27-03-29	
M37/1275	(1,961 HA)	Granted	100%	29-07-28	
P37/7228	(61.57 HA)	100%	100%	-	
P37/7233	(116.01 HA)	100%	100%	-	

Project /Tenement	Location and Blocks (Area)	Tenement Status	Talisman Equity (%)	Expiry Date	Joint Venture Partner / Farm-In Party
LACHLAN PROJECT	NSW				
EL8615	(726km²)	Granted	100%	07-07-23	Bacchus Resources Pty Ltd| (right to 20% interest)
EL8659	(373km²)	Granted	100%	18-10-23	
EL8677	(193km²)	Granted	100%	08-12-23	
EL8414	(174km²)	Granted	0%	02-12-18	Peel Mining Ltd (TLM earning up to 75%)
EL8547	(205km²)	Granted	0%	03-04-22	Bacchus Resources Pty Ltd (TLM earning up to 80%)
EL8571	(258km²)	Granted	0%	23-05-22	
EL8638	(192km²)	Granted	0%	31-08-22	
EL8657	(134m²)	Granted	0%	10-10-22	
EL8658	(256km²)	Granted	0%	13-10-22	
EL8680	(20km²)	Granted	0%	08-12-22	
EL8718	(86km2)	Granted	100%	27-03-24	N/A
EL8719	(191km2)	Granted	100%	27-03-24	
OTHER	NSW				
EL8451	(276km²)	Granted	0%	16-07-19	Peel Mining Ltd (TLM earning up to 75%)

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found on the Company's website at www.talismanmining.com.au/about-us/corporate-governance.html under the heading marked "Corporate Governance Statement".

The following governance-related documents can also be found on the Company's website:

Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee

Constitution

- Constitution of Talisman Mining Limited

Board

- Code of Conduct – summary
- Policy and Procedure for the Selection and (Re)Appointment of Directors
- Process for Performance Evaluation

Compliance, Controls and Policies

- Risk Management Policy – summary
- Continuous Disclosure Policy – summary
- Securities Trading Policy
- Diversity Policy
- Remuneration Policy

Shareholder Communication

- Shareholder Communication and Investor Relations Policy

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of Talisman Mining Limited and the entities it controlled for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of Directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Jeremy Kirkwood

BCom ANU

Non-Executive Chairman
1 April 2016 - current

Chairman (Non-Executive/Independent)

Jeremy Kirkwood joined Talisman in April 2016 and has extensive experience in corporate strategy, investment banking and global capital markets and provides invaluable strategic input and guidance to the Company's board and management team.

Jeremy is a principal of Pilot Advisory Group and was previously a Managing Director at Credit Suisse, Morgan Stanley and Austock. He has primarily worked in public markets, undertaking merger and acquisitions and capital raisings for companies principally in the metals and mining, energy and infrastructure sectors.

In the 3 years immediately before the end of the financial year, Jeremy also served as a Director of ASX listed Zenitas Ltd (ASX: ZNT) resigning on 5 March 2018. He was appointed as the Chairman of Kin Mining Ltd (ASX: KIN) in February 2018. He is also the Chair of Geelong Grammar School and a Director of Independent Schools Victoria.

Jeremy serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience, Jeremy is considered qualified to hold these responsibilities.

Daniel Madden

BComACC, ACA, Governance Institute of Australia

Managing Director
1 July 2016 - current

Managing Director (Executive/Non-Independent)

Dan Madden was appointed as Managing Director on 1 July 2016 and has been with Talisman since 2009 in his previous roles as acting CEO and Chief Financial Officer and Company Secretary. Dan has more than 16 years' experience in the resource sector, including Xstrata Nickel Australasia, Jubilee Mines NL and Perilya Ltd.

He graduated from the University of Birmingham with a degree in Commerce and Accounting before joining Deloitte in the UK and Australia. He is an Associate Member of the Institute of Chartered Accountants of England and Wales and a member of the Governance Institute of Australia.

Alan Senior

Asscshp Mech Eng, FIEAUST, FAusIMM

Non-Executive Director
7 November 2007 - current

Non-Executive Director (Independent)

Alan graduated from the West Australian Institute of Technology (Curtin University) with an Associateship in Mechanical Engineering in 1968. He is an engineer with extensive experience in design and project development, mainly associated with the mining and mineral processing industry in Australia.

Prior to joining Talisman, Alan operated as an independent consultant servicing the mineral processing industry. 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 was a non-executive Director of Jubilee Mines NL up until its purchase by Xstrata.

Alan was the Chairman of Talisman for over 8 years. He serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience and being financially literate, Alan is considered qualified to hold these responsibilities.

Brian Dawes

B. Sc. Mining, MAusIMM

Non-Executive Director
17 June 2009 – current

Non-Executive Director (Independent)

Brian is a mining engineer with extensive international mining industry experience. He holds a BSc in Mining from the University of Leeds in the United Kingdom, and is Member of the Australasian Institute of Mining and Metallurgy.

He has worked in the United Kingdom, Africa, the Middle East and across Australia and holds several First Class Mine Managers' Certificates of Competency. Brian's diverse expertise covers all key industry aspects from exploration through the discovery, feasibility, funding, approvals, project construction, commissioning, operations, optimisation, logistics, marketing, and closure phases. This includes site management and corporate responsibilities in a diversity of challenging and successful underground and open pit operations across many

commodities and geographies; mainly in copper, nickel, gold, zinc and lead, with iron ore, graphite, and coal. Prior to joining Talisman, Brian held senior positions with Jubilee Mines NL, Western Areas, LionOre Australia, WMC, Normandy Mining, and Aberfoyle.

In the 3 years immediately before the end of the financial year, Brian was appointed as Non-Executive Director of Kin Mining Ltd (ASX: KIN) in February 2018.

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.

Karen Gadsby

B. Comm., FCA, MAICD

Non-Executive Director
3 April 2008 - current

Non-Executive Director (Independent)

Karen is a professional Non-Executive Director with over 30 years' finance and commercial experience across several sectors.

She worked as an Executive for North Ltd throughout Australia for 13 years including at Robe River Iron Associates and Energy Resources of Australia Ltd.

In the 3 years immediately before the end of the financial year, Karen was appointed as a non-executive director of Joyce Corporation Pty Ltd on 1 July 2017, served as Chair of Strategen Environmental Consulting Pty Ltd and Community First International Ltd, and as a director of Landgate.

Karen is the Chair of the Audit Committee and a member of the Nomination and Remuneration Committees. With her extensive experience in finance and having chaired a number of Audit Committees, Karen is considered qualified to hold these responsibilities.

COMPANY SECRETARIES

Shaun Vokes

BBus, CPA

Co-Company Secretary
1 May 2016 - current

Co-Company Secretary

Shaun joined Talisman in February 2016. He is a finance professional with over 26 years' experience in the metalliferous resources industry gained predominantly in senior operational and management roles within Australia and Africa.

Prior to joining Talisman, Shaun spent five years as Manager, Business Services/CFO for Kabanga Nickel Company Ltd in Tanzania. Shaun's experience includes project evaluation and financing, business development, contract negotiation, metals marketing, risk management and corporate and financial governance for both private and ASX-listed entities across a range of base and precious metals.

Shaun is a graduate of Curtin University and holds a Bachelor of Business degree and is a member of the Australian Society of Certified Practicing Accountants.

Alex Neuling

BSc, FCA (ICAEW), ACIS

Co-Company Secretary
1 May 2016 - current

Co-Company Secretary

Alex Neuling is a Chartered Accountant and Chartered Secretary with extensive corporate and financial experience including as Director, Chief Financial Officer and / or Company Secretary of various ASX-listed companies in the mining, mineral exploration, oil & gas and other sectors.

Prior to those roles, Alex worked at Deloitte in London and Perth. Alex also holds an honours degree in chemistry from the University of Leeds in the United Kingdom and is principal of Erasmus Consulting which provides company secretarial and financial management consultancy services to a variety of ASX-listed and other companies.

PRINCIPAL ACTIVITIES

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

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.

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Financial performance

During the financial year, the Group reported an operating loss after tax of $10.5 million (2017: loss after tax $8.7 million).

Revenue for the year of $0.06 million (2017: $0.4 million) consisted primarily of bank interest earned on the Group's short-term deposits held during the year.

Financial position

As at 30 June 2018, the Group had net assets of $11.6 million (2017: $21.6 million) including $0.4 million of cash and cash equivalents (2016: $11.6 million).

SUBSEQUENT EVENTS

On 8 June 2018, the Company announced to ASX that it had reached in-principle agreement with Sandfire Resources NL ("Sandfire"), its partner in the Monty Mining Joint Venture and Springfield Exploration Joint Venture (collectively the "Doolgunna Projects"), for the Company to dispose of its entire interest in the share capital of its wholly owned subsidiary Talisman A Pty Ltd (the holder of the Company's 30% joint venture interest in the Doolgunna Projects) ("Sale Shares"), to Sandfire ("Share Sale").

Subsequently, as the Company announced to ASX on 8 August 2018, the Company and Sandfire entered into the Share Sale Agreement to fully document the Share Sale. The Company, Talisman A and Sandfire have also executed an NSR Royalty Deed as part of the Share Sale, for further information see Note 27.

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, 12 board meetings, 2 audit committee meetings, 1 remuneration committee meeting and 1 nomination committee meeting were held.

	Board of directors		Audit committee		Remuneration committee		Nomination committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Jeremy Kirkwood	12	12	2	2	1	1	1	1
Alan Senior	12	11	2	2	1	-	1	1
Daniel Madden	12	12	2	2	1	1	1	1
Brian Dawes	12	12	2	2	1	1	1	1
Karen Gadsby	12	11	2	2	1	1	1	1

Note: Executive Directors attending committee meetings during the year attended all or part of the meeting by invitation of the relevant Committee.

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:

	Fully paid ordinary shares	Share Options
Directors	Number	Number
Jeremy Kirkwood	419,000	750,000
Daniel Madden	50,000	3,000,000
Alan Senior	116,666	500,000
Brian Dawes	353,333	500,000
Karen Gadsby	311,334	500,000

SHARE OPTIONS

Share options granted to Directors and key management personnel

At the date of this report, share options granted to the Directors and key management personnel of the Company and the entities it controlled as part of their remuneration are:

Directors and senior management	Number of options granted	Issuing Entity	Number of ordinary shares under option
Jeremy Kirkwood	750,000	Talisman Mining Ltd	750,000
Daniel Madden	3,000,000	Talisman Mining Ltd	3,000,000
Alan Senior	500,000	Talisman Mining Ltd	500,000
Brian Dawes	500,000	Talisman Mining Ltd	500,000
Karen Gadsby	500,000	Talisman Mining Ltd	500,000
Shaun Vokes	1,000,000	Talisman Mining Ltd	1,000,000
Anthony Greenaway	1,000,000	Talisman Mining Ltd	1,000,000

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

Issuing entity	Grant Date	Expiry date of options	Number of shares under option	Exercise price of options	Fair Value	Vesting Date
Talisman Mining Limited	11-Nov-16	31-Oct-18	1,755,000	$0.48	$0.23	11-Nov-16
Talisman Mining Limited	11-Nov-16	31-Oct-19	1,550,000	$0.52	$0.27	30-Jun-17
Talisman Mining Limited	11-Nov-16	31-Oct-19	1,540,000	$0.56	$0.23	30-Jun-18
Talisman Mining Limited	11-Nov-16	31-Oct-21	1,540,000	$0.62	$0.32	30-Jun-19
Talisman Mining Limited	11-Nov-16	31-Oct-21	1,540,000	$0.66	$0.32	30-Jun-20

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.

REMUNERATION REPORT

The Remuneration Report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of Talisman Mining Limited for the financial year ended 30 June 2018 and is included on page 32.

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 2018.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties 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.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 26 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 37 and forms part of this Directors' report for the year ended 30 June 2018.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

ROUNDING OFF OF AMOUNTS

The company has applied the relief available to it in ASIC Legislative Instrument 2016/91, and accordingly certain amounts included in this report and in the financial report have been rounded off to the nearest $1,000 (where rounding is applicable), under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this instrument applies.

REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of Talisman Mining Limited for the year ended 30 June 2018. The information provided in this 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 Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

KEY MANAGEMENT PERSONNEL DETAILS

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

Directors

Jeremy Kirkwood	Non-Executive Chairman
Daniel Madden	Managing Director
Alan Senior	Non-Executive Director
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director

Other Key Management

Anthony Greenaway	General Manager – Geology
Shaun Vokes	Chief Financial Officer/ Co-Company Secretary

Except as noted, the named persons held their current positions for the whole of the financial year and since the financial year.

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 Group. 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 Group 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

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Remuneration Committee has access to external, independent advice where necessary.

Executive Directors and other key management personnel are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The fixed remuneration component is detailed in the remuneration for key management personnel tables for the years ended 30 June 2018 and 30 June 2017.

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 under the shareholder approved 'Executive and Employee Option Plan' (EEOP) and at the 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 at various premiums to 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 Group's performance and other significant efforts of Executive Directors and key management personnel in applicable and appropriate circumstances. For the financial year ended 30 June 2018, the Remuneration Committee recommended bonuses totaling $75,000 be paid to three key management personnel. This amount has been accrued at balance date.

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 originally approved by the shareholders at the General Meeting on 19 May 2008 and re-approved at the 30 June 2016 General Meeting. For the financial year ended 30 June 2018, this pool was utilised to a level of $251,850 (inclusive of superannuation). The fee paid for the 2018 financial year to the Chairman was $80,000 per annum and $50,000 per annum for the Non-Executive Directors (excluding statutory superannuation).

KEY TERMS OF EMPLOYMENT CONTRACTS

Remuneration and other terms of employment of Directors and key management personnel are formalised in an employment contract. The major provisions of the agreements related to the remuneration are set out below.

Key Management Personnel	Term of Agreement	Key Agreement Terms	Notice Period
Daniel Madden	Ongoing employment agreement	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 months' base salary. Where the Group elects to dispense with the notice period and terminate employment, six months' base salary applies.	3 months
Shaun Vokes	Ongoing employment agreement	Termination benefit payable on early termination by the Group (other than for gross misconduct) is equal to three months' base salary.	3 months
Anthony Greenaway	Ongoing employment agreement	Termination benefit payable on early termination by the Group (other than for gross misconduct) is equal to one months' base salary.	1 month

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 key management personnel (excluding Non-Executive Directors) is recommended annually by the Remuneration Committee in consultation with the Managing Director or equivalent.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Short-term employee benefits			Post-employment benefits	Long service leave accrual	Share-based payment	Total	% of compensation linked to performance
	Salary & fees	Bonus	Non-monetary	Super-annuation		Options [i]		
	$	$	$	$	$	$	$	%
2018								
Directors								
Jeremy Kirkwood	80,000	-	-	7,600	-	55,380	142,980	38.73%
Daniel Madden	350,000	25,000	24,196	33,250	5,833	221,520	659,799	37.36%
Alan Senior	50,000	-	-	4,750	-	36,920	91,670	40.27%
Brian Dawes	50,000	-	-	4,750	-	36,920	91,670	40.27%
Karen Gadsby	50,000	-	-	4,750	-	36,920	91,670	40.27%
Executives								
Shaun Vokes	216,666	25,000	-	20,583	-	73,840	336,089	29.41%
Anthony Greenaway	216,666	25,000	-	20,583	-	73,840	336,089	29.41%
	1,013,332	75,000	24,196	96,266	5,833	535,340	1,749,967	
2017								
Directors								
Jeremy Kirkwood	80,000	-	-	7,600	-	111,821	199,421	56.07%
Daniel Madden	350,000	30,000	16,271	36,100	44,367	447,285	924,023	51.65%
Alan Senior	50,000	-	-	4,750	-	74,547	129,297	57.66%
Brian Dawes	50,000	-	-	4,750	-	74,547	129,297	57.66%
Karen Gadsby	50,000	-	-	4,750	-	48,405	103,155	46.92%
Executives								
Shaun Vokes	200,000	20,000	-	20,900	-	149,095	389,995	43.36%
Anthony Greenaway	200,000	10,000	-	19,950	-	114,618	344,568	36.17%
Ben Wilson [ii]	184,471	-	-	17,525	-	46,260	248,256	18.63%
	1,164,471	60,000	16,271	116,325	44,367	1,066,578	2,468,012	

(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. The values above represent the accounting expense recorded over the vesting period of the options. The options were granted in the 2017 financial year.

(ii) Ben Wilson's salary and fees detailed above include annual leave entitlements paid on resignation effective 12 May 2017.

SHARE-BASED REMUNERATION GRANTED AS COMPENSATION

No options were granted as remuneration this financial year.

EXERCISED

No options granted as compensation in the current and/or prior year were exercised.

FORFEITED / LAPSED / CANCELLED DURING THE YEAR

No options were forfeited, lapsed, or called during the year by key management personnel.

OTHER INFORMATION

Shares Held by Key Management Personnel

	Opening balance at 1 July	Shares received on exercise of options	Net other change	Balance on resignation	Closing balance at 30 June	Balance held nominally
	Number	Number	Number	Number	Number	Number
2018						
Directors						
Jeremy Kirkwood	219,000	-	200,000	N/A	419,000	-
Alan Senior	116,666	-	-	N/A	116,666	-
Daniel Madden	50,000	-	-	N/A	50,000	-
Brian Dawes	353,333	-	-	N/A	353,333	20,000
Karen Gadsby	311,334	-	-	N/A	311,334	66,667
Executives						
Shaun Vokes	-	-	-	N/A	-	-
Anthony Greenaway	-	-	-	N/A	-	-
	1,050,333	-	200,000	-	1,250,333	86,667
2017						
Directors						
Jeremy Kirkwood	119,000	-	100,000	N/A	219,000	
Alan Senior	116,666	-	-	N/A	116,666	
Daniel Madden	-	-	50,000	N/A	50,000	
Brian Dawes	353,333	-	-	N/A	353,333	20,000
Karen Gadsby	311,334	-	-	N/A	311,334	66,667
Executives						
Shaun Vokes	-	-	-	N/A	-	
Ben Wilson	8,000	-	-	8,000	-	8,000
Anthony Greenaway	-	-	-	N/A	-	
	908,333	-	150,000	8,000	1,050,333	94,667

Options held by Key Management Personnel

	Opening balance at 1 July	Granted as remuneration	Options Exercised	Net other change	Balance on resignation	Closing balance at 30 June	Vested but not exercisable	Vested during the year	Vested and exercisable at 30 June
	Number	Number	Number	Number	Number	Number	Number	Number	Number
2018									
Directors									
Jeremy Kirkwood	750,000	-	-	-	N/A	750,000	-	150,000	450,000
Daniel Madden	3,000,000	-	-	-	N/A	3,000,000	-	600,000	1,800,000
Alan Senior	500,000	-	-	-	N/A	500,000	-	100,000	300,000
Brian Dawes	500,000	-	-	-	N/A	500,000	-	100,000	300,000
Karen Gadsby	500,000	-	-	-	N/A	500,000	-	100,000	300,000
Executives									
Shaun Vokes	1,000,000	-	-	-	N/A	1,000,000	-	200,000	600,000
Anthony Greenaway	1,000,000	-	-	-	N/A	1,000,000	-	200,000	600,000
	7,250,000	-	-	-	-	7,250,000	-	1,450,000	4,350,000
2017									
Directors									
Jeremy Kirkwood	-	750,000	-	-	N/A	750,000	-	300,000	300,000
Daniel Madden	1,000,000	3,000,000	-	(1,000,000)	N/A	3,000,000	-	1,200,000	1,200,000
Alan Senior	750,000	500,000	-	(750,000)	N/A	500,000	-	200,000	200,000
Brian Dawes	500,000	500,000	-	(500,000)	N/A	500,000	-	200,000	200,000
Karen Gadsby	500,000	500,000	-	(500,000)	N/A	500,000	-	200,000	200,000
Executives									
Shaun Vokes	-	1,000,000	-	-	N/A	1,000,000	-	400,000	400,000
Ben Wilson	500,000	1,000,000	-	(1,300,000)	200,000	-	-	200,000	200,000
Anthony Greenaway	500,000	1,000,000	-	(500,000)	N/A	1,000,000	-	400,000	400,000
	3,750,000	8,250,000	-	(4,550,000)	200,000	7,250,000	-	3,100,000	3,100,000

This Directors' 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

Daniel Madden
Managing Director

Perth, 28 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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
28 September 2018

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report
To the Members of Talisman Mining Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Talisman Mining Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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HLB Mann Judd

Key Audit Matter	How our audit addressed the key audit matter
Carrying value of Property, Plant and Equipment Refer to Notes 11 and 1(d) of the Financial Statements	
The Group has property, plant and equipment of $2,771,549 at balance date. The Group is required to assess whether there are any indicators of impairment in relation to this class of assets. Management has determined that an indicator of impairment existed at balance date, in relation to the Sinclair Nickel plant and equipment that is on care and maintenance with a carrying value of $2,636,002. Accordingly, management has conducted an impairment assessment of the carrying amount of property, plant and equipment, and concluded that no impairment expense was required to be recognised in respect of property, plant and equipment at balance date. The assessment of impairment of the carrying value of property, plant and equipment is a key audit matter as there are a number of judgements required in determining the recoverable value of these assets.	Our procedures included but were not limited to the following: - We obtained an understanding of the key controls associated with the assessment of impairment; - We evaluated management's assessment of the recoverable value of property, plant and equipment; and - We assessed the appropriateness of the disclosures included in the financial report.
Deferred Exploration and Evaluation Expenditure Refer to Notes 13 and 1(d) of the Financial Statements	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises acquisition costs of rights to explore and applies the cost model after recognition. The Group has $14,000,000 of capitalised exploration expenditure as at 30 June 2018 in relation to the Sinclair Nickel Project. We focused on this matter because this is one of the significant assets of the Group and due to the fact that judgement is required in determining the existence of any indicators of impairment and whether the continued recognition requirements are met.	Our procedures included but were not limited to the following: - We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; - We considered the Directors' assessment of potential indicators of impairment; - We obtained evidence that the Group has current rights to tenure of the Sinclair Nickel Project; - We examined the exploration budget for future periods and discussed with management the nature of planned ongoing activities; and - We examined the disclosures made in the financial report.
Discontinued Operations and Assets and Liabilities Classified as Held for Sale Refer to Notes 5 and 27 of the Financial Statements	
On 8 June 2018, the Group announced its intention to sell its interest in the Springfield Joint Venture to Sandfire Resources NL. As a result of this transaction, the Springfield Joint Venture is	Our procedures included but were not limited to the following: - We read and considered the sale agreement giving effect to the sale of

HLB Mann Judd

Key Audit Matter	How our audit addressed the key audit matter
accounted for as a discontinued operation and the assets and liabilities of the Springfield Joint Venture are classified as held for sale. The recognition and disclosure of this transaction in the financial report is complex and required significant audit attention, as the Group needed to separate its assets, liabilities and operations into continuing and discontinued business operations which has a significant impact on the financial results and financial position of the Group. We considered this to be a key audit matter as it is important to users' understanding of the financial statements as a whole.	the Group's interest in the Springfield Joint Venture; - We recalculated the carrying value of the assets and liabilities as identified in the sale agreement to test that these were accurately separated from the continuing business; - We considered the tax implications of the sale; and - We examined the disclosures included in the financial report in relation to this transaction.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

HLB Mann Judd

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Talisman Mining Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 September 2018

L Di Giallonardo
Partner

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INDEX TO THE FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 Jun 18 $`000	30 Jun 17 $`000
Assets			
Current Assets			
Cash and cash equivalents	7	470	11,595
Trade and other receivables	8	253	222
Assets classified as held for sale	5	21,350	-
Total Current Assets		22,073	11,817
Non-Current Assets			
Receivables	8	179	58
Other financial assets	9	-	121
Property, plant and equipment	11	2,772	2,905
Intangible assets	12	24	41
Mine properties and development	14	-	2,098
Deferred exploration and evaluation expenditure	13	14,000	14,000
Total Non-Current Assets		16,975	19,223
Total Assets		**39,048**	**31,040**
Liabilities			
Current Liabilities			
Trade and other payables	15	788	845
Provisions	17	50	44
Liabilities directly associated with assets held for sale	5	17,774	-
Total Current Liabilities		18,612	889
Non-Current Liabilities			
Provisions	17	8,792	8,536
Total Non-Current Liabilities		8,792	8,536
Total Liabilities		**27,404**	**9,425**
Net Assets		**11,644**	**21,615**
Equity			
Issued capital	18	60,882	60,882
Reserves	19	1,679	1,307
Accumulated losses		(50,917)	(40,574)
Total Equity		**11,644**	**21,615**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 Jun 18	Restated[i] 30 Jun 17
		$ `000	$ `000
Continuing operations			
Revenue	2	60	394
Other income	2	40	3
Exploration expenditure expensed as incurred	13	(3,179)	(3,480)
Employee benefits expense	2	(1,626)	(1,791)
Legal and Corporate Advisory Expenses	2	(437)	(430)
Care and Maintenance expense		(455)	(647)
Administrative expenses		(451)	(639)
Occupancy expenses	2	(119)	(122)
Unwinding of discount on provisions	17	(256)	(249)
Impairment of available-for-sale financial assets		(107)	-
Depreciation and amortisation expense		(77)	(60)
Loss before income tax expense from continuing operations		**(6,607)**	**(7,021)**
Income tax benefit		-	-
Loss after tax from continuing operations		**(6,607)**	**(7,021)**
Loss after tax from discontinued operation	5	(3,916)	(1,644)
Net loss for the year		**(10,523)**	**(8,665)**
Other comprehensive income for the period, net of tax			
Items that have been reclassified to profit or loss			
Net change in the fair value of available-for-sale financial assets		(14)	-
Other comprehensive loss for the period, net of tax		**(14)**	**-**
Total comprehensive loss for the period		**(10,537)**	**(8,665)**
Loss per share:			
Basic loss per share (cents per share)	6	(5.67)	(4.67)
Diluted loss per share (cents per share)	6	n/a	n/a
Basic loss per share from continuing operations (cents per share)	6	(3.56)	(3.78)
Diluted loss per share from continuing operations (cents per share)	6	n/a	n/a

(i) The comparatives have been restated for the discontinued operation.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 Jun 18	30 Jun 17
		$`000	$`000
		inflows/(outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(2,495)	(2,692)
Payments for exploration and evaluation		(4,066)	(5,012)
Transaction finance costs		(1,659)	-
Receipts of R&D tax rebate		84	-
Interest received		100	516
Net cash used in operating activities	7	(8,036)	(7,188)
Cash flows from investing activities			
Payments for mine properties and development		(6,026)	(1,244)
Payments for property, plant and equipment		(7,099)	(217)
Reallocation of cash to available for sale assets	5	(4,879)	-
Net cash used in investing activities		(18,004)	(1,461)
Cash flows from financing activities			
Proceeds from borrowings	16	14,915	-
Net cash provided by financing activities		14,915	-
Net decrease in cash held		(11,125)	(8,649)
Cash and cash equivalents at the beginning of the period		11,595	20,244
Cash and cash equivalents at the end of the period	**7**	**470**	**11,595**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share-based Payments Reserve	Total Equity
	$ `000	$ `000	$ `000	$ `000	$ `000
Balance at 1 July 2016	60,882	(32,025)	14	394	29,265
Loss for the period	-	(8,665)	-	-	(8,665)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-
Total comprehensive loss for the period	**-**	**(8,665)**	**-**	**-**	**(8,665)**
Shares issued during the year	-	-	-	-	-
Recognition of share-based payments	-	-	-	1,015	1,015
Unlisted options lapsing	-	116	-	(116)	-
Balance at 30 June 2017	**60,882**	**(40,574)**	**14**	**1,293**	**21,615**
Balance at 1 July 2017	60,882	(40,574)	14	1,293	21,615
Loss for the period	-	(10,523)	-	-	(10,523)
Net change in fair value of available-for-sale financial assets	-	-	(14)	-	(14)
Total comprehensive loss for the period	**-**	**(10,523)**	**(14)**	**-**	**(10,537)**
Shares issued during the year	-	-	-	-	-
Recognition of share-based payments	-	-	-	566	566
Unlisted options lapsed	-	180	-	(180)	-
Balance at 30 June 2018	**60,882**	**(50,917)**	**-**	**1,679**	**11,644**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The Company's Registered Office and its principal place of business are as follows:

Level 11 / 2 Mill Street
Perth
Western Australia 6000

The nature of the operations and principal activities of the Company are described in the Directors' report.

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Talisman Mining Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated as permitted by the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. The Company is an entity to which this instrument applies.

The Group's principal activities are exploration for, and development of, base metals and other minerals, including copper, copper-gold, gold and nickel.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2018

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. Those which may have a significant impact on the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 *Financial Instruments: Recognition and Measurement* and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date, the Group will need to reconsider its accounting policies surrounding impairment recognition. The new impairment requirements for financial assets are based on a forward looking 'expected loss model' (rather than the current 'incurred loss model').

The Group does not expect a significant effect on the financial statements resulting from the change of this standard however the Group is in the process of evaluating the impact of the standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 *Construction Contracts*, AASB 118

Revenue and AASB 1004 *Contributions*. AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

Whilst the new revenue standard would not have a material impact on existing revenue streams, the Group has commenced the process of evaluating the potential impact of the new standard on future revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

AASB 16 Leases

AASB 16 replaces the current AASB 117 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases, for the lessee, effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15.

This standard will primarily affect the accounting for the Group's operating leases. As at 30 June 2018, the Group has $427,425 of non-cancellable operating lease commitments, predominantly relating to a property lease. The Group is considering the available options to account for this transition, but expects an increase in reported earnings before interest, tax, depreciation and amortisation (EBITDA) and an increase in lease assets and liabilities recognition. This will however be dependent on the lease arrangements in place when the new standard is effective. The Group has commenced the process of evaluating the impact of the new lease standard.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

(c) Statement of compliance

The financial report was authorised for issue on 28 September 2018.

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).

(d) Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, 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.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

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 judgement. In making this judgement, 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.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and Directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by utilising a Black Scholes model, using the assumptions detailed in Note 20.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provision for restoration and rehabilitation

The provision for restoration and rehabilitation is based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Significant estimates and assumptions are made in determining the provision for restoration and rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of restoration and rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future restoration and rehabilitation costs required.

Ore reserve and resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves [the JORC Code]). Reserves determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purposes of amortisation and depreciation calculations, due regard is given, not only to remaining recoverable metals contained in proved and probable ore reserves, but also to limitations which could arise from the potential for changes in technology, demand, and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable metals contained in proved and probable ore reserves is made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves and remaining mine life affects the carrying value of a number of the Group's assets and liabilities including deferred mining costs and the provision for rehabilitation.

Exploration and evaluation expenditure carried forward

The recoverability of the carrying amount of exploration and evaluation expenditure carried forward has been reviewed by the Directors. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

The Group reviews the carrying value of exploration and evaluation expenditure on a regular basis to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. This assessment requires judgement as to the status of the individual projects and their estimated recoverable amount.

Consideration of impairment of property, plant and equipment

The Group considered the requirements of AASB 136 Impairment of Assets, and specifically whether an indicator of impairment existed in relation to the carrying value of the Group's property, plant and equipment. The Group has property, plant and equipment with a carrying value of $2.6 million in relation to Sinclair plant and equipment that is on care and maintenance. The Group commissioned an independent valuation of the Sinclair Nickel Project plant and equipment in August 2017. This concluded that no impairment expense was required to be recognised in respect of these assets at that time. Since that time, the Directors have continued to review the carrying value of these assets and maintain their belief that no impairment expense is required to be recorded.

(e) Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

(f) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights in an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTE 2: REVENUE AND EXPENSES

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Revenue

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Bank interest received and receivable	60	394
	60	394

Other Income

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Other income	-	3
Profit on disposal of asset	40	-
	40	3

Other Expenses

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Loss for the year includes the following expenses:		
Non-cash share based payment expense	566	1,014
Other employee benefits	1,060	777
Operating lease rental expense	119	122

Legal and Corporate Advisory Expenses

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Corporate advisory fees	136	128
Other legal fees	301	302
	437	430

NOTE 3: 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 for each jurisdiction adjusted 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 Company's subsidiaries and associates operate 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.

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 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 are 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.

R&D tax rebates are presented with the government grant approach. The credit will be recognised in profit before tax over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. These periods will then depend on whether the R&D costs are capitalised or expensed as incurred.

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.

	30 Jun 18	30 Jun 17
	$`000	$`000
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	(10,523)	(8,665)
Income tax benefit calculated at 30% (2017: 30%)	(3,157)	(2,600)
Non-deductible expenses	149	429
Tax losses and deferred tax balances not recognised	(3,008)	2,171
Income tax benefit reported in the statement of comprehensive income	-	-

	30 Jun 18	30 Jun 17
	$`000	$`000
Unrecognised deferred tax balances		
Deferred tax assets compromise of:		
Tax losses carried forward	14,787	13,071
Impairment of financial assets	2,175	2,151
Other deferred tax balances	745	(217)
	17,707	15,005
Deferred tax liabilities compromise of:		
Exploration expenditure capitalised	707	1,536
Mine development	-	360
Other deferred tax balances	-	-
	707	1,896
Income Tax expense not recognised directly in equity during the year	-	297

Tax consolidation legislation

The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

The Company 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.

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.

NOTE 4: SEGMENT REPORTING

Talisman management has determined the operating segments based on the reports reviewed by the Board for strategic decision making. The Group operates in one geographical segment, being Australia and has identified the following operating segments: Monty Operation and Regional Exploration.

The Monty Operation represents the Group's 30% joint venture interest in the Monty Cu-Au Project (Monty). Sandfire Resources NL (Sandfire) is the manager of Monty and holds the remaining 70% interest. Work programs and budgets are provided by Sandfire and are considered for approval by the Company's Board.

The Group's General Manager Geology is responsible for budgets and expenditures relating to the Group's Regional Exploration activities. Regional Exploration activities do not normally derive any income. Should a project generated by Regional Exploration activities commence generating income or lead to the development of a mining operation, that operation would then be disaggregated from Regional Exploration and become reportable in a different segment.

Segment Results

	Continuing Operations	Discontinued Operation		
	Regional Exploration	Monty Project	Unallocated Items	Consolidated
	$ `000	$ `000	$ `000	$ `000
30 June 2018				
Segment revenues/income	40	154	60	254
Segment (loss)/profit before income tax expenses	(3,891)	(3,916)	(2,716)	(10,523)
Segment assets	16,737	21,350	961	39,048
Segment liabilities	(8,831)	(17,774)	(799)	(27,404)
30 June 2017				
Segment revenues/income	-	-	397	397
Segment (loss)/profit before income tax expenses	(3,057)	(1,644)	(3,964)	(8,665)
Segment assets	16,649	2,774	11,617	31,040
Segment liabilities	(8,536)	(421)	(468)	(9,425)

NOTE 5: DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal groups) and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary, after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

On 8 June 2018 the Group announced its intention to sell its interest in the Doolgunna Projects Joint Venture to Sandfire Resources NL, for further information please see Note 27.

Financial Performance

The financial performance of the discontinued operation is presented below:

	30 Jun 18 $ `000	30 Jun 17 $ `000
Financial performance of discontinued operations		
Other Income	154	-
Expenses		
Exploration expenditure expensed as incurred	(1,434)	(1,644)
Employee benefits expense	(35)	-
Borrowing costs	(1,659)	-
Unrealised foreign exchange	(644)	-
Administration expenses	(298)	-
Loss before income tax	(3,916)	(1,644)
Income tax	-	-
Loss after income tax	(3,916)	(1,644)

The major classes of assets and liabilities comprising the operation classified as held for sale at balance date are as follows:

	30 Jun 18 $ `000
ASSETS	
Cash	4,879
Other receivables	240
Assets under construction[(i)]	7,199
Mine Development[(ii)]	9,032
	21,350
LIABILITIES	
Trade Creditors	1,307
Rehab, restoration and dismantling provision[(iii)]	908
Loan - Project Financing[(iv)]	15,559
	17,774
Net assets classified as held for sale	3,576

(i) Refer to Note 11
(ii) Refer to Note 14
(iii) Refer to Note 17
(iv) Refer to Note 16

NOTE 6: EARNINGS/LOSS PER SHARE

Basic earnings/loss 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.

	30 Jun 18 cents	30 Jun 17 cents
Basic loss per share	(5.67)	(4.67)
Basic loss per share from continuing operations	(3.56)	(3.78)
	$	$
Net loss for the year	(10,523)	(8,665)
Net loss for the year from continuing operations	(6,607)	(7,021)
	Number	Number
Weighted average number of ordinary shares for the purpose of basic loss per share	185,699,879	185,699,879

NOTE 7: 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, net of outstanding bank overdrafts.

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Cash at bank and on hand	390	1,966
Short-term deposits	80	9,629
	470	11,595

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Loss for the year after tax	(10,523)	(8,665)
Adjustments for:		
Gain on disposal of asset	(40)	-
Depreciation and amortisation included in income statement	77	60
Unwinding discount rate on mine closure provision	256	249
Impairment of available-for-sale financial assets	107	-
Equity settled share-based payments	566	1,014
Unrealised foreign exchange	644	-
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	(392)	39
Increase/(decrease) in liabilities:		
Trade and other payables	1,263	25
Provisions	6	90
Net cash used in operating activities	(8,036)	(7,188)

NOTE 8: TRADE AND OTHER RECEIVABLES

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 days to 45 days. There are no receivables at balance date that are past-due.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

	30 Jun 18 $ `000	30 Jun 17 $ `000
Current Assets		
Goods and services tax recoverable	121	168
Other debtors	78	22
Prepayments	54	32
	253	222
Non-Current Assets		
Other debtors - security bonds	179	58
	179	58

NOTE 9: OTHER 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.

Other Financial Assets

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Non-Current		
Available-for-sale listed investments carried at fair value	-	121

The Group's available-for-sale listed investment have been impaired during the year as the investments were delisted from the Australian Securities Exchange.

NOTE 10: JOINT ARRANGEMENTS

Interest in joint arrangements – Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interests in 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 the relevant standards and interpretations applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

The Company and Sandfire formed a 30%:70% Joint Venture (with Sandfire acting as Joint Venture Manager) over the Company's Doolgunna Projects in December 2015, following Sandfire's sole funded expenditure of $15 million on the Doolgunna Projects. A Mining Joint Venture Agreement ("MJVA") and an Exploration Joint Venture Agreement ("EJVA") have been executed between Talisman and Sandfire for the Joint Venture (collectively Joint Venture Agreements). The EJVA covers the ongoing exploration activities of the Doolgunna Projects Joint Venture on the Joint Venture tenements and outlines the rights and obligations of the Joint Venture parties. The MJVA establishes the rights and obligations of the Joint Venture parties related to activities associated with the development, mining and ultimate decommissioning of mineral discoveries. The development and mining of Monty will operate under the terms of this MJVA.

Joint venture expenditure is now funded jointly by the Group and Sandfire on a 30%:70% basis in accordance with the Joint Venture Agreements. Following the discovery of high grade copper-gold mineralisation at the Monty Deposit in 2015, the joint venture completed a positive feasibility study and commenced initial mine development for Monty during the 2017 financial year. On-site construction activities for Monty have progressed during the 2018 financial year with pre-production surface and underground infrastructure installed and in-use. First ore production remains on schedule for the second half of the 2019 financial year.

The Halloween West Joint Venture was originally formed in 2012 when the Company reached agreement with Chrysalis Resources Ltd ("Chrysalis") to farm into the Halloween West Copper-Gold Project. In October 2014 Sandfire acquired the interest held by Chrysalis and subsequently farmed-into the Halloween West Project concurrently with the Doolgunna Projects. Sandfire acts as the Joint Venture Manager of the Halloween West Joint Venture.

On 8 June 2018, the Company announced to ASX that it had reached in-principle agreement with Sandfire, its partner in the Monty Mining Joint Venture and Springfield Exploration Joint Venture (collectively the Doolgunna Projects), for the Company to dispose of its entire interest in the share capital of its wholly owned subsidiary Talisman A Pty Ltd. For further information see Note 27.

The Group is entitled to a proportionate share of the income received and bears a proportionate share of the joint operation's expenses.

Joint Operation	Principal activity	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Doolgunna Joint Venture	Copper and Gold	Australia	30%	30%
Halloween West Joint Venture	Copper and Gold	Australia	19%	19%

	30 Jun 18 $`000	30 Jun 17 $`000
Statement of financial position		
Current assets	1,513	2,315
Non-current assets	54,107	7,293
Total assets	55,620	9,608
Current liabilities	4,352	1,761
Non-current liabilities	3,030	-
Total liabilities	7,382	1,761
Statement of comprehensive income		
Revenue	100	10
Profit/ (Loss) for the year		
Exploration and evaluation	2,291	5,488
Total comprehensive income	(2,191)	(5,478)
Reconcilation of summarised financial information to the carrying amount of the interest in associate		
Net asset of the associate	48,238	7,847
Carrying value of the Group's interest in associate	14,471	2,354

NOTE 11: PROPERTY, 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.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

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

Mine site plant and equipment	Units of Production
Office furniture and equipment	2-6 years
Motor vehicles	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.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

	Office furniture and equipment	Leasehold improve-ments	Plant and equipment	Motor vehicles	Total
	$ `000	$ `000	$ `000	$ `000	$ `000
Year ended 30 June 2018					
At 1 July 2017, net of accumulated depreciation	59	1	2,786	59	2,905
Additions	77	-	7,049	-	7,126
Disposals	-	-	-	-	-
Reclass to available for sale assets [i]	-	-	(7,199)	-	(7,199)
Depreciation charge for the year	(33)	(1)	-	(26)	(60)
	103	-	2,636	33	2,772
Year ended 30 June 2017					
At 1 July 2016, net of accumulated depreciation	64	2	2,636	87	2,789
Additions	26	-	150	-	176
Disposals	-	-	-	-	-
Depreciation charge for the year	(31)	(1)	-	(28)	(60)
	59	1	2,786	59	2,905
At 30 June 2018					
Cost or fair value	703	26	2,636	277	3,642
Accumulated depreciation	(600)	(26)	-	(244)	(870)
Net carrying amount	103	-	2,636	33	2,772
At 30 June 2017					
Cost or fair value	626	26	2,786	276	3,714
Accumulated depreciation	(567)	(25)	-	(217)	(809)
Net carrying amount	59	1	2,786	59	2,905

(i) Refer Note 5.

The carrying value of plant and equipment held under finance lease and hire purchase contracts as at 30 June 2018 is nil (2017: nil).

NOTE 12: INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

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 groups 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.

	30 Jun 18 $ `000	30 Jun 17 $ `000
Software license		
Cost	41	41
Accumulated amortisation	(17)	-
Carrying value at end of financial year	24	41

NOTE 13: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration for and evaluation of Mineral Resources is the search for Mineral Resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the Mineral Resource.

Exploration and evaluation expenditure is expensed to the profit or loss as incurred except in the following circumstances in which case the expenditure may be capitalised:

- The existence of a mineral deposit has been established however additional expenditure is required to determine the technical feasibility and commercial viability of extraction and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure; and
- The exploration and evaluation activity is within an area of interest which was acquired as an asset acquisition or in a business combination and measured at fair value on acquisition.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of expenditure exceeds its estimated recoverable amount. The area of interest is then written down to its recoverable amount and the impairment losses are recognised in the statement of comprehensive income. 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.

Upon approval for the commercial development of an area of interest, exploration and evaluation assets are tested for impairment and transferred to 'Mine properties and development'. No amortisation is charged during the exploration and evaluation phase.

	30 Jun 18 $ `000	30 Jun 17 $ `000
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	14,000	14,544
Expenditure incurred	4,613	5,124
Transfer to Mine Development	-	(544)
	18,613	19,124
Exploration expensed as incurred	(4,613)	(5,124)
Carrying value at end of financial year	14,000	14,000

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

	Life to date project expenditure expensed	Project Expenditure expensed in the period	Life to date project expenditure expensed	Project Expenditure expensed in the period
	30 Jun 18		30 Jun 17	
	$ `000	$ `000	$ `000	$ `000
Sinclair	5,872	1,697	4,175	2,824
Springfield[i]	28,056	1,434	26,622	2,214
Halloween West JV	587	-	587	-
Lachlan Copper	1,482	1,482	-	-
Other Exploration Expenses	90	-	90	86
	36,087	4,613	31,474	5,124

(i) Includes the previous Halloween Project

NOTE 14: MINE PROPERTIES AND DEVELOPMENT

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which mining has commenced or in the process of commencing. When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis (other than restoration and rehabilitation expenditure detailed below) which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

The Group provides for environmental restoration and rehabilitation at each project site which includes any costs to dismantle and remove certain items of plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when an item is acquired or as a consequence of having used the item during that period. This asset is depreciated on the basis of the current estimate of the useful life of the asset.

In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets an entity is also required to recognise as a provision the best estimate of the present value of expenditure required to settle the obligation. The present value of estimated future cash flows is measured using a current market discount rate.

Mine Development

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Opening Balance	2,098	544
Cost	6,026	1,554
Restoration and rehabilitation provision capitalised	908	-
Reclassification to available for sale assets(i)	(9,032)	-
Net carrying amount at end of financial year.	-	2,098

(i) Refer Note 5

NOTE 15: TRADE AND OTHER PAYABLES

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.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts 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.

Liabilities accruing to employees in respect of wages and salaries, annual leave, and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

	30 Jun 18 $ `000	30 Jun 17 $ `000
Current		
Trade payables	482	618
Employee benefits	253	146
Other payables	53	81
	788	845

NOTE 16: BORROWINGS

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

	30 Jun 18 $ `000	30 Jun 17 $ `000
Secured		
Project Finance Facility	-	-
Total secured borrowings	-	-

	Project Finance Facility
	$`000
Balance as at as at 1 July 2017	-
Drawdown of loan facility	14,915
Exchange differences	644
Reclass to available for sale assets[i]	(15,559)
Balance as at 30 June 2018	-

(i) Refer Note 5

Fair value disclosures

Details of the fair value of the Group's borrowings are set out in Note 21.

Summary of borrowing arrangements

On 27 October 2017, the Group entered into a secured Project Financing Facility (PFF) with Taurus Mining Finance Fund (Taurus) for US$20 million. The PFF is guaranteed by the parent company and secured by the Group's interest in the Monty project and is subject to a fixed interest rate of 6.75% p.a. The PFF matures on 30 September 2020.

The PFF also includes a royalty of 2.25% on the Group's gross payable copper and gold metal-in-ore sales receipts from Monty. The obligation to pay the royalty ceases once the Group has received revenue from Monty sales containing 29,700 tonnes of copper and 16,500 ounces of gold.

Under the terms of the PFF, the Group is subject to certain financing covenants including debt coverage ratios and distribution restrictions. There have been no events of review of default under the PFF during the full year.

On 28 June 2018, the Group entered into a secure Working Capital Facility (WCF) with Taurus for US$ 3 million. The WCF is secured by the Company's shares in Haverford Holdings Pty Ltd (a 100% owned subsidiary that holds the Company's interest in its NSW tenement) and Talisman Nickel Pty Ltd (a 100% owned subsidiary that holds the Company's interest in the Sinclair Nickel Project). The WCF is subject to a fixed interest rate of 6.75% and matures on 30 June 2020. There have been no events of review or default under the WCF during the full year.

Financing Facilities Available

At balance date, the following financing facilities had been negotiated and were available:

	30 Jun 18	30 Jun 17
in United States Dollars	$`000	$`000
Total Facilities		
Project Facility	20,000	-
Working Capital Facility	3,000	-
	23,000	-
Facilities used at balance date		
Project Facility	11,500	-
Working Capital Facility	-	-
	11,500	-
Facilities unused at balance date		
Project Facility	8,500	-
Working Capital Facility	3,000	-
	11,500	-
Total facilities		
Facilities used at balance date	11,500	-
Facilities unused at balance date	11,500	-
	23,000	-

Borrowing Costs	30 Jun 18 $ `000	30 Jun 17 $ `000
Upfront Fees	795	-
Foreign Exchange - Unrealised	644	
Interest Expense	683	-
Commitment Fee	181	-
Total borrowing costs	2,303	

The borrowing transaction costs have been expensed to profit and loss as the loan will be settled as part of the divestment of the Group's interest in the Doolgunna Projects Joint Venture.

NOTE 17: PROVISIONS

Employee benefits

The provision for employee benefits represents vested long service leave entitlements accrued.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

	Employee Benefits $ `000	Restoration and rehabilitation $ `000
Balance at beginning of financial year	44	8,536
Unwinding and discount rate adjustment	-	256
Restoration and rehabilitation recognised for Monty Development	-	908
Reclassification of Monty restoration and rehabilitation provision to available for sale[(i)]	-	(908)
Long service leave arising during the year	6	-
Balance at the end of financial year	50	8,792

(i) Refer to Note 5

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Current		
Employee benefits	50	44
	50	44
Non-Current		
Restoration and rehabilitation	8,792	8,536
	8,792	8,536

NOTE 18: ISSUED CAPITAL

	30 Jun 18	30 Jun 17
	$	$
Ordinary shares		
Issued and fully paid	60,881,617	60,881,617

	30 Jun 18		30 Jun 17	
	Number	$	Number	$
Movements in ordinary shares on issue				
At 1 July	185,699,879	60,881,617	185,699,879	60,881,617
At 30 June	185,699,879	60,881,617	185,699,879	60,881,617

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

Ordinary shares entitled the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share Options

The Company has one share-based payment option scheme under which options to subscribe for the Company's shares have been granted to certain Directors, other key management personnel and all employees, refer Note 20.

NOTE 19: RESERVES

Nature and purpose of reserves

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. The reserve can only be used to pay dividends in limited circumstances.

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 20 for further details of these plans.

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Accumulated Losses		
Balance at beginning financial year	(40,574)	(32,025)
Net loss for the year	(10,523)	(8,665)
Transfer on expiry of unexercised options	180	116
Balance at end of financial year	(50,917)	(40,574)
Reserves		
Asset revaluation reserve	-	14
Share-based payment reserve	1,679	1,293
Balance at end of financial year	1,679	1,307

Movement in these reserves are set out in the Statement of Changes in Equity

NOTE 20: SHARE-BASED PAYMENT PLANS

Employee Share Option Plan ("ESOP")

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 nor 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.

The contractual life of each option granted is 2 to 5 years. There are no cash settlement alternatives.

The following options lapsed during the financial year:

Grant Date	Expiry date of options	Number of shares under option	Exercise price of options	Fair Value	Vested Date	Number Lapsed
05-Dec-14	31-Oct-17	625,000	$0.41	$0.11	25-May-15	(625,000)
05-Dec-14	31-Oct-17	625,000	$0.49	$0.10	24-Nov-15	(625,000)
04-Mar-15	01-Mar-18	125,000	$0.40	$0.11	01-Sep-15	(125,000)
04-Mar-15	01-Mar-18	125,000	$0.50	$0.10	01-Mar-16	(125,000)
04-Mar-15	01-Mar-18	125,000	$0.60	$0.10	01-Sep-16	(125,000)
04-Mar-15	01-Mar-18	125,000	$0.70	$0.09	01-Mar-17	(125,000)

The following options were forfeited during the financial year:

Grant Date	Expiry date of options	Number of shares under option	Exercise price of options	Fair Value	Vested Date	Number Forfeited
11-Nov-16	31-Oct-19	10,000	$0.56	$0.23	30-Jun-18	(10,000)
11-Nov-16	31-Oct-21	10,000	$0.62	$0.32	30-Jun-19	(10,000)
11-Nov-16	31-Oct-21	10,000	$0.66	$0.32	30-Jun-20	(10,000)

No options were issued during the financial year.

The following share-based arrangements were in place at the end of the financial year:

Issuing entity	Grant Date	Expiry date of options	Number of shares under option	Exercise price of options	Fair Value	Vested Date
Talisman Mining Limited	11-Nov-16	31-Oct-18	1,755,000	$0.48	$0.23	11-Nov-16
Talisman Mining Limited	11-Nov-16	31-Oct-19	1,550,000	$0.52	$0.27	30-Jun-17
Talisman Mining Limited	11-Nov-16	31-Oct-19	1,540,000	$0.56	$0.23	30-Jun-18
Talisman Mining Limited	11-Nov-16	31-Oct-21	1,540,000	$0.62	$0.32	30-Jun-19
Talisman Mining Limited	11-Nov-16	31-Oct-21	1,540,000	$0.66	$0.32	30-Jun-20

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

	30 Jun 18		30 Jun 17	
	Number	$	Number	$
Movements in options over ordinary shares on issue				
At 1 July	9,705,000	1,292,836	5,650,000	395,389
Directors' and employees' remuneration	-	569,794	8,775,000	1,252,411
Unlisted options forfeited	(30,000)	(3,692)	(820,000)	(92,334)
Unlisted options cancelled	-	-	(1,150,000)	(146,185)
Unlisted options lapsed	(1,750,000)	(180,102)	(2,750,000)	(116,445)
At 30 June	7,925,000	1,678,836	9,705,000	1,292,836

The fair value of options granted during the year was nil as no options were granted during the year. (2017: $2,273,195).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

Inputs into model	1	2	3	4	5
Exercise price	$ 0.48	$ 0.52	$ 0.56	$ 0.62	$ 0.66
Grant date share price (5 day VWAP)	$ 0.425	$ 0.425	$ 0.425	$ 0.425	$ 0.425
Expected volatility	113%	113%	113%	113%	113%
Risk-free interest rate	1.77%	1.77%	1.77%	1.77%	1.77%
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil
Expected life of options (years)	2.00	3.00	3.00	5.00	5.00

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 21: 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
- Foreign currency 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 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 (includes assets classified as held for sale and associated liabilities)

	30 Jun 18	30 Jun 17
	$ `000	$ `000
Financial assets		
Cash and cash equivalents	5,349	11,595
Receivables	618	280
Available-for-sale investments	-	121
	5,967	11,996
Financial liabilities		
Trade and other payables	2,095	845
Borrowings	15,559	-
	17,654	845

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 1.

During the year, an assessment of the fair value of available-for-sale investments resulted in a loss being recognised of $106,500 (2017: Nil) in the statement of comprehensive income. Additionally, as a result of this assessment a loss of $14,000 (2017: Nil) was recognised 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 only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Management Committee annually.

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 and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(d) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with 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 reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's and the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial asset and liabilities based on the earliest date the Group can be required to repay. The tables include both interest and principal cash flows.

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5+ years	No fixed term	Total
	$ `000	$ `000	$ `000	$ `000	$ `000	$ `000	$ `000
2018							
Financial Assets							
Non-interest bearing	618	-	-	-	-	-	618
Variable interest rate	5,269	-	-	-	-	-	5,269
Fixed interest rate	-	80	-	-	-	-	80
	5,887	80	-	-	-	-	5,967
Financial Liabilities							
Non-interest bearing	1,893	-	202	-	-	-	2,095
Fixed interest rate	-	-	15,559	-	-	-	15,559
	1,893	-	15,761	-	-	-	17,654
2017							
Financial Assets							
Non-interest bearing	1,439	-	-	-	-	-	1,439
Variable interest rate	694	-	-	-	-	-	694
Fixed interest rate	4,549	5,080	-	-	-	-	9,629
	6,682	5,080	-	-	-	-	11,762
Financial Liabilities							
Non-interest bearing	700	-	146	-	-	-	846
Fixed interest rate	-	-	-	-	-	-	-
	700	-	146	-	-	-	846

(e) Interest rate risk

The Group is not exposed to interest rate risk on existing finance facilities as the Group's borrowings are at fixed interest rates for the respective terms of the facilities. (Refer to Note 16).

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 $26,000 (2017: net loss reduced by $3,472).

(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 and debt funding 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) Foreign currency exchange rate risk management

The Group undertakes certain borrowing transactions denominated in United States Dollars, hence exposures to exchange rate fluctuations arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at balance date are as follows:

	Consolidated			
	Liabilities		Assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
US Dollars	11,500	-	321	-

Foreign currency sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to an increase/decrease in the Australian dollar against the United States dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower and adjusts their translation at balance date by a 1% increase in foreign currency rates.

A 1% increase in the currency rate is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the possible change in foreign exchange rates.

At balance date, if foreign exchange rates had been 1% higher and all other variables were held constant, the Group's

- net loss would increase by $151,249 (2017: $Nil) and
- equity reserves would increase/decrease by $Nil (2017: $Nil).

(h) 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 2018 and 30 June 2017.

	Level 1 $ `000	Level 2 $ `000	Level 3 $ `000	Total $ `000
2018				
Assets				
Available-for-sale financial assets	-	-	-	-
2017				
Assets				
Available-for-sale financial assets	121	-	-	121

NOTE 22: COMMITMENT 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 18 $	30 Jun 17 $
Exploration expenditure		
Within one year	3,367	2,849
After one year but not more than five years	11,458	9,929
Greater than five years	17,710	19,873
	32,535	32,651

If the Group decides to relinquish certain exploration tenements 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 1 or 3 years; and a motor vehicle operating lease with a term of 3 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	30 Jun 18	30 Jun 17
	$	$
Non-cancellable operating lease commitments		
Within one year	160	117
After one year but not more than five years	267	177
Greater than five years	-	-
	427	294

NOTE 23: RELATED PARTY DISCLOSURES

Other transactions with key management personnel

No member of the key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Details of key management personnel

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

Directors

Jeremy Kirkwood	Non-Executive Chairman
Daniel Madden	Managing Director
Alan Senior	Non-Executive Director
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director

Executives

Shaun Vokes	Chief Financial Officer/ Company Secretary
Anthony Greenaway	General Manager – Geology

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

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

	30 Jun 18	30 Jun 17
	$	$
Short-term employee benefits	1,112,528	1,240,742
Post-employment benefits	96,266	116,325
Other long-term benefits	5,833	44,367
Share-based payments[i]	535,340	1,066,578
Total key management personnel compensation	1,749,967	2,468,012

(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.

NOTE 24: INTEREST IN SUBSIDIARIES

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

		Equity Interest		Investment	
		2018	2017	2018	2017
Name	Country of Incorporation	%	%	$	$
Talisman A Pty Ltd	Australia	100	100	10	10
Talisman Nickel Pty Ltd	Australia	100	100	1	1
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.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

Details of transactions between the Group and other related entities are disclosed below.

NOTE 25: PARENT ENTITY DISCLOSURES

The financial information for the parent entity, Talisman Mining Limited, 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 subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Disclosures as at 30 June 2018 and for the year then ended in relation to Talisman Mining Limited as a single entity are noted below.

	30 Jun 18 $ `000	30 Jun 17 $ `000
Assets		
Current assets	573	11,229
Non-current assets	346	396
Total assets	919	11,625
Liabilities		
Current liabilities	801	361
Total liabilities	801	361
Net assets	118	11,264
Equity		
Issued capital	60,882	60,882
Asset revaluation reserve	-	14
Share based payment reserve	1,679	1,293
Retained earnings	(62,443)	(50,925)
Total equity	118	11,264

		Year ended
	30 Jun 18 $ `000	30 Jun 17 $ `000
Loss for the year	(11,518)	(9,803)
Net change in the fair value of available for sale financial assets	(14)	-
Total comprehensive loss	(11,532)	(9,803)

NOTE 26: AUDITOR'S REMUNERATION

The auditor of Talisman Mining Limited is HLB Mann Judd.

	30 Jun 18	30 Jun 17
	$	$
Preparation of Fringe Benefit Tax Return	2,000	2,000
Audit or review of the financial report	37,500	37,300
Total Remuneration of Auditors	39,500	39,300

NOTE 27: SUBSEQUENT EVENTS

Sandfire Transaction

On 8 June 2018, the Company announced to ASX that it had reached in-principle agreement with Sandfire, its partner in the Monty Mining Joint Venture and Springfield Exploration Joint Venture (collectively the Doolgunna Projects), for the Company to dispose of its entire interest in the share capital of its wholly owned subsidiary Talisman A Pty Ltd (Talisman A) (Sale Shares) being the holder of the Company's 30% joint venture interest in the Doolgunna Projects, to Sandfire (Share Sale).

Subsequently, as the Company announced to ASX on 8 August 2018, the Company and Sandfire entered into a Share Sale Agreement to fully document the Share Sale. The Company, Talisman A and Sandfire have also executed an NSR Royalty Deed, described below.

Completion of the Share Sale is conditional on the Company convening a general meeting for the purposes of its shareholders considering, and if thought fit, passing a resolution approving the sale of the Sale Shares to Sandfire. As the Company announced to the ASX on 28 August 2018, the general meeting is scheduled for 4 October 2018 and it is anticipated that the Share Sale should complete, assuming shareholders vote in favour, by 12 October 2018.

Share Sale Agreement and NSR Royalty

In consideration for the Share Sale, at completion the Company is to receive net cash from Sandfire equal to A$72.3 million less the amounts to be paid at completion to the Taurus Mining Finance Fund AIV L.P. and Taurus Mining Finance Annex Fund AIV L.P. (the Taurus Lenders) by Sandfire on behalf of:

- Talisman A, to repay debt owed at completion by Talisman A (to the extent Talisman A's cash reserves at completion are insufficient) under the Monty Project Finance Facility; and
- the Company, equal to the amount owed at completion by the Company under the Taurus Working Capital Facility announced by the Company to the ASX on 28 June 2018.

As at the date of this financial report the current drawn amount of the Monty Project Finance Facility is US$11.5 million and the current drawn amount of the Taurus Working Capital Facility is US$1.5 million, which may vary prior to completion of the Share Sale.

Sandfire will assume, via its acquisition of Talisman A, an amended form of the existing 2.25% gross revenue royalty held by the Taurus Lenders over Talisman A's 30% share of Monty.

Sandfire has further agreed that it will pay any additional capital contributions which Talisman A would otherwise be obliged to pay as a joint venture party under any cash calls made from 5 June 2018 for the Doolgunna Projects, including for Monty development (subject to completion of the Share Sale). As at the date of this financial report, cash calls paid by Sandfire on behalf of Talisman A totaled A$3.567 million. No additional forecast cash calls are expected to be paid by Sandfire on behalf of Talisman A prior to completion of the Share Sale. If the Share Sale Agreement is terminated without completion of the Share Sale occurring, the Company must pay back to Sandfire the aggregate cash calls within 20 Business Days of the termination of the Share Sale Agreement.

In addition, the Company, Talisman A and Sandfire have also executed a NSR Royalty Deed (**NSR Royalty Deed**) pursuant to which Talisman A grants to the Company an uncapped and perpetual 1.0% Net Smelter Return (**NSR**) Royalty applying to 100% of all contained copper and gold in ore mined and sold from within the Doolgunna Projects tenement area above the respective contained metal levels in the Monty Mine Plan (based on the Monty Feasibility Study released in April 2017) (**NSR Royalty**).

Payment of the NSR Royalty is guaranteed by Sandfire. Each of Sandfire and Talisman A may sell, assign or otherwise dispose of part or all of their interest in the Doolgunna Projects tenement area, provided that the relevant buyer or assignee agrees to assume, be bound by and perform the obligations under the NSR Royalty Deed of whichever of Sandfire or Talisman A sold or assigned their interest. The Company has granted a right of last refusal to Talisman A (or any subsequent buyer or assignee of Talisman A's obligations under the NSR Royalty) on any sale or disposal of the Company's rights to the NSR Royalty. If the Share Sale Agreement is terminated, the NSR Royalty Deed also terminates.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The consolidated financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes, as set out on pages 45 to 76 are in accordance with the Corporations Act 2001, and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Group;
2. The Managing Director and the Chief Financial Officer of the Group have each declared as required by Section 295A that:
   (a) the financial records of the Group for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.
4. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of Directors made pursuant to s.298(5) of the Corporations Act 2011.

On behalf of the Directors

Daniel Madden
Managing Director

Perth, 28 September 2018

ADDITIONAL SECURITIES EXCHANGE INFORMATION

AS AT 24 SEPTEMBER 2018

1. NUMBER OF HOLDERS OF EQUITY SECURITIES

(a) Distribution of holders of equity securities

Range	No. of holders	Securities
1 to 1,000	161	81,067
1,001 to 5,000	570	1,758,541
5,001 to 10,000	456	3,987,286
10,001 to 100,000	878	33,167,547
100,001 and Over	243	146,705,438
Total	2,308	185,699,879

(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 246 (holding a total of 195,504 shares) given a share value of $0.28 cents per share.

(d) Substantial Shareholdings:

Ordinary Shareholders	Fully paid ordinary shares	
	Number	%
Mr Kerry Kyriakos Harmanis	34,259,138	18.45%

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 secretaries are Shaun Vokes and Alexander Neuling.

3. REGISTERED OFFICE AND PRINCIPAL ADMINISTRATIVE OFFICE

Registered and principal administrative office:
Level 11, 2 Mill Street
Perth, Western Australia 6000
Telephone +61 8 9380 4230

Registered securities are held at the following address:
Link Market Services Limited
Level 12, QV1 Building
250 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	Number	%
1	HARMAN NOMINEES PTY LTD	11,111,111	5.98
2	TYCHE HOLDINGS PTY LTD	6,400,001	3.45
3	TWYNAM AGRICULTURAL GROUP PTY LTD	5,665,000	3.05
4	HARMANIS HOLDINGS PTY LTD	4,437,575	2.39
5	TYCHE HOLDINGS PTY LTD	3,850,000	2.07
6	GROSVENOR PIRIE MANAGEMENT LTD	3,800,000	2.05
7	JETOSEA PTY LTD	3,748,583	2.02
8	TYCHE HOLDINGS PTY LTD	3,510,000	1.89
9	HARMANIS HOLDINGS PTY LTD	3,080,451	1.66
10	JAYLEAF HOLDINGS PTY LTD	3,000,000	1.62
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,916,099	1.57
12	BACK9 INVESTMENT MANAGEMENT PTY LTD	2,800,000	1.51
13	INVESTMENT HOLDINGS PTY LTD	2,500,000	1.35
14	CITICORP NOMINEES PTY LIMITED	2,259,740	1.22
15	NATIONAL NOMINEES LIMITED	2,243,814	1.21
16	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,187,445	1.18
17	MR WILLIAM ANTHONY MURRAY	2,100,000	1.13
18	SIREB PTY LTD	1,904,464	1.03
18	SYDNEY FUND MANAGERS LIMITED	1,500,000	0.81
19	BT PORTFOLIO SERVICES LIMITED	1,500,000	0.81
20	TYCHE HOLDINGS PTY LTD	1,470,000	0.79

7. UNQUOTED EQUITY SECURITIES

Class	Exercise Price		Expiry Date	Number	Number of holders
		$			
Unlisted options	$	0.48	31-Oct-18	1,755,000	14
Unlisted options	$	0.52	31-Oct-19	1,550,000	11
Unlisted options	$	0.56	31-Oct-19	1,540,000	11
Unlisted options	$	0.62	31-Oct-21	1,540,000	11
Unlisted options	$	0.66	31-Oct-21	1,540,000	11

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.

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