

Monday 9<sup>th</sup> January, 2017

### Sinclair Nickel Project Drilling Update - Portfolio Stock (coverage initiated @ \$0.49 in Sep 2015)

Talisman Mining (ASX: TLM, Share Price: \$0.345, Market Cap: \$64m) has been one of our most dedicated exploration plays. Its flagship Springfield copper exploration project in WA involves a potentially company-making joint venture with Sandfire Resources (ASX: SFR), under which Sandfire has earned a 70% stake in three of Talisman's exploration projects by spending \$15 million on aggressive exploration.

*Talisman also has other irons in the fire and during 2016 commenced maiden drilling activity on its 100%-owned Sinclair nickel project. First results have started to come in, with nickel sulphides intersected in the first diamond drill-hole of the current program, targeting down-plunge extensions from previous drilling.*



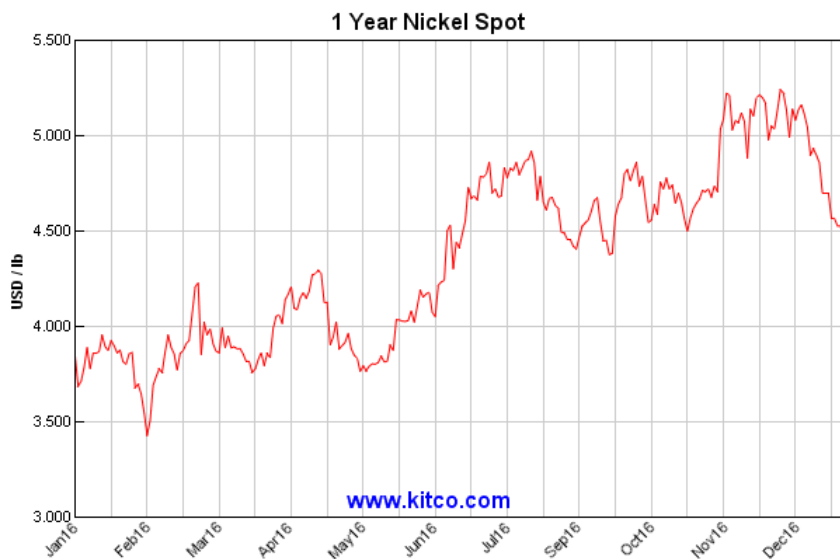
### Market Significance

Talisman's share price has eased as the market digests its initial Monty JORC Resource estimate and overall commercial significance. Monty represents the first significant high-grade massive sulphide copper-gold discovery outside of SFR's DeGrussa deposit and the JV is currently undertaking a Feasibility Study. Whilst the focus over recent years has been solely on Monty, its Sinclair Project has had to take somewhat of a back seat; however this is all now changing, with the company's initial drilling programs at Sinclair proving to be highly encouraging, especially at a time of improving nickel market fundamentals.

## Announcement Detail – Sinclair Drilling Update

As background, Talisman made a strategic decision during late-2015 to suspend on-ground regional exploration activities at its 100%-owned Sinclair nickel project in Western Australia due to a combination of weak market conditions at that time, a soft nickel price and the necessity to allocate funds for the drill-out of the high-profile Monty prospect, situated within its Springfield Project.

Since then the nickel price has improved substantially on the back of improved market fundamentals - principally linked to a fall in LME inventories and big question marks over China's major nickel supplier, The Philippines.



## Technical Significance

As we advised during our coverage during the second half of 2016, Talisman had commenced maiden exploration drilling program at its Sinclair nickel project, with the campaign focused on diamond and RC drilling of new high-priority targets at two specific prospects - Delphi North and Schmitz Well South. A total of five areas were tested, with results reinforcing the nickel fertility and high prospectivity of the Sinclair project area.

Encouragingly, nickel sulphides have been intersected in the first diamond drill-hole of the current program (SND010) at Delphi North, targeting down-plunge extensions from previous drilling, in addition to a down-hole EM conductor to the north and above SND010. The results include:

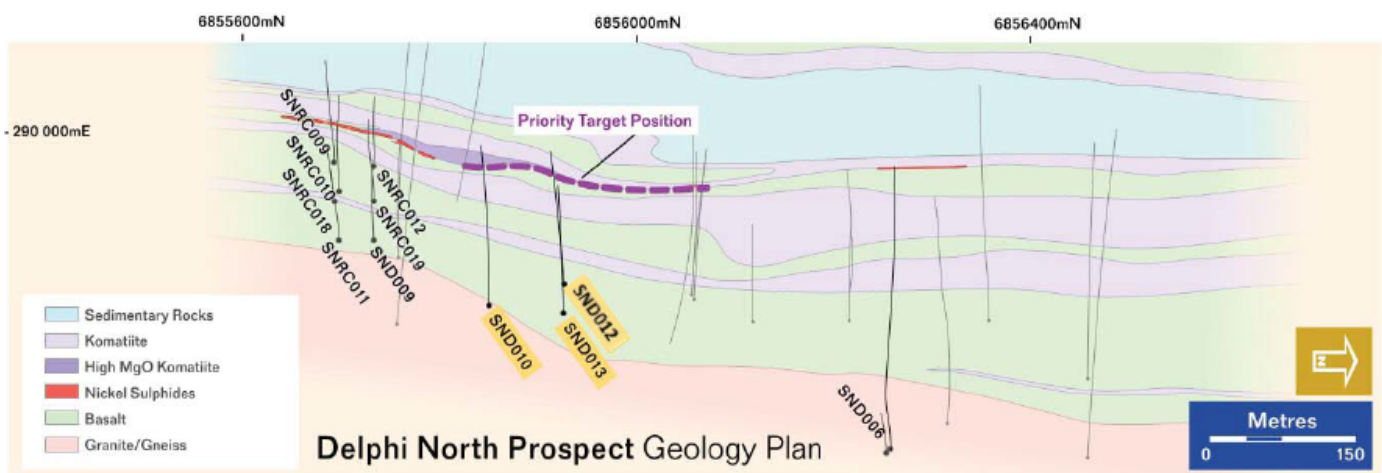
- 2.52 metres @ 3.35% Ni from 206.66 metres down-hole, *including 1.55 metres @ 4.85% Ni from 206.66 metres*
- 3.06 metres @ 1.60% Ni from 224.08 metres down-hole.

Following the integration of all assay, geology and geophysical data from the DHEM surveys, Talisman will conduct a comprehensive review of results generated from the program before determining the scope of the next exploration program at Sinclair in the first quarter of 2017.

## Delphi North

Delphi North is a high-priority target corridor that displays strong correlation to the Sinclair mine geological environment. Nickel sulphide mineralisation has been confirmed over a strike length of 700 metres and the area has the potential to host significant nickel sulphide mineralisation.

A total of three diamond drill holes (SND010, SND012 and SND013) were completed for 877.3 metres, which built on the results of a program of two RC fences completed during October 2016. Diamond drill-hole SND010 was completed to test the potential for mineralisation down-plunge from the previous RC drill program that intersected 4 metres @ 4.79% Ni from 154 metres down-hole (SNRC0101) and 9 metres @ 4.20% Ni from 131 metres down-hole (SNRC0192).



**Figure 1:** Delphi North drill collar plan showing recent and historic collar locations, simplified geology and Priority Target position

A subsequent DHEM survey completed on SND010 identified an elongated, north-plunging, high-conductance EM plate at 15,000 Siemens, centred to the north and above of SND010. A further two holes (SND012 and SND013) were drilled approximately 75 metres north of SND010 to test the interpreted EM conductor position generated from hole SND010 – with both holes intersecting a complex, folded ultramafic sequence as observed in previous drilling.

Although the holes were successful in intersecting the initial interpreted EM target location from the survey undertaken on hole SND010, the recent drilling and DHEM results from SND012 and SND013 have significantly modified the previous EM interpretation and conductor position. DHEM surveys of SND012 and SND013 have recorded two separate, smaller but very high-conductance, off-hole EM plates on either side of the drilled section. The complex folded nature of the geology logged in all three drill holes, along with these modelled small, very high-conductance EM plates, could indicate that the Delphi mineralised horizon has a highly deformed and discontinuous nature.

Further integration and analysis of all available recent and historic data is required to be undertaken prior to planning the next phase of exploration.

## Sinclair Project Overview

Talisman acquired the Sinclair project from Xstrata during late 2014 for consideration of \$8 million cash and a contingent deferred payment of \$2 million if production recommences within a six-year period.

*Sinclair was discovered by the formerly highly-successful nickel miner and explorer, Jubilee Mines, during October 2005. Sinclair is therefore an asset that Talisman knows extremely well, with several key members of its team closely involved in the project's evaluation.*



**Figure 2:** Sinclair Mine-site

The Sinclair nickel project includes extensive new-near infrastructure including an existing open-cut and underground mine, an on-site 300,000tpa concentrator, sealed airstrip and +200-person accommodation village. The process plant and mine were placed on care and maintenance in August 2013 and have been maintained to a very high standard.

Sinclair was developed and commissioned during 2008 and operated successfully before being placed on care-and-maintenance during August 2013, having produced approximately 38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% Ni.

Glencore retains the right to make an offer for off-take for the first 20,000 tonnes of contained nickel-in-concentrate produced, which Talisman can either accept or reject. In turn, Glencore also has the right to match the best third-party off-take offer should Talisman elect to seek alternative offers.



Sinclair is located within the world-class Agnew-Wiluna Greenstone Belt in the North-eastern Goldfields region of WA. It boasts extensive existing infrastructure and includes a substantial 290 sq km tenement package that encompasses more than 80km strike of prospective ultramafic contact, situated within a 35km radius of processing plant infrastructure.

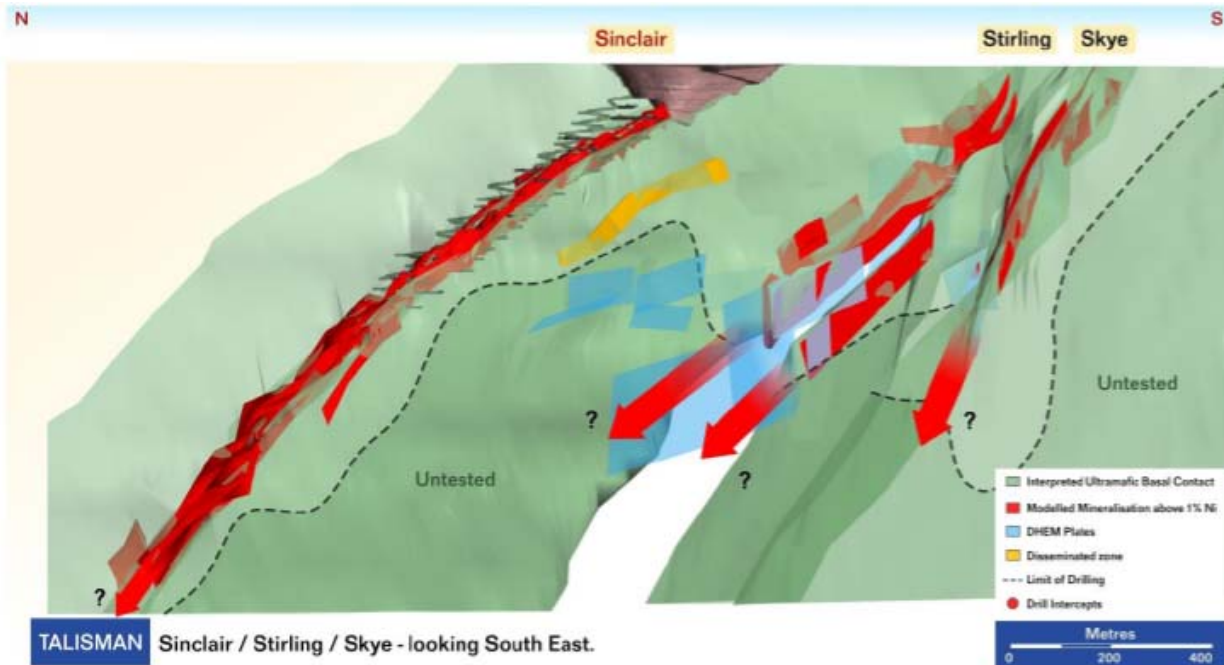


Figure 3: Oblique View of Sinclair Mine and Extensions

### Summary

We initiated coverage of Talisman Mining at a price around \$0.49 during September 2015.

The Sinclair project offers an exceptional nickel development and exploration opportunity, including potential immediate extensions of the deposit itself, advanced near-mine targets within close proximity of the existing mine infrastructure, as well as drill-ready emerging exploration prospects within a 30km radius of the mine. Importantly, it provides Talisman with a major production opportunity that complements its rapidly-advancing Springfield Project.

Talisman also holds a 30% interest in the Springfield Joint Venture with Sandfire Resources NL (70% and JV manager). Springfield is located in a proven VMS province in Western Australia's Bryah Basin and contains multiple prospective corridors and active exploration activities. Springfield hosts the high-grade Monty copper-gold deposit, which is located 10km from Sandfire's DeGrussa operations. Monty is one of the highest-grade copper-gold discoveries made globally in recent decades and a Feasibility Study on its development is due for completion during Q1 2017.

There will be a host of activity on dual fronts during early 2017 and accordingly, Talisman Mining will remain firmly held within our Portfolio.

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