



ABN 32 138 405 419

ANNUAL REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 30 JUNE 2010

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DIRECTORS' REPORT

CORPORATE DIRECTORY

DIRECTORS

Sean Neary (Chairman)
Mark Thompson (Managing Director)
Piers Lewis (Non-Executive Director)

AUDITORS

Stantons International Pty Ltd
Level 1,
1 Havelock Street,
WEST PERTH WA 6005

COMPANY SECRETARY

Piers Lewis

SHARE REGISTRY

Advanced Share Registry Services
150 Stirling Highway
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REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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DIRECTORS' REPORT

CHAIRMAN'S REPORT

Dear Shareholder,

Pursuant to Section 292 of the Corporations Act 2001 the following documents form part of the annual report for Talga Gold Ltd ("Talga Gold") for the period ended 30 June 2010.

For the period under review in this report Talga Gold was a public unlisted company whose focus during the period had been the acquisition, through option agreements, of the Talga Talga, Warrawoona, Mosquito Creek and Bullfinch Projects. As at 30 June 2010 the company was in the final stages of a \$5,000,000 capital raising in preparation for listing on the Australian Securities Exchange (ASX), full details of the which are contained within the Talga Gold prospectus. The capital raising was successful and Talga Gold was admitted to the official list of the ASX on 7 July 2010.

Talga Gold looks forward to an exciting year of exploration and on behalf of my fellow directors, Mark Thompson and Piers Lewis, I would like to thank shareholders for their support to date and look forward to reporting the results of our exploration over the coming year.

Yours faithfully,



Sean Neary
29 September 2010

DIRECTORS' REPORT

The Directors present their report on Talga Gold Ltd for the period from date of incorporation on 21 July 2009 to 30 June 2010.

BOARD OF DIRECTORS

The names and details of the Talga Gold Ltd ("Company") directors in office during the financial period and until the date of this report are as follows.

Sean Neary (Non-Executive Chairman) (Appointed 21 July 2009)

Mr Neary is a Certified Practising Accountant with more than 20 years experience in finance and commercial advisory roles. His experience includes more than ten years in audit and tax consulting with 'Big Four' and second tier accounting practices in Australia, and commercial experience including six years in a finance role with US based chemical giant, Dow Corning. In addition to his exceptional leadership qualities, Mr Neary brings to the Talga Gold board a wealth of financial industry and corporate strategy experience that will ensure the company's sustainable growth towards gold production.

Mark Thompson (Managing Director) (Appointed 21 July 2009)

Mr Thompson has more than 20 years industry experience in gold exploration and mining management, working extensively on major resource projects throughout Australia, Africa and South America. In addition to this practical experience, his roles as a Manager and Director of several private geological consultancies have developed his already extensive skills in all aspects of mineral exploration and project development.

Mr Thompson founded and served on the Board of ASX listed Catalyst Metals Ltd and is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

Piers Lewis (Non-Executive Director & Company Secretary) (Appointed 16 December 2009)

Mr Lewis has more than 12 years global corporate experience and is currently Company Secretary for ASX listed companies Blackham Resources Limited and junior gold explorer Talga Gold Limited. In 2001 Mr Lewis qualified as a Chartered Accountant with Deloitte (Perth), and brings to the Talga Gold Board extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London), Mizuho International and NAB Capital.

Horst Prumm (Resigned 16 December 2009)

Directorships of other listed Companies

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

Mark Thompson	Catalyst Metals Ltd	July 2006 to September 2009
Sean Neary	None	
Piers Lewis	None	

CORPORATE STRUCTURE

Talga Gold Ltd is a company limited by shares that is incorporated and domiciled in Australia. Talga Gold Ltd had no controlled entities during the financial period.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was due diligence on the exploration assets acquired.

Talga Gold lodged a prospectus dated 17 May 2010, with the intention to raise \$5,000,000 and gain admission to the official list of ASX.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Talga Gold Ltd was incorporated on 21 July 2009 for the purpose of acquiring and exploring the Talga Talga, Warrawoona, Mosquito Creek and Bullfinch Projects.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the period ended 30 June 2010 was \$179,257.

No dividend has been paid during or is recommended for the financial period ended 30 June 2010.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 16 December 2009 the Company issued 1,150,000 fully paid ordinary shares and 1,100,000 unlisted options to Directors.

On 29 December 2009 the Company issued 1,220,000 fully paid ordinary shares to seed investors.

On 7 January 2010 the Company issued 50,000 fully paid ordinary shares to seed investors.

On 27 January 2010 the Company issued 280,000 fully paid ordinary shares to seed investors.

On 19 February 2010 the Company issued 250,000 fully paid ordinary shares to seed investors.

On 28 April 2010 the Company issued 1,400,000 fully paid ordinary shares to seed investors.

On 29 June 2010 the Company issued 2,000,000 fully paid ordinary shares on exercise of an option agreement to purchase the Talga Talga project.

On 30 June 2010 the Company issued 25,000,000 fully paid ordinary shares following the closure of an initial public offer to raise \$5,000,000 before capital raising costs. The Company was admitted to the Official List of the ASX on 7 July 2010.

There were no other significant changes in the state of affairs of the Company during the financial period not otherwise dealt with in this report and the financial statements.

FUTURE DEVELOPMENTS

Other than as referred to in this report, further information as to likely developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Company and its shareholders.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2010, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years, other than:

On 2 July 2010, the Company completed the acquisitions of all initial interests in the Talga Talga, Warrawoona, Mosquito Creek and Bullfinch Projects as detailed in the Company's Prospectus dated 17 May 2010. These acquisitions have however been accounted for at 30 June 2010 as the related issue of shares and cash payments were processed in June 2010.

DIRECTORS' REPORT

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities was \$4,164,852 at 30 June 2010.

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.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the financial period was:

	Board Meetings	
	Number held and entitled to attend	Number Attended
Sean Neary	6	6
Mark Thompson	6	6
Piers Lewis	3	3
Horst Prumm (resigned 16 December 2009)	3	3

ENVIRONMENTAL ISSUES

The Company's operations are subject to State and Federal laws and regulations concerning the environment. Details of the Company's performance in relation to environmental regulations are as follows:

The Company's exploration activities are subject to the Western Australian Mining Act. The Company has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the financial year under review.

The Directors of the Company have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("NGER"). NGER has no impact on the Company.

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.

SHARE OPTIONS

As at the date of this report, there were 1,100,000 ordinary shares under option. The options have an exercise price of \$0.20 and expire 16 December 2012.

No person entitled to exercise any option referred to above have or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

REMUNERATION REPORT (Audited)

This report details the type and amount of remuneration for each director of Talga Gold Ltd, and for the executives receiving the highest remuneration.

DIRECTORS' REPORT

Remuneration Policy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the Company's financial and operational performance. The intended outcomes of this remuneration structure are:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Talga Gold Ltd

The remuneration of an executive director will be decided by the Board. In determining competitive remuneration rates the Board reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of Shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All equity based remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of options to directors is in accordance with the Company's employee share option plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of directors/executives with that of the business and shareholders. In addition all directors and executives are encouraged to hold shares in the Company.

The Company has not paid bonuses to directors or executives to date.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to maximise the commonality of goals between shareholders and directors and executives. The method applied in achieving this aim to date being the issue of options to directors to encourage the alignment of personal and shareholder interests. The Company believes this policy will be the most effective in increasing shareholder wealth.

Details of Remuneration for Period Ended 30 June 2010

The remuneration for each director and of the one executive officer of the Company during the year was as follows:

DIRECTORS' REPORT

	Short Term Benefits			Post Employment		Securities Issued		Total
	Salary, Fees & Superannuation	Other	Non-Monetary	Superannuation	Retirement Benefits	Equity	Options	\$
Sean Neary - Chairman (appointed 21 July 2009)								
2010	-	-	-	-	-	-	-	-
Mark Thompson - Managing Director (appointed 21 July 2009) (i)								
2010	-	40,000	-	-	-	-	-	40,000
Piers Lewis - Non-executive Director / Company Secretary (appointed 16 December 2009) (ii)								
2010	-	15,000	-	-	-	-	-	15,000
Total								
2010	-	55,000	-	-	-	-	-	55,000

- i) An aggregate amount of \$40,000 was paid, or was due and payable to Lateral Minerals Pty Ltd, a company controlled by Mr Mark Thompson, for the provision of corporate and management services to the Company.
- ii) An aggregate amount of \$15,000 was paid, or was due and payable to Cranley Consulting Pty Ltd, a company controlled by Mr Piers Lewis, for the provision of corporate and financial services to the Company.

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Director, Mark Thompson are by way of contract of employment. Other than the Managing Director, all executives are permanent employees of Talga Gold Limited.

Mr Thompson's will receive an annual salary of \$150,000 excluding superannuation. The employment contract states a nine-month resignation period. The Company may terminate an employment contract without cause by providing nine months written notice or making payment in lieu of notice, based on the individual's annual salary component. Mr Thompson may terminate the employment without cause by giving six months written notice. Non-executive Directors are paid under the terms agreed to by a directors resolution at rates detailed below:

Mr Neary will receive director's fees of \$40,000 per annum excluding superannuation requirements.

Mr Lewis will receive director's fees of \$35,000 per annum excluding superannuation requirements.

The Company Secretary has a monthly agreement on ordinary commercial terms.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the ordinary shares and options of the Company are:

	Ordinary Shares			Options			
	Balance at beginning of period	Purchased /(Sold)	Balance at end of period	Balance at beginning of period	Expired	Issued	Balance at end of period
S Neary	-	575,000	575,000	-	-	550,000	550,000
M Thompson	-	9,000,000	9,000,000	-	-	-	-
P Lewis	-	575,000	575,000	-	-	475,000	475,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Post year end, the Company paid a premium of \$8,085 to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has

DIRECTORS' REPORT

agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors independence for the following reasons:

- all non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature and services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Stantons International for non-audit services provided during the year ended 30 June 2010:

	30 JUNE 2010
	\$
Investigating Accountants Report	7,577

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2010 has been received and immediately follows the Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of Talga Gold support and have adhered to the principles of sound corporate governance.

The Board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Talga Gold is in compliance with those guidelines which are of critical importance to the commercial operation of a junior listed resources Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's corporate governance statement and disclosures are contained in the annual report.

This report is made in accordance with a resolution of the Directors.



Mark Thompson
Director

Perth, Western Australia
29 September 2010

29 September 2010

Board of Directors
Ground Floor
41-47 Colin Street
WEST PERTH WA 6005

Dear Sirs

RE: TALGA GOLD LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Talga Gold Limited.

As Audit Director for the audit of the financial statements of Talga Gold Limited for the period from 21 July 2009 to 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director

STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

		21 July 2009 to 30 June 2010
	Note	\$
Current Assets		
Cash and cash equivalents	5	4,404,995
Trade and other receivables	6	<u>140,799</u>
Total Current Assets		<u>4,545,794</u>
Non-Current Assets		
Computer equipment	7	5,408
Exploration and evaluation expenditure	8	<u>903,473</u>
Total Non-Current Assets		<u>908,881</u>
TOTAL ASSETS		<u>5,454,675</u>
Current Liabilities		
Trade and other payables	9	<u>380,942</u>
TOTAL LIABILITIES		<u>380,942</u>
NET ASSETS		<u>5,073,733</u>
Equity		
Issued capital	10	5,252,880
Reserves	11	110
Accumulated losses	12	<u>(179,257)</u>
TOTAL EQUITY		<u>5,073,733</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS For The Period Ended 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME For the Period Ended 30 June 2010

	Note	2010 \$
Revenues from ordinary activities	2	6,920
Expenses		
Administration costs	3	(27,978)
Compliance and regulatory expenses	3	(54,243)
Exploration expenditure written off	3	<u>(103,956)</u>
Loss before income tax expense		(179,257)
Income tax expense	4	<u>-</u>
Net loss attributable to members of Company		<u>(179,257)</u>
Other comprehensive income		<u>-</u>
Total comprehensive income/(loss) attributable to members of Company		<u><u>(179,257)</u></u>
Basic loss per share (cents per share)	14	(1.7)
Diluted loss per share (cents per share)	14	(1.7)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

STATEMENT OF CHANGES IN EQUITY

For the Period Ended 30 June 2010

	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
Balance on incorporation	-	-	-	-
Loss before income tax	-	(179,257)	-	(179,257)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(179,257)	-	(179,257)
Issue of share capital	5,722,050	-	-	5,722,050
Issue of options	-	-	110	110
Capital raising costs	(469,170)	-	-	(469,170)
Balance at 30 June 2010	5,252,880	(179,257)	110	5,073,733

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS For The Period Ended 30 June 2010

STATEMENT OF CASH FLOWS For the Period Ended 30 June 2010

	Note	21 July 2009 to 30 June 2010 \$
Cash Flows from Operating Activities		
Payments for exploration and evaluation		(186,936)
Payments to suppliers, contractors and employees		(111,659)
Interest received		<u>175</u>
Net cash flows used in operating activities	13	<u>(298,420)</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment		(6,043)
Payments for exploration and evaluation acquisition costs		(503,474)
Net cash used in investing activities		<u>(509,517)</u>
Cash Flows from Financing Activities		
Proceeds from issue of securities		5,320,160
Payment for costs of issue of securities		<u>(107,228)</u>
Net cash flows from financing activities		<u>5,212,932</u>
Net increase cash and cash equivalents		4,404,995
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at the end of the financial period	5	<u>4,404,995</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company of Talga Gold Limited. Talga Gold Limited is a public Company, incorporated and domiciled in Australia.

The financial report of Talga Gold as an individual entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(b) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are written off in the year they are incurred. Costs of acquisition are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced

(c) Financial Instruments

Financial instruments 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 instruments 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 transactions costs. The Company determines the classification of its financial instruments 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 Company 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.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) 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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) 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 of the three preceding categories. 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 sheet 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.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet.

(e) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(f) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(g) Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount 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 which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(i) Taxation

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(k) Share Based Payments

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

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

(l) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Earnings Per Share

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

Diluted EPS is calculated as net earnings attributable to members, 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 would 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.

(n) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates - Impairment

The Company assess impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgement – Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(o) *Adoption of New and Revised Accounting Standards*

During the current period the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoptions of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Talga Gold Limited.

AASB 8: Operating Segments

The Company operates in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

The financial report was authorised for issue on 29 September 2010 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS
For The Period Ended 30 June 2010

	2010
	\$
2. Revenue	
Interest revenue	<u>6,920</u>
3. Expenses	
Rent & outgoings	9,256
Website	4,915
Audit fees	12,500
Consultancy	40,000
Exploration costs written off (refer note 1(b))	<u>103,956</u>

4. Income taxes

(a) Prima facie income tax benefit at 30% on loss from ordinary activities is reconciled to the income tax provided in the financial statements

	2010
	\$
Loss before income tax	<u>(179,257)</u>
Income tax calculated at 30%	(53,777)
Tax effect of :-	
- Deferred exploration expenditures	(271,042)
- Expenses not allowed	48
- Sundry – Temporary differences	(2,024)
- Section 40-880 deduction	(28,150)
- Accrued expenses	102,750
Future income tax benefit not brought to account	<u>252,195</u>
Income tax attributable to operating losses	<u>-</u>

(b) Deferred tax assets

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

	2010
	\$
Australian tax losses	252,195
Provisions net of prepayments	102,750
Section 40-880 deduction	112,600
Deferred exploration expenditures	(271,042)
Accrued Interest	<u>(2,024)</u>
Unrecognised deferred tax assets relating to the above temporary differences	<u>194,479</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

The benefits will only be obtained if;

- i. The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- ii. The Company continues to comply with the conditions in deductibility imposed by the Law; and
- iii. No change in tax legislation adversely affect the Company in realising the benefits from the deductions or the losses.

	2010
	\$
5. Cash and cash equivalents	
Cash at bank	<u>4,404,995</u>

6. Trade and other receivables	
	2010
	\$
Current Receivables	
Interest accrual	6,745
GST receivable	132,054
Sundry debtors	<u>2,000</u>
	<u><u>140,799</u></u>

All trade and other receivables are current and there are no overdue or impaired amounts.

7. Plant and equipment	
	2010
	\$
Plant and equipment at cost	6,043
Less: accumulated depreciation	<u>(635)</u>
Total plant and equipment	<u><u>5,408</u></u>

Plant and equipment	2010
	\$
Carrying amount at the beginning of the year	-
Additions	6,043
Disposals	-
Depreciation expense	<u>(635)</u>
Total carrying amount at end of the year	<u><u>5,408</u></u>

8. Exploration and Evaluation Expenditure	2010
	\$
Written down value - opening	-
Exploration and evaluation expenditure	1,007,429
Written off as incurred (refer note 1(b))	<u>(103,956)</u>
Written down value - closing	<u><u>903,473</u></u>

This closing balance comprises acquisition of tenement costs.

NOTES TO THE FINANCIAL STATEMENTS
For The Period Ended 30 June 2010

		2010
		\$
9.	Trade and other payables	
	Current Payables	
	Trade creditors	38,442
	Accruals	342,500
		<u>380,942</u>

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

		2010	2010
		Number	\$
10.	Issued Capital		
	Ordinary shares		
	Fully paid	(a) 40,350,000	5,722,050
	Less transaction costs		(469,170)
	Total issued capital	<u>40,350,000</u>	<u>5,252,880</u>

(a) Ordinary shares

On incorporation of the Company on 21 July 2009, 9,000,000 fully paid ordinary shares were issued.

On 16 December 2009 the Company issued 1,150,000 fully paid ordinary shares and 1,100,000 unlisted options to Directors or their nominees.

On 29 December 2009 the Company issued 1,220,000 fully paid ordinary shares to seed investors.

On 7 January 2010 the Company issued 50,000 fully paid ordinary shares to seed investors.

On 27 January 2010 the Company issued 280,000 fully paid ordinary shares to seed investors.

On 19 February 2010 the Company issued 250,000 fully paid ordinary shares to seed investors.

On 28 April 2010 the Company issued 1,400,000 fully paid ordinary shares to seed investors.

On 29 June 2010 the Company issued 2,000,000 fully paid ordinary shares on exercise of an option agreement to purchase the Talga Talga project.

On 30 June 2010 the Company issued 25,000,000 fully paid ordinary shares following the closure of an initial public offer to raise \$5,000,000 before capital raising costs.

Capital Management

Management controls the capital of the Company in order to ensure that the Company can fund its operations and continue as a going concern. Management of capital for an exploration Company will assist in providing the shareholders with adequate returns.

The Company's capital includes ordinary share capital. There are no externally imposed capital requirements.

The working capital position of the Company at 30 June 2010 is as follows:

NOTES TO THE FINANCIAL STATEMENTS
For The Period Ended 30 June 2010

	2010
	\$
Cash and cash equivalents	4,404,995
Trade and other receivables	140,799
Trade and other payables	(380,942)
Working capital position	<u>4,164,852</u>
11. Reserves	2010
	\$
Option Reserve	
Balance at the beginning of the financial period	-
Options issued	<u>110</u>
Balance at the end of the financial year	<u>110</u>
The option reserve records funds received for options issued and items recognised as expenses on valuation of share options issued.	
	2010
	\$
12. Accumulated Losses	
Balance at the beginning of this period	-
Loss for the period	<u>179,257</u>
Balance at the end of the period	<u>179,257</u>
13. Cash Flow Information	2010
	\$
Reconciliation of cash flows from operating activities with loss after income tax	
- Loss after income tax	(179,257)
Non-cash flows in loss for the period	
- Depreciation	635
Changes in assets and liabilities	
- Increase in operating receivables	(138,798)
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	19,000
Net cash outflows from Operating Activities	<u>(298,420)</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

14. Loss per Share

	2010
	\$
Net loss after income tax attributable to members of the Company (cents per share)	179,257
	Number
Weighted average number of shares on issue during the financial year used in the calculation of Basic earnings per share	10,749,798

This calculation does not include shares under option that could potentially dilute basic earnings per share in the future as the options on issue are out of the money and the Group has incurred a loss for the period.

15. Key Management Personnel Compensation

(a) Directors and Specified Executives

The names and positions held by key management personnel in office at any time during the period are:

Directors

S Neary	Non-Executive Chairman (Appointed 21 July 2009)
M Thompson	Managing Director (Appointed 21 July 2009)
P Lewis	Non-Executive Director & Company Secretary (Appointed 16 December 2009)

(b) Remuneration of Directors

\$55,000 in remuneration was paid to Directors for the financial period.

(c) Remuneration Options: Granted and Vested during the Period

None.

(d) Share and Option holdings of directors and officers

Directors	Ordinary Shares			Options			
	Balance at beginning of period	Purchased/ (Sold)	Balance at end of period	Balance at beginning of period	Expired	Issued	Balance at end of period
S Neary	-	575,000	575,000	-	-	550,000	550,000
M Thompson	-	9,000,000	9,000,000	-	-	-	-
P Lewis	-	575,000	575,000	-	-	475,000	475,000

NOTES TO THE FINANCIAL STATEMENTS For The Period Ended 30 June 2010

(e) Remuneration Policy

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

Retention and Motivation of Directors

Performance rewards to allow Directors to share the rewards of the success of Talga Gold Ltd

The remuneration of an executive director will be decided by the Board of Directors. In determining competitive remuneration rates the Board reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of Shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All equity based remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of options to directors is in accordance with the Company's employee share option plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of directors/executives with that of the business and shareholders. In addition all directors and executives are encouraged to hold shares in the Company.

The Company has not paid bonuses to directors or executives to date.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to maximise the commonality of goals between shareholders and directors and executives. The method applied in achieving this aim to date being the issue of options to directors to encourage the alignment of personal and shareholder interests. The company believes this policy will be the most effective in increasing shareholder wealth.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

16. Equity-based payments

The Company has entered into an Employee Share Option Plan that allows for share options to be granted to eligible employees and officers of the Company. The number of share options that can be issued under the plan cannot exceed 5% of the total number of shares on issue. The terms and conditions of the share option issued under the plan are at the discretion of the Board however, the maximum term of the share option is five years.

During the year Nil share options were granted to directors.

All options granted to directors and key management personnel are over ordinary shares in Talga Gold Ltd, which confer a right of one ordinary share for every option held.

On 29 June 2010 the Company issued 2,000,000 ordinary shares at a deemed price of \$0.20 per share to a vendor as part consideration for the acquisition of tenements.

		2010 \$
17.	Auditors' Remuneration	
	Amounts received or due and receivable by the auditors for:	
	Auditing accounts	12,500
	Other services	<u>7,577</u>
		<u><u>20,077</u></u>

18. Expenditure Commitments

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

		2010 \$
	Not longer than one year	225,110
	Longer than one year, but not longer than five years	-
	Longer than five years	-
		<u><u>225,110</u></u>

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

19. Financial Instruments

a. Financial Risk Management Policies

The Company's financial instruments consist solely of deposits with banks. No financial derivatives are held.

i. Financial Risk Exposures and Management

The main risk the Company is exposed to through its financial instruments is interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market by the major Australian Financial Institutions.

Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk to any single counterparty or any group of counterparties having similar characteristics. The credit risk on financial assets, excluding investments, of the Company which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The credit quality of financial assets that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2010
	\$
Trade receivables	
Group 1	-
Group 2	140,799
Group 3	-
Total trade receivables	<u>140,799</u>
Cash at bank and short-term deposits	4,404,995
Counterparties with external credit rating (Moody's)	
Rating "B"	-
	<u>4,404,995</u>

Group 1 – new customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows. The Company does not have any significant liquidity risk as the Company does not have any collateral debts.

ii. Net Fair Values

The net fair values of:

— Other assets and other liabilities approximate their carrying value.

iii. Interest Rate Risk

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2010, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2010

	2010
	\$
Change in loss	
— Increase in interest rate by 100 basis points	43,867
— Decrease in interest rate by 100 basis points	(43,867)
Change in equity	
— Increase in interest rate by 100 basis points	43,867
— Decrease in interest rate by 100 basis points	(43,867)

	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
2010					
Financial assets					
Cash and cash equivalents	4,386,669	-	18,326	4,404,995	2.75
Trade and other receivables	-	-	140,799	140,799	-
Total financial assets	<u>4,386,669</u>	<u>-</u>	<u>159,125</u>	<u>4,545,794</u>	<u>-</u>
Financial liabilities					
Trade and other payables	-	-	380,942	380,942	-
Total financial liabilities	<u>-</u>	<u>-</u>	<u>380,942</u>	<u>380,942</u>	<u>-</u>

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments held are level 1.

20. Segment Note

The Company operates in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

21. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2010, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years, other than:

On 9 July 2010 the Company was officially admitted to the Australian Securities Exchange Limited following the closure of an initial public offer of 25,000,000 shares to raise \$5,000,000 before capital raising costs.

On 2 July 2010, the Company completed the acquisitions of all initial interests in the Talga Talga, Warrawoona, Mosquito Creek and Bullfinch Projects as detailed in the Company's Prospectus dated 17 May 2010. These acquisitions have however been accounted for at 30 June 2010 as the related issue of shares and cash payments were processed in June 2010.

NOTES TO THE FINANCIAL STATEMENTS For The Period Ended 30 June 2010

22. Contingent Liabilities

The Company does not have any contingent liabilities.

23. Related Parties

(a) Other related parties

	2010 \$
Payment for reimbursed exploration expenditure and consulting services provided. Talga Gold Limited reimbursed Red Dog Prospecting Pty Ltd ("Red Dog"), a company that Mr Thompson has a relevant interest, for previous exploration expenditure incurred by Red Dog. These payments were made under the Option agreements as disclosed in the Company's prospectus dated 17 May 2010.	403,796

Related party transactions with management personnel are disclosed in Note 15

24. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the

definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

- AASB 2009-8; Amendments to Australian Accounting Standards - Company Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for Company cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Company.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Company.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Company.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Company. The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

25. Accounting Period

Talga Gold Ltd was incorporated on 21 July 2009. This is the first annual reporting period for the Company, being the period from incorporation to 30 June 2010, and as such, there is no comparative information included in these financial statements.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 11 to 32, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2010 and the performance for the year ended on that date of the Company.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Sean Neary
Director

Perth,
29 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TALGA GOLD LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Talga Gold Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 21 July 2009 to 30 June 2010, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Talga Gold Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the period from 21 July 2009 to 30 June 2010; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

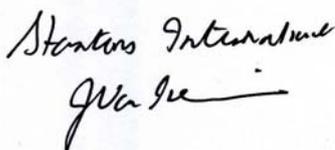
Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the period ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Talga Gold Limited for the period ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL (An Authorised Audit Company)



The image shows a handwritten signature in black ink on a light blue background. The signature is written in a cursive style and appears to read 'J P Van Dieren'. Above the signature, the words 'Stantons International' are faintly visible in a similar cursive script.

J P Van Dieren
Director

West Perth, Western Australia
29 September 2010

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 22 September 2010 was as follows:

Number Held as at 22 September 2010	Fully Paid Ordinary Shares
1-1,000	0
1,001 - 5,000	21
5,001 – 10,000	139
10,001 - 100,000	352
100,001 and over	51
TOTALS	563

Holders of less than a marketable parcel:
- fully paid shares

Nil

Substantial Shareholders

Substantial shareholders are set out below:

Shareholder	Number	
Mr Mark Thompson	9,000,000	22.3%

Restricted Securities

The Company has no restricted securities.

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

ADDITIONAL SHAREHOLDER INFORMATION (CONT.)

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders are as follows:

Ordinary Shares	Number Held	% Held
1. Lateral Minerals Pty Ltd	8,000,000	19.83
2. J P Morgan Nominees Australia Ltd	2,500,000	6.20
3. Kevin Graham Danks	2,000,000	4.96
4. Topsfield Pty Ltd	1,400,000	3.47
5. Lateral Minerals Pty Ltd	1,000,000	2.48
6. Sean Vincent Neary	575,000	1.42
7. Mr Swee Teck Tan	562,500	1.39
8. Mr Kim Puay Kerry Tan	562,500	1.39
9. Mr Thomas Napong Lapping	450,000	1.11
10. Macfac Pty Ltd	360,000	0.89
11. Harlequin Park Pty Ltd	360,000	0.89
12. Merrill Lynch (Australia) Nominees Pty Ltd	340,892	0.85
13. Piers Richard Lewis	325,000	0.81
14. Citicorp Nominees	270,000	0.67
15. Cranley Consulting Pty Ltd	250,000	0.62
16. Lyrebird Pty Ltd	250,000	0.62
17. Mr Marcus Nathan Solomon	234,000	0.58
18. Katut Pty Ltd	232,000	0.57
19. Holes Investment Pty Ltd	225,000	0.56
20. Nardina Nominees Pty Ltd	225,000	0.56
	20,121,892	49.87

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

The Board of Directors of Talga Gold Limited is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of Talga Gold Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

For further information on corporate governance policies adopted by Talga Gold Limited, refer to our website: www.talgagold.com.

Board Objectives

The Board will develop strategies for the Company, review strategic objectives, and monitor the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Principle 1: Lay solid foundations for management and oversight

The board has adopted a Charter that sets out the roles and responsibilities of the board. This may be viewed at www.talgagold.com/corporate_gov/corporate_governance.php. The Charter includes, amongst other things that the Board will:

- developing initiatives for profit and assets growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality
- reviewing the Company's systems of risk management and internal compliance and control, codes of conduct and legal compliance
- ensuring that policies and procedures are in place consistent with the Company's objectives, and;
- ensuring the Company and its officers act legally, ethically and responsibly in all matters.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully informed basis.

Senior Executives evaluation

The Board consists of three (3) members. The Board therefore undertakes ongoing self-assessment and review of performance of the Board, and individual directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance.

To facilitate optimal performance, the Executives participate in professional development programs.

Principle 2: Structure the board to add value

Composition

The board currently consists of three directors, including the non-executive chairman, a managing director and a non-executive director. Details of their experience, qualifications and committee memberships are set in the director's report. All directors were in office at the date of this report:

Chairman – Sean Neary

Independent Non-Executive Chairman since July 2009

Term in office – 14 months

Mark Thompson – Managing Director

Director since July 2009

Term in office – 14 months

Piers Lewis – Non-executive Director

Non-Executive Director since December 2009

Term in office – 9 months

Appointment

Election of Board members is substantially the province of the Shareholders in general meeting. However, the Company commits to the following principles:

- the Board to comprise of Directors with a blend of skills, experience and attributes appropriate for the Company and its business;
- the principal criterion for the appointment of new Directors being their ability to add value to the Company and its business.

Board Independence

The Board has accepted the ASX Corporate Governance Councils definition of an Independent Director contained in

their report titled "Corporate Governance Principles and Recommendations, 2nd Edition."

Mr Neary is a Non-Executive Director and is considered to be Independent. In reaching that determination, the Board has taken into account:

- The specific disclosures made in accordance with the Corporations Act, but each such director in respect of any material contract or relationship
- That no such director is, or is associated directly with, a substantial shareholder of the Company
- Where applicable, the related party dealings referable to each such Director, noting that those dealings are not material under accounting standards. Full details of related party dealings are set out in the notes to the financial statements
- That no such non-executive Director has within the last three years been employed in an executive capacity by the Company
- That no such non-executive Director is, or is associate with a supplier or customer of the Company which is material under accounting standards
- That such non-executive Director's are free from any interest and any business or other relationship which could, or could reasonable be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Under the accounting standards, a matter is considered to be material if it is equal to or greater than 10% of the appropriate base amount.

Given the size of the Company and the industry in which is operates, the current Board structure is considered to best serve the Company in meeting its objectives, given its small capitalisation, limited resources and existing operations. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

Independent professional advice

There are procedures in place, as agreed by the board, to enable directors to seek independent professional advice on issues arising in the course of their duties at the Company's expense.

Remuneration and Nomination Committee

Given the size and scope of the operations of the Company, the Company does not have a Remuneration and Nomination committee, the full board has assumed those responsibilities that are ordinarily assigned to a Remuneration and Nomination committee.

Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

Nomination Arrangements

Where a vacancy is considered to exist, the Board will select an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments will be referred to shareholders for re-election at the next annual general meeting. All Directors, except the Managing Director, are subject to re-election by shareholders at least every three years.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will determine the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board will then appoint the

most suitable candidate (assuming one is available) who must stand for election at the next annual general meeting.

Performance

During the reporting year the Company did not conduct a formal evaluation of Directors and Executives. The Board undertakes an annual review of its own performance with external advice as appropriate.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Directors, officers and employees of the Company are required to conduct themselves in accordance with the Company's Code of Conduct which can be viewed at <http://talgagold.com/corporate/corporate-governance/>

Share Trading Policy

The Company also has policies concerning trading in the Company's securities by directors, officers and employees. This policy can be viewed at <http://talgagold.com/corporate/corporate-governance/>

Diversity Policy

The Company does not currently have a Diversity policy. The Board will seek to develop a Diversity Policy over the coming year, which can then be used as a guide to be used throughout the Company in identifying new directors, senior executives and employees.

Gender proportions:

Currently the Company has no women directors, no senior executives and two female employees.

Principle 4: Safeguard integrity of financial reporting

Audit Charter

The Board has not established an audit committee rather the Board takes full responsibility for this role due to the size and nature of the Group. The Board does have an Audit Charter that can be viewed at <http://talgagold.com/corporate/corporate-governance/>

It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non information. The Board takes the responsibility for the establishment and maintenance of a framework of internal control of the Group.

Appointment of Auditor

The shareholders in a general meeting are responsible for the appointment of the external auditors of the Group, and the Board from time to time will review the scope, performance and fees of those external auditors.

Principle 5: Make timely and balanced disclosure

The Board has designated the Managing Director and Company Secretary as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company has a Continuous Disclosure Policy available for viewing on the Company's website at <http://talgagold.com/corporate/corporate-governance/>.

Principle 6: Respect the rights of shareholders

The Board of Talga Gold is committed to open and effective communication, ensuring all shareholders is informed of all significant development concerning the Company. The Company has in place an effective Shareholder Communications Policy. This policy can be viewed at <http://talgagold.com/corporate/corporate-governance/>.

Principle 7: Recognise and manage risk

Identification and Management of Risk

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole.

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

A copy of the Company's risk management policy can be viewed at <http://talgagold.com/corporate/corporate-governance/>

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- Board receives regular updates on key risks associated with the exploration and development of the Company's Projects;
- Implementation of Board-approved annual operating budgets and plans, then monitoring the actual progress against those; and

The Board will seek to develop a more extensive Risk Management Policy over the coming year, which can then be used as a guide to be used throughout the Company in identifying and communicating business risks.

The Board has received assurance from the Financial Controller and Chairman that the declarations made in accordance with section 295A of the Corporation Act 2001 are:

1. founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board
2. the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

Remuneration Arrangements

As the entire board consist of three (3) members, the Company does not have a Remuneration and Nomination Committee. The Directors believe given the size and scope of the operations of the Company, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

Where appropriate, independent consultants are engaged to appropriate levels of remuneration.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the Company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Talga Gold Limited

The remuneration of an executive director will be decided by the rest of the Board. In determining competitive remuneration rates the Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

The maximum remuneration of non-executive Directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director. Usually Non-Executive Directors do not receive performance based bonuses but may participate in equity schemes of the Company.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Full details regarding the remuneration of Directors, is included in the Directors' Report.

Explanation of departure

During the financial year Talga Gold strived to comply with the 8 Essential Corporate Governance Principles and Recommendations where appropriate for the size and nature of the Company and Industry in which it operates. A summary of departure from the ASX Corporate Governance Principles and Recommendations is outlined below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1 The majority of the board should be independent	The majority of the board is not independent	The board consists of one independent (a non-executive Chairman) and two non-independent directors (executive Managing Director and non-executive Director/Company Secretary). The board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant experience and specific expertise relevant to the Company's business and level of operations.
2.4 The board should establish a nomination committee	The Company has not established a formal nomination committee	The Board believes that complying with Recommendation 2.4 is impractical given the size of the Board, the size of the Company and the industry in which it operates. The Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a nomination committee
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy.	The Company does not have a Diversity Policy	Recommendation 3.2 was revised recently and the Company has not finalised its Diversity Policy at the time of this report. The Board will seek to develop a Diversity Policy over the coming year, which can then be used as a guide to be used throughout the Company in identifying new directors, senior executives and employees.
4.1 - 4.3 Safeguard integrity in financial reporting	The Company has not established a formal audit	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate

	committee	form time to time, however the Board also recognises that complying the ASX Corporate Governance Principles and Recommendations 4.1-4.3 is impractical given the size of the Company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to an audit committee.
7.2 Risk Management System.	The board has not requested that management design and implement a risk management and internal control system and report to the board on whether those risks are being managed effectively.	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 7.2. is impractical given the size of the Company and the industry in which it operates. The board consists of three (3) members, and therefore the Directors believe, it is sufficient for the full board to assume the responsibilities of ensuring that risks and opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with those risks and opportunities.
8.1 The board should establish a remuneration committee	The Company has not established a formal remuneration committee	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 8.1 is impractical given the size of the Company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

SCHEDULE OF MINERAL TENEMENTS

AS AT 28 SEPTEMBER 2010

<i>Project</i>	<i>Tenement</i>	<i>Interest held by Talga Gold Limited</i>
E46/0810	MOSQUITO CREEK	100%
E46/0823	MOSQUITO CREEK	100%
E77/1641	BULLFINCH	100%
M45/0618	TALGA TALGA	100%
P45/2661	WARRAWOONA	100%
P45/2662	WARRAWOONA	100%
P45/2736	WARRAWOONA	100%
P46/1628	MOSQUITO CREEK	100%
E45/3381	WARRAWOONA	Application
E46/0925	MOSQUITO CREEK	Application
E77/1818	CARINTA	Application
P45/2746	TALGA TALGA	Application
P45/2747	TALGA TALGA	Application
P45/2774	TALGA	Application
P45/2781	SALGASH TRUMP	Application
P46/1632	MOSQUITO CREEK	Application
P46/1633	MOSQUITO CREEK	Application
P46/1634	MOSQUITO CREEK	Application
P46/1635	MOSQUITO CREEK	Application
P46/1636	MOSQUITO CREEK	Application
P46/1637	MOSQUITO CREEK	Application
P46/1638	MOSQUITO CREEK	Application
P46/1665	MOSQUITO CREEK	Application
P46/1666	MIDDLE CREEK	Application
P46/1667	MOSQUITO CREEK	Application
P46/1668	BONNEY DOWNS	Application

P Prospecting Licence

E Exploration Licence

M Mining Licence