



ABN 32 138 405 419

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

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# CORPORATE DIRECTORY

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## CORPORATE DIRECTORY

### DIRECTORS

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

### AUDITORS

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

### COMPANY SECRETARY

Piers Lewis

### SHARE REGISTRY

Advanced Share Registry Services  
150 Stirling Highway  
NEDLANDS WA 6009  
Telephone: (08) 9389 8033  
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### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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Website: [www.talgagold.com](http://www.talgagold.com)

# CHAIRMAN'S REPORT

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## CHAIRMAN'S REPORT

Dear shareholders

On behalf of the Board of Directors I am pleased to present the Talga Gold Limited Annual Report for the financial year ended 30 June 2011.

Talga was created as a listed vehicle to raise investor capital to fund an energetic gold exploration programme. Administration costs are kept low to ensure a high proportion of funds are spent in the field. Investors are leveraged to gain maximum advantage from exploration success through 100% ownership of key projects and a tight capital structure (46.35 million shares and 1.1 million unlisted options at 30 June 2011).

The Company has four key projects in its exploration portfolio. The Talga Talga, Warrawoona and Mosquito Creek projects were all acquired from prospectors in the historic East Pilbara gold region. With the gold price at near record highs the Board believes that there is significant scope in these gold exploration tenements, most of which have been in private hands for many years. The Board sees a fundamental logic in consolidating and exploring these projects with the objective of ultimately becoming a gold producer within the Pilbara region and beyond.

The company's Bullfinch project in the Yilgarn region has had a lower profile during the year. However valuable progress has been achieved gaining key statutory permits and landholder access, geological reconnaissance and the identification of new gold targets. The company also pegged a significant extension of prospective ground at Bullfinch during the year. The Board expects a higher profile for the Bullfinch project in the coming year as exploration activity there intensifies.

Talga was admitted to the Australian Securities Exchange on 7 July 2010 (ASX code: TLG). Significant achievements over the financial year include:

- Capital raising – including an initial public offering that raised \$5 million at \$0.20 per share, followed by a private placement in May 2011 that raised a further \$2.1 million at \$0.35 per share.
- Exploration – from listing until the time of writing the company concluded two RC and one diamond drilling programme at Talga Talga, plus two RC programmes at Warrawoona (the first being scout holes at Cutty Sark and the second being the maiden programme at Kiwi Ridge mentioned above). This is in addition to various geochemical sampling, prospecting and other field activities across the Company's four projects.
- Land consolidation – including acquisition of small additional tenements adjacent to the Talga Talga project, ground at Mount Edgar (near Marble Bar), prospects in Nullagine and an additional 930km<sup>2</sup> at Bullfinch.
- Office establishment – key staff were employed and an office established at the company's West Perth premises.

I wish to acknowledge the our Managing Director Mark Thompson whose vision, energy and experience has created a company with a dedicated team, a tight capital structure and the funds required to advance the exploration of Talga's projects. I also acknowledge the efforts of Piers Lewis, who brings significant financial and external reporting expertise to his joint role as non-executive director and company secretary.

In a tight labour market the company has been able to secure the services of a talented and dedicated team of office and field staff. The Board acknowledges the efforts of all staff, particularly the exploration team who spent considerable periods in the field during the year. The Board has sought to link in key staff to the wealth created by their efforts by introducing an employee share option plan during the year.

### Looking ahead

It is only just over a year since Talga Gold was listed. However a significant progress has been achieved. Those following the company will have noticed the stream of releases on the company's exploration activity. The Board is particularly proud that this has been coupled with a modest cash burn rate.

## CHAIRMAN'S REPORT

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Moving forward the Board believes that the first year of operations leaves the Company well placed to pursue a strong exploration programme in the year ahead. This will certainly include further activity on the projects in both the Pilbara region and Bullfinch. With our tight capital structure and modest cash burn rate the objective is to ensure that shareholders gain maximum leverage from exploration success.

A handwritten signature in black ink, appearing to read 'Sean Neary'.

**Sean Neary**  
Chairman

## DIRECTOR'S REPORT

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The Directors present their report on Talga Gold Ltd for the year ended 30 June 2011.

### BOARD OF DIRECTORS

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

Sean Neary (Non-Executive Chairman)

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)

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)

Mr Lewis has more than 13 years global corporate experience and is currently Company Secretary for several ASX listed companies. 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.

### 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 has a 100% interest in a dormant company in which certain tenements are registered.

# DIRECTOR'S REPORT

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## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was gold and mineral exploration on the Company's 100% owned projects in Western Australia. Exploration was predominantly field based utilising geochemical sampling and drilling. In addition, the company acquired new gold prospects in Australia and reviewed other growth opportunities.

## REVIEW OF OPERATIONS

Talga Gold Limited (Talga, the Company) was admitted to the Australian Securities Exchange (ASX) on 7 July 2010 under the trading symbol TLG and began trading on the ASX on 9 July 2010.

### Corporate

The initial public offering (IPO) raised \$5 million in share capital at \$0.20 per share. In May 2011 the company raised an additional \$2.1 million via a private placement at \$0.35 per share. As at 30 June 2011 the Company had 46.35 million shares and 1.1 million unlisted options on issue. As at 30 June 2011 the Company had \$4.5 million in cash at bank. The loss for the year was \$1.5 million, being the result of exploration expenditure and costs incurred in ordinary administrative and regulatory activities.

### Exploration

Talga has acquired a range of gold exploration interests in Western Australia. The Talga Talga, Warrawoona and Mosquito Creek projects are in the Pilbara region, near the towns of Marble Bar and Nullagine. The Bullfinch project is in the Yilgarn region, near the town of Southern Cross.

#### Talga Talga (TLG 100%)

The Company's most significant exploration during the year focused on the Talga Talga project (150km southeast of Port Hedland). This included one Reverse Circulation (RC) and one diamond drilling programme, plus a second RC campaign after year end (with the results of this latter campaign pending at the time of writing). A 1,408 sample soil geochemical survey and other field activities were also undertaken. Overall the project covers more than 10km<sup>2</sup> of prospective gold targets and historic workings with high grade recorded gold production. The drilling during the year focused on the McPhees prospect which is approximately 650m strike and was drilled to a maximum down-dip depth of 250m. This was the first time the target was ever drilled for gold and the highlights that included 1m @ 73.5 g/t Au and 1m @ 66.9 g/t Au (see ASX releases 9 and 25 November 2010) were most encouraging. Additional reconnaissance holes were also completed 1,400m northeast along strike in the Quartzite prospect area. In July 2011 the Company drilled a further 35 RC holes at Talga Talga with the objective of stepping out the McPhees prospect.

All of the above activity has been undertaken within the Company's granted mining lease at which covers approximately one third of the Talga Talga project. Meanwhile cultural heritage surveys, digital terrain modelling and further soil geochemical surveys have been completed with the objective of expanding the target areas for drilling in the current year.

#### Warrawoona (TLG 100%)

The Warrawoona project approximately 25km south from Marble Bar consists of 147km<sup>2</sup> exploration and prospecting licences over highly prospective geology and gold mineralisation indicated by historic production and geochemical sampling.

During the year the Company completed a programme of 882 soil geochemical samples over the Kiwi Ridge and Cutty Sark licence areas with the objective of delineating drill targets. This was followed up at Kiwi Ridge with a 16 hole drilling programme completed in June 2011 (results pending). Two scout RC holes were drilled at the Cutty Sark prospect. Results included 5m @ 3.3 g/t Au from 38m depth and 5m @ 2.0 g/t from 18m depth. Whilst encouraging these scout holes failed to replicate the 8m @ 8.5 g/t Au from 16m in depth in historic open hole drilling. The larger Warrawoona exploration license was granted in March 2011 allowing the start of fieldwork, including cultural heritage surveys towards permitting of drilling large shear-zone hosted gold targets. This licence surrounds excised tenements that contain the Klondyke gold deposit of Jupiter Mines Ltd, and exploration will focus where this gold deposit is interpreted to extend into Talga's ground.

## **DIRECTOR'S REPORT**

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### **Mosquito Creek Project (TLG 100%)**

The Mosquito Creek project is located 50km east of Nullagine and 150km south from Talga's Warrawoona project, where over 105km<sup>2</sup> of project tenements cover zones of gold mineralisation hosted by the Mosquito Creek Formation. With the extensive exploration activity by the Company in other areas the Mosquito Creek project has had a lower profile during the year. A SGM method digital elevation model and orthoimagery survey was flown to assist in further exploration and the delineation of mineralised channel sequences. The project was also expanded with the acquisition of four new prospecting licences near Nullagine, proximal to where Millennium Minerals has announced JORC compliant resources of more than 1.24 million ounces of gold at its Nullagine project (see ASX 11/1/2011). The successful financing and start-up of a +1 million ounce gold deposit in the region is encouraging and Talga intends accelerating its efforts in the Mosquito Creek project.

### **Bullfinch Project (TLG 100%)**

The Bullfinch Project is located 40km north of Southern Cross in a prolific gold producing district of the Yilgarn Craton. The Company is exploring the area for high metamorphic grade gold deposits similar in style to that of the Edna May (1.5m+ oz Au) gold deposit currently being mined approximately 70km to the west. The tenements are additionally prospective for Big Bell and Yilgarn Star-style gold deposits.

Fieldwork during the year included an auger drilling programme to complete the geochemical orientation process of defining effective methods for gold target development. Geochemical programmes will now commence along the target zones extending from current prospects for potential drilling. Permitting and land access work was also completed during the year.

Preliminary analyses of government gravity and magnetic surveys have outlined potential structural controls and source rocks for the high grade outcropping gold, bismuth and tellurium mineralisation at the Harold Holt prospect. In addition a quantity of mafic to ultramafic rock types outcropping east of Bullfinch in areas historically mapped as granitoid have been identified. The Company has pegged an additional 930km<sup>2</sup> of ground covering the majority of the prospective gravity and magnetic features.

## **RESULTS OF OPERATIONS**

The operating loss after income tax of the Company for the year ended 30 June 2011 was \$1,500,963.

No dividend has been paid during or is recommended for the financial year ended 30 June 2011.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The Company was admitted to the Official List of the ASX on 7 July 2010.

On 6 May 2011 the Company issued a placement of 1,854,702 shares at 35 cents to institutional investors

On 9 June 2011 the Company issued a placement of 4,147,205 shares at 35 cents to institutional investors

There were no other significant changes in the state of affairs of the Company during the financial year 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**

On 21 July 2011, the Company issued 500,000 unlisted options under the Company's Employee Option Plan with an exercise price of 35 cents and an expiry of 21 July 2015.

## DIRECTOR'S REPORT

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### FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities was \$4,466,441 at 30 June 2011.

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	7	7
Mark Thompson	7	7
Piers Lewis	7	7

### 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 behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### SHARE OPTIONS

As at the date of this report, there were 1,600,000 ordinary shares under option. 1,100,000 options have an exercise price of 20 cents and expire 16 December 2012. 500,000 have an exercise price of 35 cents and expire 21 July 2015.

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.

# DIRECTOR'S REPORT

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## 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.

### 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.

## DIRECTOR'S REPORT

Details of Remuneration for year Ended 30 June 2011

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

### 2011

Short Term Benefits			Employment		Securities Issued		Total
Salary	Other	Non Monetary	Superannuation	Retirement Benefits	Equity	Options	
Sean Neary – Chairman							
\$43,600	-	2,695	-				<b>\$46,295</b>
Mark Thompson – Managing Director (i)							
\$185,000	\$16,923	2,695	\$16,650				<b>\$221,268</b>
Piers Lewis – Non-executive Director / Company Secretary (ii)							
\$38,150	\$60,335	2,695	-				<b>\$101,180</b>
<b>TOTAL</b>							
<b>\$266,750</b>	<b>\$77,258</b>	<b>8,085</b>	<b>\$16,650</b>				<b>\$368,743</b>

### 2010

Short Term Benefits			Employment		Securities Issued		Total
Salary	Other	Non Monetary	Superannuation	Retirement Benefits	Equity	Options	
Sean Neary – Chairman							
-	-	-	-				-
Mark Thompson – Managing Director (i)							
-	\$40,000		-				<b>\$40,000</b>
Piers Lewis – Company Secretary (ii)							
-	\$15,000		-				<b>\$15,000</b>
<b>TOTAL</b>							
	<b>\$55,000</b>						<b>\$55,000</b>

#### Employment Contracts of Directors and Senior Executives

- i) The employment conditions of the Managing Director, Mark Thompson are by way of contract of employment.

Mr Thompson will receive an annual salary of \$220,000 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:

- ii) Mr Lewis will receive director's fees of \$38,150 per annum.

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

An aggregate amount of \$60,335 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.

Mr Neary will receive director's fees of \$43,600 per annum.

## DIRECTOR'S REPORT

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### 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:

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

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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 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.

### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and immediately follows the Directors' Report.

No fees were paid or payable to Stantons International for non-audit services provided during the year ended 30 June 2011

### 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  
Managing Director  
Perth, Western Australia  
5 September 2011

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Stantons International Audit and Consulting Pty Ltd  
(ABN 84 144 581 519) trading as

**Stantons International**  
Chartered Accountants and Consultants

5 September 2011

Board of Directors  
Talga Gold Limited  
Suite 3, 2 Richardson 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 year ended 30 June 2011, 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 AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**John Van Dieren**  
**Director**

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011

		<b>1 July 2010</b>	<b>21 July 2009</b>
		<b>to</b>	<b>to</b>
		<b>30 June 2011</b>	<b>30 June 2010</b>
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	5	4,503,672	4,404,995
Trade and other receivables	6	53,483	140,799
<b>Total Current Assets</b>		<b>4,557,155</b>	<b>4,545,794</b>
<b>Non-Current Assets</b>			
Plant & Field equipment	7	75,218	5,408
Exploration and evaluation expenditure	8	1,002,187	903,473
Other Financial Asset		2	-
<b>Total Non-Current Assets</b>		<b>1,077,407</b>	<b>908,881</b>
<b>TOTAL ASSETS</b>		<b>5,634,562</b>	<b>5,454,675</b>
<b>Current Liabilities</b>			
Trade and other payables	9	61,580	380,942
Provisions	10	29,134	-
<b>TOTAL LIABILITIES</b>		<b>90,714</b>	<b>380,942</b>
<b>NET ASSETS</b>		<b>5,543,848</b>	<b>5,073,733</b>
<b>Equity</b>			
Issued capital	11	7,223,958	5,252,880
Reserves	12	110	110
Accumulated losses	13	(1,680,220)	(179,257)
<b>TOTAL EQUITY</b>		<b>5,543,848</b>	<b>5,073,733</b>

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

**STATEMENT OF COMPREHENSIVE INCOME**

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	2	179,406	6,920
Expenses			
Administration costs	3	(242,253)	(27,978)
Compliance and regulatory expenses	3	(423,845)	(54,243)
Exploration expenditure written off	3	<u>(1,014,271)</u>	<u>(103,956)</u>
Loss before income tax expense		(1,500,963)	(179,257)
Income tax expense	4	<u>-</u>	<u>-</u>
Net loss attributable to members of Company		<u>(1,500,963)</u>	<u>(179,257)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) attributable to members of Company		<u>(1,500,963)</u>	<u>(179,257)</u>
Basic loss per share (cents per share)	15	(3.7)	(1.7)
Diluted loss per share (cents per share)	15	(3.7)	(1.7)

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

**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended 30 June 2011

	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
<b>Balance on incorporation</b>	-	-	-	-
Loss before income tax	-	(179,257)	-	(179,257)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss)</b>	-	<b>(179,257)</b>	-	<b>(179,257)</b>
Issue of share capital	5,722,050	-	-	5,722,050
Issue of options	-	-	110	110
Capital raising costs	(469,170)	-	-	(469,170)
<b>Balance at 30 June 2010</b>	<b>5,252,880</b>	<b>(179,257)</b>	<b>110</b>	<b>5,073,733</b>
<b>Balance at 1 July 2010</b>	<b>5,252,880</b>	<b>(179,257)</b>	<b>110</b>	<b>5,073,733</b>
Loss before income tax	-	(1,500,963)	-	(1,500,963)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss)</b>	-	<b>(1,500,963)</b>	-	<b>(1,500,963)</b>
Issue of share capital	2,100,667	-	-	2,100,667
Issue of options	-	-	-	-
Capital raising costs	(129,589)	-	-	(129,589)
<b>Balance at 30 June 2011</b>	<b>7,223,958</b>	<b>(1,680,220)</b>	<b>110</b>	<b>5,543,848</b>

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

**STATEMENT OF CASH FLOWS**  
For the Year Ended 30 June 2011

		<b>1 July 2010 to 30 June 2011</b>	<b>21 July 2009 to 30 June 2010</b>
	Note	\$	\$
<b>Cash Flows from Operating Activities</b>			
Payments for exploration and evaluation		(1,144,871)	(186,936)
Payments to suppliers, contractors and employees		(373,429)	(111,659)
Interest received		<u>167,334</u>	<u>175</u>
Net cash flows used in operating activities	14	<u>(1,350,966)</u>	<u>(298,420)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant and equipment		(94,721)	(6,043)
Payments for exploration and evaluation acquisition costs		(98,715)	(503,474)
Net cash used in investing activities		<u>(193,436)</u>	<u>(509,517)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of securities		2,100,667	5,320,160
Payment for costs of issue of securities		<u>(457,588)</u>	<u>(107,228)</u>
Net cash flows from financing activities		<u>1,643,079</u>	<u>5,212,932</u>
Net increase cash and cash equivalents		98,677	4,404,995
Cash and cash equivalents at the beginning of the financial year		<u>4,404,995</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	5	<u>4,503,672</u>	<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 Year Ended 30 June 2011

#### 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.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(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.

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.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

*(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.

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 Statement of Financial Position.

**(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).

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(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.

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.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(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.

**(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.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(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 assesses 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.

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.

**New Accounting Standards and Interpretations**

*The following new standards and amendments to standards are mandatory for the financial year beginning 1 July 2010.*

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136, and 139)

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, 7, 121, 128, 131, 132 and 139)

AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The adoption of these standards did not have any impact in the current period or any prior period and is unlikely to affect future periods.

*New Accounting Standards and Interpretations that are not yet mandatory*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's (Company if applicable) assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Group's (Company if applicable) accounting for financial assets as it does not have any available for sale assets other than equity investments. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Company has decided not to early adopt AASB 9.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Talga Gold Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

	<b>2011</b>	<b>2010</b>
	\$	\$
2. Revenue		
Interest revenue	179,406	6,920
3. Expenses		
Rent & outgoings	75,092	9,256
Depreciation Expense	24,909	635
Website	4,461	4,915
Audit fees	19,923	12,500
Consultancy	-	40,000
Exploration costs written off (refer note 1(b))	1,014,271	103,956
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**

	<b>2011</b>	<b>2010</b>
	\$	\$
Loss before income tax	(1,500,963)	(179,257)
Income tax calculated at 30%	(450,289)	(53,777)
Tax effect of :-		
- Deferred exploration expenditures	(29,614)	(271,042)
- Expenses not allowed	924	48
- Sundry – Temporary differences	-	(2,024)
- Section 40-880 deduction	(35,831)	(28,150)
- Accrued expenses	12,491	102,750
Future income tax benefit not brought to account	502,319	252,195
Income tax attributable to operating losses	-	-

**(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.

	<b>2011</b>	<b>2010</b>
	\$	\$
Australian tax losses	754,574	252,195
Provisions net of prepayments	12,491	102,750
Section 40-880 deduction	44,276	112,600
Deferred exploration expenditures	(300,656)	(271,042)
Accrued Interest	(5,646)	(2,024)
Unrecognised deferred tax assets relating to the above temporary differences	504,978	194,479

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

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.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
5. Cash and cash equivalents		
Cash at bank	4,503,672	4,404,995
	<hr/>	<hr/>
6. Trade and other receivables		
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Interest accrual	18,819	6,745
GST receivable	34,664	132,054
Sundry debtors	-	2,000
	<hr/>	<hr/>
	53,483	140,799

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

7. Plant and equipment		
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment at cost	100,762	6,043
Less: accumulated depreciation	(25,544)	(635)
Total plant and equipment	<hr/>	<hr/>
	75,218	5,408
Plant and equipment	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at the beginning of the year	5,408	-
Additions	94,719	6,043
Disposals	-	-
Depreciation expense	(24,909)	(635)
Total carrying amount at end of the year	<hr/>	<hr/>
	75,218	5,408
8. Exploration and Evaluation Expenditure	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Written down value – opening	903,473	-
Exploration and evaluation expenditure	1,112,985	1,007,429
Written off as incurred (refer note 1(b))	<hr/>	<hr/>
	(1,014,271)	(103,956)
Written down value – closing	<hr/>	<hr/>
	1,002,187	903,473

This closing balance comprises acquisition of tenement costs.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
9. Trade and other payables		
Current Payables		
Trade creditors	36,296	38,442
Accruals	25,284	342,500
	<u>61,580</u>	<u>380,942</u>

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

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
10. Provisions		
Provision for Annual Leave	29,134	-

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
11. Issued Capital				
Ordinary shares	40,350,000	5,252,880		
Fully paid (a)	6,001,907	2,100,667	40,350,000	5,722,050
Less transaction costs		(129,589)		(469,170)
<b>Total issued capital</b>	<b><u>46,351,907</u></b>	<b><u>7,223,958</u></b>	<b><u>40,350,000</u></b>	<b><u>5,252,880</u></b>

(a) Ordinary shares

On 6 May 2011 the Company issued a placement of 1,854,702 shares at 35 cents to institutional investors.

On 9 June 2011 the Company issued a placement of 4,147,205 shares at 35 cents to institutional investors.

(b) Share Options

At 30 June 2011 the Company has 1,100,000 options on issue exercisable at 20 cents each and with an expiry date of 16 December 2012.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

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 2011 is as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	4,503,672	4,404,995
Trade and other receivables	53,483	140,799
Trade and other payables	(61,580)	(380,942)
Provisions – employee entitlements	(29,134)	-
Working capital position	<u>4,466,441</u>	<u>4,164,852</u>

12. Reserves

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Option Reserve		
Balance at the beginning of the financial year	110	-
Options issued	-	110
Balance at the end of the financial year	<u>110</u>	<u>110</u>

The option reserve records funds received for options issued and items recognised as expenses on valuation of share options issued.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
13. Accumulated Losses		
Balance at the beginning of this year	179,257	-
Loss for the year	1,500,963	179,257
Balance at the end of the year	<u>1,680,220</u>	<u>179,257</u>

14. Cash Flow Information

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of cash flows from operating activities with loss after income tax</b>		
- Loss after income tax	(1,500,963)	(179,257)
Non-cash flows in loss for the period		
- Depreciation	24,909	635
Changes in assets and liabilities		
- Increase in operating receivables	85,315	(138,798)
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	39,773	19,000
<b>Net cash outflows from Operating Activities</b>	<u>(1,350,966)</u>	<u>(298,420)</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

15. Loss per Share

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Net loss after income tax attributable to members of the Company (cents per share)	(3.7)	(1.7)
	<b>Number</b>	<b>Number</b>
Weighted average number of shares on issue during the financial year used in the calculation of Basic earnings per share	40,884,526	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 Company has incurred a loss for the year.

16. 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
M Thompson	Managing Director
P Lewis	Non-Executive Director & Company Secretary

(b) Remuneration of Directors

\$368,743 in remuneration was paid to Directors for the financial year comprising salary, superannuation, insurance and commercial fees.

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

None.

(d) Share and Option holdings of directors and officers

<b>2011</b>	Ordinary Shares			Options			
Directors	Balance at beginning of year	Purchased/ (Sold)	Balance at end of year	Balance at beginning of year	Expired	Issued	Balance at end of year
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
<b>2010</b>	Ordinary Shares			Options			
Directors	Balance at beginning of year	Purchased/ (Sold)	Balance at end of year	Balance at beginning of year	Expired	Issued	Balance at end of year
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 Year Ended 30 June 2011

17. 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.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
18. Auditors' Remuneration		
Amounts received or due and receivable by the auditors for:		
Auditing accounts	19,923	12,500
Other services	-	7,577
	<u>19,923</u>	<u>20,077</u>

19. 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:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Not longer than one year	646,280	225,110
Longer than one year, but not longer than five years	-	-
Longer than five years	-	-
	<u>646,280</u>	<u>225,110</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.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

20. 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.

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, 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:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Trade receivables		
Group 1	-	-
Group 2	53,483	140,799
Group 3	-	-
Total trade receivables	<u>53,483</u>	<u>140,799</u>
Cash at bank and short-term deposits	4,503,672	4,404,995
Counterparties with external credit rating (Moody's)		
Rating "B"	-	-
	<u>4,503,672</u>	<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.

Cash at bank and short term deposits are held in financial institutions must have a minimum AA2 rating

ii. 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.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

- iii. Net Fair Values  
The net fair values of:  
— Other assets and other liabilities approximate their carrying value.
- iv. 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 2011, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>2011</b>
	<b>\$</b>
Change in loss	
— Increase in interest rate by 100 basis points	44,783
— Decrease in interest rate by 100 basis points	(44,783)
Change in equity	
— Increase in interest rate by 100 basis points	44,783
— Decrease in interest rate by 100 basis points	(44,783)

	Floating interest rate	Fixed interest rate	Non interest bearing	Total	Weighted average interest rate %
	\$	\$	\$	\$	
<b>2011</b>					
Financial assets					
Cash and cash equivalents	4,478,260	-	25,414	4,503,674	5.8
Trade and other receivables	-	-	53,483	53,483	-
Total financial assets	<u>4,478,260</u>	<u>-</u>	<u>78,897</u>	<u>4,557,157</u>	-
Financial liabilities					
Trade and other payables	-	-	61,581	61,581	-
Total financial liabilities	<u>-</u>	<u>-</u>	<u>61,581</u>	<u>61,581</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.

21. 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.

22. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2011, 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:

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2011

23. Contingent Liabilities

Talga Gold Ltd has an option agreement in place for the "Tambina" project. If this option is exercised, there will be contingent liabilities of \$110,000 plus the issue of 500,000 ordinary shares.

24. Related Parties

Related party transactions with management personnel are disclosed in Note 16.

25. Controlled Entity

The Company has a 100% interest in Talga Mining Pty Ltd, which is a dormant company in which certain mining tenements are registered. The share capital of the controlled company is \$2 and has not been consolidated as it is dormant.

## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 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 2011 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,  
5 September 2011

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TALGA GOLD LTD**

### **Report on the Financial Report**

We have audited the accompanying financial report of Talga Gold Ltd, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the company, 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 Ltd 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 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report of the Company 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 9 to 10 of the directors' report for the year ended 30 June 2011. 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 Ltd for the year ended 30 June 2011 complies with section 300 A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*



**J P Van Dieren**  
Director

West Perth, Western Australia  
5 September 2011

## ADDITIONAL SHAREHOLDER INFORMATION

### Shareholding

The distribution of members and their holdings of equity securities in the Company as at 26 August 2011 was as follows:

Number Held as at 26 August 2011	Fully Paid Ordinary Shares
1-1,000	3
1,001 - 5,000	39
5,001 - 10,000	135
10,001 - 100,000	342
100,001 and over	57
<b>TOTALS</b>	<b>580</b>

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

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### Substantial Shareholders

Substantial shareholders are set out below:

Shareholder	Number	
Mr Mark Thompson	9,000,000	19.4%

### 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	17.26
2. J P Morgan Nominees Australia Ltd	2,304,419	4.97
3. United Overseas Service Management Ltd	2,076,959	4.48
4. Kin Chun Wong	2,070,246	4.47
5. Kevin Graham Danks	2,000,000	4.31
6. Topsfield Pty Ltd	1,400,000	3.02
7. Lateral Minerals Pty Ltd	1,000,000	2.16
8. HS Superannuation Pty Ltd	750,000	1.62
9. Pinzone Superannuation Pty Ltd	740,000	1.59
10. Sean Vincent Neary	575,000	1.24
11. Mr Swee Teck Tan	562,500	1.21
12. Mr Kim Puay Jerry Tan	562,500	1.21
13. Mr Thomas Napong Lapping	443,800	0.96
14. Citigroup Nominees Pty Ltd	377,025	0.81
15. Macfac Pty Ltd	360,000	0.78
16. Harlequin Park Pty Ltd	360,000	0.78
17. Mr Owen John Clare	305,000	0.66
18. Piers Richard Lewis	325,000	0.70
19. Laufmann Long Term Investments Pty Ltd	252,500	0.55
20. Cranley Consulting Pty Ltd	250,000	0.54
	<b>24,764,949</b>	<b>53.43</b>

## **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](http://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](http://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 – 26 months

Mark Thompson – Managing Director

Director since July 2009

Term in office – 26 months

Piers Lewis – Non-executive Director

Non-Executive Director since December 2009

Term in office – 21 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 Directors 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://talqagold.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://talqagold.com/corporate/corporate-governance/>

#### **Diversity Policy**

The Company has adopted a Diversity Policy. This policy can be viewed at <http://talqagold.com/corporate/corporate-governance/>

Gender proportions:

Currently the Company has no women directors, 33% senior executive staff are female.

### **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://talqagold.com/corporate/corporate-governance/>

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. 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 financial information. The Board takes the responsibility for the establishment and maintenance of a framework of internal control of the Company.

### **Appointment of Auditor**

The shareholders in a general meeting are responsible for the appointment of the external auditors of the Company, 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.

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:

<b>Best Practice Recommendation</b>	<b>Notification of Departure</b>	<b>Explanation of Departure</b>
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
4.1 - 4.3 Safeguard integrity in financial reporting	The Company has not established a formal audit 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 from 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 from 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 from 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 30 June 2011

Tenement	Tenement name	Interest Held by Talga Gold	Tenement	Tenement name	Interest Held by Talga Gold
E45/3381	Warrawoona	100%	P45/2691	Talga	100%
E45/3805	Mount Edgar	Application	P45/2736	Kiwi Ridge	100%
E45/3806	Mount Edgar	Application	P45/2746	Talga Central	100%
E46/810	Mosquito Creek	100%	P45/2747	North Star	100%
E46/823	Mosquito Creek	100%	P45/2774	Galatea	100%
E46/925	Black Knoll E	Application	P45/2781	Trump	Application
E77/1641	Bullfinch	100%	P45/2812	Tambina	Application
E77/1908	Bronte 1	Application	P46/1628	Mosquito Creek	100%
E77/1909	Bronte 2	Application	P46/1632	Mosquito Creek	100%
E77/1910	Bronte 3	Application	P46/1633	Mosquito Creek	100%
E77/1920	Carinta	Application	P46/1634	Mosquito Creek	100%
E77/1924	Bullfinch East (Carinta)	Application	P46/1635	Mosquito Creek	100%
E77/1945	New Bullfinch	Application	P46/1636	Mosquito Creek	100%
M45/618	Talga Talga	100%	P46/1637	Mosquito Creek	100%
M45/988	Tambina	Option	P46/1638	Banana Hill	100%
M45/990	Tambina	Option	P46/1665	Black Knoll	100%
M45/991	Tambina	Option	P46/1666	Middle Creek	100%
P45/2661	Cutty Sark	100%	P46/1667	Toddys	100%
P45/2662	Foxs Battery	100%	P46/1668	Bonney Downs	Application
P45/2689	Talga	100%	P46/1748	North Beatons 1	Application
P45/2690	Talga	100%	P46/1749	North Beatons 2	Application

P Prospecting Licence

E Exploration Licence

M Mining Licence

**Competent Person Statement**

*The information in this document that relates to Exploration Results has been compiled by Mr Mark Thompson MAIG MSEG who is a Director of the Company. Mr Thompson is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a "Competent Person" as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Thompson consents to the inclusion of information in this announcement in the form and context in which it appears.*