ABN 32 138 405 419

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

CONTENTS **PAGE**

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Piers Lewis

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 3, 2 Richardson Street
West Perth,
Western Australia 6005

Phone: +618 9481 6667
Facsimile: +618 9322 1935
Email: team@talgagold.com
Website: www.talgagold.com

AUDITORS

Stantons International
Level 2,
1 Walker Avenue,
WEST PERTH WA 6005

SHARE REGISTRY

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

CHAIRMAN'S REPORT

Dear shareholders

During the year Talga continued to progress its exploration program across multiple projects in Western Australia. This included three major drilling programmes at Talga Talga, Warrawoona and Bullfinch plus various soil geochemical and other surface studies.

As a junior explorer our priority is to find a "company maker" project. We define that as a project with a high chance of becoming a mine; the commercialisation potential in the near term; and being of suitable scale to support at least ten year mine life. With that in mind the board completed significant acquisitions in Sweden during the year.

The acquisitions came in two stages. Talga in its own right acquired eight exploration projects in Sweden and a further 11 projects through the acquisition of TCL Sweden Limited from Teck Resources Ltd. These projects contain graphite, iron ore and copper/gold deposits in various stages of advancement. Talga owns 100% of all of these projects, with net smelter royalties totalling 3% applying to the TCL Sweden Limited projects only.

The acquisitions have allowed us to announce our first three JORC code compliant inferred resources:

- Nunasvaara 3.6Mt @ 23% Cg (graphitic carbon).
- Raitajärvi 0.5Mt @ 10.8% Cg .
- Masugnsbyn 44.1Mt @ 30.9% Fe magnetite.

The acquisitions in Sweden provide us with a portfolio of highly advanced projects all within a 110km radius of the Jalkunen graphite project. The transport and utility networks in the area are outstanding. Amorphous graphite has a long established market as an input to general industry and steel manufacture, whilst graphite in flake form is highly sort after for use in Lithium Ion batteries. The strategy is to develop at least two graphite projects in order to service both the amorphous and flake markets.

Exploration and mining are also about relationships. Since incorporation we have maintained positive relationships with the traditional owners and agricultural users of the land covering our projects in Western Australia. In Sweden we have started to build relationships with the local regulators and the Sami traditional inhabitants. We have started the process of building relationships with potential end users of both graphite and iron ore.

It is perhaps symbolic that we drilled our first exploration hole in Sweden on 30 June 2012 – the last day of the reporting period. That hole represented the culmination of an outstanding year's work and the foundations for our future.

Sean Neary
Chairman

The Directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2012.

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 Practicing 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 15 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	Stratos Resources Limited	March 2012

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 Talga Mining Pty Ltd in which certain tenements are registered and 100% interest in the Canadian entity TCL Sweden Ltd in which certain tenements are registered.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

During the year the company continued its exploration activities in Western Australian and expanded its exploration profile by making significant acquisitions in Sweden. Details are as follows.

Exploration – Western Australia

Bullfinch Project

The Bullfinch Project is located approximately 400km east of Perth. The Company is exploring for gold and iron deposits within its wholly owned 1,423km2 tenure covering major structural features associated with the Ghooli and Lake Deborah Domes.
During the year the Company conducted a 17-hole (1,684m) reverse circulation (RC) drilling programme as a first-pass test of iron and gold exploration targets located in the northern part of the project area (see ASX release dated 22 June 2012). The best results from the iron ore target include 26m @25% Fe from 99m (BTRC001) and 9m @ 25.9% Fe from 60m (BTRC003). No significant gold or tellurium was intersected at the gold targets.

Mosquito Creek Project

Assay results for 1,079 soil geochemical samples were received during the year. At the Black Knoll prospect, an anomalous zone containing >30ppb gold in soil, 1km long by 75-150m wide has been discovered. This soil geochemical anomaly has increased the size potential of this project. Several other coherent +30ppb soil anomalies were also identified across the project area.

Talga Talga Project

The Talga Talga Project is located in the Pilbara region, 150kmn southeast of Port Hedland. The project comprises a five kilometre long zone of historic gold mines and workings where gold mineralised veins , carbonate and chert are hosted with sheared ultramafic rocks.
During the year the Company completed a 2,626m RC drill programme at the McPhees prospect (for results see ASX release dated 17 October 2011), with additional reconnaissance holes completed 1,400m along strike in the Quartzite area. The highest intercept was from drill hold TTRC075 that returned 4m at 30.0g/t gold from 56m down hole depth. The Company also completed a 1,408 soil sample survey over the project area to assist in delineating potential new drill targets both along strike and parallel of the McPhees zone.

Warrawoona Project

The Company complete a reconnaissance 1,118m RC drilling programme at the Kiwi Ridge gold and copper targets. Key intercepts include KRRC006 that returned 11m @0.57g/t gold from 24m including 1m at 3.83g/t gold. Directly below this interval, hole KRRC007 returned 15m @ 0.35 g/t gold from 62m, including 2m @ 1.18 g/t gold with the hole ending in anomalous mineralisation at 78m (see ASX released 30 September 2011).

Acquisitions – Sweden

During the year Talga was successful in acquiring a number of projects in Sweden. The Company acquired seven graphite projects in its own right before acquiring 11 graphite, iron and copper/gold projects by acquiring TCL Sweden Limited from Teck Resources Limited. Work completed in Sweden included ground geophysical surveys, project reconnaissance, data compilation, logging and sampling of historic drill cores and the estimation of maiden JORC Code compliant inferred mineral resources at

three projects. The Nunasvaara Project contains a JORC code inferred resource of 3.60Mt @ 23% Cg (graphitic carbon). This is highest grade graphite deposit published by any public company in the world (*Ref. Technology Metals Research – Advanced Graphite Projects Index*).
On 30 June 2012 the Company drilled the first hole of a 20 hole (1,650m) diamond drilling programme on the Nunasvaara project. This was the Company's first drilling conducted in Sweden, with the programme being completed by the end of July 2012.

RESULTS OF OPERATIONS

The operating loss after income tax of the Group for the year ended 30 June 2012 was $2,717,186 (2011: $1,500,963).

No dividend has been paid during or is recommended for the financial year ended 30 June 2012.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 21 July 2011 the Company issued 500,000 options under the Company's EIS to employees with an exercise price of 35c expiring 21 July 2015.

On 2 December 2011 the Company issued 2,750,000 unlisted options to directors as approved at the Company's AGM held on 30 November 2011.

On 31 May 2012 Talga Gold Limited acquired 100% of the Swedish entity TCL Sweden Ltd from Teck Resources Limited for cash consideration of $482,902. TCL Sweden holds the rights to various tenements in Sweden.

During the year Talga Mining Pty Ltd acquired various tenements in Sweden for cash consideration of $129,812.

There were no other significant changes in the state of affairs of the Group 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 Group 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 20 July 2012, the Company raised $2.26M through a capital raising comprising of 6,952,500 shares issued at 32.5 c per share to new strategic and sophisticated investors to continue to develop the Group's graphite, iron ore and gold projects.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significant affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial years.

FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities was $1,266,275 at 30 June 2012 (2011: $4,466,441).

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

The Group's exploration activities are subject to the Western Australian Mining Act. The Group has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements. The Group 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 Group.

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 4,350,000 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, and 2,750,000 have an exercise price of 40 cents and expire 30 November 2014.

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

During the year ended 30 June 2012 no ordinary shares were issued on the exercise of options granted. No further shares have been issued since period end due to the exercise of options.

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 Group'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 Groups's financial and operational performance. The intended outcomes of this remuneration structure are:

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

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

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

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

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

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

Performance Based Remuneration

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

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

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

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

Details of Remuneration for year ended 30 June 2012

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

2012

Short Term Benefits			Employment		Securities Issued		**Total**
Salary	Other	Non Monetary	Superannuation	Retirement Benefits	Equity	Options	
Sean Neary – Chairman							
$43,600	$5,156	$2,472	-	-	-		**$51,228**
Mark Thompson – Managing Director (i)							
$238,333	-	$2,472	$21,492	-	-	$115,837	**$378,134**
Piers Lewis – Non-executive Director / Company Secretary (ii)							
$38,150	$58,915	$2,472	-	-	-	$43,439	**$142,976**
TOTAL							
$320,083	**$64,071**	**$7,416**	**$21,492**	**-**	**-**	**$159,276**	**$572,338**

2011

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

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 $275,000 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 $58,915 was paid, or was due and payable to SmallCap Corporate Pty Ltd, a company controlled by Mr Piers Lewis, for the provision of corporate and financial services to the Company.

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

An aggregate amount of $5,156 was paid, or was due and payable to Neary Consulting Pty Ltd, a company controlled by Mr Sean Neary, for the provision of taxation services to the Company.

The fair value of the options granted to directors valued $159,276 ($115,837 to M Thompson and $43,439 to P Lewis). Note 17 (c) and (d) refers to the assumptions made in calculating the fair value of the options.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

	Ordinary Shares			Options			
Directors	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	-	-	2,000,000	2,000,000
P Lewis	575,000	-	575,000	475,000	-	750,000	1,225,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company paid a premium of $7,416 (2011: $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 2012 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 2012.

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.

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

Mark Thompson
Managing Director
Perth, Western Australia
21 September 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

21 September 2012

Board of Directors
Talga Gold Limited
Suite 3, 2 Richardson Street
West Perth WA 6005

Dear Directors

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 2012, 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 sincerely

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

John P Van Dieren

Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Note	2012 $	2011 $
Current Assets			
Cash and cash equivalents	5	1,522,500	4,503,672
Trade and other receivables	6	39,275	53,483
Total Current Assets		1,561,775	4,557,155
Non-Current Assets			
Other receivables	6	20,900	-
Plant & field equipment	7	92,524	75,218
Exploration and evaluation expenditure	8	1,662,707	1,002,187
Other financial assets	9	-	2
Total Non-Current Assets		1,776,131	1,077,407
TOTAL ASSETS		3,337,906	5,634,562
Current Liabilities			
Trade and other payables	10	245,715	61,580
Provisions	11	49,785	29,134
TOTAL LIABILITIES		295,500	90,714
NET ASSETS		3,042,406	5,543,848
Equity			
Issued capital	12	7,223,958	7,223,958
Reserves	13	215,854	110
Accumulated losses	14	(4,397,406)	(1,680,220)
TOTAL EQUITY		3,042,406	5,543,848

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2012

	Note	2012 $	2011 $
Revenues from ordinary activities	2	180,064	179,406
Expenses			
Administration costs		(511,979)	(242,253)
Compliance and regulatory expenses		(336,575)	(423,845)
Options expense		(215,744)	-
Exploration expenditure written off	3	(1,832,952)	(1,014,271)
Loss before income tax expense		(2,717,186)	(1,500,963)
Income tax expense	4	-	-
Net loss attributable to members of Company		(2,717,186)	(1,500,963)
Other comprehensive income		-	-
Total comprehensive income/(loss) attributable to members of Company		(2,717,186)	(1,500,963)
Basic loss per share (cents per share)	16	(5.9)	(3.7)
Diluted loss per share (cents per share)	16	(5.9)	(3.7)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2012

	Issued Capital $	Accumulated losses $	Reserves $	Total $
Balance at 1 July 2010	**5,252,880**	**(179,257)**	**110**	**5,073,733**
Loss before income tax	-	(1,500,963)	-	(1,500,963)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	**-**	**(1,500,963)**	**-**	**(1,500,963)**
Issue of share capital	2,100,667	-	-	2,100,667
Issue of options	-	-	-	-
Capital raising costs	(129,589)	-	-	(129,589)
Balance at 30 June 2011	**7,223,958**	**(1,680,220)**	**110**	**5,543,848**
Balance at 1 July 2011	**7,223,958**	**(1,680,220)**	**110**	**5,543,848**
Loss before income tax	-	(2,717,186)	-	(2,717,186)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	**-**	**(2,717,186)**	**-**	**(2,717,186)**
Issue of share capital	-	-	-	-
Issue of options	-	-	215,744	215,744
Capital raising costs	-	-	-	-
Balance at 30 June 2012	**7,223,958**	**(4,397,406)**	**215,854**	**3,042,406**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2012

	Note	2012 $	2011 $
Cash Flows from Operating Activities			
Payments for exploration and evaluation		(1,679,233)	(1,144,871)
Payments to suppliers, contractors and employees		(731,805)	(373,429)
Interest received		178,635	167,334
Net cash flows used in operating activities	15	(2,232,403)	(1,350,966)
Cash Flows from Investing Activities			
Purchase of plant and equipment		(67,351)	(94,721)
Payments for exploration and evaluation acquisition costs		(177,618)	(98,715)
Purchase of investments		(482,900)	-
Payment of security deposit		(20,900)	-
Net cash used in investing activities		(748,769)	(193,436)
Cash Flows from Financing Activities			
Proceeds from issue of securities		-	2,100,667
Payment for costs of issue of securities		-	(457,588)
Net cash flows from financing activities		-	1,643,079
Net (decrease)/ increase cash and cash equivalents		(2,981,172)	98,677
Cash and cash equivalents at the beginning of the financial year		4,503,672	4,404,995
Cash and cash equivalents at the end of the financial year	5	1,522,500	4,503,672

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

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 parent Talga Gold Limited and Controlled Entities (the "Group"). Talga Gold Limited is a public Company, incorporated and domiciled in Australia.

The financial report of the Group 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 Group 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.

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.

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 Group 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 Group 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.

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

The following new and revised Accounting Standards and Interpretations have, where applicable, been adopted in the current year but have had no significant effect on the amounts reported or disclosures.

<u>Standards affecting presentation and disclosure</u>

Amendments to AASB 7 'Financial Instruments" Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures (2009).
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets.

(p) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

– AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
    - simplifying the requirements for embedded derivatives;
    - removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.
Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.
The amendments are not expected to significantly impact the Group.

– AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.
AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).
AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.
To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

– AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.
AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

– AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.
This Standard affects presentation only and is therefore not expected to significantly impact the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

– AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.
AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;
(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

		2012 $	2011 $
2.	Revenue		
	Interest revenue	180,064	179,406
3.	Expenses		
	Expenses include the following amounts:		
	Rent & outgoings	100,931	75,092
	Depreciation expense	50,045	24,909
	Website	1,982	4,461
	Audit fees	30,093	19,923
	Consultancy	31,126	-
	Exploration costs written off (refer note 1(b))	1,832,952	1,014,271

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

	2012 $	2011 $
Loss before income tax	(2,717,186)	(1,500,963)
Income tax calculated at 30%	(815,156)	(450,289)
Tax effect of :-		
- Deferred exploration expenditures	(198,156)	(29,614)
- Expenses not allowed	64,941	924
- Sundry – Temporary differences	-	-
- Section 40-880 deduction	(35,926)	(35,831)
- Accrued expenses	54,081	12,491
Future income tax benefit not brought to account	930,216	502,319
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.

	2012 $	**2011 $**
Australian tax losses	1,432,534	754,574
Provisions net of prepayments	66,572	12,491
Section 40-880 deduction	99,426	44,276
Deferred exploration expenditures	(498,812)	(300,656)
Accrued Interest	(6,074)	(5,646)
Unrecognised deferred tax assets relating to the above temporary differences	1,093,646	504,978

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.

		2012 $	**2011 $**
5.	Cash and cash equivalents		
	Cash at bank	1,522,500	4,503,672

6. Trade and other receivables

Current	**2012 $**	**2011 $**
Interest accrual	20,247	18,819
GST receivable	19,028	34,664
	39,275	53,483

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

	2012 $	**2011 $**
Non Current		
Security Term Deposit	20,900	-
	20,900	-

Balance relates to a term deposit taken out as security for rent of the head office.

7. Plant and equipment

	2012 $	2011 $
Plant and equipment at cost	168,114	100,762
Less: accumulated depreciation	(75,590)	(25,544)
Total plant and equipment	92,524	75,218

Plant and equipment	2012 $	2011 $
Carrying amount at the beginning of the year	75,218	5,408
Additions	67,351	94,719
Disposals	-	-
Depreciation expense	(50,045)	(24,909)
Total carrying amount at end of the year	92,524	75,218

8. Exploration and Evaluation Expenditure

	2012 $	2011 $
Written down value – opening	1,002,187	903,473
Acquisition of Subsidiary	482,902	-
Exploration and evaluation expenditure	2,010,570	1,112,985
Written off as incurred (refer note 1(b))	(1,832,952)	(1,014,271)
Written down value – closing	1,662,707	1,002,187

This closing balance comprises acquisition of tenement costs and the excess of the purchase price over the net book value of TCL Sweden Limited which has been allocated to tenements.

9. Other Financial Assets

	2012 $	2011 $
Acquisition costs	-	2
Closing Balance	-	2

The prior period balance represents the investment in Talga Mining Pty Ltd which was previously dormant.

10. Trade and other payables

	2012 $	2011 $
Current Payables		
Trade creditors	73,594	36,296
Accruals	172,121	25,284
	245,715	61,580

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

		2012 $	2011 $
11.	Provisions		
	Provision for Annual Leave	49,785	29,134

			2012 Number	2012 $	2011 Number	2011 $
12.	Issued Capital					
	Ordinary shares		46,351,907	7,223,958	40,350,000	5,252,880
	Fully paid	(a)	-	-	6,001,907	2,100,667
	Less transaction costs			-		(129,589)
	Total issued capital		**46,351,907**	**7,223,958**	**46,351,907**	**7,223,958**

(a) Ordinary shares

There were no shares issued during the year ended 30 June 2012.

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 2012 the Company had 1,100,000 options on issue exercisable at 20 cents each and with an expiry date of 16 December 2012, 500,000 options on issue exercisable at 35 cents each and with an expiry date of 21 July 2015, and 2,750,000 options on issue exercisable at 40 cents each and with an expiry date of 30 November 2014.

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

Capital Management

Management controls the capital of the Company in order to ensure that the Group 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 Group at 30 June 2012 is as follows:

	2012 $	2011 $
Cash and cash equivalents	1,522,500	4,503,672
Trade and other receivables	39,275	53,483
Trade and other payables	(245,715)	(61,580)
Provisions – employee entitlements	(49,785)	(29,134)
Working capital position	1,266,275	4,466,441

13. Reserves

Option Reserve	2012 $	2011 $
Balance at the beginning of the financial year	110	110
Options issued	215,744	-
Balance at the end of the financial year	215,854	110

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

14. Accumulated Losses

	2012 $	2011 $
Balance at the beginning of this year	(1,680,220)	(179,257)
Loss for the year	(2,717,186)	(1,500,963)
Balance at the end of the year	(4,397,406)	(1,680,220)

15. Cash Flow Information

	2012 $	2011 $
Reconciliation of cash flows from operating activities with loss after income tax		
- Loss after income tax	(2,717,186)	(1,500,963)
Non-cash flows in loss for the period		
- Depreciation	50,045	24,909
- Option expense	215,744	-
Changes in assets and liabilities		
- (Increase)/ Decrease in operating receivables	14,208	85,315
- Increase/(Decrease) in trade and other creditors,	-	-
accruals and employee entitlements	204,786	39,773
Net cash outflows from Operating Activities	(2,232,403)	(1,350,966)

16. Loss per Share

	2012 $	2011 $
Net loss after income tax attributable to members of the Company	2, 717,186	1,500,963
	Number	**Number**
Weighted average number of shares on issue during the financial year used in the calculation of Basic loss per share	46,351,907	40,824,576

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

17. 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

$572,338 (2011: $368,743) in remuneration was paid to Directors for the financial year comprising salary, superannuation, insurance and commercial fees.

	2012 $	**2011 $**
Short-term employee benefits	391,570	344,008
Post-employment benefits	21,492	16,650
Other long-term benefits	-	-
Share-based payments	159,276	8,085
	572,338	368,743

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

On 2 December 2011, 2,000,000 options were granted to Mr Mark Thompson and 750,000 options were granted to Mr Piers Lewis with the following particulars:

2012	
Share price at grant date	$0.17
Exercise price	$0.40
Expected volatility	0.795
Option life	1091 days
Risk-free interest rate	5.5%
Dividend yield	Nil
Fair value at grant date	$0.058

(d) Share and Option holdings of directors and officers

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2012	**Balance at Beginning of Year**	**Granted as Remuner-ation during the Year**	**Exercised during the Year**	**Other Changes during the Year**	**Balance at End of Year**	**Vested during the Year**	**Vested and Exer-ciseable**	**Vested and Unexer-cisable**
S Neary	550,000	-	-	-	550,000	-	550,000	-
M Thompson	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
P Lewis	475,000	750,000	-	-	1,225,000	750,000	1,225,000	-

30 June 2011	Balance at Beginning of Year	Granted as Remuner-ation during the Year	Exercised during the Year	Other Changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exer-ciseable	Vested and Unexer-cisable
S Neary	550,000	-	-	-	550,000	-	550,000	-
M Thompson	-	-	-	-	-	-	-	-
P Lewis	475,000	-	-	-	475,000	-	475,000	-

KMP Shareholdings

The number of ordinary shares in Talga Gold Limited held by each KMP of the Group during the financial year is as follows:

30 June 2012	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
S Neary	575,000	-	-	-	575,000
M Thompson	9,000,000	-	-	-	9,000,000
P Lewis	575,000	-	-	-	575,000

30 June 2011	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
S Neary	575,000	-	-	-	575,000
M Thompson	9,000,000	-	-	-	9,000,000
P Lewis	575,000	-	-	-	575,000

	2012 $	2011 $
19. Auditor's Remuneration		
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	30,093	19,923
Other services	-	-
	30,093	19,923

20. Commitments

a) Exploration commitments

In order to maintain current rights of tenure to mining tenements, the Group 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:

	2012 $	2011 $
Not longer than one year	742,878	646,280
Longer than one year, but not longer than five years	-	-
Longer than five years	-	-
	742,878	646,280

If the Group 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.

b) Operating lease commitments

Head office lease	2012 $	2011 $
Not longer than one year	19,072	20,568
Longer than one year, but not longer than five years	-	-
Longer than five years	-	-
	19,072	20,568

21. Financial Instruments

a. Financial Risk Management Policies
The Group's financial instruments consist solely of deposits with banks. No financial derivatives are held.

i. Financial Risk Exposures and Management
The main risk the Group 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 Group. The Group 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 Group measures credit risk on a fair value basis.

The Group 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 Group which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The Group 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:

	2012 $	2011 $
Trade receivables		
Group 1	-	-
Group 2	39,275	53,483
Group 3	-	-
Total trade receivables	39,275	53,483
Cash at bank and short-term deposits	1,522,500	4,503,672
Counterparties with external credit rating (Moody's)		
Rating "B"	-	-
	1, 522,500	4,503,672

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

iii. Net Fair Values

The net fair values of:

— Other assets and other liabilities approximate their carrying value.

iv. Interest Rate Risk

The Group 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 2012, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2012 $	2011 $
Change in loss		
— Increase in interest rate by 100 basis points	15,085	44,783
— Decrease in interest rate by 100 basis points	(15,085)	(44,783)
Change in equity		
— Increase in interest rate by 100 basis points	15,085	44,783
— Decrease in interest rate by 100 basis points	(15,085)	(44,783)

v. Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group now has dealings in Sweden as a result of acquiring tenements in Sweden. The Group will now be subject to foreign currency value fluctuations in the course of its operations. The Group plans to curtail this impact by paying foreign currency invoices in a timely fashion.

At 30 June 2012, the parent company has liabilities denominated in the foreign currencies detailed below:

	Foreign Currency	AUD Equivalent
USD	14,000	13,941
GBP	6,995	11,435
Euro	80,044	95,942
SEK	162,860	22,474
		143,792

A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately $7,190.

	Floating interest rate $	Fixed interest rate $	Non interest bearing $	Total $	Weighted average interest rate %
2012					
Financial assets					
Cash and cash equivalents	8,467	1,500,000	14,033	1,522,500	5.3
Trade and other receivables	-	20,900	39,275	60,175	-
Total financial assets	8,467	1,520,900	53,308	1,582,675	-
Financial liabilities					
Trade and other payables	-	-	245,715	245,715	-
Total financial liabilities	-	-	245,715	245,715	-

	Floating interest rate $	Fixed interest rate $	Non interest bearing $	Total $	Weighted average interest rate %
2011					
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	4,478,260	-	78,897	4,557,157	-
Financial liabilities					
Trade and other payables	-	-	61,581	61,581	-
Total financial liabilities	-	-	61,581	61,581	-

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

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in one operating segment and two geographical segments being mineral exploration in Australia and Sweden and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

2012	Exploration - Australia $	Exploration - Sweden $	Treasury - Australia $	Total $
SEGMENT PERFORMANCE				
Revenue	-	-	180,064	180,064
Total group revenue	-	-	180,064	180,064
Segment net profit/ (loss) from continuing operations before tax	(1,614,449)	(218,503)	180,064	(1,652,888)
Reconciliation of segment result to group net loss before tax				
Unallocated items:				
Administration costs				(511,979)
Compliance costs				(336,575)
Option expense				(215,744)
Net loss before tax from continuing operations				(2,717,186)
SEGMENT ASSETS				
Segment assets/ total group assets	1,049,994	612,713	1,656,171	3,318,878
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				19,028
Total group assets				3,337,906
Segment asset increases for the period:				
Cash	-	-	(2,981,272)	(2,981,272)
Capitalised acquisition costs	47,807	612,713	-	660,520
Other	-	-	24,096	24,096
	47,807	612,713	(2,957,176)	(2,296,656)

SEGMENT LIABILITIES				
Segment liabilities	165,255		80,460	245,715
Reconciliation of segment liabilities to group liabilities				
Unallocated items:				
Provision				49,785
Total group liabilities				295,500

2011	Exploration - Australia $	Exploration - Sweden $	Treasury - Australia $	Total $
SEGMENT PERFORMANCE				
Revenue	-	-	179,406	179,406
Total group revenue	-	-	179,406	179,406
Segment net profit/ (loss) from continuing operations before tax	(1,014,271)	-	179,406	(834,865)
Reconciliation of segment result to group net loss before tax				
Unallocated items:				
Administration costs				(242,253)
Compliance costs				(423,845)
Net loss before tax from continuing operations				(1,500,963)
SEGMENT ASSETS				
Segment assets/ total group assets	1,002,187	-	4,597,711	5,599,898
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				34,664
Total group assets				5,634,562
Segment asset increases for the period:				
Cash	-	-	98,677	98,677
Capitalised acquisition costs	98,715	-	-	98,715
Other	-	-	(17,505)	(17,505)
	98,715	-	81,172	179,887

SEGMENT LIABILTIES

Segment liabilities	11,537	50,043	61,580
Reconciliation of segment liabilities to group liabilities			
Unallocated items:			
Provision			29,134
Total group liabilities			90,714

23. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2012, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, other than:

On 20 July 2012, the Company raised $2.26M through a capital raising comprising of 6,952,500 shares issued at 32.5c per share to new strategic and sophisticated investors to continue to develop the Group's graphite, iron ore and gold projects.

24. Contingent Liabilities

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

25. Related Parties

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

26. Parent Information

	2012 $	**2011 $**
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	1,561,675	4,557,155
Non Current Assets	1,994,636	1,077,407
TOTAL ASSETS	3,556,311	5,634,562
LIABILITIES		
Current liabilities	295,500	90,714
TOTAL LIABILITIES	295,500	90,714
NET ASSETS	3,260,811	5,543,848
EQUITY		
Issued capital	7,223,958	7,223,958
Accumulated losses	(4,179,001)	(1,680,220)
Option reserve	215,854	110
TOTAL EQUITY	3,260,811	5,543,848
STATEMENT OF COMPREHENSIVE INCOME		
Total Loss	(2,498,781)	(1,500,963)
Total comprehensive income	(2,498,781)	(1,500,963)

27. Controlled entities

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)* 2012	2011
Subsidiaries of Talga Gold Limited:			
Talga Mining Pty Ltd	Australia	100%	100%
TCL Sweden Ltd	Canada	100%	-

* Percentage of voting power is in proportion to ownership

28. Share Based Payments

During the financial period, the following share-based payments were made:

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
1	500,000	21/07/2011	21/07/2015	$0.35	$56,468
2	2,750,000	02/12/2011	30/11/2014	$0.40	$159,276

Option series 1 have an exercise price of $0.35 and an expiry date of 21 July 2015. The options vested on the date of grant.

Option series 2 have an exercise price is $0.40 and has an expiry date of 30 November 2014. Options vested on date of grant.

Fair values of share options granted in the year
Options were priced using Black-Scholes pricing model. Expected volatility is based on the historical share price volatility over the past 12 months.

Inputs into the model	Option Series	
	Series 1	Series 2
Grant date share price	$0.22	$0.17
Exercise price	$0.35	$0.40
Expected volatility	0.784	0.795
Option life	1461 days	1091 days
Dividend yield	Nil	Nil
Risk-free interest rate	5.50%	5.50%

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2012		2011	
	Number of options	Weighted average exercise price $	Number of options	Weighted average Exercise price $
Balance at beginning of the financial year	1,100,000	0.2	-	
Granted during the financial year	3,250,000	0.39	1,100,000	0.20
Expired during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Balance at end of the financial year	4,350,000	0.34	1,100,000	0.20
Exercisable at end of the financial year	4,350,000	0.34	1,100,000	0.20

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.34 (2011: $0.20) and a weighted average remaining contractual life of 2 years (2011: 1.47 years).

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 12 to 38, 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 2012 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.

Mark Thompson
Managing Director

Perth,
21 September 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Talga Gold Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 gives a true and fair view and 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 statements comply 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. Those 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 company's preparation of the financial report that gives a true and fair view 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 company'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*.

Opinion

In our opinion:

(a) the financial report of Talga Gold Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 9 of the directors' report for the year ended 30 June 2012. 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

Opinion

In our opinion the remuneration report of Talga Gold Limited for the year ended 30 June 2012 complies with section 300A 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

John P Van Dieren
Director

West Perth, Western Australia
21 September 2012

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 7 September 2012 was as follows:

Number Held as at 7 September 2012	Fully Paid Ordinary Shares
1-1,000	7,379
1,001 - 5,000	378,303
5,001 – 10,000	1,702,830
10,001 - 100,000	16,162,062
100,001 and over	35,053,833
TOTALS	**53,304,407**

Holders of less than a marketable parcel:
- fully paid shares 43

Substantial Shareholders

Substantial shareholders are set out below:

Shareholder	Number	
Mr Mark Thompson	9,000,000	16.9%
United Overseas Service Management Ltd	2,816,959	5.29%

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 as at the 7 September 2012 are as follows:

Ordinary Shares		Number Held	% Held
1	Lateral Minerals Pty Ltd	8,000,000	15.00
2.	United Overseas Service Management Ltd	2,816,959	5.29
3.	Kin Chun Wong	2,633,246	4.94
4.	J P Morgan Nominees Australia Ltd	2,268,093	4.25
5.	Dazhang Zeng	1,854,500	3.48
6.	Kevin Graham Danks	1,750,000	3.28
7.	Vulcan Custodian Limited	1,415,375	2.65
8.	Lateral Minerals Pty Ltd	1,000,000	1.88
9.	National Nominees Limited	920,000	1.73
10.	Topsfield Pty Ltd	900,000	1.69
11.	Pinzone Superannuation Pty Ltd	851,563	1.59
12.	HS Superannuation Pty Ltd	750,000	1.40
13.	HSBC Custody Nominees	710,991	1.33
14	Sean Vincent Neary	575,000	1.08
15.	Mrs Bronwyn Julianne James	498,873	0.94
16.	Mr Peter Russell Simpson	465,000	0.87
17.	Mr Owen John Clare	360,000	0.67
18.	Mr Chatchai Yenbamroong	350,000	0.66
19.	Piers Richard Lewis	325,000	0.61
20.	Mr Swee Teck Tan	312,500	0.59
		28,757,100	**53.93**

CORPORATE GOVERNANCE

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

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

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

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

Board Objectives

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

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

Principle 1: Lay solid foundations for management and oversight

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

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

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

Senior Executives evaluation

The Board consists of three (3) members. The Board therefore undertakes ongoing self-assessment and review of performance of the Board, and individual directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance. To facilitate optimal performance, the Executives participate in professional development programs.

Principle 2: Structure the board to add value

Composition

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

Chairman – Sean Neary
Independent Non-Executive Chairman since July 2009
Term in office – 36 months

Mark Thompson – Managing Director
Director since July 2009
Term in office – 36 months

Piers Lewis – Non-executive Director
Non-Executive Director since December 2009
Term in office – 30 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://talgagold.com/corporate/corporate-governance/

Share Trading Policy

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

Diversity Policy

The Company has adopted a Diversity Policy. This policy can be viewed at http://talgagold.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://talgagold.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 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 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 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:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1 The majority of the board should be independent	The majority of the board is not independent	The board consists of one independent (a non-executive Chairman) and two non-independent directors (executive Managing Director and non-executive Director/Company Secretary). The board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant experience and specific expertise relevant to the Company's business and level of operations.
2.4 The board should establish a nomination committee	The Company has not established a formal nomination committee	The Board believes that complying with Recommendation 2.4 is impractical given the size of the Board, the size of the Company and the industry in which it operates. The Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a nomination committee
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 form time to time, however the Board also recognises that complying the ASX Corporate Governance Principles and Recommendations 4.1-4.3 is impractical given the size of the Company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to an audit committee.
7.2 Risk Management System.	The board has not requested that management design and implement a risk management and internal control system and report to the board on whether those risks are being managed effectively.	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 7.2. is impractical given the size of the Company and the industry in which it operates. The board consists of three (3) members, and therefore the Directors believe, it is sufficient for the full board to assume the responsibilities of ensuring that risks and opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with those risks and opportunities.
8.1 The board	The Company has	The Board continues to strive to meet the ASX Corporate

should establish a remuneration committee	not established a formal remuneration committee	Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 8.1 is impractical given the size of the Company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

SCHEDULE OF MINERAL TENEMENTS as at 30 June 2012

Tenement	Tenement name	Interest Held by Talga Gold	Tenement	Tenement name	Interest Held by Talga Gold
P45/2689	New Talga	100%	E46/823	Mosquito Creek	100%
P45/2690	New Talga	100%	E46/925	Black Knoll E	100%
P45/2691	New Talga	100%	P46/1748	North Beatons 1	100%
P45/2747	North Star	100%	P46/1749	North Beatons 2	100%
P45/2746	Talga Central	100%	P46/1800	New Mosq Cr	Applied
M45/618	Talga Talga	100%	P46/1801	Bonney Downs 1	Applied
P45/2774	Galatea	100%	P46/1802	Bonney Downs 2	Applied
E77/1641	Bullfinch	100%	M45/988	Tambina	100%
E77/1908	Bronte 1	100%	M45/991	Tambina	100%
E77/1909	Bronte 2	100%	M45/990	Tambina	100%
E77/1910	Bronte 3	100%	P45/2812	Tambina	Applied
E77/1920	Carinta	100%	P45/2816	Wallareenya	Applied
E77/1924	Bullfinch East (Carinta)	100%	Fjallasen nr 1	Sweden	100%
E77/1945	New Bullfinch	100%	Jalkunen nr 1	Sweden	100%
E77/2027	Yellowdine 2	Applied	Jalkunen nr 2	Sweden	Applied
E77/2037	Ghooli	Applied	Kiskama nr 1	Sweden	100%
E77/2038	Turkey Hill	Applied	Lautakoski nr 1	Sweden	100%
E77/2039	Lake Julia	Applied	Lautakoski nr 2	Sweden	Applied
P77/4106	Catherine	100%	Lautakoski nr 3	Sweden	Applied
P45/2661	Cutty Sark	100%	Lehtosolka nr 3	Sweden	100%
P45/2662	Foxs Battery	100%	Leppakoski nr 2	Sweden	100%
P45/2736	Kiwi Ridge	100%	Liviovaara nr 2	Sweden	100%
E45/3381	Warrawoona	100%	Maltosrova nr 2	Sweden	100%
P45/2781	Trump	100%	Masugnsbyn nr 1	Sweden	100%
P46/1628	Mosquito Creek	100%	Masugnsbyn nr 2	Sweden	100%
E46/810	Mosquito Creek	100%	Morttjarn nr 1	Sweden	100%
P46/1665	Black Knoll	100%	Nalkavuoma nr 1	Sweden	100%
P46/1666	Elsie Jane	100%	Nunasvaara nr 2	Sweden	100%
P46/1667	Toddys	100%	Nybrannan nr 1	Sweden	100%
P46/1632	Mosquito Creek	100%	Nybrannan nr 2	Sweden	100%
P46/1633	Mosquito Creek	100%	Raitajarvi nr 5	Sweden	100%
P46/1634	Mosquito Creek	100%	Sorvanen nr 3	Sweden	Applied
P46/1635	Mosquito Creek	100%	Suinavaara nr 1	Sweden	100%
P46/1636	Mosquito Creek	100%	Tiankijoki nr 1	Sweden	100%
P46/1637	Mosquito Creek	100%	Vastanback nr 1	Sweden	100%
P46/1638	Banana Hill	100%	Vathanvaara nr 1	Sweden	100%
P46/1668	Bonney Downs	100%	Vittangi nr 2	Sweden	100%
			Vittangi nr 3	Sweden	100%

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.