



ABN 32 138 405 419

INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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CORPORATE DIRECTORY

DIRECTORS

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

AUDITORS

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

JOINT COMPANY SECRETARIES

Grant Mooney
Jeremy McManus

SHARE REGISTRY

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110 Stirling Highway
NEDLANDS WA 6009
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REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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Phone: +618 9481 6667
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Website: www.talgaresources.com

STOCK EXCHANGE LISTING

The Company is listed on Australian Securities
Exchange Limited

Home Exchange:	Perth
ASX Code:	TLG

DIRECTORS REPORT

The Directors present their report on Talga Resources Ltd for the half-year ended 31 December 2012.

BOARD OF DIRECTORS

The names and details of the Talga Resources Ltd ("Company") directors in office during the financial period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

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

COMPANY SECRETARY

Piers Lewis – Resigned 17 December 2012
Grant Mooney and Jeremy McManus – Appointed 17 December 2012

REVIEW OF OPERATIONS

SWEDEN

During the period the Company focused on exploration of its 100% owned projects in Sweden. Highlights included:

Nunasvaara - Graphite

The Company completed its maiden 19 hole diamond drilling program at Nunasvaara on 30 July 2012. The assay results when combined with data from historical drilling resulted in the Company announcing a JORC Indicated and Inferred resource of 7.6 million tonnes at 24.4% graphite ("Cg") at a 10% lower cut-off (see Table 1 below). Initial petrography has identified the graphite to be predominantly ultrafine flake (< 75 microns, also known as amorphous) with a minor component of coarser flake (75-300 microns).

Table 1. Nunasvaara November 2012 Mineral Resource Estimate (10% Cg lower cut-off grade).

JORC Classification	Tones (Mt)	Graphite (% Cg)	Contained Graphite (tonnes)
Indicated	5.6	24.6	1,377,600
Inferred	2.0	24.0	480,000
Total	7.6	24.4	1,857,600

The drilling confirmed graphite mineralisation from surface to approximately 150m depth, over at least 1,200m strike and an average width of 20m (ranging 8-33m). The deposit remains open at depth and along strike, with less than 8% of the project's graphite drill tested to date.

Raitajarvi - Graphite

An environmental screening study and various statutory surveys were completed as part of the permitting process for drilling at the Raitajarvi flake graphite project. Drilling is expected to be approved for commencement in the first quarter of 2013.

Masugnsbyn – Iron

Historical drilling data was used to complete a new JORC mineral resource estimate for the Masugnsbyn iron ore (magnetite) project. Using a lower cut-off grade of 20% Fe_{mag} the total JORC Mineral Resource now stands at 87.2Mt @ 29.9% Fe_{mag} (see Table 2 below). The project has development advantages in that it contains a discrete higher grade footwall zone (35.2% Fe_{mag}).

Table 2. Masugnsbyn October 2012 Mineral Resource Estimate (20% Fe_{mag} lower cut-off grade).

JORC Classification	Tones (Mt)	Iron as Magnetite (% Fe _{mag})
Indicated	49.7	30.0
Inferred	37.5	29.6
Total	87.2	29.9

A follow-up program of nine diamond drill holes totalling 1,428m was completed during the period to extend and infill some zones of the resource and gain fresh samples for metallurgical work/concentrate development.

AUSTRALIA

During the period a government co-funded reverse circulation ("RC") drilling program consisting of 22 drill holes totalling 1,349m was completed at the Tambina project (TLG option to acquire 100%). The objective of the drilling was to test a series of stacked, shallow dipping, near surface quartz pyrite conglomerate horizons that contain gold over at least 2km strike. Due to end of year delays assays were not received during the period and the term of the option to acquire 100% was extended to 30 June 2013.

Competent person's statement

The information in this report that relates to Exploration Results is based on information compiled and reviewed by Mr Darren Griggs and Mr Mark Thompson, who are members of the Australian Institute of Geoscientists. Mr Griggs and Mr Thompson are employees of the Company and have sufficient experience which is relevant to the activity to which is being undertaken 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" ("JORC Code"). Mr Griggs and Mr Thompson consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Resource Estimation is based on information compiled and reviewed by Mr Simon Coxhell. Mr Coxhell is a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy. Mr Coxhell has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity 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" ("JORC Code"). Mr Coxhell consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

CORPORATE

During the period the Company changed its name to Talga Resources Limited and completed a capital raising of \$2.3 million to institutional and sophisticated investors. As at 31 December 2012 the Company has a cash balance of \$1.7 million. Infrastructure development milestones were advanced in Sweden with a Memorandum of Understanding being signed with the Port of Lulea for the export of up to 80,000 of graphite concentrate/projects from the Company's projects in Sweden.

RESULTS OF OPERATIONS

The operating loss after income tax of the Group for the half-year ended 31 December 2012 was \$2,296,259 (31 December 2011: \$1,417,061 loss). The Group's basic loss per share for the period was 4.38 cents.

No dividend has been paid during or is recommended for the financial period ended 31 December 2012.

DIRECTORS REPORT

FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities was \$1,337,667 at 31 December 2012 (30 June 2012: \$1,266,275).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 31 December 2012 has been received and immediately follows the Directors' Report.

This report has been made in accordance with a resolution of the Board of Directors.



Sean Neary
Chairman

Dated at Perth this 25th day of February 2013

AUDITOR'S INDEPENDENCE DECLARATION

25 February 2013

Board of Directors
Talga Resources Limited
Suite 3, 2 Richardson Street
WEST PERTH WA 6005

Dear Sirs

RE: TALGA RESOURCES 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 Resources Limited.

As Audit Director for the review of the financial statements of Talga Resources Limited for the period ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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



John Van Dieren
Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		31 December 2012	30 June 2012
	Note	\$	\$
Current Assets			
Cash and cash equivalents	9	1,717,007	1,522,500
Trade and other receivables		59,760	39,275
Total Current Assets		1,776,767	1,561,775
Non Current Assets			
Other receivables		20,900	20,900
Property, plant & equipment		130,467	92,524
Exploration and evaluation expenditure		1,662,707	1,662,707
Total Non-Current Assets		1,814,074	1,776,131
TOTAL ASSETS		3,590,841	3,337,906
Current Liabilities			
Trade and other payables		371,558	245,715
Provisions		67,542	49,785
TOTAL LIABILITIES		439,100	295,500
NET ASSETS		3,151,741	3,042,306
Equity			
Issued capital	4	9,548,702	7,223,958
Options reserve		296,704	215,854
Accumulated losses		(6,693,665)	(4,397,406)
TOTAL EQUITY		3,151,741	3,042,406

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2012

	31 December	31 December
	2012	2011
	\$	\$
Revenue from ordinary activities	87,202	109,766
Expenses		
Occupancy costs	(54,473)	(49,377)
Professional fees	(217,819)	(108,277)
Corporate costs	(111,462)	(75,710)
Employee benefits expense	(93,225)	(57,827)
Options expense	(80,850)	(215,744)
Administration costs	(331,344)	(106,643)
Exploration expenditure written-off	(1,494,288)	(913,249)
Loss before income tax expense	(2,296,259)	(1,417,061)
Income tax expense	-	-
Loss from continuing operations	(2,296,259)	(1,417,061)
Other comprehensive income		
Items that may be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the period net of tax	-	-
Total comprehensive income / (loss) for the period	(2,296,259)	(1,417,061)
Total comprehensive income / (loss) attributable to members of Company	(2,296,259)	(1,417,061)
Basic loss per share (cents per share)	3 (4.38)	(3.05)
Diluted loss per share (cents per share)	3 (4.38)	(3.05)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2012

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total \$
Balance at 1 July 2011	7,223,958	(1,680,220)	110	5,543,848
Loss for the period	-	(1,417,061)	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income/ (loss) for the period	-	(1,417,061)	-	(1,417,061)
Issue of shares	-	-	215,744	215,744
Share issue costs	-	-	-	-
Balance at 31 December 2011	7,223,958	(3,097,281)	215,854	4,342,531
Balance at 1 July 2012	7,223,958	(4,397,406)	215,854	3,042,406
Loss for the period	-	(2,296,259)	-	(2,296,259)
Other comprehensive income	-	-	-	-
Total comprehensive income/ (loss) for the period	-	(2,296,259)	-	(2,296,259)
Issue of shares	2,479,562	-	-	2,479,562
Options Issued	-	-	80,850	80,850
Share issue costs	(154,818)	-	-	(154,818)
Balance at 31 December 2012	9,548,702	(6,693,665)	296,704	3,151,741

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2012

	31 December 2012 \$	31 December 2011 \$
Cash Flows from Operating Activities		
Payments to suppliers, contractors and employees	(703,061)	(344,497)
Payments for exploration and evaluation	(1,473,264)	(954,231)
Interest received	37,207	88,134
Other income received	40,589	-
Net cash flows used in operating activities	(2,098,529)	(1,210,594)
Cash Flows from Investing Activities		
Payment of security bond	-	(20,900)
Purchase of property, plant & equipment	(63,466)	(61,948)
Net cash used in investing activities	(63,466)	(82,848)
Cash Flows from Financing Activities		
Proceeds from issue of shares	2,479,562	-
Share issue expenses	(123,060)	-
Net cash flows from financing activities	2,356,502	-
Net increase/(decrease) cash and cash equivalents	194,507	(1,293,442)
Cash and cash equivalents at the beginning of the financial period	1,522,500	4,503,675
Cash and cash equivalents at the end of the financial period	1,717,007	3,210,233

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The financial report for the parent Talga Resources Ltd and its Controlled Entities, (The "Group") for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 25 February 2013. Talga Resources Ltd is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described on page 4 of this report.

2. Summary of Significant Accounting Policies

Basis of accounting

The half-year financial report is a general-purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Talga Resources Ltd as at 30 June 2012.

It is also recommended that the half year financial report be considered together with any public announcements made by Talga Resources Ltd during the half year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

3. Earnings Per Share **31 Dec 2012** **31 Dec 2011**

	Cents	Cents
Basic loss per share	(4.38)	(3.05)
Diluted loss per share	(4.38)	(3.05)

Weighted average number of ordinary shares used in the calculation of basic loss per share is 52,446,279. Options to purchase ordinary shares not exercised at 31 December 2012 have not been included in the determination of basic earnings per share.

4. Contributed Equity **(a) Issued and paid up capital**

	31 December 2012	30 June 2012
	\$	\$
Ordinary shares	10,302,280	7,822,716
Shares issued and fully paid	(753,578)	(598,758)
Capital raising costs	<u>9,548,702</u>	<u>7,223,958</u>
Issued and fully paid capital		

(b) Movement in ordinary shares on issue

	Number of Shares	Total \$
1/07/2012 Opening Balance	46,351,907	7,223,958
Shares Issued	<u>8,052,500</u>	<u>2,324,744</u>
31/12/2012 Closing Balance	<u>54,404,407</u>	<u>9,548,702</u>

5. Share Based Payments

Employee share option plan

The Consolidated entity has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of Talga Resources Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at a previous annual general meeting and is subject to approval by the remuneration committee. The formula rewards executives and senior employees to the extent of the Consolidated entity's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial and customer service measures:

- improvement in share price
- improvement in net profit
- improvement in return to shareholders
- reduction in warranty claims
- results of client satisfaction surveys
- reduction in rate of staff turnover

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

During the financial period, the following share-based payment arrangements were in existence:

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
3	500,000	04/09/2012	03/10/2016	\$0.45	80,850

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 issue.

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

Option series 3 have an exercise price is \$0.45 and has an expiry date of 03 October 2016. Options vested on issue

6. Segment Information

Talga Resources Ltd operates within the exploration industry in Western Australia and in Sweden. 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			87,202	87,202
Total group revenue			87,202	87,202
Segment net profit/(loss) from continuing operations before tax	(381,857)	(1,112,431)	87,202	(1,407,086)
Reconciliation of segment result to group net loss before tax				
Unallocated items:				
Administration costs				(570,858)
Compliance costs				(237,465)
Option expense				(80,850)
Net loss before tax from continuing operations				(2,296,259)

7. Subsequent Events

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect, the state of affairs or operations of the consolidated entity in the future financial periods.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

8. Contingent Liabilities

Talga Resources 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 500,00 ordinary shares.

9. Cash and Cash Equivalents

For the purposes of the half year Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2012:

	31 December 2012 \$	30 June 2012 \$
Cash at bank and in hand	414,459	22,400
Short-term deposits	1,302,548	1,500,000
	<u>1,717,007</u>	<u>1,522,400</u>

10. Related Party Transactions

There were no related party transactions entered into for the half year ended 31 December 2012, other than directors fees paid to related entities.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Talga Resources Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2012 and of the performance for the half-year ended on that date of the Company; and
 - (ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Mark Thompson', with a stylized flourish extending to the right.

Mark Thompson
Managing Director

Perth, Western Australia
25 February 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TALGA RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Talga Resources Limited, which comprises the statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Talga Resources Limited (the consolidated entity). The consolidated entity comprises both Talga Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Talga Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Talga Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Talga Resources Limited on 25 February 2013.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Talga Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 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
25 February 2013