TALGA RESOURCES

TALGA RESOURCES LIMITED
AND CONTROLLED ENTITIES
ABN 32 138 405 419

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

CORPORATE DIRECTORY

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

GROUP SECRETARY
Jeremy McManus

ASX Code
TLG

ABN
32 138 405 419

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CHAIRMAN'S REPORT

Dear Shareholders

Talga Resources Limited ("Talga") has had an exceptionally busy and operationally successful 2013 with a number of significant milestones achieved.

The year was punctuated by several outstanding achievements which culminated in significant upgrades to the Company's JORC resources, including the highest grade graphite resource in the world and just under a quarter of a billion tonnes of iron ore. Talga's JORC resources are detailed in the Nature of Operations and Principal Activities section of this report.

Talga's focus has now swung almost completely towards its Swedish graphite projects, the prospectivity of which has grown rapidly with Talga's 2013 exploration efforts. With the major drilling programs now complete, a reduction in exploration expenditure can be achieved as the Group moves into a phase of economic studies and development.

Whilst the current commodity market has been tight the board remains confident of the outlook for graphite in particular. As Europe currently imports around 95% of its graphite needs annually, the Board believes that there is demand for a new graphite mine in Europe based on an import replacement model alone. At the same time a continuation of supply tightness out of China may further enhance Talga's opportunity to successfully engage with off-take partners in Asia.

Talga already has sufficient JORC resources to support potential 10+ year mine life at both the Nunasvaara and Raitajärvi graphite projects. Whilst there is potential to continue drilling along strike and at depth at both projects, the Board has decided that there is more to be gained by advancing the economic scoping studies now that major drill programs are complete. Such studies can meaningfully progress the projects whilst requiring less cash outflow than further drilling programs (particularly at the pace of drilling undertaken over the past year).

Talga has begun and will continue with its efforts to divest all but the core Swedish graphite projects. Multiple discussions are in train with respect to asset divestments, funding initiatives and other options that include joint venturing of core and non-core assets.

Talga's operational success has been partly overshadowed by what is a particularly challenging market backdrop for all ASX listed junior resource companies. In response to a difficult market for raising equity capital and selling assets, your Board has implemented changes to downsize staff numbers, reduce administrative costs to a bare minimum and cut staff salaries to minimize cash outflows.

Talga is confident in the quality of its assets, the project development progress it has made and the first rate jurisdiction in which it is operating. The Group has achieved much in the last 12 months with very modest expenditure and the Board believes Talga is on the cusp of demanding more recognition in the market. The investment fundamentals of the projects and the Group itself are outstanding and with further working capital Talga is confident it can secure the momentum required to further cement relationships with potential off-takers of our product/s. Furthermore, Talga is not being attributed any value for its non-graphite assets and the iron ore, gold and copper/gold assets have value to be realised.

The Board of Directors are particularly grateful for the continued and ongoing support of its shareholders and we look forward to keeping investors abreast of our future success.

Sean Neary
Chairman

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of Talga Resources Limited and its controlled entities ("Group"), for the financial year ended 30 June 2013.

BOARD OF DIRECTORS

The names and details of 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. Mr Neary brings to the Talga Resources board a wealth of financial industry and corporate strategy experience that will ensure the Group's sustainable growth.

Mark Thompson (Managing Director)

Mr Thompson has more than 20 years industry experience in exploration and mining management, working extensively on Australian and international resource projects. He is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists, and holds the position of Guest Professor in Mineral Exploration Technology at both the Chengdu University of Technology and the Southwest University of Science and Technology in China.

Mr Thompson founded and served on the Board of ASX listed Catalyst Metals Ltd and is a non-executive Director of Phosphate Australia Ltd.

Piers Lewis (Non-Executive Director)

Mr Lewis has more than 15 years global corporate experience since qualifying in 2001 as a Chartered Accountant with Deloitte (Perth). He brings to the Talga Resources Board extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London), Mizuho International and NAB Capital. Mr Lewis is Group Secretary/CFO for several ASX listed companies and currently sits on the board of Zeta Petroleum PLC and Stratos Resources Ltd.

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	Phosphate Australia Ltd	October 2012 - current
Sean Neary	None	
Piers Lewis	Stratos Resources Ltd	March 2012 – current
	Zeta Petroleum PLC	November 2012 - current

CORPORATE STRUCTURE

Talga Resources Ltd is a Group limited by shares that is incorporated and domiciled in Australia. Talga Resources Ltd has a 100% interest in Talga Mining Pty Ltd in which certain tenements are registered and also has a 100% interest in the Canadian entity TCL Sweden Ltd.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were exploration and resource development at the Group's 100% owned graphite, iron ore and gold projects in Sweden and Western Australia. Exploration was predominantly field based, utilising drilling and surface geochemical sampling, with some laboratory based metallurgical testwork.

REVIEW OF OPERATIONS

During the year the Group focused its exploration and resource development activities in Sweden (graphite, iron ore and copper-gold), and continued smaller scale exploration efforts on the Group's gold assets in Western Australia.

Sweden Exploration

After successfully acquiring TCL Sweden Ltd ("TCL Sweden"), a subsidiary of Teck Resources Ltd in June 2012, the Group embarked on an intensive exploration program which has resulted in tonnage and JORC classification upgrades for three JORC resources, maiden JORC resources for five iron ore deposits within the Group's Vittangi project, a Memorandum of Understanding with the Port of Luleå for concentrate export and commencement of a scoping study at the Nunasvaara graphite project.

GRAPHITE

Nunasvaara Project

The Group's maiden diamond drilling program at the Nunasvaara graphite deposit, (19 holes, 1697m) resulted in an updated total JORC Indicated and Inferred resource of 7.6Mt at 24.4% graphite ("**Cg**"). A scoping study has commenced, with consultants Entech Mining completing pit optimisation and mine scheduling work. Product specification studies and final economic inputs are pending. In line with similar peer group decisions, work on the scoping study was slowed to ensure prudent expenditure rates.

Nunasvaara Graphite Project – JORC Resource at 10% Cg cut-off as at 30th June 2013.

JORC Resource category	Tonnes	Grade Cg (%)
Indicated	5,600,000	24.6
Inferred	2,000,000	24.0
Total	**7,600,000**	**24.4**

Note: Ore tonnes rounded to nearest hundred thousand tonnes

Reconnaissance rock chipping was carried out over the 15km of known strike extensions of the Nunasvaara graphite occurrence. Forty-nine samples were collected from the graphite unit, with an average grade of 26.2% Cg, highlighting the potential for a significant increase in resource size with further exploration.

Raitajärvi Project

During March-April 2013, Talga undertook a diamond drilling program (28 holes, 3,666m) at the Raitajärvi graphite project, testing strike and depth extensions of historically identified mineralisation. An updated total JORC Indicated and Inferred resource of 4.3Mt at 7.1% Cg was announced subsequent to the reporting period. Coarse flake graphite is present at or near surface and would likely be amenable to open-pit style development.

An additional 14km^2 lease was pegged at the project, securing potential strike extensions of the existing JORC resource.

Raitajärvi Graphite Project – JORC Resource at 5% Cg cut-off announced 26th August 2013 subsequent to reporting period.

JORC Resource category	Tonnes	Grade Cg (%)
Indicated	3,400,000	7.3
Inferred	900,000	6.4
Total	**4,300,000**	**7.1**

Note: Ore tonnes rounded to nearest hundred thousand tonnes

Piteå Project

During the year, Talga received notice of grant for its Önusträsket exploration licence, within the new 100% owned Piteå project area. Piteå graphite mineralisation was historically explored and drilled by state owned groups and is characterised as exceptionally coarse flake, with 70-90% of observed flake larger than 0.3mm (equivalent of +50 mesh, also referred to as extra-large or 'jumbo' flake).

Other Graphite Projects

Work undertaken on the Group's other graphite projects in Sweden included drill permitting for the Maltosrova and Mörttjärn prospects within the Vittangi project, and reconnaissance site visits to Piteå and Nybrännan. Tenements were also reviewed and rationalised where appropriate.

A Memorandum of Understanding was signed with the Port of Luleå to export up to 80,000 tonnes of graphite concentrate/products.

IRON ORE

Masugnsbyn Project

Diamond drilling was carried out at the Masugnsbyn iron ore project during October 2012 (9 holes, 1428m). Results from this program, coupled with a review of historical drilling and geophysics, led to an updated total JORC Indicated and Inferred resource estimate of 112Mt at 28.6% iron ("Fe").

The coarse-grained nature of the skarn magnetite iron mineralisation makes it potentially amenable to magnetic concentration methods. Further advantages include Sweden's low cost power and established magnetite mining, milling and transport infrastructure in the district.

Masugnsbyn Project – JORC Iron Resource Estimate at 20% Fe cut-off as at 30th June 2013.

JORC Resource category	Tonnes	Grade Fe (%)
Indicated	87,000,000	28.3
Inferred	25,000,000	29.5
Total	**112,000,000**	**28.6**

Note: Ore tonnes rounded to nearest hundred thousand tonnes

Vittangi Project

Compilation and digitisation of historic datasets was undertaken on iron ore occurrences within the Vittangi project. This work resulted in the estimation of five maiden JORC resources, which were announced subsequent to the reporting period.

Vittangi Project – Maiden JORC Inferred Iron Resource Estimates at 15% Fe cut-off announced 22nd July 2013, subsequent to reporting period.

Deposit	Tonnes	Grade Fe (%)
Vathanvaara	51,200,000	36.0
Kuusi Nunasvaara	46,100,000	28.7
Mänty Vathanvaara	16,300,000	31.0
Sorvivuoma	5,500,000	38.3
Jänkkä	4,500,000	33.0
Total	**123,600,000**	**32.6**

Note: Ore tonnes rounded to nearest hundred thousand tonnes

COPPER-GOLD

Compilation and digitisation of historical drilling data and integration with existing datasets was completed at the Kiskama copper-gold project and several copper-gold prospects within the Vittangi project. These datasets are currently under assessment.

Australia Exploration

Due to Talga focussing on advancement of its Swedish assets, work undertaken on the Group's gold projects in Western Australia was reduced relative to previous years. The Group did however complete RC drilling, surface geochemical sampling, site rehabilitation and reviews towards rationalisation of projects to preserve funds while seeking partners or trade sales.

Tambina Project

During the December 2012 quarter, Talga completed a government co-funded RC drilling program consisting of 22 drill holes for 1,349 metres. 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 of strike. Assay results confirmed stratigraphically contiguous but low tenor gold mineralisation. Following a review of results the Group terminated its option to purchase the Tambina gold project.

Bullfinch Project

The size of the Bullfinch project was rationalised following a target review, however a previously excised area of historic gold workings was able to be acquired. This consolidates the project and provides Talga with several historic gold camps, including Withers Find and Rutherfords Reward, where outcropping vein hosted gold mineralisation may offer attractive targets for operators of gold mills in the region. Discussions with parties interested in the project have commenced.

Mosquito Creek Project

Soil geochemical surveys were undertaken at the Mosquito Creek project during the March 2013 quarter. Surveys were only partially completed due to weather conditions and samples have not yet been submitted for laboratory analysis.

Beatons Creek Prospect

During the June 2013 quarter Talga divested its 100% interest in two prospecting licences that adjoin Novo Resources Corp. ("Novo") Beatons Creek project. Talga retains 100% interest in an adjacent prospecting licence P46/1638, which has previously been shown to contain gold and diamonds hosted by conglomerate units.

Talga Talga Project

The Group commenced discussions for the possible use of a mobile treatment plant to exploit surficial gold deposits at Talga Talga.

Warrawoona Project

Surface geochemical surveys were completed at the Warrawoona project during the March 2013 quarter. This work focused on extending and upgrading the quality of known soil geochemical anomalies, including Horrigans and Klondyke Extended, towards attracting a JV partner or trade sale on the Australian gold projects.

RESULTS OF OPERATIONS

The operating loss after income tax of the Group for the year ended 30 June 2013 was ($4,244,700) (2012: $2,717,186). No dividend has been paid during or is recommended for the financial year ended 30 June 2013.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Company changed its name from Talga Gold Limited to Talga Resources Limited, and successfully concluded a $2.3m placement to institutional and sophisticated investors as well as a share purchase plan ("SPP") which raised $171,000.

Talga has made progress with marketing its potential graphite products and seeking transaction partners. Non disclosure agreements with several parties representing major graphite consumers in Europe have been completed with a view to exploring potential transactions in product off-take or project development. The Sweden iron assets have been developed towards divestment or joint venture. 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 Group and its shareholders.

SUBSEQUENT EVENTS

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

An updated total JORC Indicated and Inferred resource of 4.3Mt at 7.1% Cg was announced for the Raitajärvi project subsequent to the reporting period. Coarse flake graphite is present at or near surface and would likely be amenable to open-pit style development. In addition new JORC compliant Inferred resources of iron at the Group's Vittangi iron ore project were announced that lifted the Group's total combined JORC Indicated and Inferred iron resources to 235.6Mt @ 30.7%Fe.

Subsequent to the period the data for the Swedish copper-gold and iron ore projects was being extracted and reviewed in order that the projects can be 'packaged' ready for divestment or corporate transaction to support the Group's graphite focus.

On 9 September 2013 the Group declared a capital raising initiative on the Australia Securities Exchange to raise up to $1.47 million. Subsequently a single tranche placement (without the need for shareholder approval), pursuant to Listing Rule 7.1 was completed at an issue price of $0.05 per new share to raise $414,783. At the date of this report a non renounceable rights issue (on a 1:3 basis) to existing shareholders was underway where the Group will issue approximately 21,200,022 new shares at an issue price of $0.05 per New Share to raise approximately $1.06 million before costs. The Rights Issue is fully underwritten.

FINANCIAL POSITION

The Group's working capital surplus/(deficiency), being current assets less current liabilities was ($466,114) at 30 June 2013 (2012: $1,266,275).

In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

OPERATING AND FINANCIAL REVIEW – GOING CONCERN

In the three years since listing the Group has focused on mineral exploration, with the longer term ambition being to transition from exploration to resource development and ultimately graphite production. As a mineral explorer the Group generally has little revenue outside of interest on bank deposits and occasional asset sales. The financial aspects of the Group are therefore dominated by raising equity capital and then spending the funds raised on mineral exploration activities.

Since listing the Group has raised $9,702,467 in share capital, which has been primarily spent on exploration in Western Australia and Sweden. Consistent with the high risk nature of exploration, the results from those activities have been varied. In Western Australia the Group has a range of gold assets with potential, albeit thus far without any "headline" success such as the announcement of JORC resources. The results in Sweden have been much more positive, with substantial JORC resources announced for both graphite and iron ore, details of which are provided later in this report. It should also be pointed out that the previous owners of many of the tenements in Sweden held those tenements primarily for their copper and gold potential. That potential remains, although the Group is focused on the graphite and iron ore at present and therefore has insufficient resources to seriously consider the copper and gold potential in the near term.

The Group's strategy is simple – to do what is necessary to progress the graphite projects in Sweden from exploration to development and ultimately become a significant graphite producer. Within that context the iron ore and gold assets are "non-core" and as at year end the Group was actively looking at divesting or entering into joint venture arrangements to commercialize those assets.

The financial position of the Group is as follows. As at 30 June 2013 the Group had $551,142 in cash, which was sufficient only to cover committed expenditure for a matter of months post year end. Throughout the first half of calendar 2013 the Group was seeking to raise additional capital. Those activities came to fruition with the announcement 9 September 2013 of $1.47 million in equity capital being raised, which consisted of a placement of $415,000 to sophisticated shareholders and a fully underwritten rights issue to raise a further $1,060,000 before costs. These funds will be available to support the further development of the graphite projects in Sweden. As noted above the Group is also actively pursuing asset sales, with the funds from any sales also being devoted to the graphite projects.

The Group spent a total of $4,244,700 during the year ended 30 June 2013. This figure included substantial expenditure for drilling in Sweden, with the Board being particularly pleased with the results in terms of JORC resources announced. The judicious use of historic drilling results combined with complementary drilling programs during the year allowed the announcement of substantial JORC resources for what the Board considers to be a relatively modest financial outlay.

The board is forecasting a significant reduction in expenditure in the coming year. This is partly due to the lack of need for further expensive drilling programs in Sweden and partly due to the Board's efforts to cut staff and reduce other expenditure in response to the weak market for accessing new capital.

At this point the Group remains a mineral exploration company and hence will rely on continuing access to capital markets to fund further development in Sweden. The near term focus is progressing with economic scoping studies, metallurgical tests and working towards beneficial relationships with potential customers and off-take parties. The Group has sufficient funds to pursue those activities, although further reliance on the introduction of new capital will continue to be a part of the Group's business model until such time as the graphite projects are fully developed and in production (milestones which are targeted for achievement over the next few years).

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Group during the financial year 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 and the Swedish Minerals Act ('Minerallagen'). 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 Group are not aware of any breach of environmental legislation for the financial year under review.

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

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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

SHARE OPTIONS

As at the date of this report, there were 3,750,000 ordinary shares under option. 2,750,000 options have an exercise price of 40 cents and expire 30 November 2014. 500,000 have an exercise price of 35 cents and expire 21 July 2015, and 500,000 have an exercise price of 45 cents and expire 3 October 2016.

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 2013, 1,100,000 ordinary shares were issued on the exercise of options granted. No further shares have been issued since year end due to the exercise of options.

REMUNERATION REPORT (Audited)

This report details the type and amount of remuneration for each director of the Group, 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 Group'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 the Group.

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 Group'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 Group 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 Group. 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 Group and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of options to directors is in accordance with the Group'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 Group.

The Group has not paid bonuses to directors or executives in the year ended 30 June 2013.

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

The remuneration policy has been tailored to maximise the commonality of goals between shareholders, 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 Group believes this policy will be the most effective in increasing shareholder wealth.

Details of Remuneration for year ended 30 June 2013

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

2013

	Short Term Benefits				Employment		Securities Issued		Total
Director	**Salary $**	**Directors Fees $**	**Other $**	**Non Monetary Salary* $**	**Super-annuation $**	**Retirement Benefits $**	**Equity $**	**Options $**	**Total $**
Sean Neary Chairman (iii)	-	43,600	58,736	2,472	-	-	-	-	104,808
Mark Thompson Managing Director (i)	275,000	-	-	2,472	24,750	-	-	-	302,222
Piers Lewis Non-Executive Director (ii)	-	41,328	27,228	2,472	-	-	-	-	71,028
Total	**275,000**	**84,928**	**85,964**	**7,416**	**24,750**	**-**	**-**	**-**	**478,058**

2012

	Short Term Benefits				Employment		Securities Issued		Total
Director	**Salary $**	**Directors Fees $**	**Other $**	**Non Monetary Salary* $**	**Super-annuation $**	**Retirement Benefits $**	**Equity $**	**Options $**	**Total $**
Sean Neary Chairman	-	43,600	5,156	2,472	-	-	-	-	51,228
Mark Thompson Managing Director	238,333	-	-	2,472	21,492	-	-	115,837	378,134
Piers Lewis Non-Executive Director	-	38,150	58,915	2,472	-	-	-	43,439	142,976
Total	**238,333**	**81,750**	**64,071**	**7,416**	**21,492**	**-**	**-**	**159,276**	**572,338**

Notes and Services Agreements of Directors

Directors are paid under the terms agreed to by a directors resolution as detailed below:

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, which subsequently was reduced to $220,000 effective July 1, 2013 by board resolution. The employment contract states a nine-month resignation period. The Group 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.

ii) Mr Lewis will receive director's fees of $38,150 per annum, which subsequently was reduced to $30,520 effective July 1, 2013 by board resolution. Whilst Mr Lewis was the Group Secretary a monthly agreement on ordinary commercial terms was in place. An aggregate amount of $27,228 was paid, or was due and payable to SmallCap Corporate Pty Ltd, a Group controlled by Mr Piers Lewis, for the provision of corporate and financial services to the Group.

iii) Mr Neary will receive director's fees of $43,600 per annum, which subsequently was reduced to $34,880 effective July 1, 2013 by board resolution. An aggregate amount of $58,736 was paid, or was due and payable to Neary Consulting Pty Ltd, a Group controlled by Mr Sean Neary, for the provision of accounting and taxation services to the Group.

* The Group paid a premium of $7,416 (2012: $7,416) to insure Directors and Officers of the Group.

No options were granted to the Directors during the year ended 30 June 2013. In the year ended 30 June 2012 the fair value of options granted to directors totalled $159,276 ($115,837 to M Thompson and $43,439 to P Lewis). Note 16 (c) and (d) refers to the assumptions made in calculating the fair value of the options. These options were vested as at 30 June 2013.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests (Direct and Indirect) of the Directors in the ordinary shares and options of the Group are:

	Ordinary Shares			Options			
Directors	Balance at beginning of period	Purchased/ (Sold)	Balance at end of period	Balance at beginning of period	Expired	Exercised	Balance at end of period
S Neary	575,000	628,947	1,203,947	550,000	-	(550,000)	-
M Thompson	9,000,000	78,947	9,078,947	2,000,000	-	-	2,000,000
P Lewis	575,000	125,000	700,000	1,225,000	-	(475,000)	750,000

The movement during the year, by value, of options over ordinary shares in the Company held by each key management person is detailed below:

Directors	Granted in Year $	Value of options exercised in year $	Lapsed in year $
S Neary	-	110,000	-
M Thompson	-	-	-
P Lewis	-	95,000	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group paid a premium of $7,416 (2012: $7,416) to insure Directors and Officers of the Group. The Directors and Officers have indemnities in place with the Group whereby the Group 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 Group and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2013 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 2013.

CORPORATE GOVERNANCE

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

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

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

Mark Thompson
Managing Director
Perth, Western Australia
26 September 2013

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26 September 2013

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

Dear Directors

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 audit of the financial statements of Talga Resources Limited for the year ended 30 June 2013, 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 2013

		2013	2012
		$	$
Current Assets	Note		
Cash and cash equivalents	5	551,142	1,522,500
Trade and other receivables	6	16,095	39,275
Total Current Assets		567,237	1,561,775
Non-Current Assets			
Other receivables	6	20,900	20,900
Plant & field equipment	7	93,359	92,524
Exploration and evaluation expenditure	8	1,673,454	1,662,707
Total Non-Current Assets		1,787,713	1,776,131
TOTAL ASSETS		2,354,950	3,337,906
Current Liabilities			
Trade and other payables	9	940,897	245,715
Provisions	10	92,454	49,785
TOTAL LIABILITIES		1,033,351	295,500
NET ASSETS		1,321,599	3,042,406
Equity			
Issued capital	11	9,702,467	7,223,958
Reserves	12	261,238	215,854
Accumulated losses	13	(8,642,106)	(4,397,406)
TOTAL EQUITY		1,321,599	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 Year Ended 30 June 2013

	Note	2013 $	2012 $
Revenues from ordinary activities	2	63,367	180,064
Other Income	2	60,786	-
Expenses			
Administration costs		(893,232)	(511,979)
Compliance and regulatory expenses		(434,883)	(336,575)
Options expense		(80,850)	(215,744)
Exploration expenditure written off	3	(2,959,888)	(1,832,952)
Loss before income tax expense		(4,244,700)	(2,717,186)
Income tax expense	4	-	-
Net loss attributable to members of the parent entity		(4,244,700)	(2,717,186)
Other comprehensive income:			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		(35,466)	-
Total other comprehensive income for the year		(35,466)	-
Total comprehensive income/(loss) for the year		(4,280,166)	(2,717,186)
Total comprehensive income/(loss) attributable to members of the parent entity		(4,280,166)	(2,717,186)
Basic loss per share (cents per share)	15	(7.9)	(5.9)
Diluted loss per share (cents per share)	15	(7.9)	(5.9)

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 Year Ended 30 June 2013

	Issued Capital $	Accumulated losses $	Reserves $	Total $
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**
Balance at 1 July 2012	**7,223,958**	**(4,397,406)**	**215,854**	**3,042,406**
Loss before income tax	-	(4,244,700)	-	(4,244,700)
Other comprehensive income	-	-	(35,466)	(35,466)
Total comprehensive income/(loss)	**-**	**(4,244,700)**	**(35,466)**	**(4,280,166)**
Issue of share capital	2,650,563	-	-	2,650,563
Issue of options	-	-	80,850	80,850
Capital raising costs	(172,054)	-	-	(172,054)
Balance at 30 June 2013	**9,702,467**	**(8,642,106)**	**261,238**	**1,321,599**

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 2013

	Note	2013 $	2012 $
Cash Flows from Operating Activities			
Payments for exploration and evaluation		(2,483,914)	(1,679,233)
Payments to suppliers, contractors and employees		(1,119,034)	(731,805)
Interest received		83,614	178,635
Drilling initiative received		32,198	-
Net cash flows used in operating activities	14	(3,487,136)	(2,232,403)
Cash Flows from Investing Activities			
Purchase of plant and equipment		(63,465)	(67,351)
Payments for exploration and evaluation acquisition costs		-	(177,618)
Purchase of investments		-	(482,900)
Payment of security deposit		-	(20,900)
Proceeds from sale of tenements		40,000	-
Proceeds from sale of plant and equipment		15,000	-
Net cash used in investing activities		(8,465)	(748,769)
Cash Flows from Financing Activities			
Proceeds from issue of securities		2,650,563	-
Payment for costs of issue of securities		(156,320)	-
Net cash flows from financing activities		2,494,243	-
Net decrease in cash and cash equivalents		(1,001,358)	(2,981,172)
Cash and cash equivalents at the beginning of the financial year		1,522,500	4,503,672
Cash and cash equivalents at the end of the financial year	5	551,142	1,522,500

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

NOTES TO THE FINANCIAL STATEMENTS

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 of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report covers the parent Talga Resources Limited and Controlled Entities (the “Group”). Talga Resources Limited is a public Group, incorporated and domiciled in Australia.

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 Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. Based on the analysis which is included in the Operating and Financial Review in the Directors’ Report on page 8, in the Directors’ opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Should the Company not be able to continue as a going concern, it may not be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in this financial report.

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 (i.e. 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 profit or loss.

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 Group 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 Group 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 Group 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 Group 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.

(i) Taxation

The Group 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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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 Group's estimate of shares that will eventually vest.

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

(l) Issued Capital

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

(m) Earnings Per Share

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

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(n) Critical Accounting Estimates and Judgments

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

Key Estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group 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 acquisition costs are 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 Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) New and Revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(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.

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'	1 January 2013	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2013	30 June 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those 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 and AASB 2012-6: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). 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.

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

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 (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" (whereby 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 only affect disclosures 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (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 measurements.

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) measured at fair value.

These Standards are not expected to significantly impact the Group.

AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual ley management Personnel Disclosure Requirements ((applicable for annual reporting periods commencing on or after 1 January 2013).

This standard makes amendments to AASB 124; Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3). These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This standard is not expected to significantly impact the Group's financial report as a whole.

AASB 119 (September 2011) includes changes to the accounting for termination benefits.

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

AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.

These standards are not expected to impact the Group.

(q) Foreign Currency

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of the Consolidated Entity's foreign subsidiaries was changed from Australian dollars to Swedish Krona from 1 January 2013.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income:

- Available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A final liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

	2013 $	**2012 $**
2. REVENUE		
Interest revenue	63,367	180,064
Sale of tenements	40,000	-
Other	20,786	-
3. EXPENSES		
Expenses include the following amounts:		
Rent & outgoings	114,976	100,931
Depreciation expense	51,131	50,045
Website	556	1,982
Audit fees	30,104	30,093
Consultancy	177,435	31,126
Exploration costs written off (refer note 1(b))	2,959,888	1,832,952

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

	2013 $	2012 $
Loss before income tax	(4,244,700)	(2,717,186)
Income tax calculated at 30%	(1,273,410)	(815,156)
Tax effect of:		
- Deferred exploration expenditures	-	(198,156)
- Expenses not allowed	24,622	64,941
- Sundry – Temporary differences	-	-
- Section 40-880 deduction	(46,249)	(35,926)
- Accrued expenses	33,886	54,081
Adjustment for difference in tax rate	169,304	-
Future income tax benefit not brought to account	1,091,847	930,216
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.

	2013 $	2012 $
Australian Tax Losses	2,722,536	1,630,689
Provisions net of prepayments	32,686	66,572
Section 40-880 deduction	104,794	99,426
Deferred exploration expenditures	(498,812)	(498,812)
Accrued Interest	-	(6,074)
Unrecognised deferred tax assets relating to the above temporary differences	2,361,204	1,291,801

The estimated Swedish tax losses are approximately $2,366,478 based on a tax rate of 22%. The deferred tax benefit from the Swedish tax losses not recognised is approximately $520,625.

The benefits will only be obtained if;

i. The Group 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 Group continues to comply with the conditions in deductibility imposed by the Law; and
iii. No change in tax legislation adversely affects the Group in realising the benefits from the deductions or the losses.

	2013 $	2012 $
5. CASH AND CASH EQUIVALENTS		
Cash at bank	551,142	1,522,500

	2013 $	2012 $
6. TRADE AND OTHER RECEIVABLES		
CURRENT		
Other Debtors	11,890	-
Interest accrual	-	20,247
GST receivable	4,205	19,028
Total	16,095	39,275

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

	2013 $	2012 $
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.

	2013 $	2012 $
7. PLANT AND EQUIPMENT		
Plant and equipment at cost	203,563	168,114
Less: accumulated depreciation	(110,204)	(75,590)
Total plant and equipment	93,359	92,524
Carrying amount at the beginning of the year	92,524	75,218
Additions	63,465	67,351
Disposals	(12,480)	-
Depreciation expense	(51,131)	(50,045)
Exchange difference	981	-
Depreciation expense	93,359	92,524

	2013 $	2012 $
8. EXPLORATION AND EVALUATION EXPENDITURE		
Written down value – opening	1,662,707	1,002,187
Acquisition of Subsidiary	-	482,902
Exploration and evaluation expenditure	2,959,888	2,010,570
Written off as incurred (refer note 1(b))	(2,959,888)	(1,832,952)
Foreign Exchange movement in assets	10,747	-
Written down value – closing	1,673,454	1,662,707

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

	2013 $	2012 $
9. TRADE AND OTHER PAYABLES		
CURRENT PAYABLES		
Trade creditors	924,397	73,594
Accruals	16,500	172,121
Total	940,897	245,715

Trade liabilities are non-interest bearing and normally settled on 120-day terms.

	2013 $	2012 $
10. PROVISIONS		
Provision for Annual Leave	92,454	49,875

	2013 Number	2013 $	2012 Number	2012 $
11. ISSUED CAPITAL				
Ordinary shares	46,351,907	7,223,958	46,351,907	7,223,958
Fully paid issued shares (a)	8,952,499	2,650,563	-	-
Less transaction costs	-	(172,054)	-	-
Total issued capital	**55,304,406**	**9,702,467**	**46,351,907**	**7,223,958**

11. ISSUED CAPITAL (Cont.)

(a) Ordinary shares

There were 8,952,499 shares issued during the year ended 30 June 2013.

On 26 July 2012 the Company issued 6,952,500 shares pursuant to a placement at 32.5 cents to institutional investors. On 7 December 2012 the Company issued 75,000 shares on exercise of options at 20 cents. On 18 December 2012 the Company issued 1,025,000 shares on exercise of options at 20 cents. On 20 May 2013 the Company issued 899,999 shares pursuant to a Share Purchase Plan at 19 cents.

(b) Share Options

At 30 June 2013 the Group had 500,000 options on issue exercisable at 35 cents each and with an expiry date of 21 July 2015, 2,750,000 options on issue exercisable at 40 cents each and with an expiry date of 30 November 2014, and 500,000 options on issue exercisable at 45 cents each and with an expiry date of 3 October 2016.

Capital Management

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

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

The working capital position of the Group at 30 June 2013 is as follows:

	2013 $	2012 $
Cash and cash equivalents	551,142	1,522,500
Trade and other receivables	16,093	39,275
Trade and other payables	(940 897)	(245,715)
Provisions – employee entitlements	(92,454)	(49,785)
Working capital position	(466,116)	1,266,275

12. RESERVES

	2013 $	2012 $
OPTION RESERVE		
Balance at the beginning of the financial year	215,854	110
Options issued	80,850	215,744
Balance at the end of the financial year	296,704	215,854

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

12. RESERVES (Cont.)

	2013 $	2012 $
Foreign Currency Reserve		
Balance at the beginning of the financial year	-	-
Movement during the year	(35,466)	-
Balance at the end of the financial year	(35,466)	215,854
Total Reserves	(261,238)	(215,854)

13. ACCUMULATED LOSSES

	2013 $	2012 $
Balance at the beginning of this year	(4,397,406)	(1,680,220)
Loss for the year	(4,244,700)	(2,717,186)
Balance at the end of the year	(8,642,106)	(4,397,406)

14. CASHFLOW INFORMATION

Reconciliation of cash flows from operating activities with loss after income tax

	2013 $	2012 $
Loss after income tax	(4,244,700)	(2,717,186)
Non-cash flows in loss for the period		
- Depreciation	51,131	50,045
- Option expense	80,850	215,744
CHANGES IN ASSETS AND LIABILITIES		
- (Increase) / Decrease in operating receivables	17,097	14,208
- Profit on sale of caravan	2,520	-
- Profit on sale of tenements	40,000	-
-Trade and other payable and employee entitlements	662,813	204,786
Net cash outflows from Operating Activities	(3,475,329)	(2,232,403)

14. CASHFLOW INFORMATION (Cont.)

Non Cash Financing and Investing Activities
There have been nil non-cash investing and financing activities for the financial year.

	2013 $	2012 $
15. LOSS PER SHARE		
Net loss after income tax attributable to members of the Group	(4,244,700)	(2,717,186)
	Number	**Number**
Weighted average number of shares on issue during the financial year used in the calculation of Basic loss per share	53,497,174	46,351,907

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.

16. KEY MANAGEMENT AND PERSONNEL COMPENSATION

(a) Directors and Specified Executives

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

Directors

S. Neary	Non-Executive Chairman
M.Thompson	Managing Director
P. Lewis	Non-Executive Director

(b) Remuneration of Directors

$478,058 (2012: $572,338) in remuneration was paid to Directors for the financial year comprising salary, superannuation, insurance and commercial fees.

	2013 $	2012 $
Short-term employee benefits	453,308	391,570
Post-employee benefits	24,750	21,492
Other long-term benefits	-	-
Share-based payments	-	159,276
Total	478,058	572,338

16. KEY MANAGEMENT AND PERSONNEL COMPENSATION (Cont.)

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

There were no options granted to key management personnel during the year ended 30 June 2013.

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:

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 in Talga Resources Ltd held by Key Management Personnel ("KMP") of the group during the financial year is as follows:

Key Management Personnel Options 2013

30 June 2013	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exerciseable
S Neary	550,000	-	(550,000)	-	-	-	-
M Thompson	2,000,000	-	-	-	2,000,000	-	2,000,000
P Lewis	1,225,000	-	(475,000)	-	750,000	-	750,000

Key Management Personnel Options 2012

30 June 2012	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at End of Year	Vested during the Year	Vested during the Year
S Neary	550,000	-	-	-	550,000	-	550,000
M Thompson	-	2,000,000	-	-	2,000,000	-	2,000,000
P Lewis	475,000	750,000	-	-	1,225,000	-	1,225,000

16. KEY MANAGEMENT AND PERSONNEL COMPENSATION (Cont.)

The number of ordinary shares in Talga Resources Ltd held by Key Management Personnel ("KMP") of the group during the financial year is as follows:

Key Management Personnel Shareholdings 2013

30 June 2013	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	-	550,000	78,947	1,203,947
M Thompson	9,000,000	-	-	78,947	9,078,947
P Lewis	575,000	-	475,000	(350,000)	700,000

Key Management Personnel Shareholdings 2012

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

e) The Company's gold exploration field campervan in Australia was sold in an arms length transaction to Red Dog Prospecting Pty Ltd, a company controlled by Mark Thompson. The amount of consideration received ($15,000) exceeded the current book value ($12,480) and was approved by board resolution after a due process confirming the market price, arms length nature and positive result to the Company.

	2013 $	2012 $
17. AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	30,104	30,093
Other services	-	-
Total	30,104	30,093

18. 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:

18. COMMITMENTS (Cont.)

	2013 $	2012 $
Not longer than one year	464,760	742,878
Longer than one year, but not longer that five years	-	-
Longer than five years	-	-
Total	464,760	742,878

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

	2013 $	2012 $
Head Office lease		
Not longer than one year	20,900	19,072
Longer than one year, but not longer that five years	-	-
Longer than five years	-	-
Total	20,900	19,072

19. 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.

19. FINANCIAL INSTRUMENTS (Cont.)

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:

	2013 $	**2012 $**
Trade Receivables		
Group 1	-	-
Group 2	16,095	39,275
Group 3	-	-
Total trade receivables	16,095	39,275
Cash at bank and short-term deposits	551,142	1,522,500
Total	551,142	1,522,500

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 which 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.

19. FINANCIAL INSTRUMENTS (Cont.)

Interest Rate Sensitivity Analysis

At 30 June 2013, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2013 $	2012 $
Change in loss		
- Increase in interest rate by 100 basis points	3,824	15,085
- Decrease in interest rate by 100 basis points	(3,824)	(15,085)
Change in equity		
- Increase in interest rate by 100 basis points	3,824	15,085
- Decrease in interest rate by 100 basis points	(3,824)	(15,085)

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 is 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 2013, the Group has liabilities denominated in the foreign currencies detailed below:

	Foreign Currency	AUD Equivalent
CAD	50,960	52,541
EURO	383,869	541,041
SEK	207,393	33,305
Total AUD		626,887

A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately $31,344.

19. FINANCIAL INSTRUMENTS (Cont.)

	Floating Interest Rate $	Fixed Interest Rate $	Non interest bearing $	Total $	Weighted average interest rate %
2013					
Financial Assets					
Cash and cash equivalents	17,338	-	533,804	551,142	6.5
Trade and other receivables	-	20,900	16,095	36,995	-
Total financial assets	17,338	20,900	549,899	588,137	-
Financial liabilities					
Trade and other payables	-	-	940,897	940,897	-
Total financial liabilities	-	-	940,897	940,897	-
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	-

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

20. SEGMENT NOTE

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.

20. SEGMENT NOTE (Cont.)

2013	Exploration - Australia $	Exploration- Sweden $	Treasury - Australia $	Total $
SEGMENT PERFORMANCE				
Revenue	42,520	-	81,633	124,153
Total group revenue	42,520	-	81,633	124,153
Segment net profit/(loss) from continuing operations before tax	(832,236)	(1,975,199)	-	(2,807,435)
Reconciliation of segment result to group net loss before tax				
Unallocated items:				
Administration costs				(1,045,685)
Compliance costs				(434,883)
Option expense				(80,850)
Net loss before tax from Continuing operations				(4,244,700)
SEGMENT ASSETS				
Segment assets / total group assets	1,049,994	140,559	1,160,192	2,350,745
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				4,205
Total group assets				2,354,950
Segment asset increases for the period:				
Cash	-	14,235	(985,593)	(971,358)
Capitalised acquisition costs	-	10,747	(22,345)	10,747
Other	-	-	(7,523)	(22,345)
	-	24,982	(1,007,938)	(982,956)
SEGMENT LIABILITIES				
Segment liabilities	90,663	633,597	216,637	940,897
Reconciliation of segment liabilities to group liabilities				
Unallocated items:				
Provision				92,454
Total group liabilities				1,033,351

20. SEGMENT NOTE (Cont.)

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

21. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2013, 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 9 September 2013 the Group declared a capital raising initiative on the Australia Securities Exchange to raise up to $1.47 million. Subsequently a single tranche placement (without the need for shareholder approval), pursuant to Listing Rule 7.1 was completed at an issue price of $0.05 per new share to raise $414, 783. At the date of this report a non renounceable rights issue (on a 1:3 basis) to existing shareholders was underway where the Group will issue approximately 21,200,022 new shares at an issue price of $0.05 per New Share to raise approximately $1.06 million before costs. The Rights Issue is fully underwritten.

22. RELATED PARTIES

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

23. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION	**2013** **$**	**2012** **$**
ASSETS		
Current assets	552,485	1,561,675
Non Current Assets	1,635,390	1,994,636
TOTAL ASSETS	2,187,875	3,556,311
LIABILITIES		
Current liabilities	908,414	295,500
TOTAL LIABILITIES	908,414	295,500
NET ASSETS	1,279,461	3,260,811
EQUITY		
Issued capital	9,702,467	7,223,958
Accumulated losses	(8,719,710)	(4,179,001)
Option reserve	296,704	215,854
TOTAL EQUITY	1,279,461	3,260,811
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total Loss	(4,540,709)	(2,498,781)
Total comprehensive loss	(4,540,709)	(2,498,781)

24. CONTROLLED ENTITITES

Controlled Entities Consolidated

Subsidiaries of Talga Resources Ltd	Country of Incorporation	Percentage Owned (%) *	
		2013	2012
Talga Mining Pty Ltd	Australia	100%	100%
TCL Sweden Ltd	Canada	100%	100%

* Percentage of voting power is in proportion to ownership.

25. SHARE BASED PAYMENTS

On 4 September 2012, 500,000 options were granted to employees for no consideration to acquire 1 share in the company exercisable at $0.45 on or before 3 October 2016. The options hold no dividend or voting rights and are not transferrable.

The value of options granted were calculated applying the following inputs:

Exercise price:	$0.45
Valuation date:	4 September 2012
Expiry date:	3 October 2016
Market price of shares at grant date:	$0.25
Expected share price volatility:	106.74%
Risk free interest rate:	2.5%
Valuation per option:	16.17 cents

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

	2013		2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	4,350,000	0.34	1,100,000	0.20
Granted during the financial year	500,000	0.45	3,250,000	0.39
Expired during the financial year	-	-	-	-
Exercised during the financial year	(1,100,000)	0.20	-	-
Balance at end of the financial year	3,750,000	0.40	4,350,000	0.34
Exercisable at end of the financial year	3,750,000	0.40	4,350,000	0.34

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.40 (2012: $0.34) and a weighted average remaining contractual life of 1.75 years (2012: 2 years).

25. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities for the group.

DIRECTORS' DECLARATION

The directors of the Group declare that:

1. the financial statements and notes, as set out on pages 15 to 43, 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 2013 and of the performance for the year ended on that date of the Group.

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the Group 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, Western Australia
26 September 2013

INDEPENDENT AUDIT REPORT

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

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

Report on the Financial Report

We have audited the accompanying financial report of Talga Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other 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.

INDEPENDENT AUDIT REPORT (Cont.)

Stantons International

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 Resources 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 2013 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.

Inherent Uncertainty Regarding Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matters:

As referred to in note 1 to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2013 the consolidated entity had cash and cash equivalents of $551,142 and a net working capital deficiency of $466,114. The entity had incurred a net loss for the year ended 30 June 2013 of $4,244,700.

The ability of the Group to continue as a going concern and meet its planned exploration, administration, and other commitments is dependent upon the Group raising further working capital, and/or successfully exploiting its mineral assets. In the event that the consolidated entity cannot raise further equity, the entity may not be able to meet their liabilities as they fall due and the realisable value of the entity's non-current assets may be significantly less than book values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 12 of the directors' report for the year ended 30 June 2013. 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 Resources Limited for the year ended 30 June 2013 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
26 September 2013

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ADDITIONAL SHAREHOLDER INFORMATION

The following additional information is required by the Australian Securities Exchange Limited Listing Rules. Information was prepared based on the share registry information processed up to 16 September 2013.

Statement of Quoted Securities

Listed on the Australian Securities Exchange are 55,304,406 fully paid ordinary shares and 3,750,000 unlisted options exercisable at various prices with various expiry dates (see the summary provided on following page).

Distribution of Shareholding

The distribution of members and their holdings of equity securities in the Group as at 16 September 2013 were as follows:

Spread of Holdings	Fully Paid Ordinary Shares	Total Shareholders
1-1,000	6,206	17
1,001 - 5,000	347,379	108
5,001 – 10,000	1,625,583	179
10,001 - 100,000	16,910,484	424
100,001 and over	36,414,754	64
TOTALS	**55,304,406**	**792**

Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares is 176.

Substantial Shareholders

Shareholders who hold **5%** or more of the issued capital in Talga Resources Ltd are set out below:

Shareholder	*Number Held*	*% Held*
Lateral Minerals Pty Ltd (A Company associated with Mr Mark Thompson)	9,078,947	16.4

Restricted Securities

The Group has no restricted securities.

Voting Rights

In accordance with the Group'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 each ordinary share is entitled to one vote. There are no voting rights attached to any class of options.

Group Secretary

The name of the Group Secretary is Jeremy Dennis McManus

Registered Office

The address of the principal registered office is Suite 3, 2 Richardson Street West Perth 6005.
Telephone number +61 (8) 9481 6667.

ADDITIONAL SHAREHOLDER INFORMATION (Cont.)

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at the 16 September 2013 are as follows:

Ordinary Shares		Number Held	% Held
1	Lateral Minerals Pty Ltd	8,000,000	14.47
2	Kin Chun Wong	2,633,246	4.76
3	United Overseas Service Management Ltd	2,566,959	4.64
4	Dazhang Zeng	1,854,500	3.35
5	Kevin Graham Danks	1,750,000	3.16
6	BNP Paribas Nominees	1,346,538	2.44
7	Pinzone Superannuation Pty Ltd	1,207,363	2.18
8	Sean Vincent Neary	1,203,947	2.18
9	Lateral Minerals Pty Ltd	1,078,947	1.95
10	National Nominees	920,000	1.66
11	Topsfield Pty Ltd	900,000	1.63
12	HSBC Custody Nominees	791,035	1.43
13	HS Superannuation Pty Ltd	750,000	1.36
14	Zero Nominees Pty Ltd	661,402	1.20
15	Mrs Bronwyn Julianne James	577,820	1.04
16	Mr Chatchai Yenbamroong	483,000	0.87
17	JP Morgan Nominees Australia Ltd	479,667	0.87
18	Ms FE Rivera Subido	434,523	0.79
19	Citicorp Nominees Pty Ltd	410,000	0.74
20	Mr Skye Stephen Ackling	394,419	0.71
Top 20 holders of ordinary shares		**28,443,366**	**51.43**

Unquoted Equity Security Holders with Greater than 20% of an Individual Class

As at 16 September 2013 the following class of unquoted securities had holders with greater than 20% of the class on issue.

Unquoted Options exercisable at $0.40 on or before 30 November 2014

Percentage Held %	Name	Number of Securities Held
73%	Lateral Minerals Pty Ltd	2,000,000
27%	Cranley Consulting Pty Ltd	750,000

Unquoted Options exercisable at $0.35 on or before 21 July 2015

Percentage Held %	Name	Number of Securities Held
43%	Darren Griggs	215,000
30%	Kane Freeman	150,000
27%	Marguerite Mee	135,000

Unquoted Options exercisable at $0.45 on or before 3 October 2016

Percentage Held %	Name	Number of Securities Held
44%	Darren Griggs	220,000
30%	Kane Freeman	150,000
26%	Penny Sookasem	130,000

CORPORATE GOVERNANCE

The Group is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Group has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition. Talga is pleased to advise that the Group's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Group 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 Resources Limited is responsible for corporate governance of the Group. The Board guides and monitors the business and affairs of Talga Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

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

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

Board Objectives

The Board will develop strategies for the Group, 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 Group's conduct and activities; and
- ensure compliance with the Group'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 and those functions delegated to senior executives. This may be viewed at www.talgaresources.com/corporate/corporate-governance. The Charter includes, amongst other things, that the Board will:

- oversee the Group, including its control and accountability systems;
- appoint, evaluate, reward and if necessary remove the Managing Director (or equivalent), the Group Secretary and senior management personnel;
- in conjunction with members of the senior management team, develop corporate objectives, strategies and operations plans and approve and appropriately monitor plans, new investments, major capital and operating expenditures, use of capital, acquisitions, divestitures and major funding activities;
- establish appropriate levels of delegation to the executive Directors to allow them to manage the business efficiently;
- monitor actual performance against planned performance expectations and review operating information at a requisite level, to understand at all times the financial and operating conditions of the Group, including the reviewing and approving of annual budgets;
- monitor the performance of senior management, including the implementation of strategy, and ensuring appropriate resources are available to them;
- identify areas of significant business risk and ensure that the Group is appropriately positioned to manage those risks;
- oversee the management of safety, occupational health and environmental matters;
- satisfy itself that the financial statements of the Group fairly and accurately set out the financial position and financial performance of the Group for the period under review;
- satisfy itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- ensure that appropriate internal and external audit arrangements are in place and operating effectively;
- establish a framework to help ensure that the Group acts legally and responsibly on all matters consistent with the code of conduct; and
- report accurately to shareholders, on a timely basis.

The Group 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 has adopted a Performance Evaluation Practices policy which can be viewed at www.talgaresources.com/corporate/corporate-governance.

The Managing Director is responsible for assessing the performance of the key executives within the Group. This is to be performed through a formal process involving an annual formal meeting with each Senior Executive and ongoing informal monitoring throughout each financial year. The basis of evaluation of Senior Executives is based on agreed performance measures. To facilitate optimal performance, the Executives participate in professional development programs. During the reporting year the Group did not conduct a formal evaluation of Senior Executives and relied upon the ongoing informal monitoring approach highlighted above.

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 – 48 months

Mark Thompson – Managing Director
Director since July 2009
Term in office – 48 months

Piers Lewis – Non-Executive Director
Non-Executive Director since December 2009
Term in office – 42 months

Appointment

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

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

- That no such Non-Executive Director is, or is associate with a supplier or customer of the Group 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 reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

Under the accounting standards, a matter is considered to be material if it is equal to or greater than 10% of the net assets of the Group.

Given the size of the Group and the industry in which is operates, the current Board structure is considered to best serve the Group 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 Group's expense.

Remuneration and Nomination Committee

Given the size and scope of the operations of the Group, the Group does not have a Remuneration or 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 Group. 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. Nomination factors include, but are not limited to, competencies and qualifications, independence, other directorships, time availability, contribution to the overall balance of the composition of the Board and depth of understanding of the role and legal obligations of a Director. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

For further information on the above, please see Talga's "Procedures for Selection and Appointment of Directors" policy which can be viewed at www.talgaresources.com/corporate/corporate-governance.

Board Evaluation

The Board consists of three (3) members. The Board therefore undertakes ongoing self-assessment and review of its performance and individual Directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance in line with Talga's policy on Board Evaluation Practices. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing its performance over the previous 12 months, including comparison with others, and examining ways in which the Board can better perform its duties. During the reporting year the Group did not conduct a formal evaluation of Directors and relied upon the ongoing self assessment and review approach highlighted above.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Board, officers and all employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Specifically, the Board, officers and all employees of the Group are required to conduct themselves in accordance with the Group's Code of Conduct which can be viewed at www.talgaresources.com/corporate/corporate-governance.

Share Trading Policy

Talga recognises that Directors, officers and employees may hold securities in Talga and that most investors are encouraged by these holdings. It is the responsibility of the individual Director, officer or employee to ensure that any trading by the Director, officer or employee complies with the Corporations Act 2001, the ASX Listing Rules and the Group's Securities Trading Policy. This policy can be viewed at www.talgaresources.com/corporate/corporate-governance.

Diversity Policy

The Group is committed to actively managing diversity as a means of enhancing Talga's performance by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees.

The Group values the differences between its people and the contribution these differences make to the Group. Talga encourages diversity in employment, and in the composition of its Board, as a means of ensuring the Group has an appropriate mix of skills and talent to conduct its business and achieve the Group's goals.

The Group has adopted a Diversity Policy. This policy can be viewed at www.talgaresources.com/corporate/corporate-governance.

Gender proportions:

Currently the Group has no women directors; 33% executive staff are female.

As a priority, the Group will focus on the participation of women on its Board and within senior management. The Board reviews measurable objectives for achieving gender diversity that are appropriate for the Group. The measurable objectives include:

- procedural/structural objectives;
- initiatives and programs and/or targets in respect of:
  - the number of women employed by (or who are consultants to) the economic group controlled by the Group;
  - the number of women on the Board;
  - the nature of the roles in which women are employed, including on full time, part time or contracted bases, and in leadership, management, professional speciality or supporting roles; and
  - the relative participation of men and women at different remuneration bands.

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://talgaresources.com/corporate/corporate-governance.

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

Appointment of Auditor

The Board identifies and recommends an appropriate external auditor for appointment in general meeting. The appointment is made in writing.

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Talga's accounts for a year of more than five consecutive years. Further, once rotated off Talga's accounts, no partner of the external auditor may assume any responsibility in relation to Talga's accounts for a year of five consecutive years.

Talga has appointed, with their consent, Stantons International.

Principle 5: Make timely and balanced disclosure

In accordance with the ASX Listing Rules, the Group will immediately notify the market (via an announcement to the ASX) of any information concerning the Group which a reasonable person would expect to have a material effect on the price or value of the Group's securities. The only exception to this is where the ASX Listing Rules do not require such information to be disclosed.

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

Principle 6: Respect the rights of shareholders

Talga recognises the value of providing current and relevant information to its shareholders and the Board Talga is committed to open and effective communication, ensuring all shareholders are informed of all significant developments concerning the Group. The Group has in place an effective Shareholder Communications Policy. This policy can be viewed on the Talga website at www.talgaresources.com/corporate/corporate-governance/.

In addition, Talga also encourages full participation of shareholders at the Group's annual general meeting.

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 rather than via management through a dedicated risk management and internal control system.

The Board's collective experience enables accurate identification of the principal risks which may affect the Group'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 Group's risk management policy can be viewed at www.talgaresources.com/corporate/corporate-governance.

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group'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 Group's Projects; and
- Implementation of Board-approved annual operating budgets and plans, then monitoring the actual progress against those.

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; and
2. the Group'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 Group does not have a Remuneration Committee. The Directors believe given the size and scope of the operations of the Group, it is sufficient for the full Board to assume those responsibilities that are otherwise assigned to a remuneration committee.

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

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 Group'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 Resources Limited

The remuneration of an Executive Director will be decided by the rest of 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 Group 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 Group 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 Group aims to align the interests of senior executives with those of shareholders and increase Group 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 Group 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 to employees.

The maximum remuneration of Non-Executive Directors is the subject of shareholder resolution in accordance with the Group'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 Group 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 Group.

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

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 Group and expensed.

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

Explanation of departure

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

Best Practice Principle	**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) Talga considers that it is important for directors to hold shares in the Group. Given the size of the Group, the Directors don't believe the addition of more non-executive directors is justified as such cost would outstrip the benefits at this stage of the Group's activities.
2.4 The board should establish a nomination committee	The Group 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 Group 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 A separate policy for the Selection and Appointment of New Directors has been adopted by the Board which provides for the proper assessment of prospective Directors.

4.1 - 4.3 Safeguard integrity in financial reporting	The Group 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 Group 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. The Board meets on a regular basis and discusses matters normally captured under the terms of reference of an audit committee as well as general and specific financial matters.
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 Group 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 Group's objectives and activities are aligned with those risks and opportunities. A separate policy for Risk Management has been adopted by the Board which provides for the proper assessment of risk management.
8.1 -8.2 The board should establish a remuneration committee	The Group has not established a formal remuneration committee	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate form time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 8.1 is impractical given the size of the Group 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. The Group has separate policies which cover remuneration of non-executive Directors as opposed to senior executives. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.

SCHEDULE OF MINERAL TENEMENTS

SCHEDULE OF MINERAL TENEMENTS AS AT 30 JUNE 2013

Tenement	Project	Interest Held by Talga Resources	Tenement	Project	Interest Held by Talga Resources
M45/618	Talga Talga	100%	P45/2812	Tambina	100%
P45/2689	Talga Talga	100%	E45/3381	Warrawoona	100%
P45/2690	Talga Talga	100%	P45/2661	Warrawoona	100%
P45/2691	Talga Talga	100%	P45/2662	Warrawoona	100%
P45/2746	Talga Talga	100%	P45/2736	Warrawoona	100%
P45/2747	Talga Talga	100%	P45/2781	Warrawoona	100%
P45/2774	Talga Talga	100%	Fjällåsen nr 1	Sweden	100%
E77/1641	Bullfinch	100%	Jalkunen nr 1	Sweden	100%
E77/1909	Bullfinch	100%	Jalkunen nr 2	Sweden	100%
E77/1920	Bullfinch	100%	Kiskama nr 1	Sweden	100%
E77/1924	Bullfinch	100%	Lautakoski nr 1	Sweden	100%
E77/2039	Bullfinch	100%	Lautakoski nr 2	Sweden	100%
E77/2139	Bullfinch	Application	Lautakoski nr 3	Sweden	100%
P77/4106	Bullfinch	100%	Lehtosölkä nr 3	Sweden	100%
E46/810	Mosquito Creek	100%	Liviovaara nr 2	Sweden	100%
E46/823	Mosquito Creek	100%	Maltosrova nr 2	Sweden	100%
E46/925	Mosquito Creek	100%	Masugnsbyn nr 1	Sweden	100%
P46/1628	Mosquito Creek	100%	Masugnsbyn nr 2	Sweden	100%
P46/1632	Mosquito Creek	100%	Mörttjärn nr 1	Sweden	100%
P46/1633	Mosquito Creek	100%	Nälkävuoma nr 1	Sweden	100%
P46/1634	Mosquito Creek	100%	Nunasvaara nr 2	Sweden	100%
P46/1635	Mosquito Creek	100%	Nybrännan nr 1	Sweden	100%
P46/1636	Mosquito Creek	100%	Nybrännan nr 2	Sweden	100%
P46/1637	Mosquito Creek	100%	Önusträsket nr 2	Sweden	100%
P46/1638	Mosquito Creek	100%	Raitajärvi nr 5	Sweden	100%
P46/1665	Mosquito Creek	100%	Raitajärvi nr 6	Sweden	100%
P46/1666	Mosquito Creek	100%	Suinavaara nr 1	Sweden	100%
P46/1667	Mosquito Creek	100%	Tiankijoki nr 1	Sweden	100%
P46/1668	Mosquito Creek	100%	Vathanvaara nr 1	Sweden	100%
P46/1800	Mosquito Creek	100%	Vittangi nr 2	Sweden	100%
P46/1801	Mosquito Creek	100%	Vittangi nr 3	Sweden	100%
P46/1802	Mosquito Creek	100%			

P Prospecting Licence E Exploration Licence M Mining Licence

Competent Persons 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.