



ABN 32 138 405 419

**INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Piers Lewis

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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AUDITORS

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SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
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STOCK EXCHANGE LISTING

The Company is listed on Australian Securities
Exchange Limited

Home Exchange: Perth
ASX Code: TLG

The Directors present their report on Talga Gold Limited for the half-year ended 31 December 2010.

BOARD OF DIRECTORS

The names and details of the Talga Gold Limited ("Company") directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

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

COMPANY SECRETARY

Piers Lewis

REVIEW OF OPERATIONS

During the six monthly period ending 31 December 2010 Talga was admitted to the Australian Securities Exchange on 8 July 2010.

The Company completed its maiden drilling campaign on its Talga Talga and Warrawoona projects in October 2010.

Talga continues to develop its 100% owned West Australian gold projects with further drilling expected in the upcoming months.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the half-year ended 31 December 2010 was \$666,751 (31 December 2009: Nil). The Company's basic loss per share for the period was 1.7 cents.

No dividend has been paid during or is recommended for the financial period ended 31 December 2010.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities was \$3,391,942 (30 June 2010: \$4,164,852) at 31 December 2010.

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2010 has been received and immediately follows the Directors' Report.

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


Sean Neary
Chairman

Dated at Perth this 17th day of February 2011

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

Stantons International
Chartered Accountants and Consultants

17 February 2011

Board of Directors
Talga Gold Limited
First Floor
2 Richardson Street
West Perth, Western Australia 6005

Dear Sirs

RE: TALGA GOLD LIMITED

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

As Audit Director for the review of the financial statements of Talga Gold Limited for the period ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

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



JP Van Dieren
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	31 December 2010	30 June 2010
Note	\$	\$
Current Assets		
Cash and cash equivalents	3,226,534	4,404,995
Trade and other receivables	225,256	140,799
Total Current Assets	3,451,790	4,545,794
Non Current Assets		
Property, Plant & Equipment	69,982	5,408
Exploration and evaluation expenditure	934,567	903,473
Total Non-Current Assets	1,004,549	908,881
TOTAL ASSETS	4,456,339	5,454,675
Current Liabilities		
Trade and other payables	54,079	380,942
Provisions	5,769	-
TOTAL LIABILITIES	59,848	380,942
NET ASSETS	4,396,491	5,073,733
Equity		
Issued Capital	5,242,389	5,252,880
Reserves	110	110
Accumulated losses	(846,008)	(179,257)
TOTAL EQUITY	4,396,491	5,073,733

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

STATEMENT OF COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2010

	31 December 2010 \$
Revenue from ordinary activities	95,341
Expenses	
Occupancy costs	(29,456)
Professional fees	(37,396)
Corporate costs	(28,343)
Employee benefits expense	(106,365)
Administration costs	(62,198)
Exploration expenditure written-off	(488,861)
Other	(9,473)
	(666,751)
Loss before income tax expense	(666,751)
Income tax expense	-
	(666,751)
Loss from continuing operations	(666,751)
Other comprehensive Income	-
	(666,751)
Total comprehensive income / (loss) for the period	(666,751)
	(666,751)
Total comprehensive income / (loss) attributable to members of Company	(666,751)
	(666,751)
Basic loss per share (cents per share)	(1.7)
Diluted loss per share (cents per share)	(1.7)

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

STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2010

	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2010	5,252,880	(179,257)	110	5,073,733
Loss for the period	-	(666,751)	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(666,751)	-	(666,751)
Equity-based payments	-	-	-	-
Issue of shares	-	-	-	-
Share issue costs	(10,491)	-	-	(10,491)
Balance at 31 December 2010	5,242,389	(846,008)	110	4,396,491

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

STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2010

	31 December 2010 \$
Cash Flows from Operating Activities	
Payments to suppliers, contractors and employees	(326,353)
Payments for exploration and evaluation	(467,527)
Interest received	75,547
	<hr/>
Net cash flows used in operating activities	<u>(718,333)</u>
Cash Flows from Investing Activities	
Purchase of Property, Plant & Equipment	(73,324)
Payments for acquisition of tenements	(31,094)
	<hr/>
Net cash used in investing activities	<u>(104,418)</u>
Cash Flows from Financing Activities	
Proceeds from issue of shares	2,000
Share issue expenses	(357,710)
	<hr/>
Net cash flows from financing activities	<u>(355,710)</u>
Net increase/(decrease) cash and cash equivalents	(1,178,461)
Cash and cash equivalents at the beginning of the financial period	<hr/> 4,404,995
Cash and cash equivalents at the end of the financial period	<hr/> 3,226,534

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

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Talga Gold Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 17 February 2011. Talga Gold Limited is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

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

2. Summary of Significant Accounting Policies

Basis of accounting

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

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

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

The half year financial report should be read in conjunction with the annual Financial Report of Talga Gold Limited as at 30 June 2010.

It is also recommended that the half year financial report be considered together with any public announcements made by Talga Gold Limited during the half year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

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

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

The adoption of these amendments has not resulted in any changes to the Company's accounting policies and have no effect on the amounts reported for the current or prior periods. However, the only amendment that has had a material impact and resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements is the presentation of exploration costs in the statement of cash flows. AASB 107 Statement of Cash Flows has been amended through AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statements of cash flows.

3. Earnings Per Share

	31 Dec 2010 Cents
Basic loss per share	(1.7)
Diluted loss per share	(1.7)

Weighted average number of ordinary shares used in the calculation of basic loss per share is 40,350,000. Options to purchase ordinary shares not exercised at 31 December 2010 have not been included in the determination of basic earnings per share.

4. Contributed Equity

(a) Issued and paid up capital

	31 December 2010	30 June 2010
Ordinary shares	\$	\$
Shares issued and fully paid	5,722,050	5,722,050
Capital raising costs	(479,661)	(469,170)
Issued and fully paid capital	5,242,389	5,252,880

(b) Movement in ordinary shares on issue

	Number of Shares	Total \$
1/07/2010 Opening Balance	40,350,000	5,722,050
31/12/2010 Closing Balance	40,350,000	5,722,050

5. Segment Information

Talga Gold Limited operates within the exploration industry in Western Australia.

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

6. Subsequent Events

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

7. Contingent Liabilities

In the opinion of the directors, there are no contingent liabilities at 31 December 2010 and none were incurred in the interval between the period end and the date of this financial report.

8. Cash and Cash Equivalents

For the purposes of the half year Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2010:

	31 December 2010
	\$
Cash at bank and in hand	35,786
Short-term deposits	3,190,748
	<hr/>
	3,226,534

9. Related Party Disclosures

There were no related party transactions entered into for the half year ended 31 December 2010.

10. Share Based Payments

There were no share based payments for the half year ended 31 December 2010.

11. Comparatives

Comparative figures have not been disclosed for the statement of comprehensive income, statement of changes in equity and statement of cash flows as the Company was only incorporated in July 2009 and was listed on the Australian Securities Exchange on 8 July 2010.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Talga Gold Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and of the performance for the half-year ended on that date of the Company; and
 - (ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mark Thompson
Managing Director

Perth, Western Australia
17 February 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Talga Gold Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Talga Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Talga Gold Limited on 17 February 2011.

Conclusion

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
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(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd


John Van Dieren
Director

West Perth, Western Australia
17 February 2011