



ABN 32 138 405 419

**INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

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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

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STOCK EXCHANGE LISTING

The Company is listed on Australian Securities
Exchange Limited

Home Exchange: Perth
ASX Code: TLG

DIRECTORS' REPORT

The Directors present their report on Talga Gold Limited for the half-year ended 31 December 2011.

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

Exploration continued within the company's 100% owned Western Australian tenements during the period. Highlights included:

- **Bullfinch (TLG 100%).** Reconnaissance rock grab sampling and a soil/auger geochemical orientation programs were undertaken, leading to the identification of a new zone of anomalous tellurium and gold in soil being discovered at Jumbuck. The company expanded the project area to 1,398km² by applying for ground over structures interpreted to control or host gold mineralisation. A significant iron ore (magnetite) target was also identified and a report commissioned into its potential size.
- **Talga Talga (TLG 100%).** During the period the company completed a 2,626m reverse circulation (RC) drilling program with composite assay results being reported to the ASX (see release dated 17 October 2011), the highlight of which was from drill hole TTRC075 that returned 4m @30.0g/t gold from 56m downhole depth. Studies were initiated towards preliminary metallurgical studies and examining options for potential bulk sampling of the McPhees prospect.
- **Warawoona (TLG 100%).** During the period the company released results from the 1,118m RC drilling program at Kiwi Ridge (see ASX release 30 September 2011). Other work included a compilation of historical data from the Klondyke Extended prospect to assist in drill planning. Talga plans to focus on a 2km long zone where historic drilling by Rio Tinto in 1996 intercepted 13m @ 1.45g/t Au from 56m, open in all directions.
- **Mosquito Creek (TLG 100%).** Several soil geochemical surveys were completed consisting of 1,079 samples in total – with results pending.

During the period the following new projects were acquired:

- **Tambina (TLG 100%).** The company acquired an option to purchase the Tambina gold project. The project consists of three granted mining leases and one prospecting licence over part of an Archaean age synformal clastic basin. During the period the company completed project diligence, geological reconnaissance and a detailed 100m x 25m spaced soil geochemical survey consisting of 1,096 samples. A drilling program to test the highest grade zones was designed and procured a government co-funding grant towards costs.
- **Sweden (TLG 100%).** New tenements were pegged over a suite of graphite prospects and historic deposits in northern Sweden. The company is currently examining funding and commercialisation opportunities for these projects.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the half-year ended 31 December 2011 was \$1,417,061 (31 December 2010: \$666,751). The Company's basic loss per share for the period was 3.05 cents.

No dividend has been paid during or is recommended for the financial period ended 31 December 2011.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities was \$3,171,012 at 31 December 2011 (30 June 2011: \$4,466,444).

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 2011 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 28th day of February 2012

28 February 2012

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

Dear Sirs

RE: TALGA GOLD LIMITED

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

As Audit Director for the review of the financial statements of Talga Gold Limited for the period ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



John Van Dieren
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		31 December 2011	30 June 2011
	Note	\$	\$
Current Assets			
Cash and cash equivalents	8	3,210,233	4,503,675
Trade and other receivables		64,535	53,483
Total Current Assets		<u>3,274,768</u>	<u>4,557,158</u>
Non Current Assets			
Property, Plant & Equipment		112,247	75,218
Exploration and evaluation expenditure		1,059,270	1,002,187
Other financial asset		20,902	2
Total Non-Current Assets		<u>1,192,419</u>	<u>1,077,407</u>
TOTAL ASSETS		<u>4,467,187</u>	<u>5,634,562</u>
Current Liabilities			
Trade and other payables		89,294	61,580
Provisions		35,362	29,134
TOTAL LIABILITIES		<u>124,656</u>	<u>90,714</u>
NET ASSETS		<u>4,342,531</u>	<u>5,543,848</u>
Equity			
Issued capital	4	7,223,958	7,223,958
Reserves		110	110
Options reserve	10	215,744	-
Accumulated losses		(3,097,281)	(1,680,220)
TOTAL EQUITY		<u>4,342,531</u>	<u>5,543,848</u>

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 2011

	31 December 2011 \$	31 December 2010 \$
Revenue from ordinary activities	109,766	95,341
Expenses		
Occupancy costs	(49,377)	(29,456)
Professional fees	(108,277)	(37,396)
Corporate costs	(75,710)	(28,343)
Employee benefits expense	(57,827)	(106,365)
Options expense	(215,744)	-
Administration costs	(106,643)	(62,198)
Exploration expenditure written-off	(913,249)	(488,861)
Other	-	(9,473)
	(1,417,061)	(666,751)
Loss before income tax expense	(1,417,061)	(666,751)
Income tax expense	-	-
	(1,417,061)	(666,751)
Loss from continuing operations	(1,417,061)	(666,751)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	(1,417,061)	(666,751)
Total comprehensive income / (loss) attributable to members of the Company	(1,417,061)	(666,751)
Basic loss per share (cents per share)	(3.05)	(1.7)
Diluted loss per share (cents per share)	(3.05)	(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 2011

	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)	-	(666,751)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	-	(666,751)	-	(666,751)
Issue of shares	-	-	-	-
Share issue costs	(10,491)	-	-	(10,491)
Balance at 31 December 2010	5,242,389	(846,008)	110	4,396,491
Balance at 1 July 2011	7,223,958	(1,680,220)	110	5,543,848
Loss for the period	-	(1,417,061)	-	(1,417,061)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	-	(1,417,061)	-	(1,417,061)
Issue of shares	-	-	-	-
Options Issued	-	-	215,744	215,744
Share issue costs	-	-	-	-
Balance at 31 December 2011	7,223,958	(3,097,281)	215,854	4,342,531

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 2011

	31 December	31 December
	2011	2010
	\$	\$
Cash Flows from Operating Activities		
Payments to suppliers, contractors and employees	(344,497)	(326,353)
Payments for exploration and evaluation	(954,231)	(467,527)
Interest received	88,134	75,547
	<hr/>	<hr/>
Net cash flows used in operating activities	(1,210,594)	(718,333)
Cash Flows from Investing Activities		
Payment of security bond	(20,900)	-
Purchase of property, plant & equipment	(61,948)	(73,324)
Payments for acquisition of tenements	-	(31,094)
	<hr/>	<hr/>
Net cash used in investing activities	(82,848)	(104,418)
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	2,000
Share issue expenses	-	(357,710)
	<hr/>	<hr/>
Net cash flows from financing activities	-	(355,710)
Net increase/(decrease) cash and cash equivalents	(1,293,442)	(1,178,461)
Cash and cash equivalents at the beginning of the financial period	4,503,675	4,404,995
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	3,210,233	3,226,534
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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 2011 was authorised for issue in accordance with a resolution of the directors on 28 February 2012. 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 2011.

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 2011 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 2011 annual financial report for the financial year ended 30 June 2011, 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.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- AASB 132 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- AASB Int 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- *Improvements to AASBs (May 2010)*

The adoption of the standards or interpretations is described below:

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

AASB 124 Related Party Transactions (Amendment)

The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

AASB 132 Financial Instruments: Presentation (Amendment)

The AASB issued an amendment that alters the definition of a financial liability in AASB 132 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of those amendments had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

3. Earnings Per Share

	31 Dec 2011	31 Dec 2010
	Cents	Cents
Basic loss per share	(3.05)	(1.7)
Diluted loss per share	(3.05)	(1.7)

Weighted average number of ordinary shares used in the calculation of basic loss per share is 46,351,907. Options to purchase ordinary shares not exercised at 31 December 2011 have not been included in the determination of basic earnings per share.

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

4. Contributed Equity

(a) Issued and paid up capital

	31 December 2011	30 June 2011
Ordinary shares	\$	\$
Shares issued and fully paid	7,822,717	7,822,717
Capital raising costs	<u>(598,759)</u>	<u>(598,759)</u>
Issued and fully paid capital	<u><u>7,223,958</u></u>	<u><u>7,223,958</u></u>

(b) Movement in ordinary shares on issue

	Number of Shares	Total \$
1/07/2011 Opening Balance	46,351,907	7,223,958
	<u>-</u>	<u>-</u>
31/12/2011 Closing Balance	<u><u>46,351,907</u></u>	<u><u>7,223,958</u></u>

5. Segment Information

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

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, apart from:

As announced to the ASX on 28 February 2012, the Company acquired an option to purchase 100% of the equity of TCL Sweden Ltd. TCL Sweden Ltd holds Iron Ore, Graphite and Iron Oxide Copper Gold projects in Northern Sweden.

Under the terms of the option agreement, Talga has paid a US\$45,000 non-refundable option fee to acquire 100% of the equity of TCL. The company has until 30 June 2012 to exercise the option where a further payment of US\$433,500 would be payable and a 3% Net Smelter Royalty would remain to previous owners of the projects.

7. Contingent Liabilities

In the opinion of the directors, there are no contingent liabilities at 31 December 2011 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 2011:

	31 December 2011	31 December 2010
Cash at bank and in hand	\$ 44,477	\$ 35,786
Short-term deposits	3,165,756	3,190,748
	<u><u>3,210,233</u></u>	<u><u>3,226,534</u></u>

CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

9. Related Party Transactions

There were no related party transactions entered into for the half year ended 31 December 2011, other than director fees paid to related party entities.

10. Share Based Payments

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

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
1	500,000	21/07/2011	21/07//2015	\$0.35	\$56,468
2	2,750,000	05/12/2011	30/11/2014	\$0.40	\$159,276

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

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

Fair values of share options granted in the year

Options were priced using Black-Scholes pricing model. Expected volatility is based on the historical share price volatility over the past 12 months.

Inputs into the model	Option Series	
	Series 1	Series 2
Grant date share price	\$0.22	\$0.17
Exercise price	\$0.35	\$0.40
Expected volatility	0.784	0.795
Option life	1461 days	1091 days
Dividend yield	Nil	Nil
Risk-free interest rate	5.50%	5.5%

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 2011 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
28 February 2012

**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 2011, 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing 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 2011 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 28 February 2012.

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 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

Stantons International Audit and Consulting Pty Ltd


John P Van Dieren
Director

West Perth, Western Australia
28 February 2012