



**TALGA RESOURCES LIMITED
AND CONTROLLED ENTITIES
ABN 32 138 405 419**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

TALGA RESOURCES LIMITED
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FOR THE YEAR ENDED 30 JUNE 2014

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TALGA RESOURCES LIMITED
CORPORATE DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS

Keith Coughlan (Chairman)
Mark Thompson (Managing Director)
Grant Mooney (Non-Executive Director)

COMPANY SECRETARY

Lisa Wynne

**REGISTERED OFFICE &
PRINCIPAL PLACE OF BUSINESS**

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EMAIL & WEBSITE

Email: admin@talgaresources.com
Website: www.talgaresources.com

ABN

32 138 405 419

SECURITIES EXCHANGE LISTING

The Company is listed on Australian Securities
Exchange Limited

Home Exchange: Perth
ASX Codes: TLG (Shares)
 TLGO (Options)

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
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AUDITORS

Stantons International
Level 2
1 Walker Avenue
WEST PERTH WA 6005

TALGA RESOURCES LIMITED
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Dear Shareholders

By all measures the 2014 Financial Year has been an exceptional one for Talga. Against the backdrop of a difficult capital market environment, 2014 saw pivotal progress for Talga as it prepares for the transition towards becoming a production Company.

There have been significant increases in both Talga's share price and its market capitalisation resulting from critical operational developments and the broadening awareness of crystalline carbon product demand. Notwithstanding a doubling of its iron ore resource and the confirmation of a key copper-gold system, Talga's core focus during the year remained around the advancement of its graphite projects.

The most dramatic milestone for the year was Talga's metallurgical breakthrough at the Vittangi graphite project. In demonstrating the technique to produce high quality graphene directly from raw graphite ore, Talga has broadened its Vittangi development pathway to accommodate two products. The cost to produce graphite at Vittangi is anticipated to align with industry norms, suggesting a robust standalone graphite operation. Talga's unique production process however will also liberate very high value graphene, essentially as a free by-product of graphite production.

Despite development work on a myriad of graphene enabled products, there is a perception that graphene applications are still in their infancy. With +€1.5 Billion in research funding available in Europe alone however, the development of graphene products is actually well advanced. The limiting factor impeding wide spread commercial graphene development is the absence of a cheap and reliable bulk production source. Talga may be able to provide this source.

Your Board and management believe graphene to be a genuinely 'disruptive' material and share the view that it will have profound implications to the way we live. This is supported, amongst other validations, by the coordinated worldwide research effort to maximise its commercial potential.

Talga aspires to fill the current bulk graphene supply void whilst treading with an exceptionally light environmental footprint and maintaining a cost profile in the lowest quartile. The Company envisages a Vittangi mining operation akin to a stone quarry that requires no drilling and blasting and no primary crushing or grinding. This processing methodology is hoped to provide a production process that can run quietly with minimal dust, a small building envelope and has negligible road transport requirements. Courtesy of what is in the true sense of the word, a 'unique' ore-body, Talga is in the enviable position of having the potential to develop an environmentally benign mining operation in a world-class destination.

Recognising that worldwide graphite mineralisation is abundant and graphene liberation is limited mostly by cost and access to internal or third party metallurgical know-how, Talga does not lose sight of the need to differentiate on cost. Talga will continue to concentrate on developing a high margin project that will withstand a wide range of industry circumstances.

The future looks promising for Talga and the significant highlights and milestones of the past year are a direct result of the hard work of CEO Mark Thompson and his staff as well as the ongoing loyal support of the company's shareholders and advisors.

Talga expects to build on the successes of 2014 and looks forward to sharing similar achievements with its shareholders in 2015 and beyond.



Keith Coughlan
Chairman

TALGA RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The Directors present their report, together with the financial statements of Talga Resources Limited ("Talga") and its controlled entities ("Group"), for the financial year ended 30 June 2014.

1. BOARD OF DIRECTORS

The following persons were Directors of Talga Resources Limited during the whole financial year and up to the date of this report, unless otherwise stated:

Directors	Position	Duration of Appointment
Keith Coughlan	Non-Executive Chairman	Appointed 27 th September 2013
Mark Thompson	Managing Director	Appointed 21 st July 2009
Grant Mooney	Non-Executive Director	Appointed 20 th February 2014
Piers Lewis	Non-Executive Director	Resigned 20 th February 2014
Sean Neary	Non-Executive Chairman	Resigned 27 th September 2013

2. INFORMATION ON DIRECTORS

The names and details of Directors in office during the financial year and until the date of this report are as follows:

Keith Coughlan (Non-Executive Chairman) (*appointed 27th September 2013*)

Mr Coughlan has over 26 years' experience in stockbroking and funds management where he has been largely involved in the funding and promoting of resource companies listed on the ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds management organisations.

Mr Coughlan is currently Managing Director and CEO of ASX listed European Metals Holdings Limited (formerly Equamineral Holdings Ltd).

Mark Thompson (Managing Director) (*appointed 21st July 2009*)

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 is 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.

Grant Mooney (Non-Executive Director) (*appointed 20th February 2014*)

Mr Mooney has a wealth of experience in resources and technology markets. Mr Mooney serves as Director and Company Secretary to several ASX listed companies including Chair of renewable energy developer, Carnegie Wave Energy Ltd and Director of ASX-listed resource companies, Barra Resources Ltd, Phosphate Australia Ltd and Wild Acre Metals Limited.

Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

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DIRECTORS' REPORT
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Sean Neary (Non-Executive Chairman – Resigned 27 September 2013)

Mr Neary is a Certified Practising 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.

Piers Lewis (Non-Executive Director – Resigned 20th February 2014)

Mr Lewis has more than 15 years global corporate experience since qualifying in 2001 as a Chartered Accountant with Deloitte (Perth).

Mr Lewis is Group Secretary/CFO for several ASX listed companies and currently sits on the Board of Stratos Resources Ltd as Non-Executive Director.

3. INFORMATION ON COMPANY SECRETARY

Lisa Wynne (Appointed 20th February 2014)

Ms Wynne was appointed Company Secretary on 20th February 2014 following the resignation of Jeremy McManus. Ms Wynne is Chartered Accountant and Chartered Secretary with significant experience in the administration of ASX and TSX listed companies, corporate governance and financial accounting.

Ms Wynne is Company Secretary of a number of public companies and the principle of corporate advisory firm Sila Consulting Pty Ltd, specialising in the provision of corporate services to public companies.

4. CORPORATE STRUCTURE

Talga Resources Ltd is a Group limited by shares incorporated and domiciled in Australia. Talga Resources Ltd has a 100% interest in Talga Mining Pty Ltd in which certain tenements are registered.

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were exploration and 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. Development activities included scoping study advancement with a strong focus on laboratory based metallurgical test-work in the second half. In particular, the second half of the year saw the introduction of a possible secondary commercial stream from the rapidly emerging high technology multi-application commodity graphene.

6. REVIEW OF OPERATIONS

During the financial year the Company focused on advancing its 100% owned projects in Sweden.

Highlights include:

- Updated JORC resource¹ for the Raitajärvi graphite project increasing project's contained graphite inventory by 500%;
- Maiden JORC resource¹ for the Vittangi iron project, doubling the Company's global iron resource¹ inventory to total 236 million tonnes (see Table 3 and 4);
- Tests on Nunasvaara deposit ("**Nunasvaara**") graphite ore reveal unique features that enable high quality graphene to be liberated from unprocessed, unpurified ore in a one-step process with significant scalability potential;
- Review of historic drilling data at the Kiskama copper-gold project identified a potentially large Iron Oxide Copper-Gold ("**IOCG**") mineralisation system, with significant exploration upside; and
- Discussions underway with parties interested in co-development and commercialisation of graphite, iron, gold and copper-gold projects.

GRAPHITE PROJECTS – SWEDEN (Talga 100%)

Vittangi Graphite Project - Nunasvaara Deposit

During the financial year Talga focused on advancing the Vittangi graphite project (“**Vittangi**”) scoping study (“**the Study**”). The study incorporated conceptual level open pit mine design and production modelling along with metallurgical test work on samples from the Nunasvaara graphite deposit.

At an early stage the metallurgical work associated with the Study identified unique ore characteristics with the potential to aid development of graphite extraction techniques. Further tests on Nunasvaara graphite throughout the year highlighted these unique features and confirmed that high quality monolayer, few-layer and multi-layer graphene can be liberated from unprocessed, unpurified ore in a one-step process with significant scalability potential (ASX:19 February 2014).

Although the method identified is public knowledge and considered well suited for upscaling to bulk production, it is understood to be a world-first that raw ore can be used to attain similar quality graphene to that made by synthetic routes. This processing method is the most cost effective means to process Nunasvaara graphite and it also liberates graphene in the process. The Study will contemplate a production scenario with a dual graphite/graphene production flowsheet.

The second half of the financial year saw the expansion of initial testwork undertaken by the commercial arm of the University of Adelaide, Adelaide Research and Innovation Pty Ltd (“**ARI**”). A Perth based commercial metallurgical lab duplicated ARI’s results and began undertaking follow up programs to upscale the process and test the characteristics and yield of graphite and graphene produced. Curtin University and CSIRO are also both running separate but complimentary studies to look at the mineralogy of the graphite/graphene at both nano and macro scale respectively. The significance of these programs is that work completed has provided Talga with confidence regarding the uniqueness of its ore-body at both an atomic and commercial level and results also feed back into the Study.

Economic Studies

During the second half of the year, the original scoping study commenced in 2013 was re-commissioned and expanded to include the new dual graphite–graphene production route. Globally renowned mining industry consultants Snowden’s were engaged during the period to complete the expanded Study and associated financial modeling. Open pit mine modeling and scheduling was completed by Entech Mining. Independent Metallurgical Operations Pty Ltd developed the Study’s processing and engineering routes. While the metallurgical program focused on upscaling the process and defining the economic parameters required by the Study, the graphene produced during testwork stages was made available for commercial purposes.

Test Mining / Pilot Plant

The Study considers full scale production and as such it has been recognised that an interim test mining program is required to assess the novel mining and processing techniques proposed. During the financial year Talga commenced permitting for a test mining program to extract a bulk ore sample from Nunasvaara in the site of historic test pits. Talga proposes to test dual graphite/graphene production from a pilot plant to be constructed and commissioned by the Company. The program will confirm if the extraction techniques and processing methodology works on a larger scale (nominal 5 tonnes/hour) and will provide significant size samples of graphite and graphene for economic evaluations. The Company has recruited a new Permitting and Development Manager, Group Geologist and has also appointed the Swedish arm of global consultancy, Golder Associates, to complete key components of the sample program. It is aimed to have application for a 5,000 tonne bulk sample granted by quarter one 2015 towards construction and operation in early quarter three 2015. Several potential sites for the pilot plant have been reviewed.

Exploration

During the year existing airborne electromagnetic (“**EM**”) survey data covering the Vittangi project was acquired and analysed. This led to a number of new target zones with potential to be identical or similar to that hosting the Nunasvaara resource being identified. Several exploration licences were

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applied over these targets, fieldwork commenced and further analysis of the new and historic data was ongoing at the end of the period.

Graphene Commercial Activities

During the second half of the financial year the Company undertook various customer development initiatives within the European research and commercial markets, and as a result, subsequent to the period, the Company announced its first sale of graphene produced from Nunasvaara. The sale, on a non-exclusive basis, was made to Germany's Norderstedt-based Microdrop Technologies GmbH, a leading international provider of Nano-to-3D printing solutions (see ASX: 23 July 2014). The Company is encouraged by this first sale of its graphene and looks forward to exploring further commercial opportunities during its ongoing development phases.

BACKGROUND: Nunasvaara is the highest grade graphite resource in the world (Reference: Technology Metals Research Advanced Graphite Projects Index, 18 July 2014) and is favourably located 3km from a sealed highway and 20km from rail with direct links to potential customers in Europe. The project's JORC resource¹ estimate totals 7.6 million tonnes at 24.4% graphite ("Cg") (see Table 1 and ASX: TLG 8 November 2012).

Table 1. Nunasvaara Graphite Deposit – JORC 2004 Resource¹ at 10% Cg cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

Raitajärvi Graphite Project

During the year Talga completed a new JORC resource estimate for the Raitajärvi graphite deposit resulting in a 500% increase in contained graphite. The project's JORC resource¹ estimate now totals 4.3 million tonnes at 7.1% Cg, with 3.4 million tonnes at 7.3% Cg in the Indicated category (see Table 2 below and ASX: TLG 26 August 2013). The updated estimate increased Raitajärvi's total contained graphite to 307,000 tonnes, up from 54,000 tonnes previously (see ASX: TLG 26 August 2013 and 28 Feb 2012). The new estimate was prepared upon receipt of the final assays from Talga's drilling program which consisted of 28 diamond drill holes for 3,666 metres (ASX:TLG 5 July 2013).

Table 2. Raitajärvi Graphite Project – JORC 2004 Resource¹ at 5% Cg cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes

Fifty kilograms of drill core has been transported to Australia in preparation for metallurgical test work. This test work will aid in updating the historically defined metallurgical profile of the Raitajärvi ore which defined predominantly large flake size with 90-94%Cg purity and attains 99%Cg purity in upgrade tests. Talga plans to determine suitable pathways for the production of graphite concentrates and graphene products from Raitajärvi following further advances of the Vittangi project. Similarly a scoping study for Raitajärvi will be considered after completion of the Nunasvaara study.

BACKGROUND: Raitajärvi is located 2km from the Överkalix-Övertorneå Highway, 25km by road to the nearest railway and 130km by road to the Port of Luleå where Talga has signed an MOU for the export of up to 80,000 tonnes per annum of graphite concentrate or products. The deposit outcrops and remains open at depth and along strike. Only 25% of the known electromagnetic (EM) conductor/graphitic unit has been drill tested to date.

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Piteå Graphite Project

A review of historical exploration data at Talga's 100% owned Piteå graphite project revealed a large conductive anomaly with an associated train of graphitic boulders occurring 6km northeast from the Önusträsket prospect. A new exploration permit covering this prospective area was applied for during the period and increases Talga's total Piteå project area to 18.7km². Previous investigations of Piteå graphite in historic drill holes recorded greater than 80% of flake graphite present exceeds 300 microns in length.

Other Graphite Projects and Activities

During the year existing airborne electromagnetic ("EM") survey data covering the Jalkunen project was acquired and analysed. Jalkunen contains abundant graphite occurrences evidenced by historic mines, drilling, rock and trench sampling. Talga geologists have developed an interpretation that the Jalkunen belt graphite mineralisation may be closely related to the Vittangi belt in origin, and therefore appears to be amenable to producing graphene via the same process utilised at Nunasvaara. During the year fieldwork was undertaken to assess a number of target zones and as a result several exploration licences were applied for (and granted subsequent to the end of the financial year). Further analysis of the new and historic data was ongoing at the end of the financial year.

With the exception of the Jalkunen project, minimal work was undertaken during the period on the Company's other graphite projects in Sweden.

IRON ORE PROJECTS – SWEDEN (Talga 100%)

Vittangi Iron Project

During the year combined maiden JORC Inferred resource¹ estimates for the Vittangi iron project totalling 123.6Mt at 32.6% Fe were announced (see Table 3 and ASX: TLG 22 July 2013). This followed an independent review of historic drilling, geophysics and other available data, including 37 diamond holes for 6,055 metres, conducted by Perth-based CoxsRocks Pty Ltd in conjunction with Talga staff. Release of these maiden resources generated a further milestone for Talga, doubling the Company's total Swedish iron ore resource inventory to 236Mt grading 30.7% Fe (see Table 3 and 4). A two year extension of term for the Vathanvaara nr1 exploration permit was applied for and granted during the reporting period.

Table 3. Vittangi Iron Project – JORC 2004 Resource¹ Estimates at 15% Fe cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes

Discussions remain ongoing with parties interested in co-development and commercialisation of the Vittangi iron project.

BACKGROUND: The Vittangi project covers in excess of 325km² amongst the region's prominent iron deposits, mines and steel mill networks. The project comprises five principal deposits located approximately 30km from the railhead and magnetite iron mill at Svappavaara, and 50km east of the world's largest and most sophisticated underground iron mine, Kiruna.

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Masugnsbyn Iron Project

Work during the year included low cost preliminary metallurgical work to gain a pre-concentrate which indicated the potential of the Masugnsbyn ore to produce a 69-70% iron concentrate (ASX:TLG 15 August 2013). The results will enable future design of an indicative processing flow sheet and a potential concentrate specification that will aid in commercial discussions. A two year extension of term for the Masugnsbyn nr1 exploration permit was applied for and granted during the year.

Discussions remain ongoing with parties interested in co-development and commercialisation of the Masugnsbyn iron ore project.

BACKGROUND: The Masugnsbyn project is located on the Svappavaara-Pajala highway, approximately 60km by road southeast from the Svappavaara iron mine and mill of the state-owned Luossavaara-Kiirunavaara AB ("LKAB") group. The current JORC resource estimate for the Masugnsbyn project stands at 112.0Mt @ 28.6% Fe, with 87.0Mt @ 28.3% Fe classified Indicated (see Table 4 and ASX: TLG 21 May 2013)

Table 4. Masugnsbyn Iron Project – JORC 2004¹ Resource Estimate at 20% Fe cut-off

Deposit	JORC resource category	Tonnes	Grade Fe (%)
Masugnsbyn	Indicated	87,000,000	28.3
Masugnsbyn	Inferred	25,000,000	29.5
Total		112,000,000	28.6

Note: Ore tonnes rounded to nearest hundred thousand tonnes

COPPER-GOLD PROJECTS – SWEDEN (Talga 100%)

Talga wholly owns several copper-gold prospects in Sweden with the most advanced being the Kiskama project. At Kiskama mineralisation comprises copper and iron sulphide-magnetite-hematite as breccia infill and has been described as a shear-hosted IOCG style deposit. Episodic drilling by the Swedish Geological Survey took place during 1972-1980 and significant, shallow, wide intercepts of copper-gold and cobalt were returned. Talga conducted a review of historic data including drillholes, geochemical sampling and geophysical data with results and analyses announced on 10 February 2014.

Talga considers that the historic work leaves considerable potential for mineralised zones to be more extensive than previously assumed, both in width/length and grade. Additionally the intercepts to date are highly encouraging in grade with context of nearby mills, proximity to bulk scale transport and the presence of other minerals in the system that if recoverable may add economic credits such as iron and nickel that are reported in historical literature.

Subsequent to the period, a four hole diamond drilling program was completed at Kiskama. Data from core samples will provide valuable information on the full suite of minerals in the system, including cobalt, which is historically recorded at the site and is a mineral that, along with graphite, is used in lithium batteries. Drilling results are expected late October 2014 at which time Talga will be in a stronger position to review joint venture and other commercial opportunities.

GOLD PROJECTS – AUSTRALIA (Talga 100%)

Work during the financial year on the Company's 100% owned gold exploration assets in Western Australia was restricted to minimal field work in order to maintain tenements. A rationalisation of project tenements was undertaken, with a number relinquished resulting in significant cost reductions while retaining the main gold targets at all projects.

Several discussions with potential partners or buyers of the gold projects were advanced in what has been a challenging market. These discussions are ongoing but at a preliminary stage.

MINERAL RESOURCES AND ORE RESERVE STATEMENT

Summary

This statement represents the Mineral Resources and Ore Reserves (“**MROR**”) for Talga Resources Limited as at 30 June 2014.

This MROR statement has been compiled and reported in accordance with the guidelines of the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (2012 JORC Code) also represents the first MROR statement for the Company.

This statement is to be reviewed and updated annually in accordance with Section 15 of the 2012 JORC Code. The nominated annual review date for this MROR statement is 30 June.

During the period the Company’s Mineral Resources remained unchanged at the Vittangi graphite project (Sweden) and Masugnsbyn iron project (Sweden) while the Raitajärvi graphite project (Sweden) had a resource increase and Vittangi iron project (Sweden) recorded its maiden resource. The information in this statement has been extracted from the relevant reports as indicated below in each Mineral Resource table.

The Vittangi graphite project Mineral Resource (Nunasvaara deposit) estimate was first reported in February 2012 in accordance with the guidelines of the 2004 Edition of the JORC Code and has not been updated to comply with the 2012 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented here have not been materially modified.

The Raitajärvi graphite project Mineral Resource estimate was first reported in February 2012 in accordance with the guidelines of the 2004 Edition of the JORC Code and has not yet been updated to comply with the 2012 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented here have not been materially modified.

The Vittangi iron project mineral resource estimate was first reported in July 2013 in accordance with the guidelines of the 2004 Edition of the JORC Code and has not been updated to comply with the 2012 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented here have not been materially modified.

The Masugnsbyn iron project Mineral Resource estimate was first reported in February 2012 in accordance with the guidelines of the 2004 Edition of the JORC Code has not yet been updated to comply with the 2012 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented here have not been materially modified.

As at the Annual Review date of 30 June 2014, this MROR Statement has been approved by the named competent persons.

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MINERAL RESOURCES

As at 30 June 2014 the Company's Mineral Resources are:

VITTANGI GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)

Table 1. Nunasvaara Graphite Deposit – JORC 2004 Resource¹ at 10% Cg cut-off

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

The Vittangi Project Graphite Mineral Resource was first reported in February 2012 in accordance with the 2004 JORC Code (refer to ASX Release dated 28 February 2012 titled "Talga Options Iron, Graphite and IOCG Projects in Northern Sweden", available to view at www.talgaresources.com).

RAITAJARVI GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)

Table 2. Raitajärvi Graphite Project – JORC 2004 Resource¹ at 5% Cg cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes

The Raitajärvi Project Mineral Resource was first reported in February 2012 in accordance with the 2004 JORC Code (refer to ASX Release dated 28 February 2012 titled "Talga Options Iron, Graphite and IOCG Projects in Northern Sweden", available to view at www.talgaresources.com).

VITTANGI IRON PROJECT, NORTHERN SWEDEN (Talga owns 100%)

Table 3. Vittangi Iron Project – JORC 2004 Resource¹ Estimates at 15% Fe cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes

The Vittangi Iron Mineral Resource was first reported July 2013 in accordance with the 2004 JORC Code (refer to ASX Release dated 22 July 2013 titled "Talga Doubles Swedish Iron Ore Resources to 236MT", available to view at www.talgaresources.com).

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MASUGNSBYN IRON PROJECT, NORTHERN SWEDEN (Talga owns 100%)

Table 4. Masugnsbyn Iron Project – JORC 2004¹ Resource Estimate at 20% Fe cut-off

Deposit	JORC resource category	Tonnes	Grade Fe (%)
Masugnsbyn	Indicated	87,000,000	28.3
Masugnsbyn	Inferred	25,000,000	29.5
Total		112,000,000	28.6

Note: Ore tonnes rounded to nearest hundred thousand tonnes

The Masugnsbyn Mineral Resource was first reported in February 2012 in accordance with the 2004 JORC Code (refer to ASX Release dated 28 February 2012 titled “Talga Options Iron, Graphite and IOCG Projects in Northern Sweden”, available to view at www.talgaresources.com).

COMPARISON WITH PRIOR YEAR ESTIMATES

Mineral Resources

During the 2014 financial year, the Company announced two mineral resource inventory changes.

The first of these changes related to a maiden JORC Inferred resource estimate at the Vittangi iron project in northern Sweden. At 30 June 2013 there was no Vittangi JORC compliant Mineral Resource. As at 30 June 2014, the Vittangi project JORC 2004 compliant Mineral Resource was 123.6 million tonnes at 32.6% Fe.

By commodity, at 30 June 2013 the Company’s global iron JORC 2004 compliant Mineral Resources stood at 112 million tonnes at 28.6% Fe (87 million tonnes at 28.4% Fe in the Indicated category and 25 million tonnes at 29.5% Fe in the Inferred category). With the addition of the Vittangi maiden JORC Inferred resource estimate, the global Swedish iron JORC 2004 compliant Mineral Resources stood at 235.6 million tonnes at 30.7% Fe across two projects (Vittangi and Masugnsbyn).

The second of the resource inventory changes related to an updated estimate at the Raitajärvi graphite project in northern Sweden. At 30 June 2013 the Raitajärvi project JORC 2004 compliant Inferred Mineral Resource was 0.5 million tonnes at 10.8% Cg. As at 30 June 2014, the Raitajärvi project JORC 2004 compliant Mineral Resource was 4.3 million tonnes at 7.1% Cg (3.4 million tonnes at 7.3% Cg in the Indicated category and 0.9 million tonnes at 6.4% Cg in the Inferred category).

By commodity, at 30 June 2013 the Company’s global graphite JORC 2004 compliant Mineral Resources stood at 8.1 million tonnes (5.6 million tonnes in the Indicated category and 2.5 million tonnes in the Inferred category). With the addition of the Raitajärvi resource update during the period, the Company’s global graphite JORC 2004 compliant Mineral Resources stood at 11.9 million tonnes across two projects (Vittangi and Raitajärvi).

Note: the Company does not report graphite resources combined across projects due to the larger differences in mineralisation style between graphite deposits. As such an average global graphite grade is absent from the details above.

Ore Reserves

As at 30 June 2014 the Company had no reportable Ore Reserves in accordance with the 2012 JORC Code.

¹ **Note:** This information was prepared and first disclosed under the JORC code 2004. It has not been updated since to comply with the JORC code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous Australian Securities Exchange (“ASX”) announcements and that all of the previous assumptions and technical parameters underpinning the estimates in the previous ASX announcement have not materially changed.

TALGA RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

GOVERNANCE SUMMARY

The Mineral Resource estimates listed in this report are subject to Talga's governance arrangements and internal controls. Talga Resource estimates are derived by Competent Person's ("CP") with the relevant experience in the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. Geology models in all instances are generated by Talga staff and are reviewed by the CP. The CP carries out reviews of the quality and suitability of the data underlying the Mineral Resource estimate, including a site visit. Talga management conducts its own internal review of the estimate to ensure that it honours the Talga geological model and has been classified and reported in accordance with the JORC Code.

COMPETENT PERSONS STATEMENT

*The information in this report that relates to **Exploration Results** is based on information compiled and reviewed by Mr Mark Thompson, who is a member of the Australian Institute of Geoscientists. Mr Thompson is an employee of the Company and has sufficient experience relevant to the activity which is being undertaken to qualify as a "Competent Person" as defined in the JORC Code. Mr Thompson consents to the inclusion in this 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 JORC Code. Mr Coxhell consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.*

CORPORATE

A number of initiatives were implemented in the first half of the year to reduce expenditure to help offset costs associated with resource development. These initiatives included significant reductions in director fees, staff numbers, staff hours and salaries. Founding Director, Mr Sean Neary, retired from the Board on 27 September 2013. An experienced funds manager and stockbroking principal, Mr Keith Coughlan, was appointed to the Board as Non-Executive Chairman. Following this, Mr Piers Lewis retired from the Board and was replaced by Mr Grant Mooney 20th February 2014.

Fund Raising

In March 2014, the Company launched an underwritten 1:3 non-renounceable pro-rata entitlement offer at a price of \$0.05 per share to raise \$1.06 million. At the same time a placement was to sophisticated investors was completed raising \$415,000, at the same price. Following this, a separate contemporaneous placement and rights issue was completed on 30 June 2014. This second combined raising totalled \$3.1 million via the issue of circa 15.5 million ordinary shares at 20 cents per share. A one for two free attaching listed option also accompanied the placement and entitlement issue shares taken up.

Non Core Projects

During the financial year Talga continued to assess and implement strategies to optimise project values and potentially monetise those assets that are non-core to Talga's graphite development objectives in Sweden. The potential pool of divestment assets includes the Masugnsbyn and Vittangi iron projects, the Kiskama copper-gold project in Sweden and the gold assets in Western Australia. Preliminary discussions are underway on all fronts but not at a point of commercial agreement.

Investor and Corporate Relations Activities

During the second half of the year, Talga Managing Director, Mr Mark Thompson, attended and presented at the RIU Resources Round-Up in Sydney and the 2nd Graphene Applications and Commercialisation Conference in Manchester, UK. The presentations from both conferences were well received and can be found on the Company's website at www.talgaresources.com (see ASX:TLG 13 May 2014 & 13 June 2014).

TALGA RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

General Meeting of Shareholders

On 23 June 2014, the Company held an extraordinary general meeting where shareholders approved (amongst other matters) the issue of Shares to Mr Mark Thompson under the Talga Management Incentive Equity Plan and Options to Keith Coughlan and Grant Mooney as Director incentive remuneration.

Following this shareholder approval, the Company issued 4 million ordinary shares to Mark Thompson under a limited recourse loan for \$1.48 million, pursuant to the Company's Management Incentive Plan.

On 23 June, the Company issued 1.5 million unlisted options to Keith Coughlan and 1.0 million unlisted options to Grant Mooney.

A summary of the terms of the management Incentive Plan and Unlisted Options are outlined in the Company's Notice of Meeting and Explanatory Statement dated and released 23 May 2014.

Tenement Interests

As required by ASX listing rule 5.3.3, please refer to the Schedule of Mineral Tenements for details of Talga's interests in mining tenements held by the Company. No joint ventures or farm-in/farm-out activity occurred during the quarter.

7. FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The financial results of the Company for the year ended 30 June 2014 are:

	2014	2013
Cash and cash equivalents (\$)	4,301,349	551,142
Net assets (\$)	5,766,900	1,321,599
Revenue (\$)	8,939	63,367
Net loss after tax (\$)	(3,057,270)	(4,244,700)
Loss per share (cents per share)	(3.6)	(7.9)
Dividend (\$)	-	-

8. DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2014 (30 June 2013: Nil).

9. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 9 September 2013, the Group finalized arrangements to raise up to \$1.47 million to fund completion of scoping studies on its advanced, high grade graphite projects in Sweden.

On 17 September 2013 a single tranche placement, pursuant to Listing Rule 7.1 was completed at an issue price of \$0.05 per share to raise \$414,783. On 24 October 2013, the Company issued 21,200,022 fully paid shares pursuant to the Non-renounceable Entitlement Offer Prospectus (on a 1:3 basis) to existing shareholders to raise \$1.06 million before costs.

On 27 September 2013, Mr Sean Neary retired as a Director of the Company and Mr Keith Coughlan was appointed Non-Executive Chairman.

On 26 November 2013, the Group issued 260,000 shares at 6 cents per share to contractors in lieu of cash payment for services rendered.

On 21 March 2014, the Group received \$1.7 million in funds as part of a placement to professional and sophisticated investors via the issue of 20,000,000 shares at 8.5 cents per share.

TALGA RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

On 23 June 2014, the Group issued 4,000,000 shares at \$0.37 per share to Managing Director, Mark Thompson under the Talga Management Incentive Plan. The Company also issued 2,500,000 unlisted options exercisable at \$0.54 expiring 23 June 2019 to Non-Executive Director, Keith Coughlan and Grant Mooney.

On 26 June 2014, the Group issued 8,564,066 shares at \$0.20 per share to raise \$1,712,813 as part of a Non-Renounceable Entitlement Offer. The Company also issued 4,281,992 listed options exercisable at \$0.35 expiring 30 November 2015, which were free attaching options on the basis of 1 option for every 2 new shares subscribed for and issued under the non-renounceable rights issue.

On 30 June 2014, the Group issued 1,941,942 shares at \$0.20 per share to raise \$388,388 under the shortfall of the non-renounceable entitlement offer. The Company also issued 970,971 listed options exercisable at \$0.35 expiring 30 November 2015, which were free attaching options on the basis of 1 option for every 2 new shares subscribed for and issued under the shortfall of the non-renounceable rights issue.

On 30 June 2014, the Group issued 5,000,000 shares at \$0.20 per share to raise \$1 million to sophisticated investors, which included 2,500,000 free attaching listed options on the basis of 1 option for every 2 new shares.

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.

9. 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.

10. 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.

On 23 July 2014, the Company announced the first sale of graphene produced from the Company's wholly-owned Nunasvaara graphite deposit in north Sweden. The graphene was produced during metallurgical testing on existing drillcores from Nunasvaara, part of a consignment of several tonnes of drill samples from 2012 resource definition which is currently being processed in Perth as part of Talga's preliminary economic study.

On 25 July 2014, 312 listed options were exercised at \$0.35 per share.

On 18 August 2014, 15,000 listed options were exercised at \$0.35 per share.

On 18 August 2014, the Company announced a collaborative agreement to undertake analytical work on ore from the Company's high-grade Nunasvaara graphite-graphene project in northern Sweden. The agreement is one of the first entered into by CSIRO to focus on graphene produced from natural ore deposits, increasing the scope of Australia's emerging and internationally focused graphite-graphene sector beyond CSIRO's breakthrough research in graphene hybrid materials. The aim of the collaboration is to accelerate the mineralogical characterization of graphite and graphene from Talga's wholly-owned and flagship Nunasvaara project and to better interpret how the mineralisation formed and the conditions under which more may be found.

On 20 August 2014, the Company issued 1,600,000 employee options, exercisable at \$0.54 per option and expiring 20 August 2019.

TALGA RESOURCES LIMITED
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On 20 August 2014, the Company appointed Mr Jeremy McManus to a senior executive role as Commercial Manager, focusing on developing and managing commercial negotiations with third parties and business development. This appointment represents a significant step as the Company evolves from minerals explorer and developer to high-tech materials producer.

On 23 September 2014, 670 listed options were exercised at \$0.35 per share.

OPERATING AND FINANCIAL REVIEW

Overview

Since listing, the Group has focused on mineral exploration, with the longer-term ambition being to transition from exploration to resource development with a focus on graphite and graphene 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 and development activities.

Since listing, the Group has raised \$17.8 million in equity 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 that fall outside the Company's core Swedish graphite focus. The results in Sweden have been very positive, with substantial JORC resources and metallurgical successes announced for the graphite as well as JORC resources announced for the iron ore, details of which are provided 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 graphite and graphene at present and therefore has insufficient resources to seriously consider the iron, copper and gold potential in the near term.

Business Strategy, Outlook and Risks

The Group's strategy is to progress the graphite projects in Sweden from exploration to development and ultimately become a significant graphite and graphene producer. Within that context, all other projects are considered "non-core" and as at year end the Group was actively looking at divesting or entering into joint venture arrangements to commercialise those assets.

As at 30 June 2014, the Group had \$4.3 million in cash, which is sufficient to cover committed expenditure over the next 12 months. During the financial year the Company was able to raise \$6.3 million in capital. The funds raised were applied against the further development of the graphite/graphene projects in Sweden.

The near term focus of the Group is to develop its Swedish graphite assets and activities will include further exploration, progression of economic scoping studies, metallurgical tests and work 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 its projects are fully developed and in production (milestones which are targeted for achievement over the coming years).

There are specific risks associated with the activities of the Group and general risks that are largely beyond the control of the Company and the Directors. The most significant risks identified that may have a material impact on the future financial performance of the Company and the market price of the Shares can be found on the next page.

TALGA RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Mineral and Exploration Risk - The business of exploration, project development and mining contains risks by its very nature. To prosper, it depends on the successful exploration and/or acquisition of reserves, design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product.

Operating Risks - The proposed activities, costs and use of funds of the Group are based on certain assumptions with respect to the method and timing of exploration, metallurgy and other technical tests. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. The proposed activities of the Company including preliminary economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics. It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes.

Additional Requirements for Capital - As at the date of this report, the Group remains a mineral exploration company and hence will rely on continuing access to capital markets to fund further development in Sweden. Failure to obtain sufficient financing for Talga's activities and future projects may result in delay and indefinite postponement of exploration, development or production on Talga's properties, or even loss of a property interest.

Environmental Impact Constraints - The Company's exploration programs will, in general, be subject to approval by governmental authorities. Development of any of the Company's properties will be dependent on the Project meeting environmental guidelines and, where required, being approved by governmental authorities.

Mineral Title Risks and Indigenous Owners - Mining and exploration permits are subject to periodic renewal. There is no guarantee that current or future permits or future applications for production concessions will be approved. Permits are subject to numerous legislation conditions. The renewal of the term of a granted permit is also subject to the discretion of the relevant mining inspector. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company. Furthermore the Company could lose title to, or its interest in, tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law rights of Indigenous owners exist. In this case, the ability of the Company to gain access to tenements (through obtaining consent of any relevant Indigenous owner, body, group or landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected. The Company's mineral titles may also be subject to access by third parties including, but not limited to, the areas' Indigenous people. This access could potentially impact the Company's activities and/or may involve payment of compensation to parties whose existing access to the land may be affected by the Company's activities.

Resource Estimates - Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

11. DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Group during the financial year was:

Directors	Number Eligible to Attend	Number Attended
Keith Coughlan	6	6
Mark Thompson	9	9
Grant Mooney	3	3
Piers Lewis	5	5
Sean Neary	3	3

Due to the size and scale of the Company, there is no Remuneration, Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, reverted to the Board. For details of the function of the Board please refer to the Corporate Governance Statement.

12. 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.

13. 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.

14. SHARE OPTIONS

As at the date of this report, there were 15,586,981 ordinary shares under option:

- 2,750,000 unlisted options which have an exercise price of 40 cents and expire 30 November 2014;
- 500,000 unlisted options which have an exercise price of 35 cents and expire 21 July 2015;
- 500,000 unlisted options which have an exercise price of 45 cents and expire 3 October 2016;
- 7,736,981 listed options which have an exercise price of 35 cents and expire 30 November 2015.
- 2,500,000 unlisted options which have an exercise price of 54 cents and expire 23 June 2019;
- and
- 1,600,000 unlisted options which have an exercise price of 54 cents and expire 20 August 2019.

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.

15. 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

During the financial year, shareholders approved the Management Incentive Plan whereby shares are allocated to Directors and other eligible participants under the Plan. On 23 June 2014, the Company issued 4,000,000 fully paid ordinary shares to Mr Mark Thompson (Managing Director) under this plan. For further detail regarding the Management Incentive Plan, refer to Note 15 Key Management Personnel Compensation.

During the financial year, the Company issued 2,500,000 unlisted options to non-executive directors. The purpose of the grant of the Options is for the Company to retain non-executive directors of high calibre and to provide cost effective remuneration to non-executive directors for their ongoing commitment and contribution to the Company in their roles as non-executive directors. 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 2014.

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 and issue of shares under the Management Incentive Plan to encourage the alignment of personal and shareholder interests. The Group believes this policy will be the most effective in increasing shareholder wealth.

TALGA RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Details of Remuneration

Details of the remuneration of the Directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Group) and specified executives of Talga Resources Limited are set out in the following tables.

2014

Director	Short Term Benefits				Post-Employment		Share based payments		Total	Value of share based payments as proportion of remuneration %
	Salary ^(a)	Directors Fees	Other	Non Monetary Salary*	Super-annuation	Retirement Benefits	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Keith Coughlan Chairman (i)	-	24,625	-	1,818	-	-	-	358,062	384,505	93%
Mark Thompson Managing Director (ii)	239,800	-	-	2,424	22,182	-	1,044,712	-	1,309,118	80%
Grant Mooney Non-Executive Director (iii)	-	9,070	-	808	-	-	-	238,708	248,586	96%
Piers Lewis Non-Executive Director (iv)	-	11,257	18,500	1,616	-	-	-	-	31,373	-
Sean Neary Chairman (v)	-	-	14,137	606	-	-	-	-	14,743	-
Total	239,800	44,952	32,637	7,272	22,182	-	1,044,712	596,770	1,988,325	83%

(a) Includes annual leave paid out of \$51,884.

2013

Director	Short Term Benefits				Post-Employment		Share based payments		Total	Value of share based payments as proportion of remuneration %
	Salary	Directors Fees	Other	Non Monetary Salary*	Super-annuation	Retirement Benefits	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Sean Neary Chairman (v)	-	43,600	58,736	2,472	-	-	-	-	104,808	-
Mark Thompson Managing Director (ii)	275,000	-	-	2,472	24,750	-	-	-	302,222	-
Piers Lewis Non-Executive Director (iv)	-	41,328	27,228	2,472	-	-	-	-	71,028	-
Total	275,000	84,928	85,964	7,416	24,750	-	-	-	478,058	-

TALGA RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Notes and Services Agreements of Directors

Directors are paid under the terms agreed to by a director's resolution as detailed below:

- i) Mr Coughlan was entitled to \$38,499 per annum as Chairman, which was reduced to \$30,000 per annum, effective January 1, 2014. By Board resolution, the Board agreed that Directors fees were only payable from 1 October 2013.
- ii) Mr Thompson's employment conditions as Managing Director are defined by way of contract of employment. Mr Thompson was entitled to an annual salary of \$275,000 excluding superannuation, which was voluntarily reduced to \$220,000 effective July 1, 2013. To aid further cost reductions, his annual salary was further voluntarily reduced to \$198,000 from August 1, 2013 by Board resolution and no salary was paid for the month of July 2013. 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.

Subsequent to the end of the financial year, Mr Thompson's salary was revised upwards by board resolution to \$295,000 per annum plus statutory superannuation effective 1 July 2014.

- iii) Mr Mooney received director's fees of \$25,000 per annum.
- iv) Mr Lewis' was entitled to director's fees of \$38,150 per annum, which reduced to \$30,520 effective July 1, 2013 by Board resolution. The Director's fees were further reduced to \$25,000 per annum effective 1 January 2014. Mr Lewis resigned as Non-Executive Director on the 20th of February 2014. By Board resolution the Board agreed that Directors fees were only payable from 1 October 2013.

In February 2014 the Company appointed SmallCap Corporate Pty Ltd, a Company controlled by Mr Piers Lewis, financial controller of the Group. In the 2014 financial year, SmallCap received \$18,500 for the provision of financial accounting services to the Group.

In the 2013 financial year Mr Lewis was the Group Secretary and 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 Company controlled by Mr Piers Lewis, for the provision of corporate and financial services to the Group.

- v) Mr Neary was entitled to director's fees of \$43,600 per annum, which reduced to \$34,880 effective July 1, 2013 by board resolution. Mr Neary resigned as Non-Executive Director on the 27th September 2013. An aggregate amount of \$14,137 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 (2013: \$58,736).

In the year ended 30 June 2014 the fair value of 4,000,000 shares issued under a non-recourse loan and options granted to directors totaled \$1,641,482 (\$1,044,712 to M Thompson, \$358,062 to Mr K Coughlan and \$238,708 to G Mooney). Note 15 (c) and (d) refers to the assumptions made in calculating the fair value of the options and the shares issued under a non-recourse loan. These options and shares issued were vested as at 30 June 2014.

No options were granted to the Directors during the year ended 30 June 2013.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Option and Share 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 2014

30 June 2014	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 or at date of resignation	Vested during the Year	Vested and Exercisable
Keith Coughlan	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000
Mark Thompson	2,000,000	-	-	463,947	2,463,947	463,947	2,463,947
Grant Mooney	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Piers Lewis ⁽¹⁾	750,000	-	-	-	750,000	-	-
Sean Neary ⁽¹⁾	-	-	-	-	-	-	-

⁽¹⁾ Director resigned during the financial year.

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 or at date of resignation	Vested during the Year	Vested and Exercisable
Sean Neary	550,000	-	(550,000)	-	-	-	-
Mark Thompson	2,000,000	-	-	-	2,000,000	-	2,000,000
Piers Lewis	1,225,000	-	(475,000)	-	750,000	-	750,000

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 2014

30 June 2014	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 or at date of resignation
Keith Coughlan	-	-	-	-	-
Mark Thompson	9,078,947	4,000,000	-	1,127,894	14,206,841
Grant Mooney	-	-	-	-	-
Piers Lewis ⁽¹⁾	700,000	-	-	-	700,000
Sean Neary ⁽¹⁾	1,203,947	-	-	-	1,203,947

⁽¹⁾ Director resigned during the financial year.

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 or at date of resignation
Sean Neary	575,000	-	550,000	78,947	1,203,947
Mark Thompson	9,000,000	-	-	78,947	9,078,947
Piers Lewis	575,000	-	475,000	(350,000)	700,000

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FOR THE YEAR ENDED 30 JUNE 2014

Share based payments

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

Directors	Granted in Year \$	Value of options exercised in year \$	Lapsed in year \$
Keith Coughlan	\$358,062	-	-
Mark Thompson	\$1,044,712	-	-
Grant Mooney	\$238,708	-	-

Additional disclosures relating to options and shares

The table below discloses the number of share options granted to key management persons as remuneration during the 2014 and prior financial years as well as the number of options that vested or lapsed during the year.

Share options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

Class	Year	Options awarded during the year (No.)	Award date	Fair value per options at award date (\$)	Vesting date	Exercise price	Expiry date	No. vested during the year	No. lapsed during the year
As at 30 June 2014									
Keith Coughlan	2014	1,500,000	23/06/2014	0.2387	23/06/2014	\$0.54	23/06/2019	1,500,000	-
Mark Thompson	2012	2,000,000	2/12/2011	0.0579	2/12/2011	\$0.40	30/11/2014	-	-
Grant Mooney	2014	1,000,000	23/06/2014	0.2387	23/06/2014	\$0.54	23/06/2019	1,000,000	-
Piers Lewis	2012	750,000	2/12/2011	0.0579	2/12/2011	\$0.40	30/11/2014	-	-

16. DIRECTORS' INTERESTS IN SHARES AND OPTIONS AS AT THE DATE OF THIS REPORT

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:

Directors	Balance held at the date of this report	
	Shares	Options
Keith Coughlan	-	1,500,000
Mark Thompson	14,206,841	2,463,947
Grant Mooney	-	1,000,000

17. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group paid a premium of \$7,272 (2013: \$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.

18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2014 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 2014.

19. 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 principles of sound corporate governance.

The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Talga 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
30 September 2014

30 September 2014

The Directors
Talga Resources Limited
Suite 3, First Floor
2 Richardson Street,
West Perth, WA 6005

Dear Sirs


RE: TALGA RESOURCES LIMITED

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

As Audit Director for the audit of the financial statements of Talga Resources Limited for the year ended 30 June 2014, 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 faithfully,
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



John Van Dieren
Director

TALGA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 30 June 2014

	Note	2014 \$	2013 \$
Revenues from ordinary activities	2	8,939	63,367
Other Income	2	294,511	60,786
Expenses			
Administration expenses		(155,120)	(424,413)
Compliance and regulatory expenses		(421,137)	(434,883)
Depreciation expense – office equipment		(13,111)	(21,070)
Director fees and employee benefits expenses		(310,362)	(447,749)
Exploration and evaluation expenditure	7	(808,221)	(2,959,888)
Impairment of plant and equipment		(11,287)	-
Share based payments		(1,641,482)	(80,850)
Loss before income tax expense		(3,057,270)	(4,244,700)
Income tax expense	3	-	-
Net loss attributable to members of the parent entity		(3,057,270)	(4,244,700)
Other comprehensive income / (loss):			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(160,742)	(35,466)
Total other comprehensive loss for the year		(160,742)	(35,466)
Total comprehensive loss for the year		(3,218,012)	(4,280,166)
Total comprehensive loss attributable to members of the parent entity		(3,218,012)	(4,280,166)
Basic loss per share (cents per share)	14	(3.6)	(7.9)
Diluted loss per share (cents per share)	14	(3.6)	(7.9)

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

TALGA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	4	4,301,349	551,142
Trade and other receivables	5	21,818	16,095
Total Current Assets		4,323,167	567,237
Non-Current Assets			
Other receivables	5	20,900	20,900
Plant and equipment	6	57,257	93,359
Exploration and evaluation expenditure	7	1,568,987	1,673,454
Total Non-Current Assets		1,647,144	1,787,713
TOTAL ASSETS		5,970,311	2,354,950
Current Liabilities			
Trade and other payables	8	199,521	940,897
Provisions	9	3,890	92,454
TOTAL LIABILITIES		203,411	1,033,351
NET ASSETS		5,766,900	1,321,599
Equity			
Issued capital	10	15,724,298	9,702,467
Reserves	11	1,741,978	261,238
Accumulated losses	12	(11,699,376)	(8,642,106)
TOTAL EQUITY		5,766,900	1,321,599

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

TALGA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2014

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2012	7,223,958	(4,397,406)	215,854	3,042,406
Comprehensive income:				
Loss after income tax for the year	-	(4,244,700)	-	(4,244,700)
Other comprehensive loss for the year	-	-	(35,466)	(35,466)
Total comprehensive loss for the year	-	(4,244,700)	(35,466)	(4,280,166)
Transactions with owners in their capacity as owners:				
Issue of share capital	2,650,563	-	-	2,650,563
Capital raising costs	(172,054)	-	-	(172,054)
Share based compensation	-	-	80,850	80,850
At 30 June 2013	9,702,467	(8,642,106)	261,238	1,321,599
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2013	9,702,467	(8,642,106)	261,238	1,321,599
Comprehensive income:				
Loss after income tax for the year	-	(3,057,270)	-	(3,057,270)
Other comprehensive loss for the year	-	-	(160,742)	(160,742)
Total comprehensive loss for the year	-	(3,057,270)	(160,742)	(3,218,012)
Transactions with owners in their capacity as owners:				
Issue of share capital	6,291,586	-	-	6,291,586
Capital raising costs	(269,755)	-	-	(269,755)
Share based compensation	-	-	1,641,482	1,641,482
At 30 June 2014	15,724,298	(11,699,376)	1,741,978	5,766,900

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

TALGA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2014

	2014	2013
Note	\$	\$
Cash Flows from Operating Activities		
Payments for exploration and evaluation	(1,486,472)	(2,483,914)
Payments to suppliers, contractors and employees	(1,042,688)	(1,119,034)
Interest received	8,939	83,614
Research and development refund	231,377	-
Drilling initiative received	-	32,198
Net cash flows used in operating activities	(2,288,844)	(3,487,136)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(5,800)	(63,465)
Proceeds from sale of tenements	-	40,000
Proceeds from sale of plant and equipment	1,530	15,000
Net cash used in investing activities	(4,270)	(8,465)
Cash Flows from Financing Activities		
Proceeds from issue of securities	6,275,986	2,650,563
Payment for costs of issue of securities	(232,665)	(156,320)
Net cash flows from financing activities	6,043,321	2,494,243
Net increase / (decrease) in cash and cash equivalents	3,750,207	(1,001,358)
Cash and cash equivalents at the beginning of the financial year	551,142	1,522,500
Cash and cash equivalents at the end of the financial year	4,301,349	551,142

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report 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 17, 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured 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.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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).

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

(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

The Group operates an employee share and option plan. Share-based payments to employee are measured at the fair value of the instruments issued and amortised over the vesting period. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments used, if it is determined the fair value of the goods and services cannot be reliably measured, and are recorded at the date the goods or services are received.

Fair value is measured by use of a black and scholes option pricing 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.

The value of shares issued to employees financed by way of a non recourse loan under the employee Share Plan is recognised with a corresponding increase in equity when the company receives funds from either the employees repaying the loan or upon the loan termination. All shares issued under the plan with non recourse loans are considered, for accounting purposes, to be options.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

(o) Application of new and revised Accounting Standards

New and revised AASB's affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective from an accounting period on or after 1 January 2013.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Standards and Interpretations in issue not yet adopted

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

The Group does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

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', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 "Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities"	1 January 2014	30 June 2015
AASB 2013-3 "Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets"	1 January 2014	30 June 2015
AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities"	1 January 2014	30 June 2015
AASB 2013-9 "Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments"	1 January 2014	30 June 2015

(p) 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'd)

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.

(q) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Talga Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 23.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(r) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

2. REVENUE AND OTHER INCOME

	2014	2013
	\$	\$
Interest revenue	8,939	63,367
Research and development refund	231,377	-
Sale of tenements	-	40,000
Other - foreign exchange gain	63,134	20,786

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

3. 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

	2014	2013
	\$	\$
Loss before income tax	(3,057,270)	(4,244,700)
Income tax calculated at 30%	(917,181)	(1,273,410)
Tax effect of:		
- Deferred exploration expenditures	-	-
- Expenses not allowed	405,881	64,769
- Section 40-880 deduction	-	(46,249)
Accrued expenses	-	33,886
Adjustment for difference in tax rate	-	169,304
Future income tax benefit not brought to account	511,300	1,051,700
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.

	2014	2013
	\$	\$
Australian Tax Losses	2,648,295	2,722,536
Provisions net of prepayments	7,758	32,686
Section 40-880 deduction	123,286	104,794
Deferred exploration expenditures	(498,812)	(498,812)
Accrued Interest	-	-
Unrecognised deferred tax assets relating to the above temporary differences	2,280,527	2,361,204

The estimated Swedish tax losses are approximately \$2,780,862 based on a tax rate of 22%. The deferred tax benefit from the Swedish tax losses not recognised is approximately \$611,789.

The benefits will only be obtained if:

- 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.
- The Group continues to comply with the conditions in deductibility imposed by the Law; and

No change in tax legislation adversely affects the Group in realising the benefits from the deductions or the losses.

TALGA RESOURCES LIMITED
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4. CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at bank	4,301,349	551,142

5. TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
CURRENT		
Other Debtors	21,818	11,890
GST / VAT receivable	-	4,205
Total trade and other receivables	21,818	16,095

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

	2014	2013
	\$	\$
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.

6. PLANT AND EQUIPMENT

	2014	2013
	\$	\$
Plant and equipment at cost	186,794	203,563
Less: accumulated depreciation	(129,537)	(110,204)
Total plant and equipment	57,257	93,359
Balance at the beginning of the financial year	93,359	92,524
Additions	5,801	63,465
Disposals	(15,576)	(12,480)
Depreciation expense – office equipment	(13,111)	(21,070)
Depreciation expense – field equipment	(12,944)	(30,061)
Exchange difference	(272)	981
Balance at the end of the financial year	57,257	93,359

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

7. EXPLORATION AND EVALUATION EXPENDITURE

	2014	2013
	\$	\$
Balance at the beginning of the financial year	1,673,454	1,662,707
Exploration and evaluation expenditure	808,221	2,959,888
Written off as incurred (refer note 1(b))	(808,221)	(2,959,888)
Foreign exchange movement in assets	(104,467)	10,747
Balance at the end of the financial year	1,568,987	1,673,454

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.

8. TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
CURRENT PAYABLES		
Trade creditors	148,279	924,397
Accruals	29,390	16,500
GST / PAYG payable	21,852	-
Total trade and other payables	199,521	940,897

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

9. PROVISIONS

	2014	2013
	\$	\$
Provision for Annual Leave	3,890	92,454

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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10. ISSUED CAPITAL

(a) Issued and Fully Paid

	2014 Number	2014 \$	2013 Number	2013 \$
Ordinary shares	124,566,097	15,724,407	55,304,406	9,702,467
	124,566,097	15,724,407	55,304,406	9,702,467

(b) Movement Reconciliation

ORDINARY SHARES	Date	Quantity	Issue Price	\$
Balance 30 June 2012		46,351,907		7,223,958
Issue of shares to institutional investors	29/07/2012	6,952,500	0.325	2,259,563
Issue of shares on exercise of options	7/12/2012	75,000	0.20	15,000
Issue of shares on exercise of options	18/12/2012	1,025,000	0.20	205,000
Issue of shares pursuant to share purchase plan	20/05/2013	899,999	0.19	171,000
Less transaction costs	-	-	-	(172,054)
Balance 30 June 2013		55,304,406		9,702,467
Issue of shares pursuant to a placement	17/09/2013	8,295,661	0.05	414,783
Issue of shares pursuant to entitlement offer	24/10/2013	21,200,022	0.05	1,060,002
Issue of shares to contractors in lieu of cash	26/11/2013	260,000	0.06	15,600
Issue of shares pursuant to a placement	21/03/2014	20,000,000	0.085	1,700,000
Issue of shares to the managing director (i)	23/06/2014	4,000,000	0.37	-
Issue of shares per entitlement offer	26/06/2014	8,564,066	0.20	1,712,813
Issue of shares per entitlement offer - shortfall	30/06/2014	1,941,942	0.20	388,388
Issue of shares pursuant to a placement	30/06/2014	5,000,000	0.20	1,000,000
Less transaction costs	-	-	-	(269,755)
Balance 30 June 2014		124,566,097		15,724,298

(i) Management Incentive Plan Shares (refer Note 24)

(c) Share Options

At 30 June 2014 the Group had 14,002,963 ordinary shares under option. 2,750,000 options have an exercise price of 40 cents and expire 30 November 2014. 500,000 options have an exercise price of 35 cents and expire 21 July 2015, and 500,000 options have an exercise price of 45 cents and expire 3 October 2016. 7,752,963 listed options have an exercise price of 35 cents and expire 30 November 2015. 2,500,000 options have an exercise price of 54 cents and expire 23 June 2019.

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.

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

10. ISSUED CAPITAL (Cont'd)

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 2014 is as follows:

	2014	2013
	\$	\$
Cash and cash equivalents	4,301,349	551,142
Trade and other receivables	21,818	16,093
Trade and other payables	(199,521)	(940,897)
Provisions – employee entitlements	(3,890)	(92,454)
Working capital position	4,119,756	(466,116)

11. RESERVES

	2014	2013
	\$	\$
OPTION RESERVE		
Balance at the beginning of the financial year	296,704	215,854
Options issued and fair value of management incentive plan shares (note 24)	1,641,482	80,850
Balance at the end of the financial year	1,938,186	296,704

The option reserve records funds received for options issued and items recognised as expenses on valuation of share options issued. The option reserve is also used to recognise the fair value of Management Incentive Plan Shares issued with an attaching limited recourse employee loan which for accounting purposes are treated as options.

	2014	2013
	\$	\$
FOREIGN CURRENCY RESERVE		
Balance at the beginning of the financial year	(35,466)	-
Movement during the year	(160,742)	(35,466)
Balance at the end of the financial year	(196,208)	(35,466)
Total Reserves	1,741,978	261,238

12. ACCUMULATED LOSSES

	2014	2013
	\$	\$
Balance at the beginning of the financial year	(8,642,106)	(4,397,406)
Loss for the year	(3,057,270)	(4,244,700)
Balance at the end of the financial year	(11,699,376)	(8,642,106)

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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13. CASHFLOW INFORMATION

	2014	2013
	\$	\$
Reconciliation of cash flows from operating activities with loss after income tax		
Loss after income tax	(3,057,270)	(4,244,700)
Non-cash flows in loss for the year:		
- Depreciation expense - office and field equipment	26,055	51,131
- Impairment of plant and equipment	11,287	-
- Loss on sale of plant and equipment	2,759	-
- Employee benefits expense	1,641,482	80,850
- Profit on sale of caravan	-	2,520
- Profit on sale of tenements	-	40,000
- Share based payment	15,600	-
- Unrealised foreign exchange gain	(63,134)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(5,723)	17,097
- Increase / (decrease) in trade and other payables	(771,336)	553,297
- Increase / (decrease) in provisions	(88,564)	42,669
Net cash outflows from Operating Activities	(2,288,844)	(3,457,136)

Non Cash Financing and Investing Activities

There have been nil non-cash investing and financing activities for the financial year.

14. LOSS PER SHARE

	2014	2013
	\$	\$
Net loss after income tax attributable to members of the Group	(3,057,270)	(4,244,700)
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	84,125,723	53,497,174

This calculation does not include shares under option that could potentially dilute basic earnings per share in the future as the Group has incurred a loss for the year.

15. 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	Position	Duration of Appointment
Keith Coughlan	Non-Executive Chairman	Appointed 27 th September 2013
Mark Thompson	Managing Director	
Grant Mooney	Non-Executive Director	Appointed 20 th February 2014
Piers Lewis	Non-Executive Director	Resigned 20 th February 2014
Sean Neary	Non-Executive Chairman	Resigned 27 th September 2013

(b) Remuneration of Directors

\$1,988,325 (2013: \$478,058) in remuneration was paid to Directors for the financial year comprising salary, superannuation, insurance and commercial fees.

	2014	2013
	\$	\$
Short-term employee benefits	324,661	453,308
Post-employee benefits	22,182	24,750
Other long-term benefits	-	-
Share-based payments	1,641,482	-
Total	1,988,325	478,058

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

On 23 June 2014, 1,500,000 options were granted to Keith Coughlan (Non-Executive Director) and 1,000,000 options were granted to Grant Mooney (Non-Executive Director) for no consideration to acquire shares in the Company, exercisable at \$0.54 on or before 23 June 2019. The options hold no dividend or voting rights and are not transferrable.

The value of options granted to non-executive directors was calculated applying the following inputs:

Exercise price:	\$0.54
Valuation date:	23 June 2014
Expiry date:	23 June 2019
Market price of shares at grant date:	\$0.37
Expected share price volatility:	89%
Risk free interest rate:	3.25%
Valuation per option:	23.87 cents

The expense recognised for the options during the financial year was \$596,770.

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

15. KEY MANAGEMENT AND PERSONNEL COMPENSATION (Cont'd)

(d) Management Incentive Equity Plan

On 23 June 2014, 4,000,000 shares were issued to Mark Thompson (Managing Director) pursuant to the Talga Management Incentive Equity Plan ('Management Incentive Plan').

The object of the Management Incentive Plan is to provide a mechanism by which Senior Managers and/or Directors selected by the Plan Committee may acquire shares for the purpose of sharing in the future of the Company. The Management Incentive Plan provides for the issue of shares to Eligible Employees in accordance with the Management Incentive Plan Rules. To enable an Eligible Employee to acquire shares, the company may provide to an Eligible Employee an interest free loan.

The Company has agreed to the provision of a limited resource, interest free loan to the Managing Director, Mr Mark Thompson, pursuant to the Management Incentive Plan for the purpose of subscribing for 4,000,000 shares. The loan has been provided on the following key terms:

- a. The amount of the loan to Mr Thompson is equal to the market value of 4,000,000 shares on the day of issue to fund the amount payable for the 4,000,000 shares;
- b. No interest is payable on the loan;
- c. The loan is limited in resource to amounts recovered from disposal of the shares;
- d. The loan is to be repaid if Mr Thompson's employment is terminated and he is not a good leaver (e.g. summary dismissal or termination of employment for misconduct);
- e. The loan may be forgiven by the Company at any time;
- f. The loan is repayable 5 years after the date of issue of the shares;
- g. If, upon the expiration of the term of the Loan the Company does not exercise its right to buy back or facilitate the transfer of the shares, Mr Thompson will be entitled to sell the shares in an approved trading window of the Company;
- h. Where a share is sold, the loan amount for that share and that share only must be repaid to the Company in cleared funds within 5 business days of the sale; and
- i. The loan is secured against the shares but Mr Thompson is not personally liable for the loan. In other words, in the event the shares are sold to repay the loan but the sale proceeds are insufficient to cover the amount of the loan which is outstanding the Company cannot recover the remaining amount from Mr Thompson and the Company will be unlikely to recoup the full face value of the loan. Conversely, where the sale proceeds are greater than the amount of the loan the Company will not receive an additional repayment as Mr Thompson is entitled to the surplus proceeds.

The value of the shares granted under the Management Incentive Plan are considered for accounting purposes to be options and their value was calculated applying the following inputs:

Exercise price:	\$0.37
Valuation date:	23 June 2014
Expiry date:	23 June 2019
Market price of shares at grant date:	\$0.37
Expected share price volatility:	89%
Risk free interest rate:	3.25%
Valuation per option:	26.11 cents

The expense recognised under the Management Incentive Plan during the financial year was \$1,044,712.

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15. KEY MANAGEMENT AND PERSONNEL COMPENSATION (Cont'd)

e) Related Party Transactions:

In the 2013 financial year, the Company's gold exploration field campervan in Australia was sold via an arm's 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, arm's length nature and positive result to the Company.

No such related party transactions occurred in the current year.

16. AUDITOR'S REMUNERATION

	2014	2013
	\$	\$
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	28,114	30,104
Other services	-	-
Total	28,114	30,104

17. 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:

	2014	2013
	\$	\$
Not longer than one year	324,980	464,760
Longer than one year, but not longer that five years	209,580	-
Longer than five years	-	-
Total	534,560	464,760

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

	2014	2013
	\$	\$
Head Office lease		
Not longer than one year	81,094	20,900
Longer than one year, but not longer that five years	108,125	-
Longer than five years	-	-
Total	189,219	20,900

18. FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

The Group's financial instruments consist solely of deposits with banks. No financial derivatives are held.

i. Financial Risk Exposures and Management.

The main risk the Group is exposed to through its financial instruments is interest rate risk.

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market by the major Australian Financial Institutions.

Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk to any single counterparty or any group of counterparties having similar characteristics. The credit risk on financial assets of the Group, which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The credit quality of financial assets that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2014	2013
	\$	\$
Trade Receivables		
Group 1	-	-
Group 2	21,818	16,095
Group 3	-	-
Total trade receivables	21,818	16,095
Cash at bank and short-term deposits	4,301,349	551,142
Total	4,301,349	551,142

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.

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

18. FINANCIAL INSTRUMENTS (Cont'd)

ii. Liquidity Risk

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

iii. Net Fair Values

The net fair values of:

- Other assets and other liabilities approximate their carrying value.

iv. Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2014, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Change in loss		
- Increase in interest rate by 100 basis points	43,013	5,511
- Decrease in interest rate by 100 basis points	(43,013)	(5,511)
Change in equity		
- Increase in interest rate by 100 basis points	43,013	5,511
- Decrease in interest rate by 100 basis points	(43,013)	(5,511)

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 2014, the Group has liabilities denominated in the foreign currencies detailed below:

	Foreign	AUD
	Currency	Equivalent
EURO	778	1,127
SEK	32,224	5,066
Total AUD		6,193

A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$310.

The parent has a loan receivable from Talga Mining Pty Ltd denominated in SEK for SEK17,004,585 or equivalent \$2,672,611. A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$133,631.

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

18. FINANCIAL INSTRUMENTS (Cont'd)

	Floating Interest Rate \$	Fixed Interest Rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
2014					
Financial Assets					
Cash and cash equivalents	18,670	-	4,282,679	4,301,349	2.4
Trade and other receivables	-	20,900	21,818	42,718	-
Total financial assets	18,670	20,900	4,304,497	4,344,067	-
Financial liabilities					
Trade and other payables	-	-	199,521	199,521	-
Total financial liabilities	-	-	199,521	199,521	-
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	-

19. SEGMENT NOTE

The Group adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group 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 operates in two operating segments in two geographical segments, being graphite exploration in Sweden and gold exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

19. SEGMENT NOTE (Cont'd)

	Sweden	Australia	Total
2014	\$	\$	\$
SEGMENT PERFORMANCE			
Revenues from ordinary activities	10	8,929	8,939
Other Income	-	231,377	231,377
Total segment revenue	10	240,306	240,316
Segment exploration expense	(272,047)	(536,174)	(808,221)

Reconciliation of segment result to net loss before tax

Unallocated items:

- Administration expenses			(155,120)
- Compliance and regulatory expenses			(421,137)
- Depreciation expense – office equipment			(13,111)
- Director fees and employee benefits expenses			(310,362)
- Impairment			(11,287)
- Share based payments			(1,641,482)
- Foreign exchange gain / (loss)			63,134
Net loss before tax from continuing operations			(3,057,270)

SEGMENT ASSETS

As at 30 June 2014

Segment assets as at 1 July 2013	140,559	2,210,186	2,350,745
Segment asset increases/(decreases) for the year:			
- Cash and cash equivalents	27,424	3,722,783	3,750,207
- Exploration and evaluation expenditure	(104,467)	-	(104,467)
- Other	-	(26,174)	(26,174)
	63,516	5,906,795	5,970,311

Reconciliation of segment assets to total assets

Other assets			-
Total assets from continuing operations			5,970,311

SEGMENT LIABILITIES

Segment liabilities as at 30 June 2014	22,762	176,759	199,521
Reconciliation of segment liabilities to total liabilities			
Unallocated items:			
- Provision			3,890
Total liabilities from continuing operations			203,411

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

19. SEGMENT NOTE (Cont'd)

	Sweden	Australia	Total
2013	\$	\$	\$
SEGMENT PERFORMANCE			
Revenues from ordinary activities	-	63,367	63,367
Other Income	-	60,786	60,786
Total segment revenue	-	124,153	124,153
Segment exploration expense	(1,975,461)	(984,427)	(2,959,888)

Reconciliation of segment result to net loss before tax

Unallocated items:

- Administration expenses			(394,352)
- Compliance and regulatory expenses			(434,883)
- Depreciation expense			(51,131)
- Director fees and employee benefits expenses			(447,749)
- Share based payments			(80,850)
Net loss before tax from continuing operations			(4,244,700)

SEGMENT ASSETS

As at 30 June 2013

Segment assets as at 1 July 2012	115,577	3,225,647	3,341,224
Segment asset increases/(decreases) for the year:			
- Cash and cash equivalents	14,235	(985,593)	(971,358)
- Exploration and evaluation expenditure	10,747	(22,345)	(11,598)
- Other	-	(7,523)	(7,523)
	140,559	2,210,186	2,350,745

Reconciliation of segment assets to total assets

Other assets			4,205
Total assets from continuing operations			2,354,950

SEGMENT LIABILITIES

Segment liabilities as at 30 June 2013	633,597	307,300	940,897
Reconciliation of segment liabilities to total liabilities			
Unallocated items:			
- Provision			92,454
Total liabilities from continuing operations			1,033,351

20. 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.

On 23 July 2014, the Company announced the first sale of graphene produced from the Company's wholly-owned Nunasvaara graphite deposit in north Sweden. The graphene was produced during metallurgical testing on existing drillcores from Nunasvaara, part of a consignment of several tonnes of drill samples from 2012 resource definition which is currently being processed in Perth as part of Talga's preliminary economic study.

On 25 July 2014, 312 listed options were exercised at \$0.35 per share.

On 18 August 2014, 15,000 listed options were exercised at \$0.35 per share.

On 18 August 2014, the Company announced a collaborative agreement to undertake analytical work on ore from the Company's high-grade Nunasvaara graphite-graphene project in northern Sweden. The agreement is one of the first entered into by CSIRO to focus on graphene produced from natural ore deposits, increasing the scope of Australia's emerging and internationally focused graphite-graphene sector beyond CSIRO's breakthrough research in graphene hybrid materials. The aim of the collaboration is to accelerate the mineralogical characterization of graphite and graphene from Talga's wholly-owned and flagship Nunasvaara project and to better interpret how the mineralisation formed and the conditions under which more may be found.

On 20 August 2014, the Company issued 1,600,000 employee options, exercisable at \$0.54 per option and expiring 20 August 2019.

On 20 August 2014, the Company appointed Mr Jeremy McManus to a senior executive role as Commercial Manager, focusing on developing and managing commercial negotiations with third parties and business development. This appointment represents a significant step as the Company evolves from minerals explorer and developer to high-tech materials producer.

On 23 September 2014, 670 listed options were exercised at \$0.35 per share.

21. RELATED PARTIES

Related party transactions with management personnel are disclosed in Note 15.

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

22. 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	2014	2013
	\$	\$
ASSETS		
Current assets	4,279,690	552,485
Non-Current assets	1,127,946	1,635,390
TOTAL ASSETS	5,407,636	2,187,875
LIABILITIES		
Current liabilities	180,650	908,414
TOTAL LIABILITIES	180,650	908,414
NET ASSETS	5,226,986	1,279,461
EQUITY		
Issued capital	15,724,407	9,702,467
Accumulated losses	(12,435,497)	(8,719,710)
Option reserve	1,938,076	296,704
TOTAL EQUITY	5,226,986	1,279,461

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2014	2013
	\$	\$
Net loss for the year	(3,715,787)	(4,540,709)
Total comprehensive loss for the year	(3,715,787)	(4,540,709)

23. CONTROLLED ENTITIES

Talga Resources Limited owns the following subsidiaries:

Name of Entity	Country of Incorporation	Percentage Owned (%) *	
		2014	2013
Talga Mining Pty Ltd	Australia	100%	100%
TCL Sweden Ltd (i)	Canada	Nil	100%

* Percentage of voting power is in proportion to ownership.

(i) On 19 December 2013, the Company deregistered TCL Sweden Limited, with the remaining property and assets being distributed to the Company.

TALGA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

24. SHARE BASED PAYMENTS

On the 26th November 2013 the Company issued 260,000 shares to consultants in lieu of payment at a share price of \$0.06 per share for a total consideration of \$15,600.

On 23 June 2014, 2,500,000 options were granted to Non-Executive Directors for no consideration to acquire 1 share in the Company exercisable at \$0.54 on or before 23 June 2019. 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:	\$0.54
Valuation date:	23 June 2014
Expiry date:	23 June 2019
Market price of shares at grant date:	\$0.37
Expected share price volatility:	89%
Risk free interest rate:	3.25%
Valuation per option:	23.87 cents

The expense recognised for the options during the financial year was \$596,770.

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

	2014		2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	3,750,000	0.40	4,350,000	0.34
Granted during the financial year	2,500,000	0.54	500,000	0.45
Expired during the financial year	-	-	-	-
Exercised during the financial year	-	-	(1,100,000)	0.20
Balance at end of the financial year	6,250,000	0.46	3,750,000	0.40
Exercisable at end of the financial year	6,250,000	0.46	3,750,000	0.40

The share based payment options outstanding at the end of the financial year had a weighted average exercise price of \$0.46 (2013: \$0.40) and a weighted average remaining contractual life of 2.44 years (2013: 1.75 years).

Management Incentive Equity Plan

On 23 June 2014, 4,000,000 shares were issued to Mark Thompson (Managing Director) pursuant to the Talga Management Incentive Equity Plan ('Management Incentive Plan').

The object of the Management Incentive Plan is to provide a mechanism by which Senior Managers and/or Directors selected by the Plan Committee may acquire shares for the purpose of sharing in the future of the Company. The Management Incentive Plan provides for the issue of shares to Eligible Employees in accordance with the Management Incentive Plan Rules. To enable an Eligible Employee to acquire shares, the company may provide to an Eligible Employee an interest free loan.

24. SHARE BASED PAYMENTS (Cont'd)

The Company has agreed to the provision of a limited resource, interest free loan to the Managing Director, Mr Mark Thompson, pursuant to the Management Incentive Plan for the purpose of subscribing for 4,000,000 shares. The loan has been provided on the following key terms:

- (i) The amount of the loan to Mr Thompson is equal to the market value of 4,000,000 shares on the day of issue to fund the amount payable for the 4,000,000 shares;
- (ii) No interest is payable on the loan;
- (iii) The loan is limited in resource to amounts recovered from disposal of the shares;
- (iv) The loan is to be repaid if Mr Thompson's employment is terminated and he is not a good leaver (e.g. summary dismissal or termination of employment for misconduct);
- (v) The loan may be forgiven by the Company at any time;
- (vi) The loan is repayable 5 years after the date of issue of the shares;
- (vii) If, upon the expiration of the term of the Loan the Company does not exercise its right to buy back or facilitate the transfer of the shares, Mr Thompson will be entitled to sell the shares in an approved trading window of the Company;
- (viii) Where a share is sold, the loan amount for that share and that share only must be repaid to the Company in cleared funds within 5 business days of the sale; and
- (ix) The loan is secured against the shares but Mr Thompson is not personally liable for the loan. In other words, in the event the shares are sold to repay the loan but the sale proceeds are insufficient to cover the amount of the loan which is outstanding the Company cannot recover the remaining amount from Mr Thompson and the Company will be unlikely to recoup the full face value of the loan. Conversely, where the sale proceeds are greater than the amount of the loan the Company will not receive an additional repayment as Mr Thompson is entitled to the surplus proceeds.

The value of the shares granted are considered for accounting purposes to be options and their value was calculated applying the following inputs:

Exercise price:	\$0.37
Valuation date:	23 June 2014
Expiry date:	23 June 2019
Market price of shares at grant date:	\$0.37
Expected share price volatility:	89%
Risk free interest rate:	3.25%
Valuation per option:	26.11 cents

The expense recognised under the Management Incentive Plan during the financial year was \$1,044,712.

25. CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets in the current financial year (2013: nil).

TALGA RESOURCES LIMITED
DIRECTORS' DECLARATION
For the Year Ended 30 June 2014

The directors of the Group declare that:

1. the financial statements and notes, as set out on pages 27 to 58, 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 2014 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
30 September 2014

**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 2014, the consolidated statement of profit and 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 company also comprising the entities it controlled 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 basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

- a) the financial report of Talga 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 2014 and of its performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report


We have audited the remuneration report included on pages 20 to 24 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

Yours faithfully

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

Stantons International Audit and Consulting Pty Ltd


John Van Dieren
Director

TALGA RESOURCES LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
For the Year Ended 30 June 2014

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 24 September 2014.

Statement of Quoted Securities

Listed on the Australian Securities Exchange are 124,582,079 fully paid ordinary shares, 7,736,981 Listed Options exercisable at \$0.35 expiring 30 November 2015 and 7,850,000 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 24 September 2014 were as follows:

Spread of Holdings	Fully Paid Ordinary Shares	Total Shareholders	Listed Options	Total Option Holders
1-1,000	9,517	42	99,597	195
1,001 - 5,000	850,473	268	494,388	190
5,001 – 10,000	2,029,873	242	313,491	41
10,001 - 100,000	23,653,207	654	2,231,229	73
100,001 and over	98,039,009	168	4,588,276	16
TOTALS	124,582,079	1,374	7,726,981	515

Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares is 48.

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)	14,206,841	11.41
Warwick Grigor	9,054,128	7.26

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 Lisa Wynne.

Registered Office

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

TALGA RESOURCES LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
For the Year Ended 30 June 2014

Twenty Largest Shareholders and Option Holders

The names of the twenty largest ordinary fully paid shareholders as at the 24 September 2014 are as follows:

Ordinary Shares		Number Held	% Held
1	Lateral Minerals Pty Ltd <Thompson Family>	12,800,000	10.27%
2	Gregorarch Pty Ltd	8,212,628	6.59%
3	UBS Nominees Pty Ltd	4,018,163	3.23%
4	Yandal Investments Pty Ltd	3,916,000	3.14%
5	Two Tops Pty Ltd	3,750,000	3.01%
6	HSBC Custody Nominees Australia Ltd	2,961,267	2.38%
7	Wong King Chun	2,633,246	2.11%
8	United Overseas Service Management	2,479,054	1.99%
9	BNP Paribas Nominees NZ Ltd	2,412,590	1.94%
10	Twynam Agrigultural Group Pty Ltd	2,289,926	1.84%
11	Danks Kevin Graham	1,925,000	1.55%
12	Citicorp Nominees Pty Ltd	1,773,577	1.42%
13	HSB Custoday Nominees Aust Ltd	1,518,500	1.22%
14	Erebon Pty Ltd	1,500,000	1.20%
15	Lateral Minerals Pty Ltd <Sungold Super>	1,406,841	1.13%
16	Neary Sean Vincent	1,203,947	0.97%
17	Patterson Anthony Lionel	1,118,188	0.90%
18	ABN Amro Clearing Sydney Nominees Pty Ltd	1,118,180	0.90%
19	Gerovich Steven R & EL	1,100,000	0.88%
20	James Bronwyn Julianne	1,094,750	0.88%
Top 20 holders of ordinary shares		59,231,857	47.55%

The names of the twenty largest Listed Option holders as at the 24 September 2014 are as follows:

Listed Options		Number Held	% Held
1	Gregorarch Pty Ltd	1,114,411	14.42%
2	Erebon Pty Ltd	750,000	9.71%
3	Lateral Minerals Pty Ltd <Thompson Family>	400,000	5.18%
4	All States Finance Pty Ltd	375,000	4.85%
5	Exponential Equities Pty Ltd	253,250	3.28%
6	Two Tops Pty Ltd	225,000	2.91%
7	UBS Nominees Pty Ltd	218,031	2.82%
8	Twynam Agricultural Group Pty Ltd	208,633	2.70%
9	Yandal Investments Pty Ltd	178,000	2.30%
10	Sindel Paul & Diane	139,825	1.81%
11	Wong Kin Chun	131,662	1.70%
12	United Overseas Services Management	127,093	1.64%
13	ABN Amro Clearing Sydney Nominees Pty Ltd	125,993	1.63%
14	BNP Paribas Nominees NZ Ltd	117,663	1.52%
15	Ackling Skye Stephen	113,275	1.47%
16	HSBC Custody Nominees Australia Ltd	110,440	1.43%
17	Yeung Jackie Au	97,097	1.26%
18	Zeng Dazhang	92,725	1.20%
19	Vaughan Adrian William	91,000	1.18%
20	Parker Roger AA & MD	89,300	1.16%
Top 20 holders of Listed Options		4,958,398	64.17%

TALGA RESOURCES LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
For the Year Ended 30 June 2014

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

As at 24 September 2014 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

Unquoted Options exercisable at \$0.54 on or before 23 June 2019

Percentage Held %	Name	Number of Securities Held
60%	Keith Coughlan	1,500,000
40%	Grant Mooney	1,000,000

Unquoted Options exercisable at \$0.54 on or before 20 August 2019

Percentage Held %	Name	Number of Securities Held
62.5%	Jeremy McManus	1,000,000
12.5%	Lisa Wynne	200,000
12.5%	Bruce Cripps	200,000
12.5%	Monica Wade	200,000

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 the Group 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 at www.taglaresources.com. The Policies can be viewed under the 'About Us' tab on the website.

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. 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.taglaresources.com.

The Board has established a processes to review its own performance and the performance of individual directors (including the Managing Director) annually. 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, comprising, a 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. The term in office held by each director in office at the date of this report is as follows:

Name & Position	Term in Office
Mark Thompson – Managing Director (Appointed July 2009)	62 Months
Keith Coughlan – Non-Exec Chairman (Appointed September 2013)	12 Months
Grant Mooney – Non-Exec Director (Appointed February 2014)	7 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 considered the guidance to Principle 2 of the ASX Recommendations and in particular the relationships affecting the independent status of directors. In its assessment of independence, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when evaluating independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;

- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The assessment of whether a Board member is independent is a matter of judgement for the Board as a whole and includes concepts of materiality. In the context of independence, materiality is considered from both a quantitative and qualitative perspective. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of an appropriate base amount. Qualitative factors considered include the nature of the relationship or contractual arrangement and factors that could materially interfere with the independent exercise of the director's judgement. In accordance with the definition of independence above and the materiality thresholds, the following directors of Talga are considered to be independent:

Name	Position
Keith Coughlan	Chairman
Grant Mooney	Non-Executive Director

The Board recognises the ASX Recommendations that the majority of the Board should be comprised of independent directors and the Company complies with this recommendation. Furthermore, the Board intends to appoint additional independent non-executive directors, as appropriate, with relevant corporate and industry experience to further strengthen its Board and guide its corporate and development strategy. Given the size of the Group and the industry in which it 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.taglaresources.com.

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.

Conflict of interest:

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Each director is required by the Company to declare on an annual basis the details of any financial or other relevant interest they may have in the Company. There are procedures in place, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense. Details of director related entity transactions with the Group are set out in note 15 to the consolidated financial statements.

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.taglaresources.com.

Share Trading Policy:

Talga recognises that Directors, officers and employees may hold securities in Talga and that most investors are encouraged by these holdings. The Group's Policy on Trading of Company's Shares explains and reinforces the Corporations Act 2001 requirements relating to insider trading. The policy applies to all directors, officers, key management personnel and employees of the Group, and their associates and closely related parties ("**Relevant Persons**"). The policy is compliant with the ASX Listing Rules and expressly prohibits Relevant Persons buying or selling TLG securities where the Relevant Person or TLG is in possession of price sensitive or 'inside' information and in any event without the prior written approval of a clearance officer. This policy can be viewed at www.taglaresources.com.

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.

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.taglaresources.com.

Gender proportions:

Currently the Group has no women directors; 20% of executive staff are female.

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 www.taglaresources.com.

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 as Auditors.

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.taglaresources.com.

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.taglaresources.com.

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.taglaresources.com.

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.

TALGA RESOURCES LIMITED
CORPORATE GOVERNANCE
For the Year Ended 30 June 2014

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.

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:

TALGA RESOURCES LIMITED
CORPORATE GOVERNANCE
For the Year Ended 30 June 2014

Best Practice Principle	Notification of Departure	Explanation of Departure
2.4 The board should establish a nomination committee	The Group has not established a formal nomination committee	<p>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</p> <p>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.</p>
4.1 - 4.3 Safeguard integrity in financial reporting	The Group has not established a formal audit committee	<p>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.</p> <p>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.</p>
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.	<p>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.</p> <p>A separate policy for Risk Management has been adopted by the Board which provides for the proper assessment of risk management.</p>
8.1 -8.2 The board should establish a remuneration committee	The Group has not established a formal remuneration committee	<p>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.</p> <p>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.</p>

TALGA RESOURCES LIMITED
SCHEDULE OF MINERAL TENEMENTS
For the Year Ended 30 June 2014

SCHEDULE OF MINERAL TENEMENTS AS AT 30 JUNE 2014

Tenement	Project	Interest Held by Talga Resources	Tenement	Project	Interest Held by Talga Resources
M45/618	Talga Talga	100%	Jalkunen nr 1	Sweden	100%
P45/2689	Talga Talga	100%	Jalkunen nr 2	Sweden	100%
P45/2690	Talga Talga	100%	Kursuvaara	Sweden	100%
P45/2691	Talga Talga	100%	Lautakoski nr 1	Sweden	100%
P45/2746	Talga Talga	100%	Lautakoski nr 2	Sweden	100%
P45/2747	Talga Talga	100%	Lautakoski nr 3	Sweden	100%
P45/2774	Talga Talga	100%	Nybrännan nr 1	Sweden	100%
E77/2139	Bullfinch	100%	Nybrännan nr 2	Sweden	100%
E77/2221	Bullfinch	100%	Suinavaara nr 1	Sweden	100%
E77/2222	Bullfinch	100%	Suinavaara nr 2	Sweden	100%
P77/4106	Bullfinch	100%	Tiankijoki nr 1	Sweden	100%
P46/1632	Mosquito Creek	100%	Kiskama nr 1	Sweden	100%
P46/1633	Mosquito Creek	100%	Masugnsbyn nr 1	Sweden	100%
P46/1634	Mosquito Creek	100%	Masugnsbyn nr 2	Sweden	100%
P46/1635	Mosquito Creek	100%	Lehtosölkä nr 3	Sweden	100%
P46/1636	Mosquito Creek	100%	Liviövaara nr 2	Sweden	100%
P46/1637	Mosquito Creek	100%	Graliden nr 2	Sweden	100%
P46/1638	Mosquito Creek	100%	Önusträsket nr 2	Sweden	100%
P46/1666	Mosquito Creek	100%	Raitajärvi nr 5	Sweden	100%
P46/1667	Mosquito Creek	100%	Raitajärvi nr 6	Sweden	100%
P46/1668	Mosquito Creek	100%	Maltosrova nr 2	Sweden	100%
P46/1800	Mosquito Creek	100%	Maltosrova nr 3	Sweden	100%
E46/1022	Mosquito Creek	100%	Mörttjärn nr 1	Sweden	100%
E46/1022	Mosquito Creek	100%	Nälkävuoma nr 1	Sweden	100%
P45/2931	Warawoona	100%	Nunasvaara nr 2	Sweden	100%
E45/3381	Warawoona	100%	Vathanvaara nr 1	Sweden	100%
P45/2661	Warawoona	100%	Vittangi nr 2	Sweden	100%
P45/2662	Warawoona	100%	Vittangi nr 3	Sweden	100%
P45/2781	Warawoona	100%	Vittangi nr 4	Sweden	100%
P45/2931	Warawoona	100%			

P Prospecting Licence

E Exploration Licence

M Mining Licence