ABN 32 138 405 419

INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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CORPORATE DIRECTORY

DIRECTORS

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

AUDITORS

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West Perth WA 6005

COMPANY SECRETARY

Lisa Wynne

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STOCK EXCHANGE LISTING

The Company is listed on Australian Securities Exchange Limited

Home Exchange: Perth
ASX Code: TLG

The Directors present their report on Talga Resources Ltd for the half-year ended 31 December 2013.

BOARD OF DIRECTORS

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

Keith Coughlan	Chairman appointed 27th September 2013
Mark Thompson	Managing Director
Grant Mooney	Non-Executive Director appointed 20th February 2014
Sean Neary	Chairman resigned 27th September 2013
Piers Lewis	Non-Executive Director resigned 20th February 2014

COMPANY SECRETARY

Lisa Wynne	Appointed 20th February 2014
Jeremy McManus	Resigned 20th February 2014

REVIEW OF OPERATIONS

During the period the Company focused on advancing its 100% owned projects in Sweden. Highlights include:

- Updated JORC resource[1] for the Raitajärvi graphite project increasing project's contained graphite inventory by 500% (see Table 2).
- Maiden JORC resource[1] for the Vittangi iron project, doubling the Company's global iron resource[1] inventory to total 236 million tonnes (see Table 3 and 4).
- Tests on Nunasvaara graphite reveal unique features that subsequent to the period confirmed high quality unoxidised graphene can 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 subsequent to period, with significant exploration upside.
- Placement and fully underwritten non-renounceable pro rata entitlement offer raising approximately $1.47M.
- Board changes – appointment of new Chairman and resignation of former Chairman Sean Neary from the Board of Directors.
- 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 period work focused on advancing the project towards economic studies. Conceptual level pit design and modelling was completed and preliminary metallurgical test work on samples from the Nunasvaara graphite deposit was conducted as part of the scoping study.

At an early stage the work identified unique ore characteristics with the potential to aid the development of graphite extraction techniques. These unique characteristics also highlighted a potential graphene production option. Subsequent to the period Talga announced that test work had successfully extracted high quality unoxidised graphene from unprocessed, unpurified Nunasvaara ore in a one-step process (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 was used to attain similar quality graphene to that made by synthetic routes. As graphite is liberated as part of the raw ore to graphene process, it also offers a potentially cheaper path to graphite production both in operating and capital costs.

Further work testing the characteristics and yield of graphite and graphene produced by this new method will continue, with the results incorporated into the ongoing Nunasvaara scoping study which is to be completed with a dual graphite/graphene focus.

BACKGROUND: Nunasvaara is the highest grade graphite resource in the world (Reference: Technology Metals Research Advanced Graphite Projects Index, 10 December 2013) 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 resource[1] estimate totals 7.6 million tonnes at 24.4% graphite ("Cg") (see Table 1 and ASX:TLG 8 November 2012).

Table 1. Nunasvaara Graphite Project – JORC Resource[1] 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 period the Company completed a new JORC resource estimate for the Raitajärvi graphite deposit resulting in a 500% increase in contained graphite. The project's JORC resource[1] 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 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 Resource[1] 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 from Sweden to Australia in preparation for metallurgical test work. This test work will aid in updating the historically defined metallurgical profile of the Raitajärvi ore and determine suitable pathways for the production of graphite concentrates. The ability of Raitajärvi ore to produce graphene products will also be assessed.

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.

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, increasing Talga's total Piteå project area to 18.7km^2.

Other Graphite Projects and Activities

Minimal work was done on the Company's other graphite projects in Sweden during the period.

IRON ORE PROJECTS – SWEDEN (Talga 100%)

Vittangi Iron Project

During the period combined maiden JORC Inferred resource[1] estimates 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 nr 1 exploration permit was applied for and granted during the reporting period.

Table 3. Vittangi Project – JORC Iron Resource[1] 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

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.

Masugnsbyn Iron Project

Work during the period 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 nr 1 exploration permit was applied for and granted during the reporting period.

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 Project – JORC Iron 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%)

Compilation of historical copper-gold exploration data covering the Company's Swedish projects was completed and analysis commenced during the reporting period. Subsequent to the period Talga announced that it had identified a potentially large Iron Oxide Copper-Gold ("IOCG") mineralisation system in historic drilling data at its Kiskama project (ASX:TLG 10 Feb 2014). Historic drilling focused on only 1km of strike, with mineralisation open in all directions and a further 7km of prospective strike remaining largely untested. It was further discovered that only 27% of drilling was assayed for copper, and less than 2% was assayed for gold, with considerable potential to increase the size of the mineralised intercepts with further assaying of historical drill core. Considering Talga's graphite focus, joint venture and divestment opportunities will be sought before dedicating further resources and funds towards Kiskama.

GOLD PROJECTS – AUSTRALIA (Talga 100%)

Work during the period on the Company's 100% owned gold exploration assets in Western Australia was restricted to minimal field work in order to maintain tenements at the lowest cost. 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.

To divest the gold projects, discussions with several potential partners or buyers were advanced during the period, in what has been a challenging market. These discussions are ongoing but still at a preliminary stage. The Company notes significant market activity for Western Australian gold projects in the first period of 2014 and remains confident that divestment outcomes will be achieved.

POTENTIAL DIVESTMENTS

During the period the Company continued to assess and implement strategies to optimise project values and potentially monetise those assets which are non-core to Talga's graphite development objectives in Sweden. The potential pool of divestment assets includes the Masugnsbyn and Vittangi iron projects and the Kiskama copper-gold project in Sweden and the gold assets in Western Australia. At the end of the period preliminary stage negotiations are underway but not at a point of commercial agreement and contract completion.

CORPORATE

A number of initiatives to reduce expenditure were implemented during the period which helped offset costs required for key advances in resource development and licence renewals. These initiatives included significant reductions in director fees, staff numbers, staff hours and salaries.

The Company launched and received full proceeds of an underwritten 1:3 non-renounceable pro-rata entitlement offer during the period at a price of $0.05 per share to raise $1.06 million. The Offer followed a placement of $415,000 to sophisticated investors, at the same price.

Founding Director, Mr Sean Neary, retired from the Board and the Company on 27 September 2013. An experienced funds manager and stockbroking principal, Mr Keith Coughlan, was appointed to the Board as Non-Executive Chairman.

The Company hosted its 2013 annual general meeting, with all resolutions passed.

The Company attended several international conferences where it delivered presentations and promoted to graphite specialist and EU-based investors. As a result the Company is considering capital injection opportunities with a number of parties interested in partnering or acquiring selected Talga projects.

As at 31 December 2013 the Company had a cash balance of $447,062 (June 2013: $551,142).

RESULTS OF OPERATIONS

The operating loss after income tax of the Group for the half-year ended 31 December 2013 was $684,495.

(31 December 2012: $2,296,259 loss). The Group's basic loss per share for the period was 0.95 cents (2012: 4.38 cents).

No dividend has been paid during or is recommended for the financial period ended 31 December 2013.

FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities was $163,378 at 31 December 2013 (30 June 2013: $466,114 deficiency).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 31 December 2013 has been received and immediately follows the Directors' Report.

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

Mark Thompson
Managing Director

Dated at Perth this 13th day of March 2014

[1] *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 announcements and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcements have not materially changed.*

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled and reviewed by Mr Darren Griggs and Mr Mark Thompson, who are members of the Australian Institute of Geoscientists. Mr Griggs and Mr Thompson are employees of the Company and have sufficient experience which is relevant to the activity being undertaken to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Griggs and Mr Thompson consent to the inclusion in the report of the Matters based on this information in the form and context in which it appears.

The information in this report that relates to Resource Estimation is based on information compiled and reviewed by Mr Simon Coxhell. Mr Coxhell is a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy. Mr Coxhell has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Coxhell consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

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13 March 2014

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

Dear Sirs

RE: TALGA RESOURCES LIMITED

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

As Audit Director for the review of the financial statements of Talga Resources Limited for the period ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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

John Van Dieren
Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	31 December 2013 $	30 June 2013 $
Current Assets			
Cash and cash equivalents	9	447,062	551,142
Trade and other receivables		18,836	16,095
Total Current Assets		465,898	567,237
Non Current Assets			
Other receivables		20,900	20,900
Property, plant & equipment		63,007	93,359
Exploration and evaluation expenditure		1,685,015	1,673,454
Total Non-Current Assets		1,768,922	1,787,713
TOTAL ASSETS		2,234,820	2,354,950
Current Liabilities			
Trade and other payables		212,484	940,897
Provisions		90,036	92,454
TOTAL LIABILITIES		302,520	1,033,351
NET ASSETS		1,932,300	1,321,599
Equity			
Issued capital	4	11,057,865	9,702,467
Reserves		201,036	261,238
Accumulated losses		(9,326,601)	(8,642,106)
TOTAL EQUITY		1,932,300	1,321,599

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2013

	Note	31 December 2013 $	31 December 2012 $
Revenue from ordinary activities		72,688	87,202
Expenses			
Occupancy costs		(41,647)	(54,473)
Professional fees		(74,551)	(217,819)
Corporate costs	2	(128,361)	(111,462)
Employee benefits expense		(95,664)	(93,225)
Options expense		-	(80,850)
Administration costs		(88,015)	(331,344)
Exploration expenditure written-off		(328,945)	(1,494,288)
Loss before income tax expense		(684,495)	(2,296,259)
Income tax expense		-	-
Loss from continuing operations		(684,495)	(2,296,259)
Other comprehensive Income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		(60,202)	-
Other comprehensive income / (loss) for the period net of tax		(60,202)	-
Total comprehensive income / (loss) for the period		(744,697)	(2,296,259)
Total comprehensive income / (loss) attributable to members of Company		(744,697)	(2,296,259)
Basic loss per share (cents per share)	3	(0.95)	(4.38)
Diluted loss per share (cents per share)	3	(0.95)	(4.38)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2013

	Issued Capital $	Accumulated losses $	Reserves $	Total $
Balance at 1 July 2012	**7,223,958**	**(4,397,406)**	**215,854**	**3,042,406**
Loss for the period	-	(2,296,259)	-	(2,296,259)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(2,296,259)	-	(2,296,259)
Equity-based payments	-	-	-	-
Issue of shares	2,479,562	-	-	2,479,562
Options issued	-	-	80,850	80,850
Capital raising costs	(154,819)	-	-	(154,819)
Balance at 31 Dec 2012	**9,548,702**	**(6,693,665)**	**296,704**	**3,151,740**
Balance at 1 July 2013	**9,702,467**	**(8,642,106)**	**261,238**	**1,321,599**
Loss for the period	-	(684,495)	-	(684,495)
Other comprehensive income / (loss)	-	-	(60,202)	(60,202)
Total comprehensive loss for the period	-	(684,495)	(60,202)	(744,697)
Issue of shares	1,490,385	-	-	1,490,384
Options issued	-	-	-	-
Capital raising costs	(134,987)	-	-	(134,987)
Balance at 31 Dec 2013	**11,057,865**	**(9,326,601)**	**201,036**	**1,932,300**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2013

	31 December 2013 $	31 December 2012 $
Cash Flows from Operating Activities		
Payments to suppliers, contractors and employees	(514,072)	(703,061)
Payments for exploration and evaluation	(931,998)	(1,473,264)
Interest received	663	37,207
Other income received	-	40,589
Net cash flows used in operating activities	(1,445,407)	(2,098,529)
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	-	(63,466)
Proceeds from sale of Property, Plant & Equipment	1,530	-
Net cash flows from / (used in) investing activities	1,530	(63,466)
Cash Flows from Financing Activities		
Proceeds from issue of shares	1,474,784	2,479,562
Share issue expenses	(134,987)	(123,060)
Net cash flows from financing activities	1,339,797	2,356,502
Net increase/(decrease) cash and cash equivalents	(104,080)	194,507
Cash and cash equivalents at the beginning of the financial period	551,142	1,522,500
Cash and cash equivalents at the end of the financial period	447,062	1,717,007

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The financial report for the parent Talga Resources Ltd and its Controlled Entities, (The "Group") for the half-year ended 31 December 2013 was authorized for issue in accordance with a resolution of the directors on 13 March 2014. Talga Resources Ltd is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

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

2. Summary of Significant Accounting Policies

Basis of accounting

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

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

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

The half year financial report should be read in conjunction with the annual Financial Report of Talga Resources Ltd as at 30 June 2013.

It is also recommended that the half year financial report be considered together with any public announcements made by Talga Resources Ltd during the half year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Group's assets and the discharge of their liabilities in the normal course of business.

The Group has reported a net loss for the period of $684,495 (2012: 2,296,259) and a working capital of $163,378 (deficiency of $466,114 at 30 June 2013) and net assets of $1,932,300 (net assets of $1,321,599 at 30 June 2013).

The Directors have significantly reduced working capital requirements over the period. The directors are actively seeking to raise equity funding in the near term to enable the Company to fund its exploration requirements and working capital requirements going forward. Should that not eventuate then the Company will look to divest exploration requirements through farm outs and/or potentially selling projects to generate funding.

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate.

In the event the Company does not receive sufficient funding in capital raising or through sale of tenements, there exists a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont)

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

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

(i) Consolidated financial statements, joint arrangements and disclosure of interests in other entities

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements;*
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 12: *Disclosure of Interests in Other Entities;*
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;* and
- AASB 2012-10: *Amendments to Australian Accounting Standards — Transition Guidance and* Other *Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

(ii) Consolidated financial statements:

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations)* from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012-2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

(iii) Disclosure of interest in other entities:

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. There are no new disclosures that are material to this interim financial report and associated with the Group's interests in subsidiaries.

(iv) Other

Other new and amending Standards that became applicable for the first time during this half-year reporting period are as follows:

AASB 11: Joint Arrangements;

AASB 128: Investments in Associates and Joint Ventures (August 2011);

AASB 13: Fair Value Measurement and AASB2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont)

AASB 2012-2: Amendments to Australian Accounting Standards — Disclosures — Offsetting Financial Assets and Financial Liabilities and AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

The other Standards referred to above did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have joint arrangements, investment in associates, or defined benefit plan assets or obligations.

3. Earnings Per Share

	31 Dec 2013	31 Dec 2012
	Cents	Cents
Basic loss per share	(0.95)	(4.38)
Diluted loss per share	(0.95)	(4.38)

Weighted average number of ordinary shares used in the calculation of basic loss per share is 72,232,136. Options to purchase ordinary shares not exercised at 31 December 2013 have not been included in the determination of basic earnings per share.

4. Contributed Equity

(a) Issued and paid up capital

	31 Dec 2013	30 Jun 2013
Ordinary shares	$	$
Shares issued and fully paid	11,963,665	10,473,280
Capital raising costs	(905,800)	(770,813)
Issued and fully paid capital	11,057,865	9,702,467

(b) Movement in ordinary shares on issue

		Number of Shares	Total $
1/07/2013	Opening Balance	55,304,406	9,702,467
17/9/2013	Shares issued for cash	8,295,661	414,783
18/9/2013	Shares issued for cash	21,200,022	1,060,002
26/11/2013	Shares issued for service	260,000	15,600
	Less transaction costs		(134,987)
31/12/2013	Closing Balance	85,060,089	11,057,865

5. 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.

No options were granted during the current period.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

6. Segment Information

The Consolidated Entity 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 Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.
The Consolidated Entity 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 Consolidated Entity.

(i) Segment performance

	Sweden	Australia	Total
Half Year ended 31 December 2013			
Revenue			
Interest revenue	10	652	662
Other income	1,901	70,125	72,026
Total segment revenue	1,911	70,777	72,688
Segment net profit/(loss) before tax	(87,159)	(169,099)	(256,258)
Reconciliation of segment result to net loss before tax			
Unallocated items:			
Occupancy costs			(41,646)
Professional fees			(74,551)
Corporate costs			(128,361)
Employee benefits expense			(95,664)
Options Expense			-
Administration costs			(88,015)
Net loss before tax from continuing operations			(684,495)

(ii) Segment performance

	Sweden	Australia	Total
Half Year ended 31 December 2012			
Revenue			
Interest revenue	-	46,613	46,613
Other income	-	40,589	40,589
Total segment revenue	-	87,202	87,202
Segment net profit/(loss) before tax	(1,112,431)	(294,655)	(1,407,086)
Reconciliation of segment result to net loss before tax			
Unallocated items:			
Occupancy costs			(54,473)
Professional fees			(217,819)
Corporate costs			(111,462)
Employee benefits expense			(93,225)
Options Expense			(80,850)
Administration costs			(331,344)
Net loss before tax from continuing operations			(2,296,259)

7. Subsequent Events

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

8. Contingent Liabilities

In the opinion of the directors, there are no contingent liabilities at 31 December 2013 and none were incurred in the interval between the period end and the date of this financial report.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

9. Cash and Cash Equivalents

For the purposes of the half year Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2013:

	31 December 2013 $	30 June 2013 $
Cash at bank and in hand	447,062	551,142
Short-term deposits	-	-
	447,062	551,142

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position as at 31 December 2013 and of the performance for the half-year ended on that date of the Consolidated entity; and

(ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mark Thompson
Managing Director

Perth, Western Australia
13th March 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Talga Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Talga Resources Limited (the consolidated entity). The consolidated entity comprises both Talga Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Talga Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Talga Resources Limited on 13 March 2014.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty Regarding Going Concern and Carrying Value of Non Current Assets

Without qualification to the review conclusion expressed above, attention is drawn to the following matters:

As referred to in note 2 to the financial statements, the financial statements have been prepared on a going concern basis. At 31 December 2013 the consolidated entity had cash and cash equivalents of $447,062 and net working capital of $163,378. The consolidated entity had incurred a net loss for the period ended 31 December 2013 of $684,495.

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

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

Stantons International Audit and Consulting Pty Ltd

John P Van Dieren
Director

West Perth, Western Australia
13 March 2014