

talga



**ANNUAL REPORT
2018**

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Corporate Directory

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS

Terry Stinson (Chairman)
Mark Thompson (Managing Director)
Grant Mooney (Non-Executive Director)
Steve Lowe (Non-Executive Director)
Ola Rinnan (Non-Executive Director)
(Appointed 07/08/2017)

COMPANY SECRETARY

Dean Scarparolo

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3, First Floor
2 Richardson Street
WEST PERTH WA 6005
Phone: 08 9481 6667
Facsimile: 08 9322 1935

EMAIL AND WEBSITE

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

ABN

32 138 405 419

SECURITIES EXCHANGE LISTING

Talga Resources Ltd is listed on the ASX
Home Exchange: Perth
ASX Codes: TLG (Shares)
TLGOA (Options)

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Phone: 1300 992 916
Facsimile: 08 9315 2233

AUDITORS

Stantons International
Level 2, 1 Walker Avenue
WEST PERTH WA 6005



CHAIRMAN'S LETTER

Dear fellow Talga shareholders,

Over the past year, Talga's growth opportunities expanded substantially across our target markets as we executed our strategy of becoming a fully integrated graphene and graphite products business. Several positive product test results were achieved, leading to a significant increase in commercial engagements and the successful execution of agreements with a range of international corporations, including Bosch, Heidelberg Cement, Johnson Matthey and Jaguar Land Rover – adding to our product development and supply programs currently encompassing more than 125 companies.

The most profound growth opportunity during the year relates to our battery test results, where Talga's graphite was used directly as the anode for Lithium-ion batteries. Performance test results presented at The Battery Show, in Hannover, May 2018, show a 20% improved battery capacity and efficiency over current market products. This high performance product is testament to our unique graphite orebody and innovative processing technology, as well as our advanced in-house materials and product development.

With vehicle electrification growing exponentially (Morgan Stanley estimates one billion electric vehicles will be on the road by 2050) the need for improved power and increased range is driving further battery product innovation. The technical performance of our Lithium-ion anode material and our 100% ownership of large, high-grade graphite resources in a Tier-1 mining jurisdiction means Talga is uniquely placed to take advantage of this prospective global electric vehicle market, both in Europe and via export markets in Asia. Our production of a graphitic anode material also has the potential to be significantly less costly compared to current commercial anode graphite, as it does not require micronisation, spheronisation or coating. This further enhances Talga's attractiveness to the battery and electric vehicle markets, and following the presentation of results in Hannover we saw a considerable increase in requests for battery anode sample materials.

The paradigm shift to the electrification of vehicles also creates new opportunities for Talga graphene, as advanced materials for next generation electric cars are expected to be lighter, stronger, more durable as well as multi-functional in conductivity.

With the appointment of additional experienced and highly qualified research and development staff as well as the installation of improved equipment and infrastructure, we have significantly grown our technical capabilities within Talga Technologies Limited during the year, ensuring support for ongoing and future graphene and graphite product and customer development. Talga also built on existing alliances and co-operation with the Cambridge Graphene Centre and the materials sciences departments of Cambridge University to support both the recently awarded UK Government funded Faraday projects as well as ongoing development programs.

To underpin Talga's increased product development and future production requirements we successfully commissioned our test process facility in Germany, where we exfoliate graphite blocks and process graphite and graphene, to its 3rd iteration (Phase 3). Upon completion, which was carried out within budget and in accordance with the planned timeline, the scale-up delivered large advancements to the graphene production process including enhanced production capabilities and further improvement to quality and consistency. The improved output performance ensure delivery of supply into current and new product R&D programs and enable us to continue providing samples to a range of industry partners and potential customers.

Chairmans' Letter (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

Our successful exploration programs and mineral project development progress during the year has further increased our confidence in the quality and scale of our graphite and other mineral projects - augmenting future value creation and providing a foundation for on-going future supply. We continue to make great progress on permitting and feasibility related studies with the aim of applying for co-incident mining, environmental and exploitation licences at the Vittangi graphene-graphite project in early 2019.

As the financial year closed, Talga's share price was up over 20% compared to the same time the previous year and even with a strong headwind of negative macro investment market conditions, the Company continues to be well funded to execute its commercialisation strategies and support new development and corporate programs parallel to our already ongoing graphene activities.

By investing in people, plant and intellectual property, we have built a strong foundation as a vertically integrated advanced materials technology company progressing revolutionary graphene and graphite products for the global battery, coatings, construction and polymer composites markets.

I sincerely thank my fellow Board members, our management team, the Talga staff members and our advisors and consultants, for their significant and steadfast contribution to the Talga vision. In closing, please accept my thanks to you, our valued shareholders, for being part of and continuing to support Talga during this exciting stage in our development.



Terry Stinson
Chairman

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of Talga Resources Ltd ("Talga" or "the Company") and its controlled entities ("the Group"), for the financial year ended 30 June 2018.

1. BOARD OF DIRECTORS

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

Directors	Position	Date of Appointment
Terry Stinson	Non-Executive Chairman	Appointed 8th February 2017
Mark Thompson	Managing Director	Appointed 21st July 2009
Grant Mooney	Non-Executive Director	Appointed 20th February 2014
Stephen Lowe	Non-Executive Director	Appointed 17th December 2015
Ola Rinnan	Non-Executive Director	Appointed 7th August 2017

2. INFORMATION ON DIRECTORS

The names and details of directors in office during the financial year and up to the date of this report are as follows:

Terry Stinson

(Non-Executive Chairman)
(Appointed 8th February 2017)

Mr Stinson has over 35 years of international experience in engineering and technology commercialisation and management across the automotive, aerospace, defence, maritime, industrial products, mining and manufacturing sectors. Previous roles include Vice-President and General Manager of Siemens VDO, CEO and board member of Synerject LLC, Vice-President Manufacturing for Outboard Marine Corporation, and Director Advanced Product and Process Development Mercury Marine division of Brunswick Corporation.

Mr Stinson has a Bachelor of Business Administration, majoring in Operations Management, from Marian University in Wisconsin, US and is a former National Young Manufacturing Engineer of the Year for the North American-based Society of Manufacturing Engineers. He is a fellow of the Australian Institute of Company Directors and currently serves as a Non-Executive Director of Orbital Corporation Limited and Non-Executive Chairman of Carnegie Corporation.

Interests in shares : 59,899.
Interests in options: 2,000,000.

Mark Thompson

(Managing Director)
(Appointed 21st July 2009)

Mr Thompson has more than 27 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 a 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 Limited and is a Non-Executive Director of POZ Minerals Limited.

Interests in shares : 14,270,788.
Interests in options: 10,867,697.



Grant Mooney

(Non-Executive Director)
(Appointed 20th February 2014)

Mr Mooney has a background in corporate advisory with a wealth of experience in resources and technology markets that will benefit Talga as it proceeds with the Group's dual graphene/graphite project development at its world-class deposits in Sweden.

Mr Mooney serves as a Non-Executive Director to several ASX listed companies including renewable energy, battery storage and micro-grid developer, Carnegie Clean Energy Limited and ASX-listed resource companies, Barra Resources Limited, Accelerate Resources Limited and POZ Minerals Limited. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

Interests in shares : Nil.
Interests in options: 1,000,000.

Stephen Lowe

(Non-Executive Director)
(Appointed 17th December 2015)

Mr Lowe's background is in business management and taxation and he has over 20 years' experience consulting to a range of corporate and high wealth clients. Mr Lowe is currently a Non-Executive Director of Coziron Resources Ltd.

Mr Lowe holds a Bachelor of Business, majoring in Accounting, a Post Graduate Diploma in Advanced Taxation and a Masters of Taxation from the UNSW. Mr Lowe is a fellow of the Taxation Institute of Australia and a member of the Australian Institute of Company Directors.

Interests in shares: 660,000.
Interests in options: 1,140,000.

Ola Rinnan

(Non-Executive Director)
(Appointed 7th August 2017)

Mr Rinnan has extensive commercialisation and management experience covering Europe and predominantly Scandinavia. Previous roles include Non-Executive Directorships in Smedvig group (Talga's largest shareholder) companies, Chairman of Avinor AS, CEO at Eidsiva Energi AS, CEO at Norgeskreditt AS, CFO for Moelven Industrier AS and regional MD for DNB ASA, a member of the advisory board for DLA Piper in Norway, along with further previous positions as CFO and board member to a number of European listed companies and financial institutions.

Mr Rinnan holds a Masters Degree in Construction and Materials Technology, as well as a Bachelor's Degree in Economics. Mr Rinnan is a Non-Executive Director of Nordavind DC Sites AS and DFCU Bank (where he represents the largest shareholder Norfund).

Interests in shares: Nil.
Interests in options: Nil.

3. INFORMATION ON COMPANY SECRETARY

Dean Scarparolo

(Appointed 5th February 2015)

Mr Scarparolo is a member of CPA Australia and has a wealth of experience developing and managing the finance departments of ASX listed companies within the resources sector. Mr Scarparolo is also the Financial Controller for the Group.

4. CORPORATE STRUCTURE

Talga Resources Ltd is a company limited by shares incorporated and domiciled in Australia. Talga Resources Ltd has a 100% interest in Talga Mining Pty Ltd, Talga Advanced Materials GmbH (a German company), Talga Technologies Limited (a UK company), Talga Graphene AB and Talga Battery Metals AB (both Swedish companies).

5. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The principal activities of the Group during the financial year comprised:

- Graphene and graphite material technology, product and commercialisation development.
- Graphene and graphite processing technology and development.
- Natural graphite project development and exploration in Sweden.

During the year, significant changes in the state of affairs of the Group were as follows:

- Positive product test results across all target market sectors supporting significant increase in commercial engagements;
- Breakthrough battery test results show Talga's graphite can be directly formed into high value Lithium-ion anode products;
- Funding and acceleration of Talga's battery product development under the UK Government's 'Faraday Challenge' program;
- Expansion of in-house battery material and technologies capability with key scientific staff appointments to Talga Technologies Limited in Cambridge, UK;
- Completion of the Phase 3 scale-up process test facility at Talga Advanced Materials GmbH in Rudolstadt, Germany;
- Strengthening of European based management with appointment of Norwegian national Mr Ola Rinnan as Non-Executive Director, the promotion of Mr Martin Phillips to Chief Operating Officer based out of Germany and appointment of Dr Anna Motta as Global R&D Manager located in the UK;
- Exploration activities commenced on the Group's cobalt projects amid strong market dynamics and positive metallurgical and drill test results;
- Internal restructure of ownership of Swedish mineral assets to split cobalt-copper-gold projects from graphene-graphite projects to support flexibility of development and divestment options; and
- Strengthened intellectual property assets with new patent lodged and trademarking of Talga produced graphene (Talphone[®]) and graphite (Talphite[®]).

6. REVIEW OF OPERATIONS

During the financial year, the Group delivered a range of operational, product and corporate milestones as it continued development as a vertically integrated advanced materials technology company progressing revolutionary graphene and graphite products for the global battery, coatings, construction and polymer composites markets. A summary of the major operational highlights is provided below.

COMMERCIAL DEVELOPMENT

Industry Partnerships

- Expanded pipeline of market opportunities as product development and supply programs underway with over 125 companies to date across key target markets, including leading battery, coatings, construction and polymer manufacturers;
- Executed Memorandum of Understanding with Robert Bosch GmbH, a German based multinational engineering and electronics company, regarding a development project in the field of utilising graphene in the synthesis of macroscopic structures;
- Memorandum of Understanding executed with multinational giant Heidelberg Cement AG to explore opportunities in concrete applications using Talga graphene and graphite products;
- Collaboration agreements signed with several industry leaders, including Jaguar Land Rover, Johnson Matthey, Croda International, Faradion, PV3 Technologies, Cambridge University and Warwick Manufacturing Group across three consortia-led battery research applications under the UK Government's £246 million 'Faraday Challenge' funding program with battery R&D grants awarded totalling \$5.1 million for the Group;
- Commercial supply and development agreement, including agreed pricing, signed with UK-based Haydale Limited on supply of graphene and graphite materials for conductive ink products; and
- Commenced advanced battery materials joint development projects with key industry partners for European and Asian EV markets including Lithium-ion battery technology agreement signed with the battery arm of Recruit R&D Co Ltd, part of Japanese conglomerate, Recruit Group.

Product Development

- Product development programs continued successfully, with materials and products delivered to Chemetall Group (a subsidiary of BASF), Heidelberg Cement AG, Haydale and Zinergy UK Ltd amongst others under ongoing partner programs;
- Strengthening of the Group's intellectual property assets via new patent applications; and
- International trademarks granted for Talphene[®] graphene products and Talphite[®] graphite products.

Batteries

- Breakthrough Lithium-ion battery results using commercial scale pouch cells with Talga anode as sole active material shows 20% improved battery capacity and efficiency over current market products; and
- Talga-developed Lithium-ion battery anode successfully cycled for >1,200 hours at Warwick Manufacturing Group, UK, showing high capacity retention.

Coatings

- Ongoing progress of graphene in surface treatments and coatings with test results showing major performance gains in coating tensile strength, abrasion resistance and corrosion rates;
- Programs commenced on electrically conductive films and inks with numerous companies; and
- Increased volume of engagements with world's largest coating companies in marine and industrial markets.

Construction

- Successful conductive concrete test results follow increased mechanical strength and thermal conductivity results.

Composites

- Tests of Talga-developed graphene-based epoxy resin for coatings market demonstrate increased mechanical strength and corrosion resistance; and
- Commenced test program at the leading R&D institute TWI, covering a multitude of graphene product developments including de-icing and lightning strike protection for aircraft.

Processing Development

- Commissioning completed of Phase 3 test process plant at the Group's facility in Rudolstadt, Germany, as planned;
- Phase 3 providing further important data for feasibility studies, project and product planning and permitting applications towards full scale development in Sweden; and
- Increased output provides supply to Talga Technologies Limited for ramped up advanced material product development and commercial samples.

MINERAL DEVELOPMENT AND EXPLORATION

Exploration

Multi-tiered exploration activities commenced on the Group's Swedish cobalt projects amid strong market dynamics;

- Positive metallurgical results from the Kiskama cobalt IOCG project include up to 91% recovery of cobalt to concentrate and 99% to solution, with additional high recoveries of by-product copper and gold;
- Expansion of Lautakoski Co-Cu-Au project following significant broad drill intercepts of copper-gold and cobalt;
- Secured new East Aitik project with historic surface samples grading up to 17.4% Cu, 1.8g/t Au and 5.6% Mo;
- High grade cobalt results from Ahmavuoma historic diamond drillcore sampling includes key new intercept of 73.1m @ 0.16% Co and 0.24% Cu from 34m depth, including 22.8m @ 0.34% Co and 0.13% Cu from 54m (04AD001); and
- Iron ore projects rationalised.

Resources

- The Group's graphite mineral resource estimates remain unchanged from the previous reporting period;
- The Vittangi iron project JORC (2004) mineral resource estimate has been reduced from 123.6 million tonnes @ 32.6% Fe to 72.4 million tonnes @ 30.2% Fe due to the surrender of an exploration permit; and
- The Masugnsbyn iron project JORC (2004) mineral resource estimate has been reduced from 87 million tonnes @ 28.3% Fe to 25 million tonnes @ 29.5% Fe due to the surrender of one exploration permit and the grant of another.

Mine Planning

- Continued progress on a range of permitting and feasibility related surveys and studies towards applying for mining, environmental and exploitation licences at the Vittangi graphene-graphite project in 2019.

CORPORATE

- Strengthening of the Group's European Management with the appointment of Norwegian national Mr Ola Rinnan, an experienced energy, banking and finance executive, as a Non-Executive Director and promotion of Mr Martin Phillips, previous Project Manager – Europe, to the Group's Chief Operating Officer based out of Germany;
- Expansion of the Group's UK team driven by successful test results and inbound market demand. Appointments include leading graphene technology and program manager Dr Anna Motta as Global R&D Manager, Ex-Toyota battery scientist Dr Claudio Capiglia as Director of Battery Technologies, respected battery scientist Dr Fengming Liu as Senior Scientist – Batteries, Dr Karanveer S. Aneja as Senior Scientist – Materials and further research scientists and operational staff;
- Internal restructure of ownership of Swedish mineral assets to split cobalt and metal projects from graphene-graphite projects in support of future divestment options;
- Proceeds totaling \$3,904,786 received from exercised options and on-market sale of shares in TSX Venture-listed Novo Resources Corp (TSX-V: NVO) following strong improvement in market value;
- Cash balance after placement settlement in July ~\$17.8 million (\$11.9 million at 30 June 2018); and
- Outreach programs completed across mining, investor and product technology events including Goldman Sachs Battery Day - Sydney, JEC World Composites – Paris, LOPEC Printed Electronics – Munich, IDTechEx – Berlin and The Battery Show - Hannover.

FUTURE OUTLOOK AND STRATEGY

The Group is well placed to achieve its goal of becoming a sustainable producer of innovation critical minerals and advanced materials. The aims of the Group in the coming financial year are as follows:

- Product development programs with a range of international corporations to underwrite the full-scale development of the Vittangi graphene-graphite project;
- Development and marketing of Talga's graphite products, including a strategic re-direction of Talga graphite material towards Lithium-ion battery anode products instead of raw graphite concentrates, in addition to graphene products;
- Commencement of incorporation of graphite anode products into feasibility studies and the Group's advancing commercialisation process and long-term business strategy;
- Completion of the Vittangi graphene-graphite project pre-feasibility study and lodgement of permits to progress to construction of graphene and battery anode material production facilities in Sweden; and
- Divestment decision regarding Swedish cobalt and other metal projects.



Directors' Report (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

7. MINERAL RESOURCES AND ORE RESERVE STATEMENT

This statement represents the Mineral Resources and Ore Reserves ("MROR") for Talga Resources Ltd as at 30 June 2018.

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' (JORC Code).

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.

As at the Annual Review date of 30 June 2018, this MROR Statement has been approved by the named competent persons (see the Competent Persons Statement below).

MINERAL RESOURCES

Talga owns 100% of multiple graphite ("Cg") and iron ("Fe") mineral assets in northern Sweden. An overview of each of the assets in the Group's portfolio at 30 June 2018 is below in Table 1 and details of each project's Mineral Resource categories are set out below in Tables 2 to 6.

Table 1 – Talga 30 June 2018 Total Mineral Resources

Project	Tonnes		Grade		Contained Mineral	
	Ore (Mt)	Cg (%)	Fe (%)	Cg (Mt)	Fe (Mt)	
Vittangi Graphite	12.3	25.5	-	3.1	-	
Jalkunen Graphite	31.5	14.9	-	4.7	-	
Raitajärvi Graphite	4.3	7.1	-	0.3	-	
Total Graphite	48.1	16.9		8.1		
Vittangi Iron	72.4	-	30.2	-	21.7	
Masugnsbyn Iron	25.0	-	29.5	-	7.4	
Total Iron	97.4		30.0		29.2	

Notes:

- Detailed tables setting out each of the Indicated and Inferred Mineral Resource categories are set out on tables 2 to 6.
- All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.
- All projects are 100% Talga owned.
- The graphite and iron resources are separate deposits but sometime occur within the same project area.
- Mineral quantities are contained mineral.
- Mineral Resources are inclusive of Indicated and Inferred Mineral Resource categories.

VITTANGI GRAPHITE PROJECT, NORTHERN SWEDEN

(Talga owns 100%)

Table 2 – Nunasvaara Graphite Deposit – JORC (2012) Resource at 17% Cg cut-off

Deposit	JORC Resource Category	Tonnes	Grade Cg (%)
Nunasvaara	Indicated	10,700,000	25.7
Nunasvaara	Inferred	1,600,000	23.9
Total		12,300,000	25.5

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Vittangi project graphite mineral resource was disclosed in April 2017 in accordance with the 2012 JORC Code (ASX: TLG 27 April 2017).

JALKUNEN GRAPHITE PROJECT, NORTHERN SWEDEN

(Talga owns 100%)

Table 3 – Jalkunen Graphite Project – JORC (2012) Resource at 10% Cg cut-off

Deposit	JORC Resource Category	Tonnes	Grade Cg (%)
Jalkunen	Inferred	31,500,000	14.9

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Jalkunen project graphite mineral resource was disclosed in August 2015 in accordance with the 2012 JORC Code (ASX: TLG 27 August 2015).

RAITAJÄRVI GRAPHITE PROJECT, NORTHERN SWEDEN

(Talga owns 100%)

Table 4 – Raitajärvi Graphite Project – JORC (2004) Resource 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 graphite mineral resource was disclosed in August 2013 in accordance with the 2004 JORC code (ASX: TLG 26 August 2013). 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 announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

VITTANGI IRON PROJECT, NORTHERN SWEDEN

(Talga owns 100%)

**Table 5 – Vittangi Iron Project – JORC (2004)
Resource Estimate at 15% Fe cut-off**

Deposit	JORC Resource Category	Tonnes	Grade Fe (%)
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		72,400,000	30.2

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Vittangi iron project mineral resource was disclosed in July 2013 in accordance with the 2004 JORC Code (ASX: TLG 22 July 2013). 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 announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed. The total estimate has been reduced from 123.6 million tonnes @ 32.6% Fe to 72.4 million tonnes @ 30.2% Fe due to the surrender of an exploration permit.

MASUGNSBYN IRON PROJECT, NORTHERN SWEDEN

(Talga owns 100%)

**Table 6 – Masugnsbyn Iron Project – JORC (2004)
Resource Estimate at 20% Fe cut-off**

Deposit	JORC Resource Category	Tonnes	Grade Fe (%)
Masugnsbyn	Indicated	25,000,000	29.5

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Masugnsbyn iron project mineral resource was disclosed in February 2012 in accordance with the 2004 JORC Code (ASX: TLG 28 February 2012). 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 announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed. The total estimate has been reduced from 87 million tonnes @ 28.3% Fe to 25 million tonnes @ 29.5% Fe due to the surrender of one exploration permit and the grant of another.

COMPARISON WITH PRIOR YEAR ESTIMATES

Mineral Resources

The Group's graphite mineral resource estimates remain unchanged from the previous reporting period.

The Vittangi iron project JORC (2004) mineral resource estimate has been reduced from 123.6 million tonnes @ 32.6% Fe to 72.4 million tonnes @ 30.2% Fe due to the surrender of an exploration permit.

The Masugnsbyn iron project JORC (2004) mineral resource estimate has been reduced from 87 million tonnes @ 28.3% Fe to 25 million tonnes @ 29.5% Fe due to the surrender of one exploration permit and the grant of another.

Ore Reserves

As at 30 June 2018 the Group had no reportable Ore Reserves in accordance with the 2012 JORC Code.

GOVERNANCE SUMMARY

The Mineral Resource estimates listed in this report are subject to Talga's governance arrangements and internal controls. Talga's Mineral 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 the Vittangi Graphite Project - Nunasvaara Resource Estimation is based on information compiled by Oliver Mapeto and reviewed by Albert Thamm. Both Mr Mapeto and Mr Thamm are consultants to the Company. Mr Mapeto is a member of both the Australian Institute of Mining and Metallurgy (Membership No. 306582) and Australian Institute of Geoscientists (Membership No. 5057) and Mr Thamm (Membership No. 203217) is a fellow member of the AusIMM. Both Mr Mapeto and Mr Thamm have sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which both are 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 Mapeto and Mr Thamm consent 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 for the Jalkunen and Raitajärvi Graphite Projects, and Masugnsbyn and Vittangi Iron Projects

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.

The information in this document that relates to exploration results is based on information compiled by Amanda Scott, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Amanda Scott is a full-time employee of Scott Geological AB. Amanda Scott has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been 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). Amanda Scott consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

8. 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 year.

9. FINANCIAL PERFORMANCE AND FINANCIAL POSITION

As a mineral explorer as well as an advanced material developer of functional graphene and graphite enhanced products, the Group does not currently have any material operational revenue. Other income during the year consisted of sale of share investments, divestment of non-core Australian gold assets and cash investment interest.

The financial results of the Group for the year ended 30 June 2018 are:

	2018	2017
Cash and cash equivalents (\$)	11,936,701	16,340,409
Net assets (\$)	13,802,205	18,184,197
Income (\$)	3,363,417	633,574
Net loss after tax (\$)	(7,602,045)	(8,559,332)
Loss per share (cents per share)	(3.8)	(4.7)
Dividend (\$)	-	-

10. DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2018. (30 June 2017: Nil).

11. RISKS

There are specific risks associated with the activities of the Group and general risks that are largely beyond the control of the Group 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 are:

• Mineral and Exploration Risk

The business of exploration, project development and mining contain risks by its very nature. To prosper, is dependent 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 Group 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

Talga is now a vertically integrated advanced materials technology company with a strategy to produce value added products that would provide the most effective, near-term opportunities for commercialisation and potential cashflows. The Group's cash as at 30 June 2018 is \$11.9 million which together with the balance of placement proceeds received in early July 2018 of \$7.35 million (\$1.15 million was received prior to 30 June 2018), is more than sufficient to cover committed expenditure beyond the next 12 months. However, without regular income outside interest proceeds or assets sales, it will rely on continuing access to capital markets (including the exercise of listed and unlisted Talga options) to fund further development in Sweden, Germany and United Kingdom. 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 Group's exploration programs and other operational activities will, in general, be subject to approval by governmental authorities. Development of any of the Group's properties and operations will be dependent on meeting environmental guidelines and where required, being approved by governmental authorities. The Group is well aware of its environmental obligations across its operational activities in Germany, the UK and in particular Sweden, where there are various environmental requirements to complete and apply for an exploitation permit and continues to monitor compliance.

• Mineral Title Risks

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 Group. Furthermore, the Group could lose title to, or its interest in, tenements if license conditions are not met or if insufficient funds are available to meet expenditure commitments. At the date of this report all mining and exploration permits and licenses were in good standing.

It is also possible that, in relation to tenements which the Group 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 Group 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 Group'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 Group's activities and/or may involve payment of compensation to parties whose existing access to the land may be affected by the Group'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 Group's operations.

Directors' Report (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

12. 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.

- In July 2018, Talga completed the sale of 100% of its Bullfinch gold project in Western Australia to Torque Metals Pty Ltd with receipt of the final balance payment of \$250,000. Talga retains an ongoing 1.0% gross production royalty over Bullfinch gold project, effective from after the first 5,000oz gold production, and Torque Metals Pty Ltd retains a right to buy the royalty at any time for \$1.7 million.
- On 4 July 2018, Talga announced it had raised gross proceeds of approximately \$8.5 million (of which \$1.15 million had been received before 30 June 2018 and disclosed as shares to be issued at note 12) by issuing 13,075,977 new ordinary fully paid shares at an issue price of \$0.65 per share

13. DIRECTORS' AND COMMITTEE MEETINGS

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

Directors Meetings

Directors	Number Eligible to Attend	Number Attended
Terry Stinson	6	6
Mark Thompson	6	6
Grant Mooney	6	6
Stephen Lowe	6	6
Ola Rinnan	6	5

Remuneration Committee Meetings

Directors	Number Eligible to Attend	Number Attended
Terry Stinson	2	2
Grant Mooney	2	2
Stephen Lowe	2	2

Audit and Risk Committee Meetings

Directors	Number Eligible to Attend	Number Attended
Grant Mooney	1	1
Terry Stinson	1	1
Stephen Lowe	1	1

14. ENVIRONMENTAL REGULATIONS

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") and operational activities in Germany are subject to the German Federal Emissions Control Act (Bundes-Immissionsschutzgesetz) and the AwSV Regulations relating to water discharge. 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") to report its annual greenhouse gas emissions and energy use. For the year ending 30 June 2018 the Group was below the reporting threshold and is therefore not required to register or report. The Directors will continue to monitor the Group's registration and reporting obligations.

15. SHARE OPTIONS

As at the date of this report, there were 76,426,832 ordinary shares under option:

- 43,803,615 listed options with an exercise price of 45 cents expiring on 31 December 2018;
- 5,900,000 unlisted options with an exercise price of 60 cents expiring on 4 October 2018;
- 8,830,254 unlisted options with an exercise price of 45 cents expiring on 31 December 2018;
- 2,000,000 unlisted options with an exercise price of 42 cents expiring on 3 May 2019;
- 2,500,000 unlisted options with an exercise price of 54 cents expiring on 23 June 2019;
- 1,500,000 unlisted options with an exercise price of 42 cents expiring on 7 July 2019;
- 2,500,000 unlisted options with an exercise price of 35 cents expiring on 10 August 2019;
- 592,963 unlisted options with an exercise price of 54 cents expiring on 20 August 2019;
- 2,000,000 unlisted options with an exercise price of 60 cents expiring on 8 February 2020;
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 26 March 2020;
- 2,000,000 unlisted options with an exercise price of 100 cents expiring on 10 May 2020;
- 1,500,000 unlisted options with an exercise price of 102 cents expiring on 10 August 2020;
- 1,300,000 unlisted options with an exercise price of nil expiring on 10 August 2020; * and
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 17 December 2020.

* Incentive options are exercisable on Talga's share price reaching the following targets:

- a. 650,000 incentive options vest upon the Company achieving a Market Capitalisation of \$200 million for a period of 60 consecutive days, on or before the date which is three years from the date of issue (Incentive Options Tranche 1); and
- b. 650,000 incentive options vest upon the Company achieving a Market Capitalisation of \$250 million for a period of 60 consecutive days, on or before the date which is three years from the date of issue (Incentive Options Tranche 2).

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

During or since the end of the financial year;

- 1,075,782 fully paid ordinary shares were issued on the exercise of listed options at an exercise price of \$0.45; and
- 857,037 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of \$0.45.

16. REMUNERATION REPORT (AUDITED)

This report details the type and amount of remuneration for each director and Key Management Personnel ("KMP") (defined as those having authority and responsibility for planning, directing and controlling the activities of the Group).

Remuneration Policy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board and KMP by remunerating them fairly and appropriately with reference to relevant employment market conditions. The Board links the nature and amount of some director and KMP emoluments to the Group's financial and operational performance. To assist in achieving the objective the Board set up a Remuneration Committee.

The responsibilities of the Remuneration committee are to:

- Attract, retain and motivate high quality directors and KMP;
- Reward directors and KMP for Group performance;
- Align the interest of directors and KMP with those of shareholders;
- Link reward with strategic goals and performance of the Group; and
- Ensure total remuneration is competitive with market standards.

The remuneration of a director or KMP will be decided by the Remuneration Committee. In determining competitive remuneration rates the Remuneration Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

• Non-executive director remuneration

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 Remuneration Committee having regard to the inputs and value to the Group of the respective contributions by each non-executive director. Shareholders at a general meeting approved an aggregate amount of \$500,000 to be paid to non-executive directors. The Board may allocate this pool (or part of it) at their discretion.

The Remuneration Committee may recommend awarding 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.

• Executive remuneration

Executive remuneration may consist of both fixed and variable (at risk) elements.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and is competitive in the market and may be in variety of forms including cash and fringe benefits. The remuneration is reviewed annually by the Remuneration Committee.

Variable (at risk) remuneration

Variable remuneration may be delivered in the form of a short term incentive (STI) scheme, cash bonuses or long term incentive schemes including share options or rights. 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. All equity based remuneration for directors must be approved by shareholders.

Performance Based Remuneration

During the financial year on 11 August 2017, shareholders approved the grant of 1,500,000 share options (exercisable at \$1.02) to Managing Director, Mark Thompson, as part of his short term incentives. These were provided on the basis of exceeding short term targets through his leadership, creating and overseeing the development of the Group throughout an intense period of growth and technological advancement in the previous 2 years.

Shareholders also approved the grant of performance linked long term incentives (LTI) in the form of 1,300,000 share options. These are based on growth targets that are in the interests with those of shareholders with 650,000 vesting upon the Company achieving a market capitalisation of \$200 million and 650,000 vesting upon the Company achieving a market capitalisation of \$250 million.

Other than as noted above, the Group did not pay any other performance based bonuses to directors or KMP in the year ended 30 June 2018.

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 has been the issue of options to directors and issue of shares under the Management Incentive Plan to encourage the alignment of personal and shareholder interests. Furthermore, STI's that are structured to remunerate KMP for achieving annual Group targets and individual performance targets that reflect the Group's development path and that can translate into long term value being created for shareholders have also been considered. The Group believes this policy will be the most effective in increasing shareholder wealth.

Services Agreements of Executive Directors and KMP

Mr Thompson's employment conditions as Managing Director are defined by way of contract of employment with no fixed term. Mr Thompson's Base Salary, excluding superannuation, is \$348,000 and his STI's have been agreed for the 18/19 financial year based on the three key performance milestones covering Commercial Agreements, a Joint Venture/ Corporate alliance with a Global Industry Leader and Market Capitalisation targets, up to a maximum at risk total of \$200,000 (including superannuation).

The Company may terminate the 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 providing six months written notice and the Company may pay Mr Thompson in lieu of notice or require him to serve out his notice. In the event of a change in control of the Company, Mr Thompson will receive a bonus payment comprising of a lump sum gross payment of 12 months' Base Salary. If within 6 months after the change in control Mr Thompson elects to terminate his employment or his employment is terminated by the Company, Mr Thompson will not be entitled to any notice of termination or payment in lieu of notice.

Mr Phillip's employment conditions as Chief Operating Officer (COO) are defined by way of contract of employment with no fixed term. Mr Phillip's Base Salary, excluding superannuation, is \$305,000. He is also entitled to six return airfares for immediate family members per year.

The Company may terminate the employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component. Mr Phillips may terminate the employment without cause by providing six months written notice and the Company may pay Mr Phillips in lieu of notice or require him to serve out his notice.

Directors' Report (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

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 are set out in the following tables.

2018 Director	Short Term Benefits			Post-Employment			Share based payments		Value of at risk share-based payments as proportion of remuneration		
	Salary	Directors Fees	Other (i)	Non-monetary leave entitlements (ii)	Super-annuation	Retirement benefits	Sub-Total	Equity		Options (iii)	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Terry Stinson Chairman	-	87,976	41,857 (i)(a)	-	12,334	-	142,167	-	-	142,167	0%
Mark Thompson Managing Director (iv)	361,011	-	-	19,566	20,052	-	400,629	-	385,990	786,619	49%
Grant Mooney Non-Executive Director	-	48,242	-	-	4,583	-	52,825	-	-	52,825	0%
Steve Lowe Non-Executive Director	-	48,242	-	-	4,583	-	52,825	-	-	52,825	0%
Ola Rinnan Non-Executive Director (v)	-	48,081	-	-	-	-	48,081	-	-	18,081	0%
Martin Phillips Chief Operating Officer (vi)	321,958	-	4,730 (i)(b)	13,792	28,980	-	369,460	-	123,025	492,485	25%
Total	682,969	232,541	46,587	33,358	70,532	-	1,065,987	-	509,015	1,575,002	

Notes:

Directors are paid under the terms agreed by way of director's resolution.

(i) Other benefits (a) Talga entered into a 12 month (\$137,500 pa) consultancy agreement from 1 March 2018 with Mr Terry Stinson. Note 17 (d) provides further details. (b) Mr Martin Phillips was provided travel benefits as part of his remuneration.

(ii) Non-monetary leave entitlements are the net movement of the balance of accrued annual and long-service leave entitlements.

(iii) The value of options granted as part of remuneration is calculated as at grant date using a Black Scholes pricing model. The amounts disclosed as part of the remuneration for the financial year have been determined by allocating the grant date value on a straight line basis over the period from grant date to vesting date. For the year ended 30 June 2018 the fair value of 2,800,000 options granted to directors totalled \$385,990. The fair value of options expensed for the year ended 30 June 2018 issued to the COO in a prior financial year amounted to \$123,025. Note 17(c) refers to the assumptions made in calculating the fair value of the options issued and expensed.

(iv) From 1 July 2017, Mr Thompson was entitled to a total annual base salary of \$361,011 plus superannuation of \$20,052.

(v) Mr Ola Rinnan was appointed a director on 7 August 2017.

(vi) Mr Martin Phillips was promoted to Chief Operating Officer (COO) from 1 July 2017 and entitled to a total annual base salary of \$305,000 however due to tax equalisation was entitled to be paid \$321,958 for FY18.

Directors' Report (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

2017 Director	Short Term Benefits			Post-Employment		Sub- Total	Share based payments		Total	Value of at risk share-based payments as proportion of remuneration
	Salary	Directors Fees	Non-monetary leave entitlements (i)	Super- annuation	Retirement benefits		Equity	Options (iv)		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Terry Stinson Chairman (ii)	-	39,763	-	3,778	-	43,541	-	286,587	330,128	87%
Mark Thompson Managing Director (v)	361,445	-	18,074	19,615	-	399,134	-	-	399,134	0%
Grant Mooney Non-Executive Director	-	43,562	-	4,138	-	47,700	-	-	47,700	0%
Steve Lowe Non-Executive Director	-	43,562	-	4,138	-	47,700	-	-	47,700	0%
Keith Coughlan Chairman (iii)	-	30,496	-	2,897	-	33,393	-	-	33,393	0%
Total	361,445	157,383	18,074	34,556	-	571,468	-	286,587	858,055	

Notes:

Directors are paid under the terms agreed by way of director's resolution.

(i) Non-monetary leave entitlements are the net movement of the balance of accrued annual and long-service leave entitlements. Part of this movement included a part payout of the annual leave entitlement.

(ii) Mr Terry Stinson commenced on 8 February 2017 and was entitled to receive Chairman's fees of \$110,000 per annum.

(iii) Mr Keith Coughlan resigned as chairman on 8 February 2017.

(iv) For the year ended 30 June 2017 the fair value of 2,000,000 options granted to directors totaled \$286,587. Note 17(c) refers to the assumptions made in calculating the fair value of the options issued. These options were vested as at 30 June 2017.

(v) Year ended 30 June 2017 - from 1 July 2016, Mr Thompson was entitled to a total annual base salary of \$361,445 plus superannuation of \$19,615.

Directors' Report (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

Option and Shareholdings of directors and officers

The number of options over ordinary shares in Talga held by Key Management Personnel of the Group during the financial year is as follows:

Key Management Personnel Options 2018

30 June 2018	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exercisable
Terry Stinson	2,000,000	-	-	-	2,000,000	-	2,000,000
Mark Thompson	8,067,697	2,800,000	-	-	10,867,697	1,500,000	9,567,697
Grant Mooney	1,000,000	-	-	-	1,000,000	-	1,000,000
Stephen Lowe	1,140,000	-	-	-	1,140,000	-	1,140,000
Ola Rinnan	-	-	-	-	-	-	-
Martin Phillips	2,500,000	-	-	-	2,500,000	1,000,000	1,500,000

The number of ordinary shares in Talga held by Key Management Personnel of the Group during the financial year is as follows:

Key Management Personnel Shareholdings 2018

30 June 2018	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
Terry Stinson (i)	-	-	-	52,000	52,000
Mark Thompson (ii)	14,270,788	-	-	-	14,270,788
Grant Mooney	-	-	-	-	-
Stephen Lowe	660,000	-	-	-	660,000
Ola Rinnan	-	-	-	-	-
Martin Phillips	-	-	-	-	-

Notes:

(i) Mr Stinson purchased 52,000 shares through an on market trade during the year.

(ii) Mr Thompson's shareholding includes 4 million shares issued during the 2014 financial year as part of a Management Incentive Plan. This was provided via a non-recourse interest free loan amounting to \$1,480,000 which is payable by 23 June 2019.

Share based payments

The following table summarises the value of options granted, expensed and exercised during the financial year, in relation to options granted to Key Management Personnel as part of their remuneration:

Key Management Personnel	Granted in Year \$	Value of options expensed during year \$	Value of options exercised in year \$
Terry Stinson	-	-	-
Mark Thompson	437,450	385,990	-
Grant Mooney	-	-	-
Stephen Lowe	-	-	-
Ola Rinnan	-	-	-
Martin Phillips	-	123,025	-

Directors' Report (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

Additional disclosures relating to options and shares

The table below discloses the number of share options at 30 June 2018 granted to Key Management Personnel as remuneration as well as the number of options that vested or lapsed during this 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	Grant date	Number of Options awarded	Fair value per options at award date	Vesting date	Exercise price	Expiry date	No. vested during this year	No. lapsed during this year
As at 30 June 2018								
Terry Stinson	9/02/17	2,000,000	\$0.1430	9/2/2017	\$0.60	8/2/2020	-	-
Mark Thompson	1/12/15	4,500,000	\$0.1136	1/12/15	\$0.60	4/10/18	-	-
Mark Thompson	11/8/17	1,500,000	\$0.2340	11/8/17	\$1.02	10/8/20	1,500,000	-
Mark Thompson	11/8/17	650,000	\$0.1140	*	Nil	10/8/20	-	-
Mark Thompson	11/8/17	650,000	\$0.0190	*	Nil	10/8/20	-	-
Grant Mooney	23/6/14	1,000,000	\$0.2387	23/6/14	\$0.54	23/6/19	-	-
Stephen Lowe	17/12/15	1,000,000	\$0.1220	17/12/15	\$0.54	17/12/20	-	-
Ola Rinnan	NA	-	-	-	-	-	-	-
Martin Phillips	9/8/16	500,000	\$0.1200	9/8/16	\$0.35	10/8/19	-	-
Martin Phillips	9/8/16	1,000,000	\$0.1200	22/6/18	\$0.35	10/8/19	1,000,000	-
Martin Phillips	9/8/16	1,000,000	\$0.1200	*	\$0.35	10/8/19	-	-

* Subject to vesting conditions

17. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group paid a premium of \$30,111 (2017: \$18,337) to insure directors and officers of the Group. The directors and officers have indemnities in place with the Group whereby the Company 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 2018 has been received and immediately follows the Directors' Report. There were no other fees paid to Stantons International for non-audit services provided during the year ended 30 June 2018. The directors are satisfied that the provisions of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed did not compromise the external auditor's independence.

19. CORPORATE GOVERNANCE

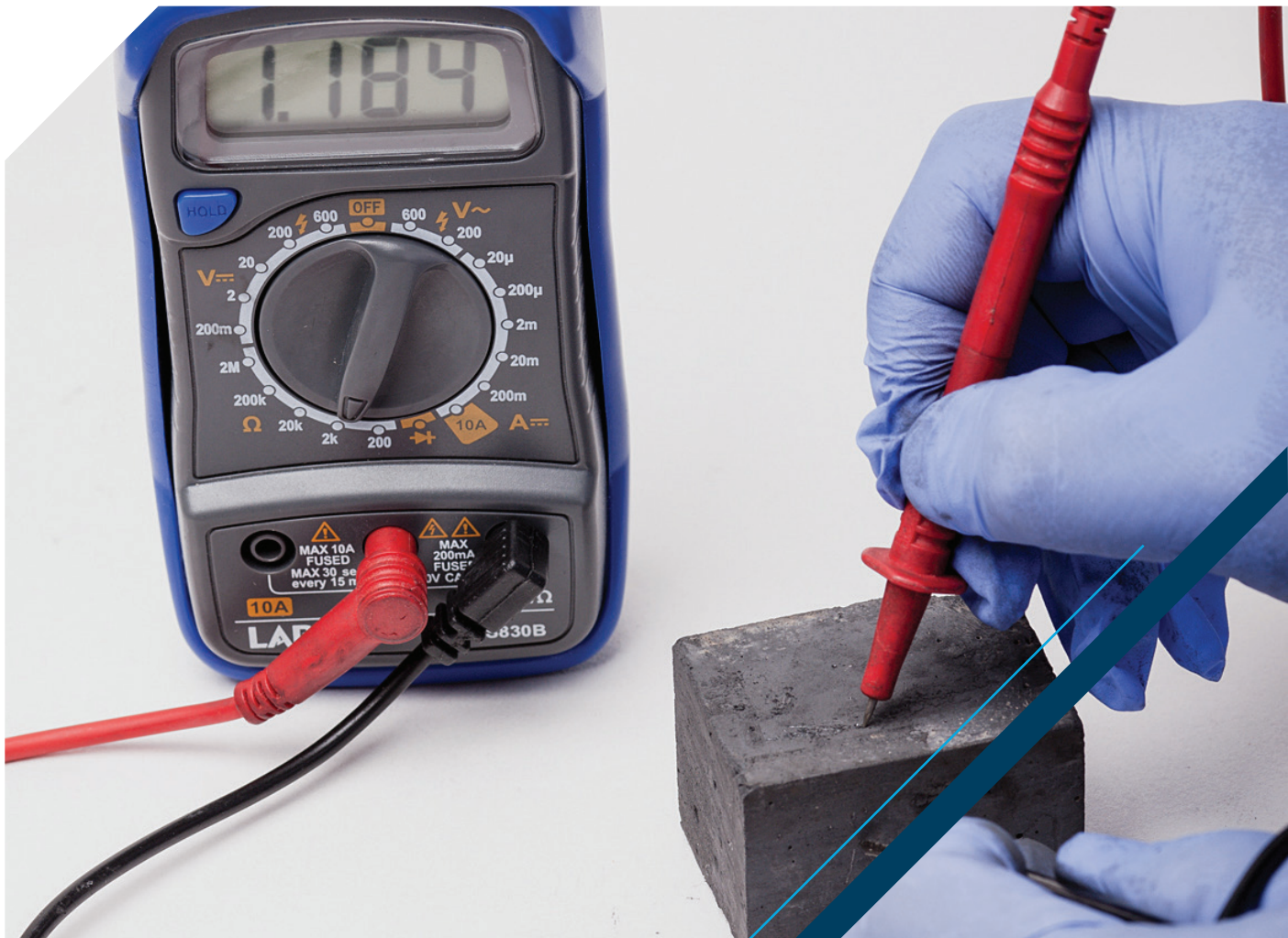
In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to principles of sound corporate governance.

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 and commensurate of an ASX listed company of its size. 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
27 September 2018



Auditors' Independence Declaration

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International
Chartered Accountants and Consultants

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www.stantons.com.au

27 September 2018

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 2018, 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)



Martin Michalik
Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenues from ordinary activities	2	8,317	1,452
Other Income	2	3,355,100	632,122
Expenses			
Administration expenses		(1,130,691)	(744,092)
Compliance and regulatory expenses		(552,514)	(434,738)
Depreciation expense - office equipment		(282,910)	(146,846)
Employee benefits expenses and Directors Fees		(1,835,250)	(1,547,187)
Exploration and evaluation expenditure	9	(1,100,028)	(1,339,403)
Exploitation costs Sweden	9	(586,210)	(178,443)
Exploration acquisition costs written off		(132,271)	(44,374)
Operations - Test Facility, Research & Product Dev.		(4,293,363)	(2,565,160)
Operations - Trial Mining Sweden		(34,216)	(1,393,056)
Investment revaluations	6	-	(121,000)
FX gain / (loss) realised		(3,529)	(5,734)
Share based payments		(1,014,480)	(672,873)
(Loss) before income tax expense		(7,602,045)	(8,559,332)
Income tax expense	3	-	-
Net (loss) attributable to members of the parent entity		(7,602,045)	(8,559,332)
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		185,362	1,087
Total other comprehensive income / (loss) for the year		185,362	1,087
Total comprehensive (loss) for the year		(7,416,683)	(8,558,245)
Total comprehensive (loss) attributable to members of the parent entity		(7,416,683)	(8,558,245)
Basic loss per share (cents per share)	16	(3.8)	(4.7)
Diluted loss per share (cents per share)	16	(3.8)	(4.7)

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

Consolidated Statement of Financial Position

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	4	11,936,701	16,340,409
Trade and other receivables	5	324,343	155,389
Other financial assets	6	-	629,000
Assets held for sale	7	-	-
Total Current Assets		12,261,044	17,124,798
Non-Current Assets			
Other receivables	5	71,287	130,350
Plant and equipment	8	2,620,469	1,245,756
Exploration and evaluation acquisition costs	9	278,071	425,232
Total Non-Current Assets		2,969,827	1,801,338
TOTAL ASSETS		15,230,871	18,926,136
Current Liabilities			
Trade and other payables	10	1,176,130	551,508
Provisions	11	252,536	190,431
TOTAL LIABILITIES		1,428,666	741,939
NET ASSETS		13,802,205	18,184,197
Equity			
Issued capital	12	46,582,423	44,562,212
Reserves	13	7,151,309	5,951,467
Accumulated losses	14	(39,931,527)	(32,329,482)
TOTAL EQUITY		13,802,205	18,184,197

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

Consolidated Statement of Changes in Equity

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2016	32,923,846	(23,770,150)	4,416,402	13,570,098
Comprehensive income:				
Loss after income tax for the year	-	(8,559,332)	-	(8,559,332)
Other comprehensive income for the year	-	-	1,087	1,087
Total comprehensive loss for the year	-	(8,559,332)	1,087	(8,558,245)
Transactions with owners in their capacity as owners:				
Issue of share capital	12,324,158	-	-	12,324,158
Issue of listed share options	-	-	898,412	898,412
Capital raising costs	(685,792)	-	(37,307)	(723,099)
Share based compensation	-	-	672,873	672,873
At 30 June 2017	44,562,212	(32,329,482)	5,951,467	18,184,197
At 1 July 2017	44,562,212	(32,329,482)	5,951,467	18,184,197
Comprehensive income:				
Loss after income tax for the year	-	(7,602,045)	-	(7,602,045)
Other comprehensive income for the year	-	-	185,362	185,362
Total comprehensive loss for the year	-	(7,602,045)	185,362	(7,416,683)
Transactions with owners in their capacity as owners:				
Issue of share capital	1,151,125	-	-	1,151,125
Issue of listed share options	872,848	-	-	872,848
Capital raising costs	(3,762)	-	-	(3,762)
Share based compensation	-	-	1,014,480	1,014,480
At 30 June 2018	46,582,423	(39,931,527)	7,151,309	13,802,205

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

Consolidated Statement of Cash Flows

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash Flows from Operating Activities			
Receipts from Customers		2,980	-
Payments for exploration, evaluation & exploitation		(1,611,568)	(1,366,607)
Payments for mining		(38,860)	(1,403,166)
Payments to suppliers, contractors and employees		(3,196,786)	(2,797,007)
German Operations & UK Operations including R&D		(4,296,604)	(2,307,911)
Interest received		231,327	168,777
Research and development refund		104,292	-
Proceeds from sale of tenements / option fees		130,000	55,000
Other – grants		155,115	70,211
Net cash flows used in operating activities	15	(8,520,104)	(7,580,703)
Cash Flows from Investing Activities			
Purchase of plant and equipment		(1,326,245)	(607,073)
Payment other – Security Bonds payments		59,063	-
Proceeds other – Capital Grants	15	332,554	327,136
Proceeds from sale of financial assets		3,003,813	-
Net cash used in investing activities		2,096,185	(279,937)
Cash Flows from Financing Activities			
Proceeds from issue of securities		2,023,973	13,222,570
Payment for costs of issue of securities		(3,762)	(785,199)
Net cash flows from financing activities		2,020,211	12,437,371
Net (decrease) / increase in cash and cash equivalents		(4,403,708)	4,576,731
Cash and cash equivalents at the beginning of the financial year		16,340,409	11,763,678
Cash and cash equivalents at the end of the financial year	4	11,936,701	16,340,409

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 Ltd and Controlled Entities (the "Group"). Talga Resources Ltd is a public company, 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. Cash as at 30 June 2018 of \$11.9 million together with the \$7.35 million balance (\$1.15 million was received prior to 30 June 2018) of the capital raising completed 4 July 2018, is more than sufficient to cover committed expenditure beyond the next 12 months and 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.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Plant and Equipment

Plant and equipment are initially recognised at acquisition cost (including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management) and subsequently measured using the cost model (cost less subsequent depreciation and impairment losses).

Depreciation is calculated on either the straight-line basis or diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. The following useful lives are applied:

Operating Equipment: 3-15 years

Office equipment: 1-15 years

Vehicles: 5-8 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

(d) Financial Instruments

Financial instruments in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(e) 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.

(f) 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.

(g) 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).

(h) 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.

(i) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Taxation

The Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(k) 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.

(l) Share Based Payments

The Group operates an employee share and option plan. Share-based payments to employees 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.

(m) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Earnings Per Share

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

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

(o) 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.

(p) 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 considered 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 July 2017 and determined that their application to the financial statements is either not relevant or not material.

Standards and Interpretations issued not yet adopted

At the date of authorisation of the financial statements, a number of new Standards, amendments to Standards and Interpretations were issued by the AASB but not yet mandatorily applicable. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018). The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- **AASB 15: Revenue from Contracts with Customers** (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, comprehensive principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

1. identify the contract(s) with a customer;
2. identify the performance obligations in the contract(s);
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract(s); and
5. recognise revenue when (or as) the performance obligations are satisfied, i.e., when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- **AASB 16: Leases** (applicable to annual reporting periods commencing on or after 1 January 2019).

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

Although the adoption of AASB 16 will have an impact on the Group's financial statements, the directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's recognition of leases and disclosures.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Foreign Currency

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of the Consolidated Entity's subsidiaries, Talga Mining Pty Ltd Filial (Branch), Talga Graphene AB and Talga Battery Metals AB, is the Swedish Krona (SEK), Talga Advanced Materials GmbH, is the Euro (EUR) and Talga Technologies Limited is Pound Sterling (GBP).

(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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Talga Resources Ltd) and all of the subsidiaries. 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 25.

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.

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.

(s) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

2. REVENUE AND OTHER INCOME

	2018 \$	2017 \$
Graphene Product Sales	8,317	1,452
Interest revenue	231,327	168,777
Research and development refund	104,292	-
Grants	487,669	408,345
Sale of investments	2,401,812	-
Sale of Australian gold tenements	130,000	55,000
	3,355,100	632,122

3. INCOME TAXES

(a) Prima facie income tax benefit at 27.5% on loss from ordinary activities is reconciled to the income tax provided in the financial statements

	2018 \$	2017 \$
Loss before income tax	(7,602,045)	(8,559,332)
Current Tax Expense / (Benefit)	(2,090,562)	(2,353,816)
Tax effect of:		
Expenses not allowed	1,949,393	1,690,899
Section 40-880 deduction (write off for certain capital costs)	(127,086)	(136,023)
Accrued expenses	-	1,788
Income not assessable	-	-
Future income tax benefit not brought to account	268,255	797,152
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.

	2018 \$	2017 \$
Australian tax losses	4,307,936	4,080,912
Provisions net of prepayments	51,784	43,992
Section 40-880 deduction	242,582	367,562
Deferred exploration expenditures	-	-
Other deferred amounts	30,704	24,662
Unrecognised deferred tax assets relating to the above temporary differences	4,633,006	4,517,128

The estimated foreign (German/UK) tax losses are approximately \$8.3 million and the deferred tax benefit from the foreign tax losses not recognised is approximately \$1.4 million (based on a German/UK tax rate of 15%/19%).

The Swedish tax authorities have ruled and assessed that deductions claimed from previous exploration and development expenditure is not on account of the Swedish assets and as such denied the estimated Swedish tax losses of approximately \$8.5 million and the deferred tax benefit from the Swedish tax losses not recognised of approximately \$1.8 million (based on a tax rate of 22%). Talga is working with its tax advisers on a strategy to effectively recoup the vast majority of these tax losses through other measures.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

3. INCOME TAXES (CONT'D)

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.

4. CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash at bank	11,936,701	16,340,409

As at 30 June 2018, a cash at bank balance of \$1,151,125 was held in trust as it related to shares to be issued. As at the date of this report the related shares have been issued (see note 12(b) with the \$1,151,125 available for use.

5. TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
CURRENT		
Trade debtors	82,968	17,906
GST / VAT receivable	241,375	137,483
Total trade and other receivables	324,343	155,389

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

	2018 \$	2017 \$
NON CURRENT		
Security term deposit	71,287	68,756
Environmental bond	-	61,594
Total security deposits and bonds	71,287	130,350

Security term deposit relates to a term deposit taken out as security for rent of the Perth head office and German pilot plant facility.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

6. OTHER FINANCIAL ASSETS

	2018 \$	2017 \$
Novo Resources Corp		
Opening balance	629,000	750,000
Sales	(629,000)	-
Unrealised gain / (loss) on held for sale trading investment	-	(121,000)
Closing balance at 30 June 2018 (Nil shares)	-	629,000

Financial assets represent the carrying amount of acquisition costs relating to Talga's Australian Pilbara gold assets that were sold to Beatons (See Note 7). Beatons offered Talga 765,115 shares in the TSX Venture listed Canadian Parent, Novo Resources Corp, in lieu of the AUD\$750,000 cash transaction payable.

The shares were revalued during the year and completely realised before the financial year end.

7. ASSETS CLASSIFIED AS HELD FOR SALE

	2018 \$	2017 \$
Balance at the start of the period	-	750,000
Movement for the period	-	(750,000)
Exploration and evaluation acquisition costs	-	-

As announced on 26 August and 16 September 2016, Talga completed the sale of its Pilbara gold projects to Beatons Creek Gold Pty Ltd ("Beatons"). Beatons exercised its option (the "Sale Agreement") to purchase the Mosquito Creek, Talga Talga and Warrawoona projects located in the Pilbara region of Western Australia (see ASX: TLG 12 Aug 2015).

Beatons, an Australian subsidiary of the TSX Venture-listed Novo, previously acquired 100% ownership of 3 mining leases at Beatons Creek from Millennium Minerals Limited. These mining leases form part of Novo's Beatons Creek gold project north of the township of Nullagine in the East Pilbara district of Western Australia.

Following the \$250,000 option fee already received by Talga under the Sale Agreement, Beatons offered and Talga agreed to accept 765,115 shares in lieu of cash payments for the AUD\$750,000 transaction balance remaining. Talga would also be due a 1.5% net smelter royalty on any minerals produced from the projects.

Talga's remaining gold asset, the Bullfinch Project (see page 74 tenement listing), is also available for sale however it has no impact on the assets held for sale as they are carried at a nil value. The Bullfinch Project was subsequently sold as disclosed in Note 22.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

8. PLANT AND EQUIPMENT

	2018 \$	2017 \$
(a) Plant and equipment		
Plant and equipment at cost	2,412,051	1,574,501
Less: accumulated depreciation	(596,317)	(328,745)
Total plant and equipment	1,815,734	1,245,756
Balance at the beginning of the financial year	1,245,756	776,748
Additions	700,374	607,483
Depreciation expense	(282,910)	(146,846)
Effect of foreign currency exchange differences	152,514	8,371
Balance at the end of the financial year	1,815,734	1,245,756
(b) Construction in progress	606,486	-
Balance at the beginning of the financial year	-	-
Additions	606,486	-
Balance at the end of the financial year	606,486	-
(c) Goods in transit	198,249	-
Balance at the beginning of the financial year	-	-
Additions	198,249	-
Balance at the end of the financial year	198,249	-
Total	2,620,469	1,245,756

9. EXPLORATION AND EVALUATION EXPENDITURE

	2018 \$	2017 \$
Balance at the beginning of the financial year	425,232	500,654
Exploration and evaluation expenditure	1,686,238	1,339,403
Written off as incurred (refer note 1(b))	(1,686,238)	(1,339,403)
Write off acquisition cost of disposed tenements	(132,271)	-
Foreign currency exchange movement in assets	(14,890)	(75,422)
Balance at the end of the financial year	278,071	425,232

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.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

10. TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
CURRENT PAYABLES		
Trade creditors	753,337	392,859
Accruals	381,075	114,991
Superannuation / PAYG payable	41,718	43,658
Total trade and other payables	1,176,130	551,508

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

11. PROVISIONS

	2018 \$	2017 \$
Provision for Annual Leave	198,758	150,065
Provision for Long Service Leave	53,778	40,366
Total Provisions	252,536	190,431

12. ISSUED CAPITAL

	2018 \$	2017 \$
Issued and fully paid	45,431,298	44,562,212
Shares to be issued	1,151,125	-
	46,582,423	44,562,212

(a) Issued and fully paid

	2018 Number	2018 \$	2017 Number	2017 \$
Fully Paid Ordinary Shares	204,187,013	45,431,298	202,408,760	44,562,212

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

12. ISSUED CAPITAL (CONT'D)

MOVEMENT RECONCILIATION ORDINARY SHARES	Date	Quantity	Issued Price	\$
Balance 30 June 2016		181,855,075		32,923,846
Exercise of listed options	26/4/17	5,000	0.45	2,250
Exercise of unlisted options	4/5/17	12,500	0.45	5,625
Exercise of unlisted options	4/5/17	36,185	0.45	16,283
Issue of fully paid ordinary shares	13/6/17	20,500,000	0.60	12,300,000
Less transaction costs		-	-	(685,792)
Balance 30 June 2017		202,408,760		44,562,212
Exercise of listed options	21/9/17	13,859	0.45	6,236
Exercise of listed options	9/10/17	500	0.45	225
Exercise of listed options	13/12/17	1,250	0.45	563
Exercise of listed options	29/1/18	5,000	0.45	2,250
Exercise of unlisted options	28/2/18	150,000	0.54	81,000
Exercise of unlisted options	14/3/18	300,000	0.53	157,500
Exercise of listed options	14/3/18	69,866	0.45	31,440
Exercise of listed options	29/3/18	9,500	0.45	4,275
Exercise of listed options	5/4/18	80,000	0.45	36,000
Exercise of listed options	11/4/18	19,903	0.45	8,956
Exercise of unlisted options	19/4/18	185,000	0.54	99,900
Exercise of unlisted options	4/5/18	185,000	0.54	99,900
Exercise of listed options	4/5/18	5,030	0.45	2,264
Exercise of listed options	18/5/18	147,208	0.45	66,244
Exercise of listed options	25/5/18	93,000	0.45	41,850
Exercise of unlisted options	25/5/18	37,037	0.54	20,000
Exercise of listed options	5/6/18	415,100	0.45	186,795
Exercise of listed options	13/6/18	61,000	0.45	27,450
Less transaction costs				(3,762)
Balance 30 June 2018		204,187,013		45,431,298

(b) Shares to be Issued

	2018 Number	2018 \$	2017 Number	2017 \$
Shares to be issued *	1,771,731	1,151,125	-	-

* Funds were received as part of the placement (\$1,150,000) and exercise of options (\$1,125) in June 2018 however they were only issued on 4th and 5th July 2018 respectively (see ASX 3B on 4th and 5th July 2018).

ORDINARY SHARES TO BE ISSUED - 2018	Quantity	Issue Price / Exercise Price	\$
Placement	1,769,231	0.65	1,150,000
Listed options to be exercised	2,500	0.45	1,125
Balance 30 June 2018	1,771,731		1,151,125

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

12. ISSUED CAPITAL (CONT'D)

(c) Unlisted Share Options

At 30 June 2018, the Group had 32,623,217 ordinary shares under option (unlisted).

- 5,900,000 unlisted options with an exercise price of 60 cents expiring on 4 October 2018;
- 8,830,254 unlisted options with an exercise price of 45 cents expiring on 31 December 2018;
- 2,000,000 unlisted options with an exercise price of 42 cents expiring on 3 May 2019;
- 2,500,000 unlisted options with an exercise price of 54 cents expiring on 23 June 2019;
- 1,500,000 unlisted options with an exercise price of 42 cents expiring on 7 July 2019;
- 2,500,000 unlisted options with an exercise price of 35 cents expiring on 10 August 2019;
- 592,963 unlisted options with an exercise price of 54 cents expiring on 20 August 2019;
- 2,000,000 unlisted options with an exercise price of 60 cents expiring on 8 February 2020;
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 26 March 2020;
- 2,000,000 unlisted options with an exercise price of 100 cents expiring on 10 May 2020;
- 1,500,000 unlisted options with an exercise price of 102 cents expiring on 10 August 2020;
- 1,300,000 unlisted options with an exercise price of nil expiring on 10 August 2020; and
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 17 December 2020.

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.

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 2018 is as follows:

	2018 \$	2017 \$
Cash and cash equivalents	11,936,701	16,340,409
Trade and other receivables	324,343	155,389
Assets held for sale	-	629,000
Trade and other payables	(1,176,130)	(551,508)
Provisions - employee entitlements	(252,536)	(190,431)
Working capital position	10,832,378	16,382,859

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

13. RESERVES

	2018 \$	2017 \$
(a) Unlisted option reserve	6,335,467	5,320,986
(b) Listed option reserve	861,105	861,105
(c) Foreign currency reserve	(45,263)	(230,624)
Total reserves	7,151,309	5,951,467

	2018 \$	2017 \$
(a) UNLISTED OPTION RESERVE		
Balance at the start of the financial year	5,320,986	4,648,113
Options expense (note 26)	1,014,481	672,873
Balance at the end of the financial year	6,335,467	5,320,986

The unlisted 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.

	Date	Quantity	Issue Price \$	2018 \$	2017 \$
(b) LISTED OPTION RESERVE					
Balance at the start of the financial year		44,879,397		861,105	-
Issue of listed options					898,412
Exercise of listed options	21/9/2017	(13,859)			
Exercise of listed options	9/10/2017	(500)			
Exercise of listed options	13/12/2017	(1,250)			
Exercise of listed options	29/1/2018	(5,000)			
Exercise of listed options	14/3/2018	(69,866)			
Exercise of listed options	29/3/2018	(9,500)			
Exercise of listed options	5/4/2018	(80,000)			
Exercise of listed options	12/4/2018	(19,903)			
Exercise of listed options	7/5/2018	(5,030)			
Exercise of listed options	18/5/2018	(147,208)			
Exercise of listed options	25/5/2018	(93,000)			
Exercise of listed options	5/6/2018	(415,100)			
Exercise of listed options	13/6/2018	(61,000)			
Less transactions costs				-	(37,307)
Balance at the end of the financial year		43,958,181		861,105	861,105

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
(c) FOREIGN CURRENCY RESERVE		
Balance at the start of the financial year	(230,624)	(231,711)
Movement during the year	185,361	1,087
Balance at the end of the financial year	(45,263)	(230,624)
Total Reserves	7,151,309	5,951,467

14. ACCUMULATED LOSSES

	2018 \$	2017 \$
Balance at the beginning of the financial year	(32,329,482)	(23,770,150)
Loss for the year	(7,602,045)	(8,559,332)
Balance at the end of the financial year	(39,931,527)	(32,329,482)

15. CASHFLOW INFORMATION

	2018 \$	2017 \$
Reconciliation of cash flows from operating activities with loss after income tax		
Loss after income tax	(7,602,045)	(8,559,332)
Non-cash flows in loss for the year:		
- Capital grants	(332,554)	(327,136)
- Depreciation expense - office and field equipment	282,910	146,846
- Write off of exploration acquisition costs	132,271	44,374
- Share based payment	1,014,480	672,873
- Gain from sale of investment	(2,401,813)	121,000
- Foreign exchange loss / (gain)	70,706	26,770
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(168,955)	68,118
- Increase / (decrease) in trade and other payables	422,790	202,058
- Increase / (decrease) in provisions	62,106	23,726
Net cash outflows from Operating Activities	(8,520,104)	(7,580,703)

Cash proceeds from capital grants

During the period the German subsidiary received \$332,554 in grants. These are cash incentives provided by the German Federal Ministry for Economic Affairs and Energy to businesses investing in production facilities.

Non-Cash Financing and Investing Activities

There have been nil non-cash financing and investing activities for the 2018 financial year (2017 Nil).

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

16. LOSS PER SHARE

	2018 \$	2017 \$
Net loss used in calculating the basic loss per share	(7,602,045)	(8,559,332)
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	202,735,411	182,818,363

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.

17. KEY MANAGEMENT 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:

Key Management Personnel	Position	Duration of Appointment
Terry Stinson	Non-Executive Chairman	Appointed 8th February 2017
Mark Thompson	Managing Director	Appointed 21st July 2009
Grant Mooney	Non-Executive Director	Appointed 20th February 2014
Stephen Lowe	Non-Executive Director	Appointed 17th December 2015
Ola Rinnan	Non-Executive Director	Appointed 7th August 2017
Martin Phillips	Chief Operating Officer	Appointed 1st July 2017

(b) Remuneration of Director and Key Management Personnel

The aggregate compensation paid to directors and other KMP of the Group and recognised as an expense during the reporting period is set out below:

	2018 \$	2017 \$
Short-term employee benefits	995,455	536,902
Post-employee benefits	70,532	34,566
Other long-term benefits	-	-
Share-based payments	509,015	286,587
Total	1,575,002	858,055

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

On 11 August 2017, shareholders approved the grant to Managing Director, Mark Thompson, 1,500,000 share options (exercise price at \$1.02 and expiring on 10 August 2020). These vested on grant date. Shareholders also approved the grant of performance linked LTI's in the form of 1,300,000 share options (exercise price Nil and expiring 10 August 2020). These did not vest during the year and are based on growth targets that are in the interests with those of shareholders with 650,000 vesting upon the Company achieving a market capitalisation of \$200 million and 650,000 vesting upon the Company achieving a market capitalisation of \$250 million. None of the above options hold dividend or voting rights and they are non-transferrable.

The value of options granted as part of remuneration is calculated as at grant date using a Black Scholes pricing model. The amounts disclosed as part of the remuneration for the financial year have been determined by allocating the grant date value on a straight line basis over the period from grant date to vesting date. For the year ended 30 June 2018 the fair value of 2,800,000 options granted to the Managing Director and expensed totalled \$385,990. The fair value of options expensed for the year ended 30 June 2018 issued to the COO in a prior financial year amounted to \$123,025.

The total expense recognised for the options issued to Key Management Personnel during the 2018 financial year was \$509,015.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

17. KEY MANAGEMENT AND PERSONNEL COMPENSATION (CONT'D)

During the year ended 30 Jun 2018, the value of options granted to directors and Key Management Personnel was calculated applying the following inputs:

Mark Thompson			
	Tranche 1	Tranche 2	Tranche 3
Exercise price:	Nil	Nil	\$0.914
Barrier price	\$0.988	\$1.235	N/A
Valuation date:*	3/7/17	3/7/17	3/7/17
Expiry date:**	3/7/20	3/7/20	3/7/20
Share market price at grant date:	\$0.71	\$0.71	\$0.71
Expected share price volatility:	15%	15%	70%
Risk free interest rate:	1.94%	1.94%	1.94%
Valuation per option:	\$0.114	\$0.019	\$0.234

* The actual grant date was 11/8/17 and the valuation date was 3/7/17. Management has assessed the difference, if any, in the timing difference as immaterial.

** The actual expiry date is 10/8/20 management has assessed the timing difference as immaterial.

The expense recognised for the options issued to Key Management Personnel during the 2017 financial year was \$286,587.

During the year end 30 Jun 2017, the value of options granted to executive and non-executive directors was calculated applying the following inputs:

Terry Stinson	
Exercise price:	\$0.60
Valuation date:	9 February 2017
Expiry date:	8 February 2020
Market price of shares at grant date:	\$0.38
Expected share price volatility:	74%
Risk free interest rate:	1.86%
Valuation per option:	\$0.143

(d) Related Party Transactions

Talga entered into a consultancy agreement with Mr Terry Stinson from 1 March 2018. The Agreement has an initial term of 12 months, provides for an annual consultancy fee of \$137,500 and may be terminated by either party giving two months written notice. The Agreement is in addition to Mr Stinson's role as Chairman and should the Agreement terminate, his directorship and corresponding fees will remain in place. Under the Agreement, Mr Stinson is contracted to focus on the commercial and R&D business of Talga's operations, with the goal of progressing strategic, IP and commercial objectives, as well as providing further leadership within the European operations.

No related party transactions occurred during the current or prior financial year.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

18. AUDITOR'S REMUNERATION

	2018 \$	2017 \$
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	49,669	36,500
Other services	-	-
Total	49,669	36,500

19. 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 as at 30 June 2018:

	2018 \$	2017 \$
Not longer than one year	199,000	210,000
Longer than one year, but not longer than five years	220,000	420,227
Longer than five years	-	-
Total	419,000	630,227

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.

As advised in the assets held for sale Note 7, Talga has completed the sale of its Pilbara project tenements to Beatons Creek Gold Pty Ltd. As a result, the only exploration expenditure commitments remaining subsequent to the sale of the Pilbara project tenements relate to the Bullfinch project tenements.

Subsequent to year end, Talga has the sale of the Bullfinch tenements (see subsequent events Note 22).

As Talga is no longer responsible for the commitments, the full amount of the commitments will be nil.

b) Operating lease commitments

	2018 \$	2017 \$
Head office and German test facility lease		
Not longer than one year	111,682	33,240
Longer than one year, but not longer than five years	-	9,927
Longer than five years	-	-
Total	111,682	43,167

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

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

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 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:

	2018 \$	2017 \$
Trade and other current receivables		
Group 1	-	-
Group 2	324,343	155,389
Group 3	-	-
Total trade and other current receivables	324,343	155,389
Cash at bank and short-term deposits	11,936,701	16,340,409
Total cash at bank and short-term deposits	11,936,701	16,340,409

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.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL INSTRUMENTS (CONT'D)

i) Liquidity Risk

Liquidity risk is the risk that the Group might be unable to meet its financial liability obligations. 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.

ii) Net Fair Values

The net fair values of:

- Other financial assets and other financial liabilities approximate their carrying value.

iii) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 2018, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2018 \$	2017 \$
Change in loss		
- Increase in interest rate by 100 basis points	119,367	163,404
- Decrease in interest rate by 100 basis points	(119,367)	(163,404)
Change in equity		
- Increase in interest rate by 100 basis points	119,367	163,404
- Decrease in interest rate by 100 basis points	(119,367)	(163,404)

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL INSTRUMENTS (CONT'D)

	Floating Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$	Weighted Average Interest Rate %
2018					
Financial Assets					
Cash and cash equivalents	2,843,673	7,587,915	1,505,113	11,936,701	1.96
Trade and other receivables	-	20,900	374,730	395,630	-
Other financial assets	-	-	-	-	-
Total financial assets	2,843,673	7,608,818	1,879,843	12,332,331	-
Financial liabilities					
Trade and other payables	-	-	1,176,130	1,176,130	-
Total financial liabilities	-	-	1,176,130	1,176,130	-
2017					
Financial Assets					
Cash and cash equivalents	13,427,448	2,487,915	425,046	16,340,409	1.70
Trade and other receivables	-	61,594	224,145	285,739	-
Other financial assets	-	-	629,000	629,000	-
Total financial assets	13,427,448	2,549,509	1,278,191	17,255,148	-
Financial liabilities					
Trade and other payables	-	-	511,508	511,508	-
Total financial liabilities	-	-	511,508	511,508	-

iv) 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 conducts exploration and mining development activities in Sweden (transaction currency is SEK), product development in the United Kingdom (transaction currency is GBP) as well as Germany where the Group is developing a graphite/graphene pilot plant facility (transaction currency is EUR). The Group is subject to foreign currency value fluctuations in the course of its operations. To mitigate the Group's exposure currency rates are monitored regularly and funds are transferred to the foreign operations when rates are more favourable and also plans to curtail this impact by paying foreign currency invoices in a timely fashion.

The parent has a loan receivable from Talga Mining Pty Ltd of SEK66,282,549 (\$10,117,858), a loan receivable from Talga Graphene AB of SEK49,854 (\$7,553), a loan receivable from Talga Battery Metals AB of SEK49,854 (\$7,553), a loan receivable from Talga Technologies Limited of GBP1,140,182 (\$2,034,847) and a loan receivable from Talga Advanced Materials GmbH of EUR5,311,709 (\$8,383,524). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$296,672.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

21. SEGMENT NOTE

Operating segments are 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 term 'chief operating decision maker' identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. The Company's Board is the chief operating decision maker as it relates to segment reporting.

The Group operates in four operating and geographical segments, being graphite exploration and development in Sweden, gold exploration and evaluation in Australia and graphite/graphene research and development in Germany and the United Kingdom. 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.

2018	Sweden \$	Germany \$	United Kingdom \$	Australia \$	Total \$
SEGMENT PERFORMANCE					
Revenues from ordinary activities	-	-	-	8,317	8,317
Other Income	614	333,098	155,134	2,337,063	2,825,909
Total segment revenue	614	333,098	155,134	2,345,380	2,834,226
Segment expense (including write offs)	(2,041,793)	(3,046,679)	(1,518,294)	(3,829,505)	(10,436,271)
<i>Reconciliation of segment result to net loss before tax</i>					
Segment Result					(7,602,045)
Unallocated items					-
Net loss before tax from continuing operations					(7,602,045)
SEGMENT ASSETS					
As at 30 June 2018					
Segment assets as at July 2017	551,121	1,513,824	223,572	16,637,619	18,926,136
Movement					
- Cash and cash equivalents	84,424	(45,256)	(108,799)	(4,334,077)	(4,403,708)
- Assets held for sale	-	-	-	(629,000)	(629,000)
- Plant and equipment	4,962	1,080,679	288,571	501	1,374,713
- Exploration and evaluation expenditure	(147,161)	-	-	-	(147,161)
- Other	(31,976)	126,913	34,746	(19,792)	109,891
	461,370	2,676,160	438,090	11,655,251	15,230,871
<i>Reconciliation of segment assets to total assets</i>					
Other assets					-
Total assets from continuing operations					15,230,871
SEGMENT LIABILITIES					
Segment liabilities as at 30 June 2018	410,058	365,966	143,218	509,424	1,428,666
<i>Reconciliation of segment liabilities to total liabilities</i>					
Unallocated items:					
- Provision					-
Total liabilities from continuing operations					1,428,666

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

21. SEGMENT NOTE (CONT'D)

2017	Sweden \$	Germany \$	United Kingdom \$	Australia \$	Total \$
SEGMENT PERFORMANCE					
Revenues from ordinary activities	10	-	-	1,452	1,462
Other Income	-	364,812	21,533	245,777	632,122
Total segment revenue	10	364,812	21,533	247,229	633,584
Segment exploration expense	(2,815,094)	(2,316,447)	(380,050)	(3,681,315)	(9,192,906)
<i>Reconciliation of segment result to net loss before tax</i>					
Unallocated items:					
Segment Result					(8,559,332)
Unallocated items					-
Net loss before tax from continuing operations					(8,559,332)
SEGMENT ASSETS					
As at 30 June 2017					
Segment assets as at 1 July 2016	633,410	1,010,475	-	12,504,741	14,148,626
<i>Segment asset increases/(decreases) for the year:</i>					
- Cash and cash equivalents	2,545	157,520	182,192	4,234,474	4,576,731
- Assets held for sale	-	-	-	(121,000)	(121,000)
- Plant and equipment	(793)	456,525	19,111	(5,835)	469,008
- Exploration and evaluation expenditure	(75,422)	-	-	-	(75,422)
- Other	(8,619)	(110,696)	22,269	25,239	(71,807)
	551,121	1,513,824	223,572	16,637,619	18,926,136
<i>Reconciliation of segment assets to total assets</i>					
Other assets					
Total assets from continuing operations					18,926,136
SEGMENT LIABILITIES					
Segment liabilities as at 30 June 2017	130,310	138,663	71,273	401,693	741,939
<i>Reconciliation of segment liabilities to total liabilities</i>					
Unallocated items:					
- Other liabilities					-
Total liabilities from continuing operations					741,939

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

22. 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;

- In July 2018, Talga completed the sale of 100% of its Bullfinch gold project in Western Australia to Torque Metals Pty Ltd with receipt of the final balance payment of \$250,000. Talga retains an ongoing 1.0% gross production royalty over Bullfinch gold project, effective from after the first 5,000oz gold production, and Torque Metals Pty Ltd retains a right to buy the royalty at any time for \$1.7 million.
- On 4 July 2018, Talga announced it had raised gross proceeds of approximately \$8.5 million (of which \$1.15 million had been received before 30 June 2018 and disclosed as shares to be issued at note 12) by issuing 13,075,977 new ordinary fully paid shares at an issue price of \$0.65 per share

23. RELATED PARTIES

Related party transactions with management personnel are disclosed in Note 17.

24. 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.

	2018 \$	2017 \$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	11,601,741	16,584,610
Non-Current assets	3,188,763	2,561,170
TOTAL ASSETS	14,790,504	19,145,780
LIABILITIES		
Current liabilities	509,425	401,694
TOTAL LIABILITIES	509,425	401,694
NET ASSETS	14,281,079	18,744,086
EQUITY		
Issued capital	46,582,423	45,423,317
Accumulated losses	(39,497,916)	(32,000,218)
Option reserve	7,196,572	5,320,986
TOTAL EQUITY	14,281,079	18,744,085
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Net loss for the year	(7,497,698)	(15,156,586)
Total comprehensive loss for the year	(7,497,698)	(15,156,586)

Talga Resources Ltd has not entered into cross guarantees in relation to the debts of its wholly owned subsidiaries.

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

25. CONTROLLED ENTITIES

Talga Resources Ltd owns the following subsidiaries:

Name of Entity	Country of Incorporation	Percentage Owned (%) *	
		30 June 2018	30 June 2017
Talga Mining Pty Ltd	Australia	100%	100%
Talga Advanced Materials GmbH	Germany	100%	100%
Talga Technologies Limited	United Kingdom	100%	100%
Talga Graphene AB	Sweden	100%	-
Talga Battery Metals AB	Sweden	100%	-

* Percentage of voting power is in proportion to ownership.

26. SHARE BASED PAYMENTS

The expense recognised for the financial year for options granted in previous and the current year was \$1,014,480. Share based payments for the financial year have been determined by allocating the grant date value on a straight line basis over the period from grant date to vesting date with the relevant proportion expensed for this financial year.

The following share based payment options were granted during the year:

Series 1 – 650,000 options granted 11/8/17

Series 2 – 650,000 options granted 11/8/17

Series 3 – 1,500,000 options granted 11/8/17

	Series 1	Series 2	Series 3
Grant date share price	\$0.71	\$0.71	\$0.71
Barrier price	\$0.98	\$1.23	N/A
Exercise price	Nil	Nil	\$0.914
Expected share price volatility	15%	15%	70%
Option life	3 years	3 years	3 years
Risk free interest rate	1.94%	1.94%	1.94%
Valuation per option	\$0.114	\$0.019	\$0.234

Both Series 1 and 2 options were granted during the financial year, however they have vesting conditions based on future events and therefore not exercisable at year end.

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

	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	21,800,000	0.56	23,300,000	0.55
Granted during the financial year	2,800,000	0.55	8,000,000	0.59
Expired during the financial year	-	-	(9,500,000)	0.57
Exercised during the financial year	(807,037)	0.54	-	-
Balance at end of the financial year	23,792,963	0.56	21,800,000	0.56
Exercisable at end of the financial year	20,742,963	0.54	17,800,000	0.54

The share based payment options outstanding at the end of the financial year had a weighted average exercise price of \$0.55 (2017: \$0.54) and a weighted average remaining contractual life of 1.32 years (2017: 2.19 years).

Notes to the Financial Statements (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2018.

There were no contingent liabilities as at 30 June 2017.



Directors' Declaration

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

The directors of the Group declare that:

1. the financial statements and notes, as set out on pages 26 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 2018 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 Group 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
27 September 2018



Stantons International Audit and Consulting Pty Ltd
Trading as

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Talga Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have defined the matters described below to be key audit matter to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters	How the matter was addressed in the audit
Valuation of Share Options	
The company issued a number of share options to directors and management of the company.	Inter alia, our audit procedures included the following:
The company prepared a valuation of the options in accordance to its accounting policy and accounting standard Share-based Payment AASB 2 ("AASB 2").	<ul style="list-style-type: none"> i. We reviewed the inputs used in the models; the underlying assumptions used and discussed with management the justification for inputs; ii. We assessed the accounting treatment and its application in accordance with AASB 2; and iii. We assessed whether the Group's disclosures met the requirements of various accounting standards.
The valuation of the options is a key audit matter as it involved judgement in assessing the fair value of the options.	

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

Stantons International

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 entity'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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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.

We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 23 of the directors' report for the year ended 30 June 2018. 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

Independent Auditor's Report (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

Stantons International

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Talga Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director
West Perth, Western Australia
27 September 2018

Additional Shareholder Information

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

ADDITIONAL SHAREHOLDER INFORMATION

The following additional information is required by the Australian Securities Exchange Limited Listing Rules. Information was prepared based on the share registry information processed up to 20 September 2018.

Statement of Quoted Securities

Listed on the Australian Securities Exchange are 217,417,556 fully paid ordinary shares and 43,803,615 listed options exercisable at \$0.45 expiring 31 December 2018.

Distribution of Shareholding

The distribution of members and their holdings of equity securities in the Group as at 20 September 2018 were as follows:

Spread of Holdings	Fully Paid Ordinary Shares	Total Shareholders	Listed Options	Total Option Holders
1-1,000	327,307	477	41,396	73
1,001 - 5,000	3,478,497	1,268	494,374	168
5,001 - 10,000	5,109,504	622	577,591	75
10,001 - 100,000	37,095,397	1,109	7,060,925	189
100,001 and over	171,406,851	202	35,629,329	44
TOTALS	217,417,556	3,678	43,803,615	549

Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares is 486.

Substantial Shareholders

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

Shareholder	Number Held	% Held
SMEDVIG TALGA L.P	25,511,221	11.73
LATERAL MINERALS PL	14,270,788	6.56

Restricted Securities

Ordinary Shares

Shareholder	Number Held	Restriction Date *
Lateral Minerals Pty Ltd (A Company associated with Mr Mark Thompson)	4,000,000	23 June 2019

* As approved at a shareholders meeting on 23 June 2015, the shares are secured by a loan which is repayable by 23 June 2019.

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.

Additional Shareholder Information (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

Twenty Largest Shareholders and Option Holders

The names of the twenty largest ordinary fully paid shareholders as at the 20 September 2018 are as follows:

	Ordinary Shares	Number Held	% Held
1	Smedvig Talga L.P.	25,511,221	11.73
2	Lateral Minerals Pty Ltd <Thompson Family A/C>	14,270,788	6.56
3	JP Morgan Nominees (Australia) Ltd	12,988,403	6.43
4	HSBC Custody Nominees (Australia) Limited	12,066,132	5.55
5	Pelmer Securities S A	9,158,160	4.21
6	Citicorp Nominees Pty Ltd	7,384,453	3.40
7	Kamberg Investments Ltd	6,357,143	2.92
8	Yandal Investments Pty Ltd	5,000,000	2.30
9	Two Tops Pty Ltd	3,000,000	1.38
10	BNP Paribas Nominees Pty Ltd	2,825,322	1.30
11	Liddell Keith S + S J	2,167,749	1.00
12	Australian Executor Trustees Ltd	2,160,095	0.99
13	National Nominees Limited	2,040,157	0.94
14	Wong Kin Chun	1,965,905	0.90
15	Holman Anthony Neil	1,885,000	0.87
16	BNP Paribas Nominees New Zealand Limited	1,825,819	0.84
17	Danks Kevin Graham	1,825,000	0.84
18	UBS Nominees Pty Ltd	1,630,000	0.75
19	Abbott Finance Corp	1,607,143	0.74
20	All States Finance Pty Ltd	1,500,000	0.69
	Top 20 holders of ordinary shares	118,168,490	54.35

Additional Shareholder Information (Cont'd)

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

The names of the twenty largest listed option holders as at the 20 September 2018 are as follows:

	Ordinary Shares	Number Held	% Held
1	Smedvig Talga L.P.	13,402,126	30.60
2	JP Morgan Nominees (Australia) Ltd	7,230,743	16.51
3	Lateral Minerals Pty Ltd <Thompson Family A/C>	3,567,697	8.14
4	Pelmer Securities S A	1,135,693	2.59
5	Broyage Pty Ltd	600,000	1.37
6	Wong Kin Chun	558,311	1.27
7	Morton Graham John	513,912	1.17
8	Dunsford Trevor G & K E	461,422	1.05
9	Gerovich Steven R & E L	435,000	0.99
10	All States Finance Pty Ltd	425,000	0.97
11	Abbott Finance Corp	401,785	0.92
12	United Overseas SVC MGNT	389,763	0.89
13	Jackman & Treloar Pty Ltd	351,025	0.80
14	Texmode Pty Ltd	345,000	0.79
15	De Cuyper Alexander	300,000	0.68
16	Bonifacio Pty Ltd	296,977	0.68
17	One Managed Investment Funds Ltd	293,050	0.67
18	Tidy Michael John	262,460	0.60
19	BNP Paribas Nominees Pty Ltd	261,168	0.60
20	JP Morgan Nominees (Australia) Ltd	254,366	0.58
	Top 20 holders of listed options	31,485,498	71.88

Additional Shareholder Information (Cont'd)

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Unquoted Equity Securities

As at 20 September 2018, the following unquoted securities were on issue:

Unlisted options with the following terms:

Expiry Date	Exercise Price	Number on Issue	Number of Holders
4-Oct-18	\$0.60	1,400,000	4
4-Oct-18	\$0.60	4,500,000	1
31-Dec-18	\$0.45	8,830,254	10
3-May-19	\$0.42	2,000,000	1
23-Jun-19	\$0.54	2,500,000	2
7-Jul-19	\$0.42	1,500,000	1
10-Aug-19	\$0.35	2,500,000	2
20-Aug-19	\$0.54	592,963	3
8-Feb-20	\$0.60	2,000,000	1
26-Mar-20	\$0.54	1,000,000	1
10-May-20	\$1.00	2,000,000	1
10-Aug-20	\$1.02	1,500,000	1
10-Aug-20	\$0.00	1,300,000	1
17-Dec-20	\$0.54	1,000,000	1
Total on issue		32,623,217	

There was no individual option holder that held greater than 20% of the unlisted options on issue.

The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

The Board of Talga is committed to implementing the highest standards of corporate governance in conducting its business. The Board has established a corporate governance framework including corporate governance policies, procedures and charters with reference to the third edition of the ASX Corporate Governance Council's Principles and Recommendations ("ASX Principles"). Further information on Talga's corporate governance policies, procedures and charters are available on Talga's website, <http://www.talgaresources.com>.

Talga has followed the ASX Principles where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. In compliance with the "if not, why not" reporting regime, where, after due consideration, Talga's corporate governance practices do not follow an ASX Principles recommendation, the Company has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices Talga has adopted. This corporate governance statement sets out the Company's corporate governance policies and practices and is current as at 27 September 2018 as approved by the Talga Board.

The eight ASX Principles and Talga's position in respect of each of them, are set out below.

Principle 1: Lay Solid Foundations for Management and Oversight

Roles and Responsibilities

The Board has adopted a Board Charter (disclosed on the Company's website) that sets out the roles and responsibilities of the Board and those functions delegated to senior executives.

The Board is collectively responsible for promoting the success of the Company through its key functions of setting strategic direction, overseeing management of the Company, providing overall corporate governance, monitoring financial performance, engaging appropriate management and directors commensurate with the desired structure and objectives of the Company, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, policy and legal compliance.

The Managing Director, supported by other members of the senior management team, is responsible for managing the day to day activities of the Company and advancing the strategic direction of the Company as set by the Board.

Appointment, Induction and Training

When a vacancy exists on the Board, for whatever reason, or where it is considered that the Board would benefit from the services of a new director, the Board will determine the selection criteria for the position based on factors 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.

The Company has not made any new appointments to the Board since the last Annual Report. Should the Company appoint a new director in the future, appropriate checks including criminal record and bankruptcy history, will be undertaken prior to the appointment. Information about a candidate standing for election or re-election as a director is provided to shareholders via the Notice of Meeting and the information contained in the Annual Report.

Upon appointment, each director, receives a written agreement which sets out the terms of their appointment, along with a deed of indemnity, insurance and access and also an induction pack containing information on the Company's vision, values, strategy, governance and risk management frameworks. The Company has a written agreement in place with each director and senior executive.

Directors are provided with the opportunity to participate in professional development to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

For further information on the above, please see Talga's "Procedures for Selection and Appointment of Directors" policy which can be viewed on the Company's website.

Company Secretary

The Company Secretary plays an important role in supporting the effectiveness of the Board. The Company Secretary is accountable to the Board through the Chairman on all matters regarding the proper function of the Board. This includes assisting the Board on governance matters, monitoring compliance with policies and procedures, co-ordinating board meetings and acting as the interface between the Board and senior executives. Details regarding the Company Secretary, including their experience and qualifications are set out in the Directors' Report section of the 2018 Annual Report.

Performance Evaluation Practices

The Company has a Performance Evaluation Practices Policy (as disclosed on the Company's website) with processes established to review the Board's performance and the performance of individual directors (including the Managing Director) and senior executives. The method and scope of the performance evaluation is set by the Board and may include a Board self-assessment checklist/questionnaire to be completed by each director as well as the use of external specialist consultants.

The Chairman is responsible for conducting the performance appraisals of the non-executive directors in conjunction with each non-executive director. The Board will review the performance of the Managing Director. A review of the performance of the Managing Director was conducted during the period.

The Chairman and the Board regularly discussed the performance and composition of the Board during the 2017-18 period, considering issues or concerns as they arose. This ongoing process has remained in-house and informal throughout the year, relying on regular discussion.

The Managing Director is responsible for evaluating the performance of the Company's senior executives. This is performed annually, meeting formally with each senior executive and ongoing informal monitoring throughout each financial year. During the reporting period the Managing Director conducted formal evaluation appraisals of senior executives.

Diversity Policy

The Company has adopted a Diversity Policy (as disclosed on the Company website) embracing a corporate culture supporting equal opportunity free from discrimination related to gender, ethnicity, cultural background, age, or other personal factors and includes requirements for the Board to develop measurable objectives for achieving diversity and annually assess both the objectives and the progress in achieving those objectives as positions become available. The Company is committed to diversity and recognises the benefits arising from a diverse mix of skills and talent amongst its directors, officers and employees to enhance Company performance and achieve the Company's goals.

The Company does not comply with ASX recommendation 1.5 (c) to establish measurable targets for achieving gender diversity across the group. The Company is currently not of a size that justifies the establishment of measurable diversity objectives. The Board will seek to develop a reporting framework in the future as the Company grows to report the Company's progress against the objectives and strategies for achieving a diverse workplace which can be used as a guide by the Company to identify new directors, senior executives and employees.

The respective proportion of male and female employees across the whole organisation is 61% (19) and 39% (12). Currently the Board comprises five members, all of whom are male. One senior executive position is female. A senior executive office holding below the Board level, includes the Company Secretary, Chief Operating Officer and R&D Manager.

The Company is not a "relevant employer" under the Workplace Gender Equality Act.

Principle 2: Structure the Board to Add Value

Nomination Committee

The Company does not comply with ASX recommendation 2.1 to establish a Nomination Committee however has established a special Nomination Committee – CEO Europe (and Charter), specifically for the purpose of this appointment. The Board considers that at this stage there would be no efficiencies or other benefits gained by establishing a separate Nomination Committee. Accordingly, the full Board has assumed those responsibilities that are ordinarily assigned to a Nomination Committee and has addressed the skill-set of current Board members and the future need to expand that skill-set by way of appointment of new directors.

The Board has adopted a Nomination Committee Charter (as disclosed on the Company website) which describes the role, functions, responsibilities and processes of the full Board in its capacity as the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required.

Board Skills and Experience

The Company's objective is to have a Board with the appropriate mix of skills, expertise and experience to effectively discharge the duties of the Board. The Board collectively has a combination of skills and experience as set out in the table below. A profile of each director setting out their skills, experience, expertise, is set out in the Directors' Report section of the 2018 Annual Report.

Expertise	Industry	Qualifications
• Mineral Exploration	• Mineral Resources	• Business & Accounting
• Commercial & Legal	• Capital Markets	• Taxation
• Finance/Accounting	• Banking	• Geology
• Governance & Compliance	• Renewable Energy	• Construction & Materials Technology
• Strategy & Risk Management	• Materials	
• Capital Markets	• Automotive	
• Mergers and Acquisitions	• Aerospace	
• Project Development	• Maritime	
	• Defence	

The Board reviews its composition on a regular basis to consider where it's appropriate and relevant to further strengthen the Board through its development strategy.

Board Independence

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the ASX Corporate Governance Principles and Recommendations and the Company's materiality thresholds, namely whether a director:

- is, or has been, employed in an executive capacity by the Company or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company or any of its subsidiaries;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the Company or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- is a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial holder of the Company;
- has a material contractual relationship with the Company or its subsidiaries other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the Company for such a period that his or her independence may have been compromised.

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 independent directors of the Company Grant Mooney (Non-Executive Director since 20 Feb 2014) and Stephen Lowe (Non-Executive Director since 17 December 2015).

The Board recognises the ASX recommendations that the majority of the Board should be comprised of independent directors (Recommendation 2.4) and the Chair of the Board should be an independent director (Recommendation 2.5). The Company does not currently comply with these recommendations.

The Talga Board has resolved that Mr Stinson is not an "independent" director, by virtue of the consultancy agreement (as announced to ASX 9 April 2018). The Talga Board had regard to Recommendation 2.5 as part of its deliberations concerning the engagement of Mr Stinson under the consultancy agreement. It was considered that, notwithstanding that this is a departure from the Recommendation, the engagement was in the best interests of shareholders given Mr Stinson's relevant experience in IP and commercialisation. The Board also considered that it was more appropriate to engage Mr Stinson as a consultant as the role is intended to be of a short-term nature. The alternative, which is not uncommon for listed entities the size of Talga, was to engage Mr Stinson as an employee (i.e. an 'executive chairman'). This form of engagement would have been appropriate if the engagement was intended to be of a longer term. Furthermore, it is not uncommon for listed entities of Talga's size and larger to depart from Recommendation 2.5.

Mr Rinnan is not considered an independent director by virtue of his association with Smedvig, a substantial and Talga's largest shareholder, even though he no longer serves on any Smedvig Board.

Whilst the Talga Board does not currently have a majority of independent directors, the Board is still required and committed in acting in the best interests of the entity and its security holders generally. Talga has also adopted a Board Protocol for dealing with confidential information to ensure appropriate protections were put in place in light of any potential conflicts of interest for Mr Rinnan. As noted above, due to short-term nature of Mr Stinson's consultancy agreement it is also envisaged that the majority of the Board will be independent in the near future. It is also noted that it is not uncommon for listed entities of Talga's size and larger to depart from Recommendation 2.4.

Principle 3: Act Ethically and Responsibly

Code of Conduct

The Company has adopted a Code of Conduct Policy (as disclosed on the Company website) as to the practices necessary to maintain confidence in the Company's integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Code provides a framework covering the Board, officers and all employees including the responsibility and accountability of individuals for reporting reports of unethical behaviour and conflicts of interest.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. 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. In addition, where relevant, the Board has adopted a Board protocol for dealing with confidential information. Details of director related transactions with the Company are set out in Note 17 of the 2018 Annual Report.

Principle 4: Safeguard Integrity of Corporate Reporting Audit and Risk Committee

The Board has established a separate Audit Committee and has an Audit Committee Charter (as disclosed on the Company website) which describes the role and responsibilities of the Audit Committee.

The Committee comprises three Non-Executive Directors: Stephen Lowe, Terry Stinson and Grant Mooney, and their qualifications and experience together with meetings attended during the year are contained in the Directors' Report section of the 2018 Annual Report.

The Company's Audit Committee Charter includes the process for (re)appointing, removal and rotation of an external auditor. The Board was responsible for the initial appointment of the external auditor and the Audit Committee for any subsequent appointment of a new external auditor when any vacancy arises. An external auditor must be able to demonstrate complete independence from the Company and an ability to maintain independence throughout the engagement period. Furthermore, the auditor must have arrangements in place for the rotation of the audit engagement partner in accordance with professional standards as current from time to time, including part 2M.4 Division 5 of the Corporations Act 2001 (Cth).

The Company's external auditor is invited to and attends the Annual General Meeting ("AGM") to answer questions from shareholders relevant to the audit.

CEO and CFO Declaration

The Managing Director and Financial Controller have provided a declaration to the Board in accordance with section 295A of the Corporations Act 2001 (Cth) that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company for the reporting period and that their opinion is formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make Timely and Balanced Disclosure

The Company has adopted a Continuous Disclosure Policy (as disclosed on the Company website). The policy;

- raises awareness of the Company's obligations under the continuous disclosure regime;
- establishes a process to ensure that information about the Company which may be market sensitive and which may require disclosure is brought to the attention of the person primarily responsible for ensuring that the Company complies with its continuous disclosure obligations in a timely manner and is kept confidential; and
- sets out the obligations of directors, officers, employees and contractors of the Company to ensure that the Company complies with its continuous disclosure obligations.

Principle 6: Respect the Rights of Security Holders

The Company recognises the value of providing current and relevant information to its shareholders and the Board is committed to open and effective communication, ensuring all shareholders are informed of all significant developments concerning the Company. The Company has in place an effective Shareholder Communications and Investor Relations Policy (as disclosed on the Company website).

The Company's Shareholder Communications and Investor Relations program includes:

- actively engaging shareholders at the AGM, promoting two-way interaction, by encouraging shareholder interaction during the AGM, including encouraging questions;
- issuing regular Company updates;
- sending and receiving shareholder communications electronically both from the Company and via the Company's share registry;
- maintaining the Company's website, including posting all announcements, reports, notice of meetings and governance information;
- engaging in scheduled interactions with institutional investors and analysts;
- meeting with shareholders upon request;
- responding to direct queries from time to time; and
- ensuring continuous disclosure obligations are understood across the Company.

In addition, shareholders are encouraged to follow the Company by following our Twitter account @Talga_Ltd and by signing up to our email subscriber list.

Principle 7: Recognise and Manage Risk

While the Board's Charter clearly establishes that the Board is responsible for ensuring there is a good sound system for overseeing and managing risk, the Board has established a separate Audit and Risk Committee. The Company has adopted a Risk Management Policy (as disclosed on the Company website) which describes the role and responsibilities of the Risk Committee. The Committee assumes the responsibilities of ensuring that risks and opportunities are identified on a timely basis and the Company's objectives and activities are aligned with those risks and opportunities.

The Committee and Board's collective experience enables accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Committee and the Board at periodic (at least annually) strategic planning meetings. In addition, key operational risks and their management, are recurring items for deliberation at Board meetings.

The Committee comprises three Non-Executive Directors: Stephen Lowe, Terry Stinson and Grant Mooney, and their qualifications and experience together with meetings attended during the year are contained in the Directors' Report section of the 2018 Annual Report.

The Company has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Committee. These are discussed further under the internal audit section below.

The Board has received assurance from the Financial Controller and Managing Director 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 Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Internal Audit

The Company does not have an internal audit function and as such does not comply with ASX recommendation 7.3 (a). The Board has determined that given the size of the Company, an internal audit function is not practical. The Board has adopted a Risk Management Policy and processes appropriate to the size of the Company to manage the Company's material business risks through the Audit and Risk Committee and senior management to ensure regular reporting to the Board on whether those risks are being managed effectively in accordance with the controls in place such as:

- monthly reporting to the Board in respect of operations and the financial position of the Company;
- monthly rolling cashflow forecasts budgets accompanied by variance analysis;
- circulating minutes of and relevant Committees to the Board and the Chairman of each respective committee and provide a report to the Board on an annual basis;
- employing appropriately qualified employees;
- SWOT analysis;
- developing commercial partnerships and relationships with end users;
- aligning Company activities with world class innovative industry bodies and service providers;
- appropriate health, safety and environment practices; and
- a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

Economic, Environmental and Social Risks

The Company's economic, environmental and social sustainability risks are discussed in the Directors' Report section of the 2018 Annual Report.

Principle 8: Remunerate Fairly and Responsibly

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating directors and employees fairly and appropriately.

Remuneration Committee

During the year, the Board established a separate Remuneration Committee in compliance with ASX Recommendation 8.1. The Remuneration Committee is focused on providing independent reviews and recommendations to the main Board on remuneration packages and policies applicable to senior executives and directors themselves. The Remuneration Committee charter is disclosed on the Company website. Members and meetings of the Remuneration Committee are set out in the Directors' Report section of the 2018 Annual Report.

The remuneration details of non-executive directors and executive directors are also set out in the Remuneration Report that forms part of the Directors' Report section of the 2018 Annual Report.

Remuneration Policy

As disclosed in the Remuneration Charter, non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. There are no termination or retirement benefits for non-executive directors.

Pay and rewards for executive directors and senior executives consists of base pay and benefits (such as superannuation) as well as short-term and long-term incentives. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Details of director and senior executive remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms a part of the Directors' Report section of the 2018 Annual Report.

Securities Trading Policy

The Company recognises that directors, officers and employees may hold securities in the Company and that most investors are encouraged by these holdings. The Company's Securities Trading Policy (as disclosed on the Company website) explains and reinforces the Corporations Act 2001 requirements relating to insider trading. The policy applies to all directors, employees of the Company and their associates and closely related parties (collectively "Restricted Persons"). The policy is compliant with the ASX Listing Rules and expressly prohibits Restricted Persons buying or selling TLG securities where the Restricted Person is in possession of price sensitive or 'inside' information and in any event without the prior written approval of a clearance officer. Under the policy, Restricted Persons are also prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity based remuneration scheme.

Schedule of Mineral Tenements

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018

Tenement	Project	Interest Held by Talga	Tenement	Project	Interest Held by Talga
Ahmavuoma nr 3	Ahmavuoma	100%	E77/2139	Bullfinch (i)	100%
Ahmavuoma nr 4	Ahmavuoma	100%	E77/2221	Bullfinch (i)	100%
Ahmavuoma nr 5	Ahmavuoma	100%	E77/2222	Bullfinch (i)	100%
Jalkunen nr 1	Jalkunen	100%	E77/2251	Bullfinch (i)	100%
Jalkunen nr 2	Jalkunen	100%	E77/2350	Bullfinch (i)	100%
Kursuvaara	Jalkunen	100%	P77/4106	Bullfinch (i)	100%
Nybrännan nr 2	Jalkunen	100%			
Kiskama nr 1	Kiskama	100%			
Lautakoski nr 2	Lautakoski	100%			
Lautakoski nr 3	Lautakoski	100%			
Suinavaara nr 2	Lautakoski	100%			
Masugnsbyn nr 101	Masugnsbyn	100%			
Jukkasvaara nr 2	Pajala	100%			
Lautakoski nr 4	Pajala	100%			
Piipiönjoki nr 1	Pajala	100%			
Suinavaara nr 3	Pajala	100%			
Suinavaara nr 4	Pajala	100%			
Grålidén nr 2	Piteå	100%			
Önusträsket nr 2	Piteå	100%			
Raitajärvi nr 5	Raitajärvi	100%			
Maltosrova nr 3	Vittangi	100%			
Nunasvaara nr 2	Vittangi	100%			
Vathanvaara nr 101	Vittangi	100%			
Vittangi nr 2	Vittangi	100%			
Vittangi nr 3	Vittangi	100%			
Vittangi nr 4	Vittangi	100%			
Suorravaara nr 2	Aitik East	100%			
Suorravaara nr 3	Aitik East	100%			
Suorravaara nr 4	Aitik East	100%			
Airivaara nr 100	Airivaara	100%			

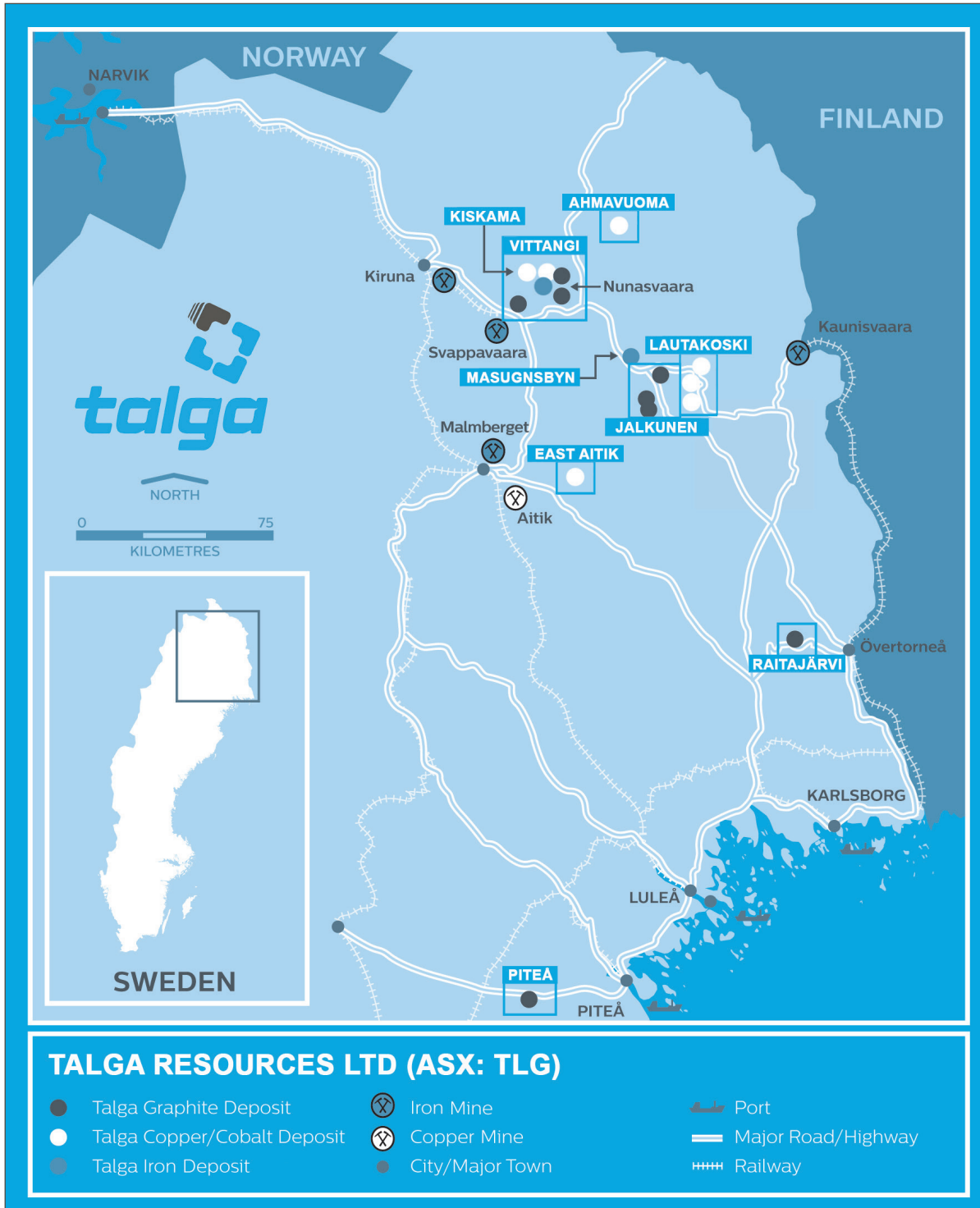
P = Prospecting Licence

E = Exploration Licence

(i) As disclosed at note 7 and 22 to the financial statements, the Bullfinch tenements were sold subsequent to year end.

Project Map

TALGA RESOURCES LTD | FOR THE YEAR ENDED 30 JUNE 2018



talga

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