



20 September 2013

Dear Shareholder

Notice to Eligible Shareholders of Non Renounceable Entitlement Offer

We write to you as the registered holder of shares in Talga Resources Limited (ASX: TLG) ("**Talga**" or the "**Company**").

As advised in the Company's ASX announcement dated 9 September 2013 (and subsequently revised by an announcement dated 18 September 2013), the Company is undertaking a non-renounceable pro-rata entitlement offer to eligible shareholders of ordinary fully paid shares in the Company at an issue price of \$0.05 per share and on the basis of one (1) new share ("**New Share**") for every three (3) shares held ("**Entitlement Offer**"). Pursuant to the Entitlement Offer, the Company will issue up to 21,200,022 New Shares to raise up to \$1,060,001 before costs.

The Entitlement Offer is available to all Talga shareholders ("**Shareholders**") registered on the Record Date (27th September 2013) whose registered address is in Australia, New Zealand, Hong Kong, Germany and the People's Republic of China ("**Eligible Shareholders**"). The Entitlement Offer is not being extended to any Shareholders with addresses outside these jurisdictions.

The Entitlement Offer is fully underwritten by Patersons Securities Limited ("**Underwriter**").

Purpose of the Entitlement Offer

The funds raised pursuant to the Entitlement Offer will be used to advance the Company's graphite projects in Sweden, including completion of preliminary economic assessments, to advance Talga's iron ore projects in Sweden for potential divestment and for general working capital.

Indicative Timetable

The New Shares will be offered in accordance with the following indicative timetable:

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|--|-------------------|
| Shares quoted on an "EX" basis | 23 September 2013 |
| Record Date for determining Entitlements | 27 September 2013 |
| Prospectus with application forms despatched to shareholders | 1 October 2013 |
| Closing Date of Entitlement Offer | 16 October 2013 |
| Shares quoted on a deferred settlement basis | 17 October 2013 |

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|--|-----------------|
| Notification of Shortfall to ASX | 21 October 2013 |
| Anticipated date for allotment and issue of the Securities and despatch of holder statements | 24 October 2013 |
| Deferred settlement trading ends | 24 October 2013 |
| Anticipated date for commencement of Securities trading | 25 October 2013 |

All dates are indicative only and subject to change without prior written notice. Any extension of the Closing Date will have a consequential effect on the date of issue of the New Shares.

Shortfall Offer

In addition to the Entitlement Offer, there may be a separate and independent shortfall offer ("***Shortfall Offer***") under the Prospectus to Eligible Shareholders to subscribe for Shares not otherwise taken up in the Entitlement Offer at a price of \$0.05 per Share ("***Shortfall Shares***").

The Directors do not represent that any application to participate in the Shortfall Offer will be successful given the Entitlement Offer is fully underwritten. The Company and Underwriter reserve the right to issue to a Shortfall Shares applicant a lesser number of Shortfall Shares than the number applied for or reject an application or not proceed with the issuing of the Shortfall Shares or part thereof. If the number of Shortfall Shares issued is less than the number applied for, surplus application monies will be refunded in full. Interest will not be paid on any application monies refunded.

The Company and the Underwriter reserve the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules to issue the Shortfall Shares at their sole discretion.

Capital Structure of the Company

The Company currently has 63,600,067 shares and 3,750,000 unlisted options on issue (options are exercisable at various prices on with various expiry dates). On the basis that no unlisted options are exercised prior to the Record Date, the Entitlement Offer is for a maximum of 21,200,022 New Shares.

Prospectus

Details of the Entitlement Offer are contained in the prospectus lodged with ASIC on 18 September 2013 ("***Prospectus***"). The Prospectus can be accessed from the ASX and Talga websites, www.asx.com.au and www.talgaresources.com.au respectively.



A copy of the Prospectus is intended to be sent to Eligible Shareholders on 1 October 2013.

The Directors of Talga urge you to read the Prospectus carefully and seek advice from your financial adviser if you have any queries. This notice is to inform you of the Entitlement Offer. You are not required to do anything in respect to this letter.

If you require clarification on any of the above matters, please contact the share registry on 9389 8033 or the undersigned on 9481 6667.

Yours sincerely

Mark Thompson
Managing Director