For personal use only



TALGA RESOURCES LTD
AND CONTROLLED ENTITIES
ABN 32 138 405 419

2019 ANNUAL REPORT

TABLE OF CONTENTS

CORPORATE DIRECTORY 2
CHAIRMANS LETTER 3
DIRECTORS REPORT 5
AUDITOR'S INDEPENDENCE DECLARATION 24
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 25
CONSOLIDATED STATEMENT OF FINANCIAL POSITION 26
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 27
CONSOLIDATED STATEMENT OF CASH FLOWS 28
NOTES TO THE FINANCIAL STATEMENTS 29
DIRECTORS' DECLARATION 56
INDEPENDENT AUDITOR'S REPORT 57
ADDITIONAL SHAREHOLDER INFORMATION 61
CORPORATE GOVERNANCE STATEMENT 63
SCHEDULE OF MINERAL TENEMENTS 70

For personal use only

CORPORATE DIRECTORY

DIRECTORS

Terry Stinson (Chairman)

Mark Thompson (Managing Director)

Grant Mooney (Non-Executive Director)

Steve Lowe (Non-Executive Director)

Ola Rinnan (Non-Executive Director)

Andrew Willis (Non-Executive Director)
(Appointed 01/07/2019)

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)

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

For personal use only

CHAIRMANS' LETTER

Dear fellow Talga shareholders,

During the 2019 financial year, our Company continued to execute on its vertically integrated business strategy towards building a Swedish source of advanced battery anode materials and graphene additives.

The publication of the Vittangi Project pre-feasbility study marked a significant milestone for our Company and defined the development of a fully integrated operation, with graphite mine and concentrator at Vittangi, and battery anode production refinery in Luleå. The highly positive study results demonstrate Talga's potential to become a globally competitive, sustainable battery anode material producer.

The study's outstanding economic returns and executable pathway to production build on Talga's decision to structure the initial operation solely around the manufacture of Talnode®-C, our active anode powder ready for lithium-ion battery manufacturing, so as to benefit from near term high-margin market opportunities. This will also allow the graphene market to mature towards potential incorporation of graphene operations in the future once production has outgrown our test processing facility in Germany.

During the year numerous Talnode-C test programs were initiated with world leading battery manufacturers and end users, their interest attributed to our product's performance, strategic manufacturing location and potentially world leading sustainability. The number of battery factories being constructed or planned in Europe alone will require in excess of 330,000 tonnes graphite anodes by 2028, and across the supply chain a greater focus is being placed on ethical sourcing of battery materials and components, particularly as manufaturers move to establish themselves outside of Asia. Talga is well placed in this regard, offering battery anode products from a quality European jurisdiction with the added benefit of highly sustainable low CO_2 grid power.

Last year's strengthening of Talga's in-house battery product capability enabled us to also deliver successful performance gains and innovation for our other targeted battery technologies. Results from development of our range of next-generation lithium-ion battery anode materials, including high capacity silicon anode Talnode-Si and ultra-fast charge anode Talnode-X, has spurred additional interest from customers and created a pipeline of advanced battery products for long-term value and growth.

Equally, Talga's continuous investment in our material technology capabilities support the progress of our Company's ongoing Talphene® product development programs. The successful execution of agreements with new partners, including Schunk Group and BillerudKorsnäs, during the year further added to our customer pipeline that currently span several stages of the commercialisation process.

In March 2019, our Company was nominated in the Innovation category of the renowned 'Green Awards', for our Talphene conductive concrete and its potential in enabling future eco-solutions such as wireless charging of electric vehicles. During the year our team also delivered further positive test results for Talphene-enhanced lightweight epoxy composites, achieving high conductivity for metal-free lightning strike protection and anti-icing in aircraft and wind turbine applications.

On the ground, Talga's exploration of our north Sweden cobalt-copper projects returned encouraging results including the identification of a new larger geophysical conductor dubbed K2 at the Kiskama Project, and post year-end, a maiden cobalt-copper JORC Mineral Resource Estimate. These programs are part of our Company's strategy to add value to our non-core mineral projects prior to monetising via partnership development or divestment opportunities.

Further, the year under review saw additional exploration undertaken across our Company's graphite projects, with the successful maiden drilling of the Niska North prospect being the most notable and which post year-end confirmed a significantly large and high-grade discovery. The continued exploration of our mineral assets ensure our Company is well placed to support a long-term, stable supply of advanced graphitic materials and products that can scale with our customers needs.

For personal use only

Over the course of the year our Company welcomed a number of new management appointments to the Talga team. On an operational level these included new Swedish General Manager, Ms Anna Utsi, new Community Relations Manager, Ms Dharma Johansson and new Technical Sales Director, Dr Stephen Hutchins. At a board level, and post year-end, we were joined by Mr Andrew Willis, the Co-Managing Partner of London based strategic global metals and mining investor Pallinghurst Group, as a Non-Executive Director.

The next 12 months will be an important and exciting time for our Company as we drive towards taking the Vittangi Project into production. I am confident that in building a Swedish source of sustainable lithium-ion battery anodes, starting with Talnode-C, we are creating a highly-valuable business underpinned by our in-house technology team and executed under our vertically integrated mine to product strategy.

I would like to thank my fellow board members and the entire Talga team for their tireless hard work during the year and their steadfast contribution to the Talga vision. In closing I also thank you, fellow shareholders, for your continued support. We look forward to keeping you updated on our exciting progress as the year unfolds.



Terry Stinson
Chairman

For personal use only

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 2019.

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
Andrew Willis	Non-Executive Director	Appointed 1st July 2019

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' Executive and non-Executive Director experience, working for global innovation companies across a range of industry segments, along with a proven track record in leading international collaborations and joint ventures working with Yamaha, Honda, Chrysler and others.

Formerly the CEO and Managing Director of Orbital Corporation, VP for Global Fuel Systems at Siemens AG, CEO and Managing Director of Synerject and VP of Manufacturing Outboard Marine Corporation, Mr Stinson is currently the Non-Executive Chairman of wave energy technology developer, Carnegie Clean Energy Limited, and a Non-Executive Director of Orbital Corporation.

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

Mark Thompson

(Managing Director) (*Appointed 21st July 2009*)

Mr Thompson has over 30 years' global experience in the mineral industry including resource project development, technology and management. He is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

Mr Thompson is a Non-Executive Director of Gibb River Diamonds Limited and previously founded and served on the Board of ASX listed Catalyst Metals Limited.

Interests in shares: 14,270,788. Interests in options: 2,800,000.

Grant Mooney

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

Mr Mooney has a background in corporate advisory with extensive experience in equity capital markets, corporate governance and M&A transactions along with a wealth of experience in resources and technology markets. He is a member of the Institute of Chartered Accountants in Australia.

Mr Mooney is a Non-Executive Director of several ASX listed companies including wave energy technology developer, Carnegie Clean Energy Limited, and mineral resources companies Barra Resources Limited, Riedel Resources Limited, Accelerate Resources Limited and Gibb River Diamonds Limited.

Interests in shares: Nil. Interests in options: Nil

For personal use only

For personal use only

Stephen Lowe

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

Mr Lowe has a background in business management and taxation with 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 (Accounting) and a Masters of Taxation from the UNSW. He is a Fellow of the Taxation Institute of Australia and a member of the Australian Institute of Company Directors.

Interests in shares: 810,000. Interests in options: 1,000,000.

Ola Rinnan

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

Mr Rinnan has extensive commercialisation and leadership experience across the energy, banking and finance sectors and has held numerous board positions for European listed companies and financial institutions including Non-Executive Directorships in Smedvig group (Talga's largest shareholder) companies and DFCU Bank (representing the largest shareholder Norfund).

Formerly the Chairman of Avinor AS, CEO at Eidsiva Energi AS, CEO at Norgeskreditt AS and CFO for Moelven Industrier AS, Mr Rinnan is currently the Chairman of Nordavind DC Sites AS, Hamar Media AS, Espern Eiendom AS and Gravdahl AS. Mr Rinnan holds a Bachelor in Economics and a Masters in Construction and Materials Technology.

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

Andrew Willis

(Non-Executive Director) (*Appointed 1st July 2019*)

Mr Willis has 20 years' experience in international finance, structuring and private equity, including roles at European private equity investment manager Candover Investments plc and as Finance Director of Pallinghurst Resources Limited (since renamed Gemfields Group Limited), a leading mining investment company.

He is currently the Co-Managing Partner of London-based The Pallinghurst Group, a leading strategic investor in the global metals and mining sector with significant development operational and financial expertise in mining. Mr Willis is an ACCA accountant and holds an MBA from INSEAD.

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 Mining Pty Ltd has a 100% interest in Talga Graphene AB and Talga Battery Metals AB (both Swedish companies).

For personal use only

5. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Talga is building a Swedish source of advanced battery anode materials and graphene additives, to offer graphitic products critical to customers' innovation and the shift towards a more sustainable world.

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

- Development and commercialisation of battery anodes (Talnode®) and advanced graphite (Talphite®) and graphene (Talphene®) products; and
- Mineral resource exploration and project development in Sweden.

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

- Pre-feasibility Study completed for the Vittangi Graphite Project, integrating an anode production refinery and open pit mine based solely on the maiden Nunasvaara South Ore Reserve, confirmed the planned two stage development to be technically and financially robust, with outstanding economic returns and a clear pathway to production;
- 13,075,977 new ordinary fully paid shares issued following successful A$8.5 million institutional placement completed at end of previous financial year; and
- Completed sale of the Group's last gold project in Western Australia, retaining an ongoing production royalty.

6. REVIEW OF OPERATIONS

During the financial year, the Group delivered on a significant milestone with the publication of the positive Pre-Feasibility Study ('PFS') for its Vittangi Graphite Project, whilst making substantial progress across its commercial and corporate objectives. A summary of operational highlights is provided below.

COMMERCIAL DEVELOPMENT

Industry Partnerships

- Development program commences with BillerudKorsnäs, a Swedish-based multinational paper and paperboard company, to explore incorporation of Talphene into a large volume packaging application;
- Joint Development Agreement executed with Biomer, a UK-based polymer manufacturing and technology company, to co-develop Talphene-enhanced thermoplastics for healthcare and coatings applications;
- Letter of Intent signed with global carbon and technology giant Schunk Group, to explore the incorporation of Talphene into an automotive application; and
- Executed Sales and Distribution Agreement with German-based commodities and product distribution company, Possehl Erzkontor GmbH & Co. KG, to globally market and distribute Talphene and Talphite products.

Processing Development

- Pilot metallurgical tests of Vittangi graphite ore produced high concentrate recoveries, purities and anode material yields using 'off the shelf' processing equipment; and
- The new processing pathway for Talnode-C was incorporated into the Vittangi Graphite Project PFS, improving project economics.

Product Development

- Outstanding performance results delivered across the Group's range of trademarked Talnode® battery anode products for current and next generation lithium-ion battery applications:
  - Engineered and coated graphite anode powder, Talnode-C, returned exceptional low-temperature performance results from tests at leading Japanese battery institute and positive commercial qualification in fast charge/high battery power tests by electric motorcycle manufacturer, IV Electrics;
  - Fast charge graphene anode, Talnode-X, retained a capacity over 300mAh/gm at 20C charge rate, an equivalent of charging a battery from 0-100% in 3 minutes, in performance tests; and
  - High-capacity silicon anode, Talnode-Si, showed an initial 50% higher energy density over commercial lithium-ion graphite battery anode, later successfully increased to ~70% higher energy density.
- Lightweight epoxy composites enhanced with Talphene showed high conductivity test results for lightning strike protection and anti-icing in aircraft and wind turbine applications.

For personal use only

MINERAL DEVELOPMENT AND EXPLORATION

- Published positive Pre-feasibility Study for Talga's wholly-owned Vittangi Graphite Project in north Sweden confirming the Project's planned two stage development is technically and financially robust. Key outcomes from the study include:
  - Staged development approach to meet near term market demand at low initial estimated capital expenditure of US$27 million in Stage 1, with Stage 2 estimated capital expenditure of US$147 million;
  - Pre-tax project NPV_8 of US$1,056 million and strong pre-tax IRR of 55% with rapid post Stage 2 commissioning payback period of 1.5 years;
  - Economics based solely on the Nunasvaara South Ore Reserve of 1.9 million tonnes at average grade of 23.5% Cg as a portion of the current global Indicated Mineral Resource Estimate of 10.7Mt @ 25.7% Cg;
  - Approximate Stage 2 production of 19,000 tonnes per annum of Talnode-C with an annual estimated revenue of US$210 million over a 22-year life of mine;
  - Vertically integrated project captures full supply chain margins with conservatively discounted Talnode-C price of US$11,250/t at estimated US$1,852/t production cash cost; and
  - Commencement of Stage 1 planned for mid-2020 with initial production in early 2021.
- Successful maiden drilling program of the Niska North prospect confirms the widest graphite intercepts to date from the Vittangi Project. Initial assay results received during the year included 136m @ 25.8% graphite ("Cg") from 4m in NUN19010 and final results announced subsequent to year end confirmed 72m @ 29.9% Cg from 106m in NUN19023 (inc 32m @ 41.9% Cg), 73m @ 29.7% Cg from 112m in NUN19026 (inc 18.0m @ 41.4% Cg) and 106m @ 25.5% Cg from 25m in NUN19015.
- Successful exploration of the Group's north Sweden cobalt-copper-gold projects towards executing Talga's commercialisation strategy for non-core projects. Results reported include:
  - New, larger geophysical conductor, located 500-1,000m east of the Kiskama Project with a conductive signature at least twice as strong and double the size of the known Kiskama deposit, identified;
  - Extended 'wildcat' drill intercept at the Lautakoski Project to 91.8m @ 0.18% copper and 147ppm cobalt from 14m depth including 21m @ 0.34% copper and 182ppm cobalt (LAU16001R); and
  - Rock samples from the Aitik East Project returned up to 4.8% copper, 1.2g/t gold, 66g/t silver, 0.6% molybdenum plus anomalous levels of tellurium and bismuth.
- Significant vanadium deposits identified at the Vittangi Project in a separate area to the graphite mineralisation.

CORPORATE

- Incorporation of the Group's Swedish domiciled subsidiaries completed, and Swedish operations expanded with opening of second office and appointment of Ms Dharma Johansson as Manager Community Relations and Ms Anna Utsi as General Manager Sweden;
- European based management further strengthened with recruitment of Dr Stephen Hutchins as Technical Sales Director;
- Customer meetings and roadshows completed across Europe, Asia and US focused on business development and marketing of the Company's products;
- Outreach programs completed across mining, investor and product/technology events including Benchmark Mineral Intelligence Week (US), Advanced Automotive Battery Conference Asia (Japan), Graphene Week (Spain), Future Mines and Minerals (Sweden), European Coatings Show (Germany) and The Battery Show - Europe (Germany) amongst others; and
- 71 new commercial engagements entered into under non-disclosure or confidentiality agreements, with close to half covering battery anode products and half graphene additives.

FUTURE OUTLOOK AND STRATEGY

The Group is well placed to achieve its goal of building a European source of advanced battery anode materials and graphene additives. The aim of the Group in the coming financial year is:

- Lodgment of applications and permits and completion of Stage 1 Definitive Feasibility Study towards bringing the Vittangi Graphite Project into production;
- Finalise Talnode-C customer qualification and secure orders to underwrite an investment decision;
- Completion of project finance and commence Stage 1 construction and mining subject to DFS; and
- Continue development and commercialisation of Talphene products.

For personal use only

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 2019.

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 2019, this MROR Statement has been approved by the named competent persons (see the Competent Persons Statement on page 13).

MINERAL RESOURCES

Talga owns 100% of multiple mineral assets of graphite ("Cg") and iron ("Fe") in northern Sweden. An overview of each of the assets in the Group's portfolio at 30 June 2019 is below in Table 1 and details of each project's Mineral Resource categories are set out in Tables 2 to 6.

Table 1 – Talga 30 June 2019 Total Mineral Resources

Project	Tonnes	Grade				Contained Mineral			
	Ore (Mt)	Cg (%)	Fe (%)	Cu (%)	Co (%)	Cg (Mt)	Fe (Mt)	Cu (Mt)	Co (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:

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

For personal use only

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.

For personal use only

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
Total		**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.

MINERAL RESERVES

Talga owns 100% of one mineral asset of graphite in the JORC Probable Ore Reserve category in northern Sweden. An overview of the asset in the Group's portfolio at 30 June 2019 is below in Table 7 and details of the project's Mineral Reserve category is set out below in Table 8.

Table 7 – Talga 30 June 2019 Total Mineral Reserves

Project	Tonnes	Grade	Contained Mineral
	Ore (Mt)	**Cg** (%)	**Cg** (Mt)
Vittangi Graphite	1.94	23.53	0.46
Total Graphite	**1.94**	**23.53**	**0.46**

Note:

1. Detailed table setting out the Probable Ore Reserve category is set out on table 8.
2. All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.
3. All projects are 100% Talga owned.
4. Mineral quantities are contained mineral.
5. Mineral Reserves are of Probable Ore Reserve category.

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

Table 8 – Vittangi Project Nunasvaara Graphite Deposit – JORC (2012) Reserve at 12% Cg cut-off

Deposit	JORC Reserve Category	Tonnes	Grade Cg (%)
Nunasvaara	Probable	1,900,000	23.5
Total		**1,900,000**	**23.5**

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Vittangi project graphite mineral reserve was disclosed in May 2019 in accordance with the 2012 JORC Code (ASX: TLG 23 May 2019).

COMPARISON WITH PRIOR YEAR ESTIMATES

Mineral Resources

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

Ore Reserves

The Group's maiden graphite Probable Ore Reserve estimate was completed on the 14 May 2019 and is new to the portfolio for the year ending 30 June 2019.

For personal use only

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 the Vittangi Graphite Project - Nunasvaara Reserve estimate is based on information compiled by John Walker. Mr. Walker is a consultant to the company. Mr. Walker, (FGS, MIMMM, FIQ), Principal Mining Engineer for Golder who is a full-time employee of Golder Associates. Mr. Walker has sufficient experience which is relevant to the style of mineralisation and type of deposit. Mr. Walker is a competent person, considered to meet the JORC Code reporting standards as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Walker consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Resource Estimation 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.

For personal use only

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 2019 are:

	2019	2018
Cash and cash equivalents ($)	7,666,863	11,936,701
Net assets ($)	9,490,458	13,802,205
Income ($)	1,665,368	3,363,417
Net loss after tax ($)	(12,935,079)	(7,602,045)
Loss per share (cents per share)	(5.9)	(3.8)
Dividend ($)	-	-

10. DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2019. (30 June 2018: 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 Risk

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.

Foreign Currency Risks

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.

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 2019 is $7.66 million. Further funding will be required to achieve planned business activities in the next financial year. Management has strategies to tailor budgeted cashflows based on future funding received. However, without regular income outside interest proceeds or assets sales, it will rely on continuing access to capital markets (including the exercise of 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.

Reserve Estimates

The Reserve estimates have been carefully prepared by an appropriately qualified person in compliance with the Joint Ore Reserves Committee (JORC) guidelines and in appropriate instances are verified by independent mining experts. Estimated valuations are dependent on Market Prices for the targeted ore.

Technology Risks

Sensitive data relating to Talga, its employees, associates, customers, suppliers or the development of Talga's innovative product range may be exposed resulting in a negative impact on the groups reputation or competitive advantage. Policies, procedures and practices are in place to ensure security of this data. Talga and its subsidiaries recognise the importance of data privacy, and comply with relevant data privacy regulations, including the EU General Data Protection Regulation, to safeguard the security and privacy of data.

Intellectual Property Risk

The company relies heavily on its ability to maintain and protect its intellectual property (IP) including registered and unregistered IP. Talga continues to invest significantly in product development and innovation. Talga has policies, procedures and practices in place and seeks appropriate patent, design and trade mark protection to manage any potential IP risk. The group will continue to protect its IP in its technology and develop other barriers to entry.

For personal use only

For personal use only

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.

- On 1 July 2019, Talga appointed Andrew Willis, the Co-Managing Partner of London based strategic global metals and mining investor Pallinghurst Group, as a Non-Executive Director;
- On 3 July 2019, Talga reported final assay results from the maiden drilling program at the Niska graphite prospect confirming the discovery of a significant new high-grade graphite deposit;
- On 21 August 2019, Talga announced the maiden JORC Mineral Resource Estimate for its north Sweden Kiskama Cobalt-Copper Project;
- 1,000,000 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.42; and
- 2,400,000 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.35.

13. DIRECTORS' AND COMMITTEE MEETING

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	5	5
Mark Thompson	5	5
Grant Mooney	5	5
Stephen Lowe	5	5
Ola Rinnan	5	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

For personal use only

14. ENVIRONMENTAL REGULATIONS

The Group's operations are subject to local, 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 Swedish Minerals Act ("Minerallagen") and operational activities in Germany are subject to the German Federal Emissions Control Act (Bundes-Immisionsschutzgesetz) 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 to meet its obligations. 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 2019 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 10,800,000 ordinary shares under option:

- 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; *
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 17 December 2020; and
- 2,000,000 unlisted options with an exercise price of 51 cents expiring on 10 February 2022.

* 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;

- 927,160 fully paid ordinary shares were issued on the exercise of listed options at an exercise price of $0.45.
- 30,000 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.54.
- 533,800 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.42.
- 1,000,000 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.42.
- 2,400,000 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.35.
- 500,000 unlisted options at an exercise price of $0.42 expired.
- 100,000 unlisted options at an exercise price of $0.35 expired.
- 2,500,000 unlisted options at an exercise price of $0.54 expired.

For personal use only

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

Other than as noted below under Services Agreements of Executive Directors and KMP, the Group did not pay any other performance based bonuses to directors or KMP in the year ended 30 June 2019.

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 a contract of employment with no fixed term. Mr Thompson's Base Salary, excluding superannuation, is $360,529 and his STI's have been agreed 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). $70,000 was paid to Mr Thompson in the 2019 financial year in satisfying market capitalisation targets achieved during the 2018 financial year.

The Company may terminate Mr Thompson's 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 a contract of employment with no fixed term. Mr Phillip's Base Salary, excluding superannuation, is $305,000. Mr Phillips is predominately located in Europe and is also entitled to six return airfares for immediate family members per year (FY19 $11,868) and discretionary bonuses (FY19 $15,250).

The Company may terminate Mr Phillips' 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.

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.

For personal use only

2019 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	Other[i]	Non-monetary leave entitlements [ii]	Super-annuation	Retirement benefits		Equity	Options[iii]		
	$	$	$	$	$	$	$	$	$	$	%
Terry Stinson Chairman	-	113,242	112,048[i](a)	-	21,402	-	**246,692**	-	-	**246,692**	0%
Mark Thompson Managing Director [iv]	360,529	-	70,000 [i](b)	10,710	20,531	-	**461,770**	-	841,393	**1,303,163**	65%
Grant Mooney Non-Executive Director	-	54,795	-	-	5,205	-	**60,000**	-	-	**60,000**	0%
Steve Lowe Non-Executive Director	-	54,795	-	-	5,205	-	**60,000**	-	-	**60,000**	0%
Ola Rinnan Non-Executive Director	-	60,000	-	-	-	-	**60,000**	-	-	**60,000**	0%
Martin Phillips Chief Operating Officer [v]	327,136	-	27,118 [i](c)	7,037	30,429	-	**391,720**	-	39,903	**431,623**	9%
Total	**687,665**	**282,832**	**209,166**	**17,747**	**82,772**	**-**	**1,280,182**	**-**	**881,296**	**2,161,478**	

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

(i) Other benefits (a) The consultancy agreement with Mr Stinson was amended from 7 February 2019 based on a daily rate of $1,057.69; (b) Mr Thompson was paid $70,000 in the 2019 financial year in satisfying market capitalisation targets achieved during the 2018 financial year; (c) Mr Martin Phillips was provided travel benefits of $11,868 and a bonus for the 2018 financial year of $15,250 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) 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 was payable by 23 June 2019. This repayment date of the non-recourse loan was extended to the earlier of 23 June 2021 or when the Talga share price is greater than or equal to $1.50 for thirty (30) consecutive Trading Days, payable thirty (30) days after the date on which the 30th consecutive Trading Day where the Closing Price is greater than or equal to $1.50 occurs. The value of these shares is considered for accounting purposes to be options. As a result of the extension of loan repayment term, Accounting Standard AASB2, requires a revaluation of the shares and using the Black Scholes pricing model, a share based payment amount of $816,697 was expensed during the year. For avoidance of doubt, no new shares have been issued to Mr Thompson. Note 17 (c) refers to the assumptions made in calculating the fair value of the shares expensed in relation to this calculation. Separately, the fair value of options expensed for the year ended 30 June 2019 issued to the Mr Thompson in a prior financial year amounted to $24,696.

(iv) The fair value of options expensed for the year ended 30 June 2019 issued to the Mr Phillips in a prior financial year amounted to $39,903.

(v) From 1 July 2018, Mr Mark Thompson was entitled to a total annual base salary of $360,529 plus superannuation of $20,531.

(vi) Mr Martin Phillips was entitled to a total annual base salary of $305,000 however due to tax equalisation was entitled to be paid $327,136 for the 2019 financial year.

For personal use only

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**	-	-	**48,081**	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.

(iv) From 1 July 2017, Mr Mark 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.

For personal use only

For personal use only

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 2019

30 June 2019	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	10,867,697	-	-	(8,067,697)	2,800,000	-	1,500,000
Grant Mooney	1,000,000	-	-	(1,000,000)	-	-	-
Stephen Lowe	1,140,000	-	-	(140,000)	1,000,000	-	1,000,000
Ola Rinnan	-	-	-	-	-	-	-
Martin Phillips	2,500,000	-	-	-	2,500,000	-	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 2019

30 June 2019	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	-	-	7,899	59,899
Mark Thompson [(ii)]	14,270,788	-	-	-	14,270,788
Grant Mooney	-	-	-	-	-
Stephen Lowe [(iii)]	660,000	-	-	150,000	810,000
Ola Rinnan	-	-	-	-	-
Martin Phillips	-	-	-	-	-

(i) Mr Stinson purchased 7,899 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 was payable by 23 June 2019. This non-recourse loan was extended to 23 June 2021 (see Share based payments, Note (i) below).

(iii) Mr Lowe purchased 150,000 shares through an on market trade during the year.

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 [(i)]		841,393	-
Grant Mooney	-	-	-
Stephen Lowe	-	-	-
Ola Rinnan	-	-	-
Martin Phillips	-	39,903	-

(i) 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 was payable by 23 June 2019. This non-recourse loan was extended to 23 June 2021. The value of these shares is considered for accounting purposes to be options. As a result of the extension of loan repayment term, Accounting Standard AASB2, requires a revaluation of the shares and using the Black Scholes pricing model, a share based payment amount of $816,697 was expensed during the year. For avoidance of doubt, no new shares have been issued to Mr Thompson. Separately, the fair value of options expensed for the year ended 30 June 2019 issued to the Mr Thompson in a prior financial year amounted to $24,696.

For personal use only

Additional disclosures relating to options and shares

The table below discloses the number of share options at 30 June 2019 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 2019								
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	-	4,500,000
Mark Thompson	11/8/17	1,500,000	$0.2340	11/8/17	$1.02	10/8/20	-	-
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	-	1,000,000
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	-	-
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 $32,441 (2018: $30,111) 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 2019 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 2019. 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
26 September 2019

For personal use only

Auditor's Independence Declaration

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

26 September 2019

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 2019, 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

Martin Michalik
Director

Liability limited by a scheme approved under Professional Standards Legislation

Member of Russell Bedford International

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2019 $	2018 $
Revenues from ordinary activities	2	8,542	8,317
Other Income	2	1,656,826	3,355,100
Expenses			
Administration expenses		(1,736,884)	(1,130,691)
Compliance and regulatory expenses		(509,298)	(552,514)
Depreciation expense		(436,457)	(282,910)
Employee benefits expenses and Directors Fees		(2,118,788)	(1,835,250)
Exploration and evaluation expenditure	9	(2,524,405)	(1,100,028)
Exploitation costs Sweden	9	(997,074)	(586,210)
Exploration acquisition costs written off		-	(132,271)
Operations – Test Facility, Research & Product Dev.		(5,081,310)	(4,293,363)
Operations – Trial Mining Sweden		(276)	(34,216)
FX (loss) realised		(21,087)	(3,529)
Share based payments		(1,174,868)	(1,014,480)
(Loss) before income tax expense		**(12,935,079)**	**(7,602,045)**
Income tax expense	3	-	-
Net (loss) attributable to members of the parent entity		**(12, 935,079)**	**(7,602,045)**
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		(88,424)	185,362
Total other comprehensive (loss) / income for the year		(88,424)	185,362
Total comprehensive (loss) for the year		**(13,023,503)**	**(7,416,683)**
Total comprehensive (loss) attributable to members of the parent entity		**(13,023,503)**	**(7,416,683)**
Basic loss per share (cents per share)	17	(5.9)	(3.8)
Diluted loss per share (cents per share)	17	(5.9)	(3.8)

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

For personal use only

Consolidated Statement of Financial Position

	Note	2019 $	2018 $
Current Assets			
Cash and cash equivalents	4	7,666,863	11,936,701
Trade and other receivables	5	987,082	324,343
Other financial assets	6	-	-
Prepayments	7	51,149	-
Total Current Assets		**8,705,094**	**12,261,044**
Non-Current Assets			
Other receivables	5	51,734	71,287
Plant and equipment	8	2,595,077	2,620,469
Inventory		15,476	-
Exploration and evaluation acquisition costs	9	284,013	278,071
Total Non-Current Assets		**2,946,300**	**2,969,827**
TOTAL ASSETS		**11,651,394**	**15,230,871**
Current Liabilities			
Trade and other payables	10	1,889,368	1,176,130
Provisions	11	271,568	252,536
TOTAL LIABILITIES		**2,160,936**	**1,428,666**
NET ASSETS		**9,490,458**	**13,802,205**
Equity			
Issued capital	12	54,119,311	46,582,423
Reserves	13	8,237,753	7,151,309
Accumulated losses	14	(52,866,606)	(39,931,527)
TOTAL EQUITY		**9,490,458**	**13,802,205**

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

For personal use only

Consolidated Statement of Changes in Equity

	Issued Capital $	Accumulated Losses $	Reserves $	Total $
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**

	Issued Capital $	Accumulated Losses $	Reserves $	Total $
At 1 July 2018	**46,582,423**	**(39,931,527)**	**7,151,309**	**13,802,205**
Comprehensive income:				
Loss after income tax for the year	-	(12,935,079)	-	**(12,935,079)**
Other comprehensive income for the year	-	-	(88,424)	**(88,424)**
Total comprehensive loss for the year	**-**	**(12, 935,079)**	**(88,424)**	**(13,023,503)**
Transactions with owners in their capacity as owners:				
Issue of share capital	8,017,003	-	-	**8,017,003**
Capital raising costs	(480,115)	-	-	**(480,115)**
Share based compensation	-	-	1,174,868	**1,174,868**
At 30 June 2019	**54,119,311**	**(52,866,606)**	**8,237,753**	**9,490,458**

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

For personal use only

Consolidated Statement of Cash Flows

	Note	2019 $	2018 $
Cash Flows from Operating Activities			
Receipts from Customers		10,107	2,980
Payments for exploration, evaluation & exploitation		(2,629,276)	(1,611,568)
Payments for mining		-	(38,860)
Payments to suppliers, contractors and employees		(7,214,240)	(3,169,786)
German Operations & UK Operations including R&D		(2,595,426)	(4,296,604)
Interest received		282,244	231,327
Research and development refund		-	104,292
Proceeds from sale of tenements / option fees		-	130,000
Other – grants		468,887	155,115
Net cash flows used in operating activities	15	**(11,677,704)**	**(8,493,104)**
Cash Flows from Investing Activities			
Purchase of plant and equipment		(576,232)	(1,326,245)
Payment other – Security Bonds payments		(4,560)	59,063
Proceeds other – Capital Grants	16	168,431	332,554
Proceeds from sale of financial assets		-	3,003,813
Proceeds from sale of tenements	16	275,000	-
Net cash provided by investing activities		**(137,361)**	**2,069,185**
Cash Flows from Financing Activities			
Proceeds from issue of securities		8,017,003	2,023,973
Payment for costs of issue of securities		(471,776)	(3,762)
Net cash flows from financing activities		**7,545,227**	**2,020,211**
Net (decrease) in cash and cash equivalents		**(4,269,838)**	**(4,376,708)**
Cash and cash equivalents at the beginning of the financial year		11,936,701	16,340,409
Cash and cash equivalents at the end of the financial year	4	**7,666,863**	**11,936,701**

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

For personal use only

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

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 2019 of $7.66 million. Further funding will be required to achieve planned business activities in the next financial year. Management has strategies to tailor budgeted cashflows based on future funding received 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.

For personal use only

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

(b) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are written off in the year they are incurred. Costs of acquisition are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

(c) 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

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

For personal use only

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

Classification and measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (Equity instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

For personal use only

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

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Comparative information

The Group has applied AASB 9 Financial Instruments retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 30 June 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available for sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

The application of AASB 9 has no impact on the accounts of the Talga Group.

(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).

For personal use only

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

(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.

(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.

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

(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.

(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.

For personal use only

For personal use only

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

(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

(i) New and Revised Accounting Standards Adopted by the Group

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* which became effective for financial reporting periods commencing on or after 1 January 2018.

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

As a result of adopting AASB 9 Financial Instruments, the Group has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

There were no financial instruments which the Group designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Group's financial assets and determined the application of AASB 9 does not result in a change in the classification of the Group's financial instruments.

The adoption of AASB 9 does not have a significant impact on the financial report.

For personal use only

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

(ii) New and revised Accounting Standards for Application in Future Periods

AASB 16 Leases applies to annual reporting periods beginning on or after 1 January 2019.

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB intrpretation 115 Operating Leases-Incentives and AASB intrpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

As at the reporting date the Group has non-cancellable operating lease commitments of $0.5 million, see note 19.

These lease commitments the Group expects, on 1 July 2019, to recognise right-of-use assets of approximately $0.5 million, lease liabilities of $0.5 million. Overall net assets will be approximately $0.3 lower and net current assets will be $0.3 million lower due to presentation of the portion of the liability as a current liability.

The Group expects $0.1 million net loss after tax for 2020 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $0.4 million as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately $0.1 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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.

For personal use only

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.

For personal use only

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.

For personal use only

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.

For personal use only

2. REVENUE AND OTHER INCOME

	2019 $	2018 $
Graphene Product Sales	8,542	8,317
Interest revenue	283,494	231,327
Research and development refund	345,698	104,292
Grants	777,634	487,669
Sale of investments	-	2,401,812
Sale of Australian gold tenements	250,000	130,000
	1,656,826	**3,355,100**

3. INCOME TAXES

(a) Income tax

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

	2019 $	2018 $
Loss before income tax	(12,935,079)	(7,602,045)
Current Tax Expense / (Benefit)	(3,557,147)	(2,090,562)
Tax effect of:		
Expenses not allowed	2,846,403	1,949,393
Income not assessable	(51,032)	-
Section 40-880 deduction (write off for certain capital costs)	4,399	(127,086)
Accrued expenses	(20,715)	-
Prepayments	11,285	-
Other deferred amounts	(156,616)	-
Future income tax benefit not brought to account	923,423	268,255
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.

	2019 $	2018 $
Australian tax losses	5,165,289	4,307,936
Provisions net of prepayments	72,499	51,784
Section 40-880 deduction	238,710	242,582
Deferred exploration expenditures	91,216	-
Other deferred amounts	(11,285)	30,704
Unrecognised deferred tax assets relating to the above temporary differences	**5,556,429**	**4,633,006**

The estimated foreign (German/UK) tax losses are approximately $11.8 million and the deferred tax benefit from the foreign tax losses not recognised is approximately $1.9 million (based on a German/UK tax rate of 15%/19%).

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.

For personal use only

4. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank	**7,666,863**	**11,936,701**

As at 30 June 2019, a cash at bank balance of $10,000 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 $10,000 available for use.

5. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
CURRENT		
Deposit on machinery in transport	217,483	-
Trade debtors	4,343	82,968
Research and development refund	345,698	-
GST / VAT receivable	419,558	241,375
Total trade and other receivables	**987,082**	**324,343**

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

	2019 $	2018 $
NON CURRENT		
Security term deposit	51,734	71,287
Total security desits and bonds	**51,734**	**71,287**

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

6. OTHER FINANCIAL ASSETS

	2019 $	2018 $
Novo Resources Corp Shares		
Opening balance	-	629,000
Sales	-	(629,000)
Closing balance at 30 June 2018 (Nil shares)	**-**	**-**

7. PREPAYMENTS

	2019 $	2018 $
Balance at the start of the period	-	-
Movement for the period	51,149	-
Balance at the end of the financial year	**51,149**	**-**

For personal use only

8. PLANT AND EQUIPMENT

	2019 $	2018 $
(a) Plant and equipment		
Plant and equipment at cost	3,389,347	2,412,051
Less: accumulated depreciation	(794,270)	(596,317)
Total plant and equipment	**2,595,077**	**1,815,734**
Balance at the beginning of the financial year	**1,815,734**	**1,245,756**
Additions	1,194,778	700,374
Depreciation expense	(436,457)	(282,910)
Effect of foreign currency exchange differences	21,022	152,514
Balance at the end of the financial year	**2,595,077**	**1,815,734**
(b) Construction in progress	**-**	**606,486**
Balance at the beginning of the financial year	606,486	-
Additions	(606,486)	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	198,249	-
Additions	(198,249)	198,249
Balance at the end of the financial year	**-**	**198,249**
Total	**2,595,077**	**2,620,469**

9. EXPLORATION AND EVALUATION EXPENDITURE

	2019 $	2018 $
Balance at the beginning of the financial year	**278,071**	**425,232**
Exploration and evaluation expenditure	3,521,479	1,686,238
Written off as incurred (refer note 1(b))	(3,521,479)	(1,686,238)
Write off acquisition cost of disposed tenements	-	(132,271)
Foreign currency exchange movement in assets	5,942	(14,890)
Balance at the end of the financial year	**284,013**	**278,071**

10. TRADE AND OTHER PAYABLES

	2019 $	2018 $
CURRENT PAYABLES		
Trade creditors	1,368,578	753,337
Accruals	441,166	381,075
Superannuation / PAYG payable	79,624	41,718
Total trade and other payables	**1,889,368**	**1,176,130**

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

11. PROVISIONS

	2019 $	2018 $
Provision for Annual Leave	211,183	198,758
Provision for Long Service Leave	60,385	53,778
Total Provisions	**271,568**	**252,536**

12. ISSUED CAPITAL

	2019 $	2018 $
Issued and fully paid	54,109,311	45,431,298
Shares to be issued	10,000	1,151,122
	54,119,311	**46,582,423**

(a) Issued and fully paid

	2019 Number	2019 $	2018 Number	2018 $
Fully Paid Ordinary Shares	**218,756,450**	**54,109,311**	**204,187,013**	**45,431,298**

Movement Reconciliation

ORDINARY SHARES	Date	Quantity	Issued Price	$
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**

For personal use only

12. ISSUED CAPITAL (Cont'd)

Placement	4/7/18	1,769,231	0.65	1,150,000
Exercise of listed options	5/7/18	2,500	0.45	1,125
Placement	4/7/18	11,306,746	0.65	7,349,385
Exercise of listed options	20/7/18	27,483	0.45	12,367
Exercise of listed options	14/8/18	43,073	0.45	19,383
Exercise of listed options	28/8/18	45,000	0.45	20,250
Exercise of listed options	7/9/18	36,510	0.45	16,430
Exercise of listed options	28/9/18	15,800	0.45	7,110
Exercise of listed options	16/10/18	500	0.45	225
Exercise of listed options	12/11/18	4,491	0.45	2,021
Exercise of listed options	16/11/18	286,500	0.45	128,925
Exercise of listed options	5/12/18	107,328	0.45	48,299
Exercise of listed options	11/12/18	63,643	0.45	28,639
Exercise of listed options	18/12/18	10,562	0.45	4,753
Exercise of listed options	28/12/18	168,270	0.45	75,722
Exercise of listed options	2/1/19	3,750	0.45	1,687
Exercise of listed options	2/1/19	53,500	0.45	24,075
Exercise of listed options	2/1/19	60,750	0.45	27,337
Exercise of unlisted options	21/3/19	30,000	0.54	16,200
Exercise of unlisted options	21/3/19	20,000	0.42	8,400
Exercise of unlisted options	27/3/19	50,000	0.42	21,000
Exercise of unlisted options	28/3/19	23,800	0.42	9,995
Exercise of unlisted options	4/4/19	140,000	0.42	58,800
Exercise of unlisted options	17/4/19	245,000	0.42	102,900
Exercise of unlisted options	7/5/19	55,000	0.42	23,100
Less transaction costs				(480,115)
Balance 30 June 2019		**218,756,450**		**54,109,311**

(b) Shares to be Issued

	2019 Number	2019 $	2018 Number	2018 $
Shares to be issued *	**23,810**	**10,000**	**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). Funds were received as exercise of options ($10,000) in June 2019 however they were only issued on 8th July 2019 see ASX 3B on 8th July 2019.

ORDINARY SHARES TO BE ISSUED - 2019	Quantity	Issue Price / Exercise Price	$
Listed options to be exercised	23,810	0.42	10,000
Balance 30 June 2019	**23,810**		**10,000**

For personal use only

For personal use only

12. ISSUED CAPITAL (Cont'd)

(c) Unlisted Share Options

At 30 June 2019, the Group had 15,392,963 ordinary shares under option (unlisted).

- 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;
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 17 December 2020;
- 2,000,000 unlisted options with an exercise price of 51 cents expiring on 10 February 2022

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 2019 is as follows:

	2019 $	2018 $
Cash and cash equivalents	7,666,863	11,936,701
Trade and other receivables	987,082	324,343
Prepayments	51,149	-
Trade and other payables	(1,889,368)	(1,176,130)
Provisions – employee entitlements	(271,568)	(252,536)
Working capital position	**6,544,158**	**10,832,378**

	2019 $	2018 $
(a) Unlisted option reserve	7,510,335	6,335,467
(b) Listed option reserve	861,105	861,105
(c) Foreign currency reserve	(133,687)	(45,263)
Total reserves	**8,237,753**	**7,151,309**

13. RESERVES

(a) UNLISTED OPTION RESERVE	2019 $	2018 $
Balance at the start of the financial year	**6,335,467**	**5,320,986**
Options expense (note 27)	1,174,868	1,014,481
Balance at the end of the financial year	**7,510,335**	**6,335,467**

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.

(b) LISTED OPTION RESERVE	Date	Quantity	Issue Price $	2019 $	2018 $
Balance at the start of the financial year		**43,958,181**		**861,105**	**861,105**
Exercise of listed options	05/07/2018	(2,500)			
Exercise of listed options	20/07/2018	(27,483)			
Exercise of listed options	14/08/2018	(43,073)			
Exercise of listed options	28/08/2018	(45,000)			
Exercise of listed options	07/09/2018	(36,510)			
Exercise of listed options	28/09/2018	(15,800)			
Exercise of listed options	16/10/2018	(500)			
Exercise of listed options	13/11/2018	(4,491)			
Exercise of listed options	16/11/2018	(286,500)			
Exercise of listed options	05/12/2018	(107,328)			
Exercise of listed options	11/12/2018	(63,643)			
Exercise of listed options	18/12/2018	(10,562)			
Exercise of listed options	28/12/2018	(168,270)			
Exercise of listed options	31/12/2018	(118,000)			
Lapsed Options	31/12/2018	(43,028,521)			
Balance at the end of the financial year		**-**		**861,105**	**861,105**

(c) FOREIGN CURRENCY RESERVE	2019 $	2018 $
Balance at the start of the financial year	**(45,263)**	**(230,624)**
Movement during the year	(88,424)	185,361
Balance at the end of the financial year	**(133,687)**	**(45,263)**
Total Reserves	**8,237,753**	**7,151,309**

For personal use only

For personal use only

14. ACCUMULATED LOSSES

	2019 $	2018 $
Balance at the beginning of the financial year	**(39,931,527)**	**(32,329,482)**
Loss for the year	(12,935,079)	(7,602,045)
Balance at the end of the financial year	**(52,866,606)**	**(39,931,527)**

15. CASHFLOW INFORMATION

	2019 $	2018 $
Reconciliation of cash flows from operating activities with loss after income tax		
Loss after income tax	(12,935,079)	(7,602,045)
Non-cash flows in loss for the year:		
- Capital grants	(168,431)	(332,554)
- Depreciation expense - office and field equipment	436,457	282,910
- Write off of exploration acquisition costs	-	132,271
- Accrued Creditors	(275,000)	-
- Share based payment	1,174,868	1,014,480
- Gain from sale of investment	31,813	(2,401,813)
- Foreign exchange loss / (gain)	21,087	70,706
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(643,186)	(168,955)
- Increase / (decrease) in trade and other payables	727,358	422,790
- Prepayments	(51,149)	-
- (Increase) / decrease in inventory	(15,476)	-
- Increase / (decrease) in provisions	19,032	62,106
Net cash outflows from Operating Activities	**(11,677,704)**	**(8,520,104)**

Cash proceeds from capital grants

During the period the German subsidiary received $168,431 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 no non-cash financing and investing activities for the 2019 financial year (2018 Nil).

16. LOSS PER SHARE

	2019 $	2018 $
Net loss used in calculating the basic loss per share	(12,935,079)	(7,602,045)
	Number	**Number**
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	217,814,093	202,735,411

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.

For personal use only

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:

	2019 $	2018 $
Short-term employee benefits	1,197,410	995,455
Post-employee benefits	82,772	70,532
Other long-term benefits	-	-
Share-based payments	881,296	509,015
Total	**2,161,478**	**1,575,002**

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

The total expense recognised in the 2019 financial year for the options issued to Key Management Personnel was $881,296.

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 was payable by 23 June 2019. This non-recourse loan was extended to 23 June 2021. The value of these shares is considered for accounting purposes to be options. As a result of the extension of loan repayment term, Accounting Standard AASB2, requires a revaluation of the shares and using the Black Scholes pricing model, a share based payment amount of $816,697 was expensed during the year. For avoidance of doubt, no new shares have been issued to Mr Thompson. The assumptions made in calculating the fair value of the shares expensed in relation to this calculation are noted below.

Separately, the fair value of options expensed for the year ended 30 June 2019 issued to the Mr Thompson in a prior financial year amounted to $24,696. The fair value of options expensed for the year ended 30 June 2019 issued to the Mr Phillips in a prior financial year amounted to $39,903.

During the year ended 30 Jun 2019, the value of options granted to directors and Key Management Personnel was calculated applying the following inputs:

	Mark Thompson
Exercise price:	$0.455
Valuation date:	23/6/19
Expiry date:	23/6/21
Share market price at grant date:	$0.455
Expected share price volatility:	83%
Risk free interest rate:	0.91%
Valuation per option:	$0.204

17. KEY MANAGEMENT PERSONNEL COMPENSATION (Con't)

(d) Related Party Transactions

Talga entered into a consultancy agreement with Mr Terry Stinson from 1 March 2018 which provided for an annual consultancy fee of $137,500 and can be terminated by either party giving two months written notice. The consultancy agreement was amended from 7 February 2019 based on a daily rate of $1,057.69. 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. It is proposed that the consultancy agreement will terminate as at 31 December 2019. During the 2019 financial year Mr Stinson was paid $112,048 in consultancy fees (2018 $41,857).

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

18. AUDITOR'S REMUNERATION

	2019 $	2018 $
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	64,106	49,669
Other services	-	-
Total	**64,106**	**49,669**

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 2019:

	2019 $	2018 $
Not longer than one year	-	199,000
Longer than one year, but not longer that five years	-	220,000
Longer than five years	-	-
Total	**-**	**419,000**

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

(b) Operating lease commitments

	2019 $	2018 $
Head office and subsidiaries offices lease		
Not longer than one year	397,308	111,682
Longer than one year, but not longer than five years	59,452	-
Longer than five years	-	-
Total	**456,760**	**111,682**

For personal use only

For personal use only

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:

	2019 $	2018 $
Trade and other current receivables		
Group 1	-	-
Group 2	987,082	324,343
Group 3	-	-
Total trade and other current receivables	**987,082**	**324,343**
Cash at bank and short-term deposits	7,666,863	11,936,701
Total cash at bank and short-term deposits	**7,666,863**	**11,936,701**

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.

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.

20. FINANCIAL INSTRUMENTS (Cont'd)

Interest Rate Sensitivity Analysis

At 30 June 2019, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2019 $	2018 $
Change in loss		
- Increase in interest rate by 100 basis points	76,669	119,367
- Decrease in interest rate by 100 basis points	(76,669)	(119,367)
Change in equity		
- Increase in interest rate by 100 basis points	76,669	119,367
- Decrease in interest rate by 100 basis points	(76,669)	(119,367)

	Floating Interest Rate $	Fixed Interest Rate $	Non interest bearing $	Total $	Weighted average interest rate %
2019					
Financial Assets					
Cash and cash equivalents	3,048,904	4,160,539	457,421	**7,666,863**	1.43
Trade and other receivables	-	20,900	1,017,916	**1,038,816**	-
Other financial assets	-	-	-	**-**	-
Total financial assets	**3,048,904**	**4,181,439**	**1,475,337**	**8,705,679**	-
Financial Liabilities					
Trade and other payables	-	-	1,889,368	**1,889,368**	
Total financial liabilities	**-**	**-**	**1,889,368**	**1,889,368**	
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**	**7,608,815**	**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**	

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 SEK67,947,192 ($10,446,182), a loan receivable from Talga Graphene AB of SEK17,688,853 ($2,719,479), a loan receivable from Talga Battery Metals AB of SEK2,902,902 ($446,291), a loan receivable from Talga Technologies Limited of GBP2,308,171 ($4,170,137) and a loan receivable from Talga Advanced Materials GmbH of EUR6,870,606 ($11,133,700). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately $1,445,789.

For personal use only

For personal use only

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 three operating and four geographical segments, being graphite exploration and development in Sweden, 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.

2019	Sweden	Germany	United Kingdom	Australia	Total
	$	$	$	$	$
SEGMENT PERFORMANCE					
Revenues from ordinary activities	-	-	6,326	2,216	**8,542**
Other Income	-	171,330	953,252	532,244	**1,656,826**
Total segment revenue	**-**	**171,330**	**959,578**	**534,460**	**1,665,368**
Segment expense (including write offs)	**(3,652,879)**	**(2,882,447)**	**(2,758,696)**	**(5,306,425)**	**(14,600,447)**
Reconciliation of segment result to net loss before tax					
Segment Result					(12,935,079)
Unallocated items					-
Net loss before tax from continuing operations					**(12,935,079)**
SEGMENT ASSETS					
As at 30 June 2019					
Segment assets as at July 2018	461,370	2,676,160	438,090	11,655,251	**15,230,871**
Movement					
- Cash and cash equivalents	82,969	(151,649)	(30,342)	(4,170,816)	**(4,269,838)**
- Assets held for sale	-	-	-	-	**-**
- Inventory	-	15,476	-	-	**15,476**
- Plant and equipment	24,045	(49,129)	(164)	(144)	**(25,392)**
- Exploration and evaluation expenditure	5,942	-	-	-	**5,942**
- Other	85,169	70,328	517,646	21,192	**694,335**
	659,495	**2,561,186**	**925,230**	**7,505,483**	**11,651,394**
Reconciliation of segment assets to total assets					
Other assets					-
Total assets from continuing operations					**11,651,394**
SEGMENT LIABILITIES					
Segment liabilities as at 30 June 2019	729,402	334,667	282,339	814,528	2,160,936
Reconciliation of segment liabilities to total liabilities					
Unallocated items:					
- Provision					-
Total liabilities from continuing operations					**2,160,936**

21. SEGMENT NOTE (Con't)

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 exploration expense	**(2,041,793)**	**(3,046,679)**	**(1,518,294)**	**(3,829,505)**	**(10,436,271)**
Reconciliation of segment result to net loss before tax					
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 1 July 2017	551,121	1,513,824	223,572	16,637,619	**18,926,136**
Segment asset increases/(decreases) for the year:					
- 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**
Reconciliation of segment assets to total assets					
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
Reconciliation of segment liabilities to total liabilities					
Unallocated items:					
- Other liabilities					-
Total liabilities from continuing operations					**1,428,666**

For personal use only

For personal use only

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.

- On 1 July 2019, Talga appointed Andrew Willis, the Co-Managing Partner of London based strategic global metals and mining investor Pallinghurst Group, as a Non-Executive Director;
- On 3 July 2019, Talga reported final assay results from the maiden drilling program at the Niska graphite prospect confirming the discovery of a significant new high-grade graphite deposit;
- On 21 August 2019, Talga announced the maiden JORC Mineral Resource Estimate for its north Sweden Kiskama Cobalt-Copper Project;
- 1,000,000 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.42; and
- 2,400,000 fully paid ordinary shares were issued on the exercise of unlisted options at an exercise price of $0.35.

23. RELATED PARTIES

Related party transactions with management personnel are disclosed in Note 18.

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.

STATEMENT OF FINANCIAL POSITION	2019 $	2018 $
ASSETS		
Current assets	7,473,017	11,601,741
Non-Current assets	17,862,013	3,188,763
TOTAL ASSETS	**25,335,030**	**14,790,504**
LIABILITIES		
Current liabilities	814,527	509,425
TOTAL LIABILITIES	**814,527**	**509,425**
NET ASSETS	**24,520,503**	**14,281,079**
EQUITY		
Issued capital	54,119,311	46,582,423
Accumulated losses	(37,970,253)	(39,497,916)
Option reserve	8,371,445	7,196,572
TOTAL EQUITY	**24,520,503**	**14,281,079**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2019 $	2018 $
Net profit/(loss) for the year	1,527,663	(7,497,698)
Total comprehensive profit/(loss for) the year	**1,527,663**	**(7,497,698)**

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

For personal use only

25. CONTROLLED ENTITIES

Talga Resources Ltd owns the following subsidiaries:

Name of Entity	Country of Incorporation	Percentage Owned (%) *	
		30 June 2019	30 June 2018
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%	100%
Talga Battery Metals AB	Sweden	100%	100%

* Percentage of voting power is in proportion to ownership.

26. SHARE BASED PAYMENTS

The expense recognised for the financial year, other than what is disclosed on note 17c for options granted in previous and the current year was $358,171. 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 – 2,000,000 options granted 12/2/19

	Series 1
Grant date share price	$0.355
Exercise price	$0.51
Expected share price volatility	64%
Option life	3 years
Risk free interest rate	1.66%
Valuation per option	$0.118

Series 1 options were granted and vested during the financial year.

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

	2019		2018	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	**20,742,963**	**0.54**	**21,800,000**	**0.56**
Granted during the financial year	2,000,000	0.51	2,800,000	0.55
Expired during the financial year	(9,866,200)	0.54	-	-
Exercised during the financial year	(563,800)	0.43	(807,037)	0.54
Balance at end of the financial year	**16,947,656**	**0.53**	**23,792,963**	**0.56**
Exercisable at end of the financial year	**9,562,963**	**0.58**	**20,742,963**	**0.54**

The share based payment options outstanding at the end of the financial year had a weighted average exercise price of $0.58 (2018: $0.58) and a weighted average remaining contractual life of 0.88 years (2018: 1.32 years).

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2019.

There were no contingent liabilities as at 30 June 2018.

DIRECTORS' DECLARATION

The directors of the Group declare that:

1. the financial statements and notes, as set out on pages 25 to 55, 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 2019 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
26 September 2019

For personal use only

INDEPENDENT AUDITOR'S REPORT

For personal use only

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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 2019, 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 2019 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.

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International

Stantons International

For personal use only

Key Audit Matters	How the matter was addressed in the audit
Valuation of Share Options The company issued a number of share options to employees of the company and extended the repayment date for a non-recourse loan issued to the Managing Director in 2014 to fund the issue of shares. The company prepared a valuation of the options and the non-recourse loan in accordance to its accounting policy and accounting standard Share-based Payment AASB 2 ("AASB 2"). The valuation of the options and the loan is a key audit matter as it involved judgement in assessing the fair value of the options and loan.	Inter alia, our audit procedures included the following: 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.

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 2019, 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

For personal use only

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 18 to 24 of the directors' report for the year ended 30 June 2019. 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

Stantons International

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Talga Resources Limited for the year ended 30 June 2019 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
26 September 2019

For personal use only

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 2019.

Statement of Quoted Securities

Listed on the Australian Securities Exchange are 222,156,450 fully paid ordinary shares.

Distribution of Shareholding

The distribution of members and their holdings of equity securities in the Group as at 20 September 2019 were as follows:

Spread of Holdings	Fully Paid Ordinary Shares	Total Shareholders
1-1,000	473,143	633
1,001 - 5,000	5,301,380	1,914
5,001 - 10,000	7,523,183	906
10,001 - 100,000	42,318,979	1,337
100,001 and over	166,539,765	219
TOTALS	**222,156,450**	**5,009**

Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares is 754.

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	11.48
Lateral Minerals Pty Ltd <Thompson Family A/C>	14,270,788	6.42

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 2021

* As approved at a shareholders meeting on 23 June 2014, the shares are secured by a loan which is repayable by 23 June 2019. This loan was extended to 23 June 2021 by the board on 11 April 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.

For personal use only

For personal use only

Twenty Largest Shareholders and Option Holders

The names of the twenty largest ordinary fully paid shareholders as at the 20 September 2019 are as follows:

	Ordinary Shares	Number Held	% Held
1	Smedvig Talga L.P.	25,511,221	11.48
2	Lateral Minerals Pty Ltd <Thompson Family A/C>	14,270,788	6.42
3	JP Morgan Nominees (Australia) Ltd	9,598,833	4.32
4	Pelmer Securities S A	9,158,160	4.12
5	BNP Paribas Nominees Pty Ltd	8,732,052	3.93
6	Citicorp Nominees Pty Ltd	8,035,856	3.62
7	HSBC Custody Nominees (Australia) Limited	7,020,801	3.16
8	Kamberg Investments Ltd	6,357,143	2.86
9	Yandal Investments Pty Ltd	5,000,000	2.25
10	Liddell Keith S + S J	3,038,349	1.37
11	Two Tops Pty Ltd	3,000,000	1.35
12	Australian Executor Trustees Ltd	2,420,095	1.09
13	Holman Anthony Neil	2,000,000	0.90
14	Wong Kin Chun	1,855,905	0.84
15	Danks Kevin Graham	1,825,000	0.82
16	PRF Bell Super PL	1,695,000	0.76
17	Abbott Finance Corp	1,607,143	0.72
18	All States Finance Pty Ltd	1,500,000	0.68
19	Gerovich Steven R & EL	1,405,000	0.63
20	BNP Paribas Nominees NZ Ltd	1,271,046	0.57
	Top 20 holders of ordinary shares	**115,302,392**	**51.90**

Unquoted Equity Securities

As at 20 September 2019, the following unquoted securities were on issue:

Unlisted options with the following terms:

Expiry Date	Exercise Price	Number on Issue	Number of Holders
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
10-Feb-22	$0.51	2,000,000	6
Total on issue		**10,800,000**	

Other than Mark Thompson (25.9%) there was no individual option holder that held greater than 20% of the unlisted options on issue.

For personal use only

Corporate Governance Statement

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 26 September 2019 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.

For personal use only

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 2019 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 Boards 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 2018-19 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 female and male employees across the whole organisation is 39% (14) and 61% (22). Currently the Board comprises five members, all of whom are male. Two senior executive positions are female. A senior executive office holding below the Board level, includes the Company Secretary, Chief Operating Officer.

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

For personal use only

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 establish 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 2019 Annual Report.

Expertise

- Mineral Exploration
- Commercial & Legal
- Finance/Accounting
- Governance & Compliance
- Strategy & Risk Management
- Capital Markets
- Mergers and Acquisitions
- Project Development

Industry

- Mineral Resources
- Capital Markets
- Banking
- Renewable Energy
- Materials
- Automotive
- Aerospace
- Maritime
- Defence

Qualifications

- Business & Accounting
- Taxation
- Geology
- Construction & Materials Technology

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 February 2014), Stephen Lowe (Non-Executive Director since 17 December 2015) and Mr Andrew Willis (Non-Executive Director since 1 July 2019)

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. It is proposed that the consultancy agreement will terminate as at 31 December 2019 after which he would be eligible to be classified as an independent director.

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 2019 Annual Report.

For personal use only

For personal use only

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 2019 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.

For personal use only

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 2019 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 an 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 2019 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 2019 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 2019 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 2019 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.

For personal use only

SCHEDULE OF MINERAL TENEMENTS

Tenement	Project	Interest Held by Talga
Ahmavuoma nr 3	Ahmavuoma	100%
Ahmavuoma nr 4	Ahmavuoma	100%
Ahmavuoma nr 5	Ahmavuoma	100%
Jalkunen nr 1	Jalkunen	100%
Kursuvaara	Jalkunen	100%
Nybrännan nr 2	Jalkunen	100%
Kiskama nr 1	Kiskama	100%
Lautakoski nr 2	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%
Gråliden 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%

For personal use only