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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

TALGA RESOURCES LTD
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FOR THE YEAR ENDED 30 June 2015

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TALGA RESOURCES LTD
CORPORATE DIRECTORY
FOR THE YEAR ENDED 30 June 2015

DIRECTORS

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

COMPANY SECRETARY

Dean Scarparolo

**REGISTERED OFFICE &
PRINCIPAL PLACE OF BUSINESS**

Suite 3, First Floor
2 Richardson Street
WEST PERTH WA 6005
Phone: +618 9481 6667
Facsimile: +618 9322 1935

EMAIL & WEBSITE

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

ABN

32 138 405 419

SECURITIES EXCHANGE LISTING

The Company is listed on Australian Securities Exchange Limited

Home Exchange: Perth

ASX Codes: TLG (Shares)
TLGO (Options)

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

AUDITORS

Stantons International
Level 2
1 Walker Avenue
WEST PERTH WA 6005

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TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

The Directors present their report, together with the financial statements of Talga Resources Ltd ("Talga") and its controlled entities ("Group"), for the financial year ended 30 June 2015.

1. BOARD OF DIRECTORS

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

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

2. INFORMATION ON DIRECTORS

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

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

Mr Coughlan has over 30 years' experience in stockbroking and funds management where he has been largely involved in the funding and promoting of resource companies listed on the ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds management organisations.

Mr Coughlan is a current executive director of ASX listed European Metals Holdings Limited.

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

Mr Thompson has more than 21 years industry experience in exploration and mining management, working extensively on Australian and international resource projects. He is a Member of the Australian Institute of Geoscientists and the Society of Economic Geologists, and is Guest Professor in Mineral Exploration Technology at both the Chengdu University of Technology and the Southwest University of Science and Technology in China.

Mr Thompson founded and served on the Board of ASX listed Catalyst Metals Ltd and is a Non-Executive Director of Phosphate Australia Ltd.

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

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

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

3. INFORMATION ON COMPANY SECRETARY

Dean Scarparolo (*Appointed 5 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 Company.

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Lisa Wynne (Resigned 5 February 2015)

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

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

4. CORPORATE STRUCTURE

Talga Resources Ltd is a company limited by shares incorporated and domiciled in Australia. Talga Resources Ltd has a 100% interest in both Talga Mining Pty Ltd and a German company, Talga Advanced Materials GmbH.

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year comprised graphite and graphene development, production and exploration.

6. REVIEW OF OPERATIONS

The Company's objective is to become a substantial and profitable producer of graphite and world leading supplier of graphene. During the year these goals were rapidly progressed, from laboratory level processing breakthroughs to advanced stages of commercial development, including the commencement of trial mining and pilot test-work activities.

The first half of the year was marked by outstanding results from the Company's scoping study along with commencement of graphene collaborations in Germany and graphite-to-graphene process milestones in Australia. The second half of the year was dominated by successful permitting and trial mining in Sweden, together with pilot plant progress and process flowsheet optimisation work in Germany. To a lesser extent, non-core gold projects in Western Australia and cobalt-copper-gold and iron ore projects in Sweden were advanced, primarily towards gaining joint venture partners or trade buyers.

The year has represented a watershed period with respect to Talga's strategic transition from a strictly resource development company, to one that is now highly leveraged to the high growth materials sector. This ultimately involves production, marketing and sales of the Company's graphite and graphene into diverse applications from aerospace composites to battery electrodes. By participating in both large volume additive material markets and traditional graphite markets, the Company's unique and global competitive advantages may be fully realised to drive higher growth.

PROJECT DEVELOPMENT

During the year Talga focused on its unique and cost effective processing pathway for converting raw ore into high quality graphene and graphite. Extensive work to increase the scale of the process and test commerciality of products was initially completed in Australia. The results were used in the Vittangi graphite-graphene project scoping study which incorporated financial modelling undertaken by Snowden Mining Industry Consultants (ASX:TLG 9 October 2014).

Study highlights included:

- Vittangi targeting dual production of approximately 46,000tpa graphite and 1,000tpa graphene over circa 20 years from 250,000 tonnes per annum processing mill;
- Project low risk with Capex approximately AUD\$29m and capex payback of 1.4 years including construction;
- Indicative pre-tax NPV in excess of AUD\$490m based only on current JORC Indicated portion of resource¹;
- Project viable on graphite production alone – graphene is a natural by-product of processing pathway; and

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- Conservative Study numbers - only the indicated portion of resource was used, the graphene price used was severely discounted to current type minimum pricing and low-end first pass metallurgical yields assumed.

The positive study results, combined with feedback from industry graphene consumers, provided confidence and a business case to advance the project. The next stages required on the path to future full scale development are to commence trial mining during the period and move to pilot plant design and construction in the latter half of the year.

Other key highlights of the year's project developments included:

- World class graphene experts at Friedrich Schiller University, Dresden University of Technology and the Max Planck Institute for Polymer Research agreed to collaborate with Talga on metallurgical and graphene product developments;
- Pilot plant site secured in central Germany industrial hub;
- Thuringian State Government confirmed full backing for the project and support to fast-track production of large samples for industry analysis;
- Research program by CSIRO confirmed Vittangi graphene and graphite ore characterisation to assist future exploration and processing considerations; and
- Trial mining successfully permitted and commenced subsequent to the year-end with first graphite ore blocks delivered to the Company's pilot plant site in Germany.

COMMERCIAL AND CORPORATE

Talga's technical success during the year necessitated considerable growth in the commercial and corporate operations of the Company. The management and technical team were bolstered with the appointment of a full time Commercial Manager, Financial Controller and Metallurgist (with a Project Chemist being appointed soon after the year end). Capital requirements were supported with a placement of 13.75 million ordinary fully paid shares at \$0.40 per share to institutions and targeted sophisticated investors to raise \$5.5million.

Other commercial and corporate activities during the year included:

- Establishment of 100% owned German subsidiary company, Talga Advanced Materials GmbH ("TAM") to manage all aspects of the pilot test facility and general operations in Germany;
- First sale of graphene to German Nano-to-3D printing technology company;
- Creation of intellectual property assets with patent application lodged;
- Appointment of New York based EAS Advisors and global financial services firm Canaccord Genuity;
- Collaboration agreement with Haydale Graphene Industries PLC post the year end to explore development of graphene composite and ink products;
- Extensive domestic and international travel to conduct presentations at industry events and conferences, visit potential end-user facilities and engage with customers, shareholders, media, the investment community and other stakeholders; and
- Disposal of non-core gold projects commenced with 'option to purchase' agreements executed.

EXPLORATION/GEOLOGY

Talga wholly owns multiple mineral projects in Australia and Sweden, with core activities focused on its high grade graphite projects located in the Fennoscandian Shield of north Sweden, a major mining province of Europe. Within these, Talga concentrates on deposits where it has the greatest natural advantages in grade, logistics, margins and market scale than standard flake graphite deposits.

At two of the Company's five Swedish graphite projects, Vittangi and Jalkunen, direct graphene from ore processing capability has been demonstrated. These were subject to the majority of exploration activities during the period, with other projects explored as required for tenement maintenance.

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Key highlights of activities included:

- High grade drill intercepts over 6km strike around Nunasvaara deposit at Vittangi support potential for future resource growth;
- New ground secured over graphite-to-graphene unit for total 32km strike at Vittangi and 28km at Jalkunen;
- Definition of JORC compliant Exploration Targets[#] for the combined Vittangi and Jalkunen projects totalling 150-275 million tonnes ("Mt") at 18-25% graphite (see Note below);
- Successful drilling program at Jalkunen intercepts large shallow dipping graphite unit and maiden inferred JORC 2012 resource of 31.5Mt @14.9% graphite announced post the end of year;
- Jalkunen graphite ore demonstrated amenable to Talga's graphene processing methodology; and
- Encouraging cobalt, gold and copper drilling results from Kiskama 'IOCG' project;

The Company's flagship **Vittangi** project contains the highest grade graphite resource in the world* defined under JORC or NI43-101 codes and is favourably located 3km from transport links to major European graphite and graphene markets. The project's Nunasvaara deposit JORC resource¹ estimate totals 7.6 million tonnes at 24.4% graphitic carbon ("**Cg**") (ASX:TLG 8 November 2012).

During the year Talga drill tested 6 kilometres of strike extensions at Vittangi around the current Nunasvaara resource. All holes intersected wide zones of high grade graphite (ASX:TLG 13 November 2014). Key intercepts included:

- NUN14005: from 1m depth **47m @ 30.8% Cg** (2km north from Nunasvaara);
- NUN14006: from 52m depth **46m @ 31.4% Cg** (2km north from Nunasvaara);
- NUN14001: from 15m depth **27m @ 25.4% Cg** (350m southeast from Nunasvaara);

The drill results validate the theory that there is no geological restriction on massive size increases to the resource at Vittangi if required and add to the current 20 year production profile demonstrated in the Company's scoping study.

Utilising new drill results and other exploration data, Talga defined JORC (2012) compliant exploration targets at the combined **Vittangi** and **Jalkunen** graphite projects totaling **150-275Mt at 18-25% Cg** (ASX:TLG 26 February 2015 and Table 1) [#]*Note: The Exploration Target is based on a number of assumptions and limitations with the potential grade and quantity being conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource Estimate in accordance with the JORC Code and it is uncertain if future exploration will result in the estimation of a Mineral Resource.*

Table 1 – Talga graphite Exploration Targets.

Project	Exploration Target	Tonnes (0-100m vertical depth)		Graphite (%Cg)	
		Min.	Max.	Min.	Max.
Vittangi	Nunasvaara	62,400,000	93,600,000	20	30
	Kotajärvi	16,640,000	30,160,000	20	25
	Maltosrova	20,800,000	52,000,000	20	25
Jalkunen	Tiankijokki	2,600,000	5,200,000	20	25
	Jalkunen	13,000,000	26,000,000	15	25
	Nybrännan	5,200,000	10,400,000	20	30
	Suinavaara	2,600,000	5,720,000	15	25
	Lautakoski	26,000,000	52,000,000	15	25
	Subtotal	149,240,000	275,080,000	19	27
	Rounded Total	150,000,000	275,000,000	18	25

The Company's **Jalkunen** project is situated 50km southeast from Vittangi and contains multiple graphite deposits and exploration targets of significant scale, based on historic mining, surveying and sampling, primarily by the Geological Survey of Sweden ("**SGU**"). Jalkunen contains what is interpreted to be the same graphite geology as at Vittangi, metamorphosed to varying grades but retaining the primal flake morphology (shape and

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distribution). This enables the same simple and cost effective graphene liberation method as used at Vittangi (ASX:TLG 16 September 2014 and 27 August 2015) to work at Jalkunen.

Exploration conducted by Talga during the year included geophysical surveys, rock chip sampling, drilling and preliminary metallurgical tests (ASX:TLG 16 September 2014 and 4 June 2015). The drilling successfully intersected a substantial graphite deposit averaging 50-60 metres true thickness, shallowly dipping at approximately 18° from surface to approximately 600m down dip and open. The horizontal thickness of this unit exceeds 150m width. Key intercepts included:

- JALK02: from 3m depth **30m @ 19.5% Cg** (collared in mineralisation)
- JALK03: from 7m depth **26m @ 16.6% Cg** (collared in mineralisation)
- JALK06: from 76m depth **54m @ 16.6% Cg**
- JALK07: from 115m depth **51m @ 15.0% Cg**
- JALK08: from 9m depth **66m @ 13.4% Cg**

During the year the drill data enabled a maiden JORC 2012 compliant inferred mineral resource to be published subsequent to the year end, totaling 31.5Mt at 14.9% Cg for 4.7Mt of contained graphite, based on a 10% Cg lower cut-off (ASX:TLG 27 August 2015 and Mineral Resources and Ore reserve Statement).

Table 2 - Jalkunen Graphite Deposit - JORC (2012) Resource at 10% Cg cut-off

Project	JORC Classification	Resource Tonnes	Grade Graphite (%Cg)	Contained Graphite (Tonnes)
Jalkunen	Inferred	31,500,000	14.9	4,693,500

The maiden Jalkunen resource tripled the total Indicated and Inferred inventory across Talga's combined Swedish graphite-graphene projects to more than 43Mt of JORC classified material for approximately **6.9Mt** contained graphite (ASX:TLG 27 August 2015 and Mineral Resources and Ore Reserve Statement).

* <http://www.techmetalsresearch.com/metrics-indices/tmr-advanced-graphite-projects-index/>

MINERAL RESOURCES AND ORE RESERVE STATEMENT

Summary

This statement represents the Mineral Resources and Ore Reserves ("**MROR**") for Talga Resources Limited as at 30 June 2015.

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

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

During the period the Company's Mineral Resources remained. The information in this statement has been extracted from the relevant reports as indicated below in each Mineral Resource table.

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

The Raitajärvi graphite project Mineral Resource estimate was first reported in February 2012 and has not yet been updated to comply with the 2012 JORC Code. The Company is not aware of any new information or data

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that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified.

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

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

As at the Annual Review date of 30 June 2015, this MROR Statement has been approved by the named competent persons (see the Competent Persons Statement below).

MINERAL RESOURCES

As at 30 June 2015 the Company's Mineral Resources are:

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

Table 3 - Nunasvaara Graphite Deposit – JORC (2004) Resource¹ at 10% Cg cut-off

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

The Vittangi Project Graphite Mineral Resource was first reported in February 2012 in accordance with the 2004 JORC Code (ASX:TLG 28 February 2012).

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

Table 4 - Raitajärvi Graphite Project – JORC (2004) Resource¹ at 5% Cg cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes

The Raitajärvi Project Mineral Resource was first reported in February 2012 in accordance with the 2004 JORC Code (ASX:TLG 28 February 2012).

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

Table 5 - Vittangi Iron Project – JORC (2004) Resource¹ Estimate at 15% Fe cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes

The Vittangi Iron Mineral Resource was first reported in July 2013 in accordance with the 2004 JORC Code (ASX: TLG 22 July 2013).

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

Table 6 - Masugnsbyn Iron Project – JORC (2004) Resource¹ Estimate at 20% Fe cut-off

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes

The Masugnsbyn Mineral Resource was first reported in February 2012 in accordance with the 2004 JORC Code (ASX: TLG 28 February 2012).

COMPARISON WITH PRIOR YEAR ESTIMATES

Mineral Resources

During the 2015 financial year, there were no mineral resource inventory changes.

Ore Reserves

As at 30 June 2015 the Company had no reportable Ore Reserves in accordance with the 2012 JORC Code.

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

GOVERNANCE SUMMARY

The Mineral Resource estimates listed in this report are subject to Talga's governance arrangements and internal controls. Talga Resource estimates are derived by Competent Person's ("CP") with the relevant experience in the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. Geology models in all instances are generated by Talga staff and are reviewed by the CP. The CP carries out reviews of the quality and suitability of the data underlying the Mineral Resource estimate, including a site visit. Talga management conducts its own internal review of the estimate to ensure that it honours the Talga geological model and has been classified and reported in accordance with the JORC Code 2012.

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COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled and reviewed by Mr Simon Coxhell, a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy and Mr Mark Thompson, who is an employee of the Company and a member of the Australian Institute of Geoscientists. Mr Coxhell and Mr Thompson have sufficient experience that is relevant to the activity being undertaken to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Coxhell and Mr Thompson consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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

FUTURE OUTLOOK AND STRATEGY

Talga is well advanced in its strategic transformation into an advanced materials company straddling both the resources and high growth technology sectors. The Company is differentiated from peers in a number of ways, including:

- Talga utilises homogenous high grade ore that has been purified by nature – low cost unit production with industrial scale and no physical milling;
- It takes the view that scale of production will catalyse growth and 'enable' industries and technologies with consistent and affordable large volume supply;
- It has adopted a strategy to work with partners to develop products that meet current industry needs. It is identifying markets with manufacturing processes suitable to address barriers to entry;
- Unlike pure play graphene companies, the potential economics of Talga's process could allow it to remain an upstream producer, keeping open a wide range of downstream applications/markets while minimizing development risk;
- Talga is multifaceted and has a robust business with its ultra fine graphite products alone.

Graphene is renowned as the world's strongest material, a million times thinner than paper but 200 times stronger than steel. Discovered only 10 years ago, it is a material which can be used in a wide range of applications that are in the early stages of commercialisation. Additionally, the explosion of research into graphene has also raised applications for related ultra-thin layered micro and nano-scale graphites. Their use as performance enhancing additives opens the door to myriad markets that have potential demand for volumes that exceed those for standard flake graphite markets. Importantly, standard production methods for these niche products drive significantly higher prices than standard flake graphite sizes.

Talga's unique mining and processing methods dispense with the need for drill/blast mining and crush/grind comminution. This results in fewer steps than traditional graphite processing and liberates vast quantities of high quality graphene at the same time.

As an investment Talga provides an opportunity to sit amongst technology and resource peers where exploration and mining risk is minimised courtesy of location in a first class jurisdiction, simplicity of mining and processing, extremely high grades and a gentle environmental footprint. Given the above, the future for Talga is now focused towards tangible commercial developments and validation of product and processes.

With trial mining methods de-risked, the focus now swings to the development of Talga's pilot test-work facility which aims to produce significant quantities of sample material to accelerate uptake of graphene and nano/micro graphites into third party product development. With supply certainty for repeated analysis, end-user relationships will have the opportunity to mature at a far quicker rate. In the near future it will also provide an opportunity for industry participants to visit operations which should validate Talga's benefits, and reinforce the Company's ability to remove the graphene volume and price roadblocks currently preventing large-scale commercialisation.

The opportunity to partner with brand name collaborators is intended to track pilot test work developments.

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TENEMENT INTERESTS

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

7. FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The financial results of the Company for the year ended 30 June 2015 are:

	2015	2014
Cash and cash equivalents (\$)	5,672,645	4,301,349
Net assets (\$)	6,609,684	5,766,900
Revenue (\$)	104,515	8,939
Net loss after tax (\$)	(5,845,450)	(3,057,270)
Loss per share (cents per share)	(4.6)	(3.7)
Dividend (\$)	-	-

8. DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2015 (30 June 2014: Nil).

9. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- Issued Capital increased by \$5,514,019 as the result of a share placement to sophisticated investors on 25 March 2015 of 13,750,000 shares at \$0.40 and the exercise of 40,053, \$0.35 listed share options throughout the year. Details of the changes in contributed equity are disclosed in note 11 to the Financial Statements.
- On 9 October 2014, the Company announced the completion a scoping study on its Vittangi graphite/graphene project. The study was based on low capital expenditure requirements of \$29.3m, a short payback period of 1.4 years and conservative operating costs with strong potential graphene returns and resulting in a Pre-tax NPV¹² of \$490m.
- Talga outlined its intention to build a graphene pilot plant in central Germany, to capitalise on commercial opportunities presenting themselves in the region where graphene technologists and end-users are requiring near term large graphene samples. A leased site was chosen at Rudolstadt in Thuringia (ASX: TLG release 18 May 2015).
- The Company decided to pursue its core Graphite projects whilst looking to divest its non-core Australian gold assets and as a result on 6 February 2015 the Company agreed to grant Caledonian Capital Ltd ("Caledonian") an option to purchase all of its Australian gold assets (the "Option") comprising Bullfinch, Mosquito Creek, Talga Talga and Warrawoona (collectively "the Projects"). The sale price was \$AUD1.3m in cash - payable as a \$50,000 non refundable deposit, \$250,000 post 3 months due diligence and the balance of \$1m on or before the 4th anniversary of due diligence. The \$50,000 was received however Caledonian decided not to proceed with the Option. Since the end of the financial year the Company has entered into a new sale agreement for the non-core Australian gold assets. Further details are provided below at point 11, Subsequent Events.
- In April 2015, a trial mining permit covering Talga's exploration licence at its Vittangi graphite project was issued by the Swedish Environmental Review Commission. Subsequent remaining clearances were secured (mining, environmental and stakeholder bonds, Mines Department consent, landowner and other stakeholder compensations, etc). Talga commenced trial mine operation site works and mobilised contractors and equipment prior to year-end. Post year-end, Talga announced that it had begun mining and transporting graphite ore blocks to its pilot plant facility in Rudolstadt, Germany.

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There were no other significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report and the financial statements.

10. FUTURE DEVELOPMENTS

Other than as referred to in this report, further information as to likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

11. 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.

- The trial mining program for CY15 at the Company's wholly-owned Vittangi graphite project in Sweden was completed and the graphite ore blocks were successfully extracted and delivered to the Rudolstadt processing and storage facility in Germany.
- On 11 August 2015, Talga executed an Option Agreement for the sale of three of its four Australian gold assets (Mosquito Creek, Talga Talga and Warrawoona Projects - collectively, "the Projects") located in the Pilbara region of Western Australia to Beatons Creek Gold Pty Ltd ("Beatons"). Upon exercising the Option, Beatons can elect to purchase all or some of the Projects. The total sale price is up to \$AUD1.0 million in cash and a royalty on production - payable as a \$50,000 non-refundable deposit, \$200,000 within 4 months and the balance of up to \$750,000 (it can purchase each Project as a separate asset, in which case the purchase price for each Project will be \$250,000) before the 2nd anniversary of the Option Agreement. Beatons will have no equity in any project until the full project purchase price paid. The \$50,000 deposit was received on 12 August 2015.
- On 3 September 2015, the Company appointed Mr Michael Lew as Business Development Manager, North America and as part of his remuneration package issued 2,000,000 unlisted options exercisable at \$0.52 and expiring on 31 December 2016 with the following vesting milestones:
 - execution of binding formal agreement to collaborate on graphene products with targeted battery industry participant;
 - strategic investment from or joint venture with target; and
 - receipt of binding off-take for greater than 1,000 tonnes graphene.

12. OPERATING AND FINANCIAL REVIEW

Overview

Since listing, the Group has focused on mineral exploration, with the longer-term ambition being to transition from exploration to resource development with a focus on graphite and graphene production in Sweden. In Western Australia the Group has a range of gold assets that fall outside the Company's core Swedish graphite focus. The results in Sweden have been very positive, with substantial JORC resources and metallurgical successes announced for the graphite as well as JORC resources announced for the iron ore, details of which are provided in this report.

As a mineral explorer, the Group generally has little revenue outside of interest on bank deposits and occasional asset sales. The financial aspects of the Group are therefore dominated by raising equity capital and then spending the funds raised on mineral exploration and development activities.

Outlook and Risks

The Group's strategy is to progress the graphite projects in Sweden from exploration to development and ultimately become a significant graphite and graphene producer and supplier. Within that context, all other projects are considered "non-core" and as at year end the Group was actively looking at divesting or entering into joint venture arrangements to commercialize those assets (refer to subsequent events disclosed in the directors' report above and Note 21 for further details).

TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

As at 30 June 2015, the Group had \$5.67 million in cash, which is sufficient to cover committed expenditure over the next 12 months. During the financial year, the Company was able to raise \$5.5 million in capital through a share placement to sophisticated investors. The funds raised were applied against the further development of the graphite/graphene projects in Sweden and operations in Germany where the Company is building a graphite-graphene Pilot Plant.

The near term focus of the Group is to develop its Swedish graphite projects including further exploration, metallurgical tests and working towards beneficial relationships with potential customers and off-take parties. The Group has sufficient funds to pursue those activities, although further reliance on the introduction of new capital will continue to be a part of the Group's business model until such time as the graphite projects are fully developed and in production (milestones which are targeted for achievement in the coming years).

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

- **Mineral and Exploration Risk** - The business of exploration, project development and mining contains risks by its very nature. To prosper, it depends on the successful exploration and/or acquisition of reserves, design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product.
- **Operating Risks** - The proposed activities, costs and use of funds of the Group are based on certain assumptions with respect to the method and timing of exploration, metallurgy and other technical tests. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. The proposed activities of the Company including preliminary economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics. It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes.
- **Additional Requirements for Capital** - As at the date of this report, the Group remains a mineral exploration and development company and hence will rely on continuing access to capital markets to fund further development in Sweden and Germany. 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 will, in general, be subject to approval by governmental authorities. Development of any of the Group's properties will be dependent on the Project meeting environmental guidelines and, where required, being approved by governmental authorities. In April 2015, the Group was issued with a trial mining permit (valid to September 2018) by the Swedish Environmental Review Commission, which covers Talga's exploration licence at its Vittangi graphite project in Sweden. Subsequent remaining clearances were also secured (mining, environmental and stakeholder bonds, Mines Department consent, landowner and other stakeholder compensations).
- **Mineral Title Risks and Indigenous Owners** - Mining and exploration permits are subject to periodic renewal. There is no guarantee that current or future permits or future applications for production concessions will be approved. Permits are subject to numerous legislation conditions. The renewal of the term of a granted permit is also subject to the discretion of the relevant mining inspector. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Group. Furthermore the Group could lose title to, or its interest in, tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. At the date of this report, all mining and exploration permits and licences 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

TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

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 Company's activities. Subsequent to the issue of a trial mining permit in April 2015 by the Swedish Environmental Review Commission, which covers Talga's exploration licence at its Vittangi graphite project in Sweden, remaining mining, environmental and stakeholder bonds, Mines Department consent, landowner and other stakeholder compensations and clearances were also secured.

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

DIRECTORS' MEETINGS

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

Directors	Number Eligible to Attend	Number Attended
Keith Coughlan	9	9
Mark Thompson	9	9
Grant Mooney	9	9

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

13. ENVIRONMENTAL ISSUES

The Group's operations are subject to State and Federal laws and regulations concerning the environment. Details of the Group's performance in relation to environmental regulations are as follows:

The Group's exploration activities are subject to the Western Australian Mining Act and the Swedish Minerals Act ("**Minerallagen**"). The Group has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the financial year under review.

The Directors of the Group have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("**NGER**"). NGER has no impact on the Group.

14. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

15. SHARE OPTIONS

As at the date of this report, there were 21,112,910 ordinary shares under option:

- 7,712,910 listed options with an exercise price of 35 cents expiring on 30 November 2015;
- 500,000 unlisted options with an exercise price of 45 cents expiring on 3 October 2016;
- 4,000,000 unlisted options with an exercise price of 52 cents expiring on 31 December 2016;
- 2,000,000 unlisted options with an exercise price of 60 cents expiring on 31 December 2016;
- 2,000,000 unlisted options with an exercise price of 65 cents expiring on 31 December 2016;
- 2,500,000 unlisted options with an exercise price of 54 cents expiring on 23 June 2019;
- 1,400,000 unlisted options with an exercise price of 54 cents expiring on 20 August 2019;
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 26 March 2020.

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, 255,053 fully paid ordinary shares were issued as a result of the exercise of options at an exercise price of \$0.35.

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 Company depends upon the quality of its directors and executives. To prosper, the Company 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. To assist in achieving the objective the Board links the nature and amount of director and KMP emoluments to the Group's financial and operational performance. The Board has adopted a Remuneration Committee Charter. The full Board has assumed those responsibilities that are ordinarily assigned to a Remuneration committee.

The intended outcomes of this remuneration structure are to:

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

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

TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

- **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 Board 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 Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Group. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

- **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 Board.

Variable (at risk) remuneration

Variable remuneration may be delivered in the form of a short term incentive 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.

Performance Based Remuneration

During the financial year there was no performance based remuneration paid to Directors or KMP under any Management Incentive Plan. For further detail regarding the Group Management Incentive Plan, refer to Note 16 - Key Management Personnel Compensation.

The Group has not paid any bonuses to directors or KMP in the year ended 30 June 2015.

Group Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to maximise the commonality of goals between shareholders, directors and executives. The method applied in achieving this aim to date being the issue of options to directors and issue of shares under the Management Incentive Plan to encourage the alignment of personal and shareholder interests. The Group believes this policy will be the most effective in increasing shareholder wealth.

Services Agreements of Executive Directors

Mr Thompson's employment conditions as Managing Director are defined by way of contract of employment with no fixed term. The Company may terminate the employment contract without cause by providing nine months written notice or making payment in lieu of notice, based on the individual's annual salary component. Mr Thompson may terminate the employment without cause by providing six months written notice and the Company may pay Mr Thompson in lieu of notice or require him to serve out his notice. In the event of a change in control of the Company, Mr Thompson will receive a bonus payment comprising of a lump sum gross payment of 12 months' Base Salary. If within 6 months after the change in control Mr Thompson elects to terminate his employment or his employment is terminated by the Company, Mr Thompson will not be entitled to any notice of termination or payment in lieu of notice.

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.

TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

2015

Director	Short Term Benefits				Post-Employment		Share based payments		Total	Value of share based payments as proportion of remuneration
	Salary	Directors Fees	Other	Non Monetary Salary ⁽ⁱ⁾	Super-annuation	Retirement Benefits	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Keith Coughlan Chairman	-	55,000	-	-	-	-	-	-	55,000	0%
Mark Thompson Managing Director (ii)	321,500	-	-	26,769	30,543	-	-	-	378,812	0%
Grant Mooney Non-Executive Director	-	47,700	-	-	-	-	-	-	47,700	0%
Total	321,500	102,700	-	29,769	30,543	-	-	-	481,512	0%

2014

Director	Short Term Benefits				Post-Employment		Share based payments		Total	Value of share based payments as proportion of remuneration
	Salary ^(a)	Directors Fees	Other	Non Monetary Salary ⁽ⁱ⁾	Super-annuation	Retirement Benefits	Equity ^(viii)	Options ^(viii)		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Keith Coughlan Chairman (iii)	-	24,625	-	-	-	-	-	358,062	382,687	93%
Mark Thompson Managing Director (iv)	239,800	-	-	-	22,182	-	1,044,712	-	1,306,694	80%
Grant Mooney Non-Executive Director (v)	-	9,070	-	-	-	-	-	238,708	247,778	96%
Piers Lewis Non-Executive Director (vi)	-	11,257	18,500	-	-	-	-	-	29,757	-
Sean Neary Chairman (vii)	-	-	14,137	-	-	-	-	-	14,137	-
Total	239,800	44,952	32,637	-	22,182	-	1,044,712	596,770	1,981,053	83%

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

Notes

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

- (i) Non monetary salary includes the net movement of the balance of accrued annual leave entitlement.
- (ii) Year ending 30 June 2015 - From 1 July 2014 Mr Thompson was entitled to an annual salary of 275,000 excluding superannuation and from 1 January 2015 \$348,000 excluding superannuation.
- (iii) Mr Keith Coughlan commenced on 27 September 2013 and was entitled to receive directors fees of \$30,000 per annum.

TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

- (iv) Year ended 30 June 2014 - Mr Thompson was entitled to an annual salary of \$275,000 excluding superannuation, which was voluntarily reduced to \$220,000 effective 1 July 2013. To aid further cost reductions, his annual salary was further voluntarily reduced to \$198,000 from 1 August 2013 by Board resolution and no salary was paid for the month of July 2013.
- (v) Mr Mooney commenced on 20 February 2014 and was entitled to receive director's fees of \$25,000 per annum.
- (vi) Mr Lewis' was entitled to director's fees of \$38,150 per annum, which reduced to \$30,520 effective 1 July 2013 by Board resolution. The Director's fees were further reduced to \$25,000 per annum effective 1 January 2014. Mr Lewis resigned as Non-Executive Director on 20 February 2014. By Board resolution the Board agreed that Directors fees were only payable from 1 October 2013.
- In February 2014 the Company appointed SmallCap Corporate Pty Ltd, a Company controlled by Mr Piers Lewis, financial controller of the Group. In the 2014 financial year, SmallCap received \$18,500 for the provision of financial accounting services to the Group.
- (vii) Mr Neary was entitled to director's fees of \$43,600 per annum, which reduced to \$34,880 effective 1 July 1 2013 by board resolution. Mr Neary resigned as Non-Executive Director on the 27 September 2013. An aggregate amount of \$14,137 was paid, or was due and payable to Neary Consulting Pty Ltd, a Group controlled by Mr Sean Neary, for the provision of accounting and taxation services to the Group.
- (viii) For the year ended 30 June 2014 the fair value of 4,000,000 shares issued under a non-recourse loan and 2,500,000 options granted to directors totaled \$1,641,482 (\$1,044,712 to M Thompson, \$358,062 to Mr K Coughlan and \$238,708 to G Mooney). Note 16 (c) and (d) refers to the assumptions made in calculating the fair value of the options and the shares issued under a non-recourse loan. These options and shares issued were vested as at 30 June 2014.

No share based payments were granted to the Directors during the year ended 30 June 2015.

Option and Share holdings of directors and officers

The number of options over ordinary shares in Talga held by Key Management Personnel ("KMP") of the group during the financial year is as follows:

Key Management Personnel Options 2015

30 June 2015	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other changes during the Year ⁽¹⁾	Balance at end of Year	Vested during the Year	Vested and Exercisable
Keith Coughlan	1,500,000	-	-	-	1,500,000	-	1,500,000
Mark Thompson	2,463,947	-	-	(2,000,000)	463,947	-	463,947
Grant Mooney	1,000,000	-	-	-	1,000,000	-	1,000,000

(1) Options lapsed during the year (granted during 2012).

The number of ordinary shares in Talga held by Key Management Personnel ("KMP") of the group during the financial year is as follows:

Key Management Personnel Shareholdings 2015

30 June 2015	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
Keith Coughlan	-	-	-	-	-
Mark Thompson	14,206,841	-	-	-	14,206,841
Grant Mooney	-	-	-	-	-

TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

Share based payments

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

Directors	Granted in Year \$	Value of options exercised in year \$
Keith Coughlan	-	-
Mark Thompson	-	-
Grant Mooney	-	-

Additional disclosures relating to options and shares

The table below discloses the number of share options at 30 June 2015 granted to key management persons 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	Year	Options awarded during the year (No.)	Award date	Fair value per options at award date	Vesting date	Exercise price	Expiry date	No. vested during this year	No. lapsed during this year
As at 30 June 2015									
Mark Thompson	2012	2,000,000	2/12/11	\$0.0579	2/2/11	\$0.40	30/11/14	-	2,000,000
Keith Coughlan	2014	1,500,000	23/6/14	\$0.2387	23/6/14	\$0.54	23/6/19	-	-
Grant Mooney	2014	1,000,000	23/6/14	\$0.2387	23/6/14	\$0.54	23/6/19	-	-

17. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group paid a premium of \$7,895 (2014: \$7,272) to insure Directors and Officers of the Group. The Directors and Officers have indemnities in place with the Group whereby the Group has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a director of the Group and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Group.

18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2015 has been received and immediately follows the Directors' Report. No fees were paid or payable to Stantons International for non-audit services provided during the year ended 30 June 2015.

19. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behavior 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 of a junior listed resources Group. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Group.

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TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 June 2015

This report is made in accordance with a resolution of the Directors.



Mark Thompson
Managing Director
Perth, Western Australia
23 September 2015

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23 September 2015

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 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

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


Martin Michalik
Director

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TALGA RESOURCES LTD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
Revenues from ordinary activities	2	104,515	8,939
Other Income	2	494,930	294,511
Expenses			
Administration expenses		(841,770)	(155,120)
Compliance and regulatory expenses		(387,413)	(421,137)
Depreciation expense – office equipment		(16,891)	(13,111)
Director fees and employee benefits expenses		(1,192,023)	(527,552)
Exploration and evaluation expenditure	8	(2,177,669)	(591,031)
Exploration acquisition costs written off	8	(77,765)	-
Research and development Germany		(42,095)	-
Mining expenses		(153,570)	-
FX gain / (loss) realised		(1,910)	-
Impairment of plant and equipment		-	(11,287)
Share based payments		(1,553,789)	(1,641,482)
Loss before income tax expense		(5,845,450)	(3,057,270)
Income tax expense	3	-	-
Net loss attributable to members of the parent entity		(5,845,450)	(3,057,270)
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		(17,668)	(160,742)
Total other comprehensive loss for the year		(17,668)	(160,742)
Total comprehensive loss for the year		(5,863,118)	(3,218,012)
Total comprehensive loss attributable to members of the parent entity		(5,863,118)	(3,218,012)
Basic loss per share (cents per share)	15	(4.6)	(3.7)
Diluted loss per share (cents per share)	15	(4.6)	(3.7)

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

TALGA RESOURCES LTD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents	4	5,672,645	4,301,349
Trade and other receivables	5	159,864	21,818
Assets held for sale	6	1,000,000	-
Total Current Assets		6,832,509	4,323,167
Non-Current Assets			
Other receivables	5	20,900	20,900
Plant and equipment	7	52,872	57,257
Exploration and evaluation expenditure	8	490,551	1,568,987
Total Non-Current Assets		564,323	1,647,144
TOTAL ASSETS		7,396,832	5,970,311
Current Liabilities			
Trade and other payables	9	725,881	199,521
Provisions	10	61,267	3,890
TOTAL LIABILITIES		787,148	203,411
NET ASSETS		6,609,684	5,766,900
Equity			
Issued capital	11	20,876,411	15,724,298
Reserves	12	3,278,099	1,741,978
Accumulated losses	13	(17,544,826)	(11,699,376)
TOTAL EQUITY		6,609,684	5,766,900

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

TALGA RESOURCES LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2015

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2013	9,702,467	(8,642,106)	261,238	1,321,599
Comprehensive income:				
Loss after income tax for the year	-	(3,057,270)	-	(3,057,270)
Other comprehensive loss for the year	-	-	(160,742)	(160,742)
Total comprehensive loss for the year	-	(3,057,270)	(160,742)	(3,218,012)
Transactions with owners in their capacity as owners:				
Issue of share capital	6,291,586	-	-	6,291,586
Capital raising costs	(269,755)	-	-	(269,755)
Share based compensation	-	-	1,641,482	1,641,482
At 30 June 2014	15,724,298	(11,699,376)	1,741,978	5,766,900
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2014	15,724,298	(11,699,376)	1,741,978	5,766,900
Comprehensive income:				
Loss after income tax for the year	-	(5,845,450)	-	(5,845,450)
Other comprehensive loss for the year	-	-	(17,668)	(17,668)
Total comprehensive loss for the year	-	(5,845,450)	(17,668)	(5,863,118)
Transactions with owners in their capacity as owners:				
Issue of share capital	5,514,019	-	-	5,514,019
Capital raising costs	(361,906)	-	-	(361,906)
Share based compensation	-	-	1,553,789	1,553,789
At 30 June 2015	20,876,411	(17,544,826)	3,278,099	6,609,684

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

TALGA RESOURCES LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2015

	2015	2014
Note	\$	\$
Cash Flows from Operating Activities		
Payments for exploration and evaluation	(1,991,336)	(1,486,472)
Payments for mining	(153,570)	-
Payments to suppliers, contractors and employees	(2,134,544)	(1,042,688)
Interest received	104,515	8,939
Research and development refund	440,559	231,377
Proceeds of sale of tenements / option fees	50,000	-
Other income	4,371	-
Net cash flows used in operating activities	(3,680,005)	(2,288,844)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(20,992)	(5,800)
Proceeds from sale of plant and equipment	-	1,530
Payment other – Security Bonds payments	(62,841)	-
Net cash used in investing activities	(83,833)	(4,270)
Cash Flows from Financing Activities		
Proceeds from issue of securities	5,534,019	6,275,986
Payment for costs of issue of securities	(398,885)	(232,665)
Net cash flows from financing activities	5,135,134	6,043,321
Net increase in cash and cash equivalents	1,371,296	3,750,207
Cash and cash equivalents at the beginning of the financial year	4,301,349	551,142
Cash and cash equivalents at the end of the financial year	5,672,645	4,301,349

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

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report covers the parent Talga Resources Limited and Controlled Entities (the "Group"). Talga Resources Limited is a public 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. Based on the analysis which is included in the Operating and Financial Review in the Directors' Report on page 13, 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.

Should the Company not be able to continue as a going concern, it may not be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in this financial report.

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

(a) Business Combinations

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

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

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

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

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

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

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

(b) Exploration, Evaluation and Development Expenditure

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

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

(c) Financial Instruments

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

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

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

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

(ii) Held-to-maturity investments

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

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

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the Statement of Financial Position.

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

(e) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(f) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(g) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(i) Taxation

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

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

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

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

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

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

(j) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(k) Share Based Payments

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

Fair value is measured by use of a black and scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

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

(l) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Earnings Per Share

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

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

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

(n) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgement – Exploration and evaluation costs

Exploration and evaluation acquisition costs are accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(o) Application of new and revised Accounting Standards

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

In the current year, the Group has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective from an accounting period on or after 1 January 2014.

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

- AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles).

The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for sharebased payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-

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

financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

- The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Annual Improvements 2011-2013 has made number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.
- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
 - the property meets the definition of investment property in terms of AASB 140; and
 - the transaction meets the definition of a business combination under AASB 3.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Standards and Interpretations in issue not yet adopted

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

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

TALGA RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

(p) Foreign Currency

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of the Consolidated Entity's subsidiaries, Talga Mining Pty Ltd, was changed from Australian dollars to Swedish Krona from 1 January 2013 and Talga Advanced Materials GmbH, to Euro from incorporation on 5 March 2015.

(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.

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

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(q) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Talgá Resources Limited) 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 24.

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.

(r) Fair Value of Assets and Liabilities

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the

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

specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

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

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

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

Valuation techniques

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

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

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

Fair value hierarchy

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

Level 1

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

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

TALGA RESOURCES LTD
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For the Year Ended 30 June 2015

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

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

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

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

2. REVENUE AND OTHER INCOME

	2015	2014
	\$	\$
Interest revenue	104,515	8,939
Research and development refund	440,559	273,883
Option fee on sale of Australian Gold tenements	50,000	-
Other income	4,371	-
Other - foreign exchange gain	-	20,628

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3. INCOME TAXES

(a) Prima facie income tax benefit at 30% on loss from ordinary activities is reconciled to the income tax provided in the financial statements

	2015	2014
	\$	\$
Loss before income tax	(5,845,450)	(3,057,270)
Income tax calculated at 30%	(1,753,635)	(917,181)
Tax effect of:		
- Deferred exploration expenditures	-	-
- Expenses not allowed	1,498,353	405,881
- Section 40-880 deduction	(78,227)	-
- Accrued expenses	2,250	-
- Income not assessable	(132,168)	-
Adjustment for difference in tax rate	-	-
Future income tax benefit not brought to account	463,427	511,300
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.

	2015	2014
	\$	\$
Australian tax losses	2,732,625	2,648,295
Provisions net of prepayments	25,517	7,758
Section 40-880 deduction	163,345	123,286
Deferred exploration expenditures	(498,812)	(498,812)
Accrued Interest	-	-
Unrecognised deferred tax assets relating to the above temporary differences	2,422,675	2,280,527

The estimated Swedish tax losses are approximately \$3,693,000 based on a tax rate of 22%. The deferred tax benefit from the Swedish tax losses not recognised is approximately \$812,460.

The benefits will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- The Group continues to comply with the conditions in deductibility imposed by the Law; and

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

TALGA RESOURCES LTD
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For the Year Ended 30 June 2015

4. CASH AND CASH EQUIVALENTS

	2015	2014
	\$	\$
Cash at bank	5,672,645	4,301,349

5. TRADE AND OTHER RECEIVABLES

	2015	2014
	\$	\$
CURRENT		
Other Debtors	62,841	21,818
GST / VAT receivable	97,023	-
Total trade and other receivables	159,864	21,818

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

	2015	2014
	\$	\$
NON CURRENT		
Security Term Deposit	20,900	20,900

Balance relates to a term deposit taken out as security for rent of the head office.

6. ASSETS CLASSIFIED AS HELD FOR SALE

	2015	2014
	\$	\$
Exploration and evaluation acquisition costs	1,000,000	-

Subsequent to the year end and as announced on 12 August 2015, Talga executed an Option Agreement for the sale of three of its four Australian gold assets (Mosquito Creek, Talga Talga and Warrawoona Projects - collectively, "the Projects") located in the Pilbara region of Western Australia to Beatons Creek Gold Pty Ltd ("Beatons"). Upon exercising the Option, Beatons can elect to purchase all or some of the Projects. The total sale price is up to \$1.0 million in cash and a royalty on production.

The amount above represents the carrying amount of acquisition costs relating to these gold assets and has been transferred from non-current asset exploration and evaluation expenditure.

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7. PLANT AND EQUIPMENT

	2015 \$	2014 \$
Plant and equipment at cost	207,785	186,794
Less: accumulated depreciation	(154,913)	(129,537)
Total plant and equipment	52,872	57,257
Balance at the beginning of the financial year	57,257	93,359
Additions	20,992	5,801
Disposals	-	(15,576)
Depreciation expense – office equipment	(16,892)	(13,111)
Depreciation expense – field equipment	(8,484)	(12,944)
Exchange difference	(1)	(272)
Balance at the end of the financial year	52,872	57,257

8. EXPLORATION AND EVALUATION EXPENDITURE

	2015 \$	2014 \$
Balance at the beginning of the financial year	1,568,987	1,673,454
Exploration and evaluation expenditure	2,177,669	591,031
Written off as incurred (refer note 1(b))	(2,177,669)	(591,031)
Write off as exploration acquisition costs (refer note 1(b))	(77,765)	-
Transferred to Assets classified as held for sale	(1,000,000)	-
Foreign exchange movement in assets	(671)	(104,467)
Balance at the end of the financial year	490,551	1,568,987

This closing balance comprises acquisition of tenement costs and the excess of the purchase price over the net book value of TCL Sweden Ltd which has been allocated to tenements.

9. TRADE AND OTHER PAYABLES

	2015 \$	2014 \$
CURRENT PAYABLES		
Trade creditors	612,152	148,279
Accruals	30,000	29,390
Superannuation / PAYG payable	83,729	21,852
Total trade and other payables	725,881	199,521

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

TALGA RESOURCES LTD
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For the Year Ended 30 June 2015

10. PROVISIONS

	2015 \$	2014 \$
Provision for Annual Leave	61,267	3,890

11. ISSUED CAPITAL

(a) Issued and Fully Paid

	2015 Number	2015 \$	2014 Number	2014 \$
Ordinary shares	138,356,150	20,876,411	124,566,097	15,724,298
	138,356,150	20,876,411	124,566,097	15,724,298

(b) Movement Reconciliation

ORDINARY SHARES	Date	Quantity	Issue Price \$	\$
Balance 30 June 2013		55,304,406		9,702,467
Issue of shares pursuant to a placement	17/09/2013	8,295,661	0.05	414,783
Issue of shares pursuant to entitlement offer	24/10/2013	21,200,022	0.05	1,060,001
Issue of shares to contractors in lieu of cash	26/11/2013	260,000	0.06	15,600
Issue of shares pursuant to a placement	21/03/2014	20,000,000	0.085	1,700,000
Issue of shares to the managing director (i)	23/06/2014	4,000,000	0.37	-
Issue of shares per entitlement offer	26/06/2014	8,564,066	0.20	1,712,813
Issue of shares per entitlement offer - shortfall	30/06/2014	1,941,942	0.20	388,388
Issue of shares pursuant to a placement	30/06/2014	5,000,000	0.20	1,000,000
Less transaction costs	-	-	-	(269,754)
Balance 30 June 2014		124,566,097		15,724,298
Issue of shares on exercise of options	25/07/2014	312	0.35	109
Issue of shares on exercise of options	15/08/2014	15,000	0.35	5,250
Issue of shares on exercise of options	22/09/2014	670	0.35	235
Issue of shares on exercise of options	15/10/2014	10,000	0.35	3,500
Issue of shares on exercise of options	13/11/2014	3,052	0.35	1,068
Issue of shares on exercise of options	9/03/2015	1,000	0.35	350
Issue of shares pursuant to a placement	25/03/2015	13,750,000	0.40	5,500,000
Issue of shares on exercise of options	31/03/2015	4,456	0.35	1,560
Issue of shares on exercise of options	31/03/2015	122	0.35	43
Issue of shares on exercise of options	31/03/2015	5,441	0.35	1,904
Less transaction costs	-	-	-	(361,906)
Balance 30 June 2015		138,356,150		20,876,411

(i) Management Incentive Plan Shares (refer Note 16)

TALGA RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

11 ISSUED CAPITAL (Cont'd)

(c) Share Options

At 30 June 2015 the Group had 19,612,910 ordinary shares under option.

- 500,000 unlisted options have an exercise price of 35 cents and expire 21 July 2015.
- 7,712,910 listed options have an exercise price of 35 cents and expire 30 November 2015.
- 500,000 unlisted options have an exercise price of 45 cents and expire 3 October 2016.
- 2,000,000 unlisted options have an exercise price of 52 cents and expire 31 December 2016.
- 2,000,000 unlisted options have an exercise price of 60 cents and expire 31 December 2016.
- 2,000,000 unlisted options have an exercise price of 65 cents and expire 31 December 2016.
- 2,500,000 unlisted options have an exercise price of 54 cents and expire 23 June 2019.
- 1,400,000 unlisted options have an exercise price of 54 cents and expire 20 August 2019.
- 1,000,000 unlisted options have an exercise price of 54 cents and expire 26 March 2020.

Capital Management

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital. There are no externally imposed capital requirements. The working capital position of the Group at 30 June 2015 is as follows:

	2015 \$	2014 \$
Cash and cash equivalents	5,672,645	4,301,349
Trade and other receivables	159,864	21,818
Assets held for sale	1,000,000	-
Trade and other payables	(725,881)	(199,521)
Provisions – employee entitlements	(61,267)	(3,890)
Working capital position	6,045,361	4,119,756

12. RESERVES

	2015 \$	2014 \$
OPTION RESERVE		
Balance at the beginning of the financial year	1,938,186	296,704
Options issued and fair value of management incentive plan shares (note 25)	1,553,789	1,641,482
Balance at the end of the financial year	3,491,975	1,938,186

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

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For the Year Ended 30 June 2015

12. RESERVES (Cont'd)

	2015 \$	2014 \$
FOREIGN CURRENCY RESERVE		
Balance at the beginning of the financial year	(196,208)	(35,466)
Movement during the year	(17,668)	(160,742)
Balance at the end of the financial year	(213,876)	(196,208)
Total Reserves	3,278,099	1,741,978

13. ACCUMULATED LOSSES

	2015 \$	2014 \$
Balance at the beginning of the financial year	(11,699,376)	(8,642,106)
Loss for the year	(5,845,450)	(3,057,270)
Balance at the end of the financial year	(17,544,826)	(11,699,376)

14. CASHFLOW INFORMATION

	2015 \$	2014 \$
Reconciliation of cash flows from operating activities with loss after income tax		
Loss after income tax	(5,845,450)	(3,057,270)
Non-cash flows in loss for the year:		
- Depreciation expense - office and field equipment	25,376	26,055
- Impairment of plant and equipment	-	11,287
- Loss on sale of plant and equipment	-	2,759
- Write off of exploration acquisition costs	77,765	-
- Share based payment	1,553,789	1,641,482
- Employee benefits expense	-	15,600
- Foreign exchange loss / (gain)	(15,089)	(63,134)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(95,204)	(5,723)
- Increase / (decrease) in trade and other payables	561,431	(771,336)
- Increase / (decrease) in provisions	57,377	(88,564)
Net cash outflows from Operating Activities	(3,680,005)	(2,288,844)

Non Cash Financing and Investing Activities

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

TALGA RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS
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15. LOSS PER SHARE

	2015	2014
	\$	\$
Net loss after income tax attributable to members of the Group	(5,845,450)	(3,057,270)
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	128,245,913	82,125,723

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.

16. KEY MANAGEMENT AND PERSONNEL COMPENSATION

(a) Directors and Specified Executives

The names and positions held by key management personnel in office at any time during the year are:

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

(b) Remuneration of Directors

\$481,512 (2014: \$1,981,053) in remuneration was paid to Directors for the financial year comprising salary, superannuation, insurance and commercial fees.

	2015	2014
	\$	\$
Short-term employee benefits	450,969	317,389
Post-employee benefits	30,543	22,182
Other long-term benefits	-	-
Share-based payments	-	1,641,482
Total	481,512	1,981,053

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

There were no options granted to key management personnel during the year ended 30 June 2015.

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

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

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

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

The expense recognised for the options during the 2014 financial year was \$596,770.

(d) Management Incentive Equity Plan

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

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

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

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

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

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

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

The expense recognised under the Management Incentive Plan during the 2014 financial year was \$1,044,712.

e) Related Party Transactions:

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

17. AUDITOR'S REMUNERATION

	2015 \$	2014 \$
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	35,364	28,114
Other services	-	-
Total	35,364	28,114

18. 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:

	2015 \$	2014 \$
Not longer than one year	218,404	324,980
Longer than one year, but not longer than five years	536,765	209,580
Longer than five years	330,201	-
Total	1,085,370	534,560

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.

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For the Year Ended 30 June 2015

18. COMMITMENTS (Cont'd)

b) Operating lease commitments

	2015 \$	2014 \$
Head Office lease		
Not longer than one year	51,273	81,094
Longer than one year, but not longer that five years	15,312	108,125
Longer than five years	-	-
Total	66,585	189,219

19. FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

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

i. Financial Risk Exposures and Management.

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

Interest rate risk

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

Credit risk exposures

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

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

The 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:

	2015 \$	2014 \$
Trade Receivables		
Group 1	-	-
Group 2	159,864	21,818
Group 3	-	-
Total trade receivables	159,864	21,818
Cash at bank and short-term deposits	5,672,645	4,301,349
Total	5,672,645	4,301,349

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For the Year Ended 30 June 2015

19. FINANCIAL INSTRUMENTS (Cont'd)

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.

ii. Liquidity Risk

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

iii. Net Fair Values

The net fair values of:

- Other assets and other liabilities approximate their carrying value.

iv. Interest Rate Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2015, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2015	2014
	\$	\$
Change in loss		
- Increase in interest rate by 100 basis points	56,726	43,013
- Decrease in interest rate by 100 basis points	(56,726)	(43,013)
Change in equity		
- Increase in interest rate by 100 basis points	56,726	43,013
- Decrease in interest rate by 100 basis points	(56,726)	(43,013)

v. Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group has dealings in Sweden as a result of acquiring tenements in Sweden as well as Germany where the Company is building a graphite/graphene pilot plant. The Group is subject to foreign currency value fluctuations in the course of its operations. The Group plans to curtail this impact by paying foreign currency invoices in a timely fashion.

At 30 June 2015, the Group has liabilities denominated in the foreign currencies detailed below:

	Foreign	AUD
	Currency	Equivalent
SEK	1,398,519	219,713
Total AUD		219,713

A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$10,986.

TALGA RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

19. FINANCIAL INSTRUMENTS (Cont'd)

The parent has a loan receivable from Talga Mining Pty Ltd denominated in SEK for SEK30,653,642 (\$4,815,810) and a loan receivable from Talga Advanced Materials GmbH of EUR66,655 (\$96,256). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$245,603.

	Floating Interest Rate \$	Fixed Interest Rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
2015					
Financial Assets					
Cash and cash equivalents	4,621,271	-	1,051,374	5,672,645	2.4
Trade and other receivables	-	20,900	159,864	180,764	-
Total financial assets	4,621,271	20,900	1,211,238	5,853,409	-
Financial liabilities					
Trade and other payables	-	-	725,881	725,881	-
Total financial liabilities	-	-	725,881	725,881	-
2014					
Financial Assets					
Cash and cash equivalents	18,670	-	4,282,679	4,301,349	2.4
Trade and other receivables	-	20,900	21,818	42,718	-
Total financial assets	18,670	20,900	4,304,497	4,344,067	-
Financial liabilities					
Trade and other payables	-	-	199,521	199,521	-
Total financial liabilities	-	-	199,521	199,521	-

20. SEGMENT NOTE

The Group adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The 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 the chief operating decision maker as it relates to segment reporting.

The Group operates in three operating and geographical segments, being graphite exploration and evaluation in Sweden, gold exploration and evaluation in Australia and from the 2015 year, graphite/graphene research and development in Germany. 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.

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For the Year Ended 30 June 2015

20. SEGMENT NOTE (Cont'd)

2015	Sweden	Germany	Australia	Total
	\$	\$	\$	\$
SEGMENT PERFORMANCE				
Revenues from ordinary activities	-	-	104,515	104,515
Other Income	-	-	494,930	494,930
Total segment revenue	-	-	599,445	599,445
Segment expense (inc write offs)	(1,925,457)	(42,095)	(483,547)	(2,451,099)

Reconciliation of segment result to net loss before tax

Unallocated items:

- Administration expenses				(841,770)
- Compliance and regulatory expenses				(387,413)
- Depreciation expense				(16,891)
- Director fees and employee benefits expenses				(1,192,023)
- Impairment				-
- Share based payments				(1,553,789)
- Mining				
- Research and Development Germany				
- Foreign exchange gain / (loss)				(1,910)
Net loss before tax from continuing operations				(5,845,450)

SEGMENT ASSETS

As at 30 June 2015

Segment assets as at 1 July 2014	562,677	-	5,407,634	5,970,311
Segment asset increases/(decreases) for the year:				
- Cash and cash equivalents	82,124	36,235	1,252,937	1,371,296
- Assets held for sale	-	-	1,000,000	1,000,000
- Exploration and evaluation expenditure	(28,446)	-	(1,049,990)	(1,078,436)
- Other	127,916	-	5,745	133,661
	744,271	36,235	6,616,326	7,396,832

Reconciliation of segment assets to total assets

Other assets				-
Total assets from continuing operations				7,396,832

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20. SEGMENT NOTE (Cont'd)

SEGMENT LIABILITIES	Sweden	Germany	Australia	Total
	\$	\$	\$	\$
As at 30 June 2015	219,713	-	506,168	725,881
Reconciliation of segment liabilities to total liabilities				
Unallocated items:				
- Provision				61,267
Total liabilities from continuing operations				787,148

2014	Sweden	Germany	Australia	Total
	\$	\$	\$	\$
SEGMENT PERFORMANCE				
Revenues from ordinary activities	10	-	8,929	8,939
Other income	-	-	273,883	273,883
Total segment revenue	10	-	282,812	282,822
Segment expense	(272,047)	-	(318,984)	(591,031)

Reconciliation of segment result to net loss before tax

Unallocated items:				
- Administration expenses				(155,120)
- Compliance and regulatory expenses				(421,137)
- Depreciation expense – office equipment				(13,111)
- Director fees and employee benefits expenses				(527,552)
- Impairment of plant and equipment				(11,287)
- Share based payments				(1,641,482)
- Foreign exchange gain				20,628
Net loss before tax from continuing operations				(3,057,270)

SEGMENT ASSETS

As at 30 June 2014

Segment assets as at 1 July 2013	639,720	-	1,711,025	2,350,745
Segment asset increases/(decreases) for the year:				
- Cash and cash equivalents	27,424	-	3,722,783	3,750,207
- Exploration and evaluation expenditure	(104,467)	-	-	(104,467)
- Other	-	-	(26,174)	(26,174)
	562,677	-	5,407,634	5,970,311

TALGA RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

20. SEGMENT NOTE (Cont'd)

Reconciliation of segment assets to total assets

Other assets

Total assets from continuing operations

-
5,970,311

SEGMENT LIABILITIES

Segment liabilities as at 30 June 2014

22,762

-

176,759

199,521

Reconciliation of segment liabilities to total liabilities

Unallocated items:

- Provision

3,890

Total liabilities from continuing operations

203,411

21. 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 11 August 2015, Talga executed an Option Agreement (“**Option**”) for the sale of three of its four Australian gold assets (Mosquito Creek, Talga Talga and Warrawoona Projects - collectively, “**the Projects**”) located in the Pilbara region of Western Australia to Beatons Creek Gold Pty Ltd (“**Beatons**”). Upon exercising the Option, Beatons can elect to purchase all or some of the Projects. The total sale price is up to \$AUD1.0 million in cash and a royalty on production - payable as a \$50,000 non-refundable deposit, \$200,000 within 4 months and the balance of up to \$750,000 (it can purchase each Project as a separate asset, in which case the purchase price for each Project will be \$250,000) before the 2nd anniversary of the Option Agreement. Beatons will have no equity in any project until full project purchase price paid. The \$50,000 deposit was received on 12 August 2015.
- On 3 September 2015, the Company appointed Mr Michael Lew as Business Development Manager, North America and as part of his remuneration package issued 2,000,000 unlisted options exercisable at \$0.52 and expiring on 31 December 2016 with the following vesting milestones:
 - execution of binding formal agreement to collaborate on graphene products with targeted battery industry participant;
 - strategic investment from or joint venture with target; and
 - receipt of binding off-take for greater than 1,000 tonnes graphene.

22. RELATED PARTIES

Related party transactions with management personnel are disclosed in Note 16.

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TALGA RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

23. 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	2015	2014
	\$	\$
ASSETS		
Current assets	5,544,611	4,279,690
Non-Current assets	1,107,214	1,127,946
TOTAL ASSETS	6,651,825	5,407,636
LIABILITIES		
Current liabilities	567,435	180,650
TOTAL LIABILITIES	567,435	180,650
NET ASSETS	6,084,390	5,226,986
EQUITY		
Issued capital	20,876,411	15,724,407
Accumulated losses	(18,283,997)	(12,435,497)
Option reserve	3,491,976	1,938,076
TOTAL EQUITY	6,084,390	5,226,986
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	2015	2014
	\$	\$
Net loss for the year	(5,848,500)	(3,715,787)
Total comprehensive loss for the year	(5,848,500)	(3,715,787)

24. CONTROLLED ENTITIES

Talga Resources Limited owns the following subsidiaries:

Name of Entity	Country of Incorporation	Percentage Owned (%) *	
		2015	2014
Talga Mining Pty Ltd	Australia	100%	100%
Talga Advanced Materials GmbH	Germany	100%	Nil

* Percentage of voting power is in proportion to ownership.

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TALGA RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

25. SHARE BASED PAYMENTS

The following share based payments were made during the year:

- Series 1 – 1,600,000 options granted 20/8/14
- Series 2 – 1,000,000 options granted 21/10/14
- Series 3 – 1,000,000 options granted 21/10/14
- Series 4 – 1,000,000 options granted 21/10/14
- Series 5 – 1,000,000 options granted 23/12/14
- Series 6 – 1,000,000 options granted 23/12/14
- Series 7 – 1,000,000 options granted 23/12/14
- Series 8 – 1,000,000 options granted 27/3/15

	Series 1	Series 2	Series 3	Series 4
Grant date share price	\$0.385	\$0.400	\$0.400	\$0.400
Exercise price	\$0.54	\$0.52	\$0.60	\$0.65
Expected share price volatility	102%	102%	102%	102%
Option life	5 years	2.2 years	2.2 years	2.2 years
Risk free interest rate	3.25%	3.25%	3.25%	3.25%
Valuation per option	\$0.278	\$0.203	\$0.189	\$0.182

	Series 5	Series 6	Series 7	Series 8
Grant date share price	\$0.245	\$0.245	\$0.245	\$0.430
Exercise price	\$0.52	\$0.60	\$0.65	\$0.54
Expected share price volatility	102%	102%	102%	102%
Option life	2.02 years	2.02 years	2.02 years	5 years
Risk free interest rate	3.25%	3.25%	3.25%	1.92%
Valuation per option	\$0.091	\$0.083	\$0.079	\$0.313

The expense recognised for the options granted during the financial year was \$1,553,789.

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

	2015		2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	6,250,000	0.46	3,750,000	0.40
Granted during the financial year	8,600,000	0.57	2,500,000	0.54
Expired during the financial year	(2,950,000)	0.41	-	-
Exercised during the financial year	-	-	-	-
Balance at end of the financial year	11,900,000	0.55	6,250,000	0.46
Exercisable at end of the financial year	11,900,000	0.55	6,250,000	0.46

The share based payment options outstanding at the end of the financial year had a weighted average exercise price of \$0.55 (2014: \$0.46) and a weighted average remaining contractual life of 2.54 years (2014: 2.44 years).

26. CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets as at 30 June 2015 (2014: nil).

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TALGA RESOURCES LTD
DIRECTORS' DECLARATION
For the Year Ended 30 June 2015

The directors of the Group declare that:

1. the financial statements and notes, as set out on pages 23 to 54, 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 2015 and of the performance for the year ended on that date of the Group.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mark Thompson
Managing Director

Perth, Western Australia
23 September 2015

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

Report on the Financial Report

We have audited the accompanying financial report of Talga Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company also comprising the entities it controlled from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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Independence

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

Opinion

In our opinion:

- a) the financial report of Talga Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the Remuneration Report

We have audited the remuneration report included on pages 16 to 20 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the remuneration report of Talga Resources Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Yours faithfully

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director
23 September 2015

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TALGA RESOURCES LTD
ADDITIONAL SHAREHOLDER INFORMATION
For the Year Ended 30 June 2015

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 15 September 2015.

Statement of Quoted Securities

Listed on the Australian Securities Exchange are 138,571,150 fully paid ordinary shares, 7,712,910 Listed Options exercisable at \$0.35 expiring 30 November 2015 and 13,400,000 unlisted options exercisable at various prices with various expiry dates (see Directors' Report, point 15 Share Options).

Distribution of Shareholding

The distribution of members and their holdings of equity securities in the Group as at 15* September 2015 were as follows:

Spread of Holdings	Fully Paid Ordinary Shares	Total Shareholders	Listed Options	Total Option holders
1-1,000	11,061	58	82,606	170
1,001 - 5,000	1,239,721	401	398,729	158
5,001 – 10,000	2,662,470	313	211,620	29
10,001 - 100,000	29,214,126	820	2,289,787	65
100,001 and over	105,443,772	180	4,730,168	18
TOTALS	138,571,150	1,772	7,712,910	440

Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares is 131.

Substantial Shareholders

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

Shareholder	Number Held	% Held
Lateral Minerals Pty Ltd (A Company associated with Mr Mark Thompson)	14,206,841	10.65
Warwick Grigor	9,534,976	6.88

Restricted Securities

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

* As approved at a shareholders meeting on 23 June 2014, the shares are secured by a loan which is repayable by 23 June 2019.

Voting Rights

In accordance with the Group's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll each ordinary share is entitled to one vote. There are no voting rights attached to any class of options.

TALGA RESOURCES LTD
ADDITIONAL SHAREHOLDER INFORMATION
For the Year Ended 30 June 2015

Twenty Largest Shareholders and Option holders

The names of the twenty largest Ordinary Fully Paid shareholders as at the 15 September 2015 are as follows:

Ordinary Shares		Number Held	% Held
1	Lateral Minerals Pty Ltd <Thompson Family>	14,206,841	10.25%
2	Warwick Grigor	9,534,976	6.88%
3	HSBC Custody Nominees Australia Ltd	7,316,965	5.28%
4	UBS Nominees Pty Ltd	4,063,530	2.93%
5	Yandal Investments Pty Ltd	3,916,000	2.83%
6	Two Tops Pty Ltd	3,750,000	2.71%
7	Twynam Agricultural Group Pty Ltd	2,688,694	1.94%
8	United Overseas Service Management	2,329,054	1.68%
9	Wong Kin Chun	2,233,246	1.61%
10	BNP Paribas Nominees (NZ) Ltd	1,929,406	1.39%
11	Danks Kevin Graham	1,825,000	1.32%
12	All States Finance Pty Ltd	1,700,000	1.23%
13	Gerovich Steven R & EL <Gerovich S/F A/C>	1,675,000	1.21%
14	Erebon Pty Ltd	1,500,000	1.08%
15	Citicorp Nominees Pty Ltd	1,452,209	1.05%
16	James Bronwyn Julianne	1,327,070	0.96%
17	Texmode Pty Ltd	1,275,000	0.92%
18	Aust. Executor Trustees Ltd	1,255,000	0.91%
19	Merriwee Pty Ltd	1,130,000	0.82%
20	Patterson Anthony Lionel	1,118,188	0.81%
Top 20 holders of ordinary shares		66,226,179	47.79%

The names of the twenty largest Listed Option holders as at the 15 September 2015 are as follows:

Listed Options		Number Held	% Held
1	Warwick Grigor	1,022,411	13.26%
2	Erebon Pty Ltd	470,000	6.09%
3	Lateral Minerals Pty Ltd <Thompson Family>	463,947	6.02%
4	All States Finance Pty Ltd	375,000	4.86%
5	Broyage Pty Ltd	300,000	3.89%
6	Hendry & Watson Cons Pty Ltd	260,425	3.38%
7	Hui Larry	258,129	3.35%
8	Two Tops Pty Ltd	225,000	2.92%
9	HSBC Custody Nominees Australia Ltd	218,287	2.83%
10	UBS Nominees Pty Ltd	218,031	2.83%
11	Vaughan Adrian William	181,128	2.35%
12	Yandal Investments Pty Ltd	178,000	2.31%
13	De Cuyper Alexander	150,000	1.94%
14	Wong Kin Chun	131,662	1.71%
15	Hendry Leone Cecelia	121,000	1.57%
16	Parker Rodger AA & MD	113,873	1.48%
17	Ackling Skye Stephen	113,275	1.47%
18	Texmode Pty Ltd	100,000	1.30%
19	Eothen Nominees Pty Ltd	98,238	1.27%
20	Watson Peter George	91,327	1.18%
Top 20 holders of Listed Options		5,089,733	65.99%

TALGA RESOURCES LTD
ADDITIONAL SHAREHOLDER INFORMATION
For the Year Ended 30 June 2015

Unquoted Equity Securities

As at 15 September 2015, the following unquoted securities were on issue:

- Unlisted Options with the following terms:

Expiry Date	Exercise Price	Number on Issue	Number of Holders
3 October 2016	\$0.45	500,000	3
31 December 2016	\$0.52	4,000,000	3
31 December 2016	\$0.60	2,000,000	2
31 December 2016	\$0.65	2,000,000	2
23 June 2019	\$0.54	2,500,000	2
20 August 2019	\$0.54	1,400,000	3
26 March 2020	\$0.54	1,000,000	1
Total on issue		13,400,000	

The following held greater than 20% of the Unlisted Options on issue:

Name	Number Held	Percentage Held %
Canaccord Genuity (Australia) Limited	3,000,000	22.4 %
EAS Consulting LLC	3,000,000	22.4 %

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TALGA RESOURCES LTD
CORPORATE GOVERNANCE STATEMENT
For the Year Ended 30 June 2015

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, www.taglaresources.com, under the section 'About Us'.

Talga has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where Talga's corporate governance practices follow a recommendation, the Company has made appropriate statements reporting on the implementation of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, Talga's corporate governance practices do not follow a 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 23 September 2015 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 20 February 2014. 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

TALGA RESOURCES LTD
CORPORATE GOVERNANCE STATEMENT
For the Year Ended 30 June 2015

information on the Company's vision, values, strategy, governance and risk management frameworks. The Company has a written agreement in place with each Director and Senior Executive.

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

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

Company Secretary

The Company Secretary plays an important role in supporting the effectiveness of the Board. The Company Secretary is accountable to the Board through the Chairman on all matters regarding the proper function of the Board. This includes assisting the Board on governance matters, monitoring compliance with policies and procedures, co-ordinating board meetings and acting as the interface between the Board and senior executives. Details regarding the Company Secretary, including their experience and qualifications are set out in the Director's 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 2014-15 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 a 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 Board did not establish measurable targets for achieving gender diversity across the group during 2015. 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 to be used by the Company to identify new directors, senior executives and employees.

The respective proportion of men and women employees across the whole organisation is 57% (3) and 43% (4). Currently the Board comprises three members, all of whom are men. All the senior executive positions are

TALGA RESOURCES LTD
CORPORATE GOVERNANCE STATEMENT
For the Year Ended 30 June 2015

men. A senior executive office holding below the Board level, includes the Company Secretary, Commercial Manager and Manager Metallurgy.

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

Principle 2: Structure the Board to Add Value

Nomination Committee:

The Board has not established a separate Nomination Committee. 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 Director’s Report section of the Annual Report.

Expertise	Industry	Qualifications
<ul style="list-style-type: none"> • Mineral Exploration • Commercial & Legal • Finance/Accounting • Governance & Compliance • Strategy & Risk Management • Capital Markets 	<ul style="list-style-type: none"> • Mineral Resources • Capital Markets • Renewable Energy • Materials 	<ul style="list-style-type: none"> • Business & Accounting • Geology

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 (eg 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.

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TALGA RESOURCES LTD
CORPORATE GOVERNANCE STATEMENT
For the Year Ended 30 June 2015

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.

In accordance with the definition of independence above and the materiality thresholds, the independent directors of the Company are Keith Coughlan (Chairman since 27 Sept 2013) and Grant Mooney (Non-Executive Director since 20 Feb 2014).

The Board recognises the ASX Recommendations that the majority of the Board should be comprised of independent directors and the Chair of the Board should be an independent director. The Company complies with this recommendation.

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. Details of Director related transactions with the Company are set out in Note 16 of the 2015 Annual Report.

Principle 4: Safeguard Integrity of Corporate Reporting

Audit and Risk Committee

The Board has not established a separate Audit Committee and therefore it is not structured in compliance with ASX Recommendation 4.1. Given the current size of the Board and the size of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. The Company has adopted an Audit Committee Charter (as disclosed on the Company website) which describes the role and responsibilities of the Board in lieu of a separate Audit Committee.. The Board meets on a regular basis and discusses matters normally captured under the terms of reference on an Audit Committee Charter as well as general and specific financial matters. Items that are usually required to be discussed by a Audit Committee are marked as separate agenda items at Board meetings when required.

The Company's Audit Committee Charter includes the process for (re)appointing, removal and rotation of an external auditor. The Board is responsible for the initial appointment of the external auditor and the 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 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 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

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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

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

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

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

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

Principle 7: Recognise and Manage Risk

The Board has not established a separate Risk Committee and therefore it is not structured in compliance with ASX Recommendation 7.1. Given the current size of the Board and the size of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee.

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 Company has adopted a Risk Management Policy (as disclosed on the Company website) which describes the role and responsibilities of the Board in lieu of a separate Risk Committee. The Board 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 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 Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

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The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These 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.

In addition to operational risk management throughout the year at Board meetings, during 2015 the Board conducted a review as part of a strategy planning day. Further work is to be undertaken during 2016 to update the risk framework.

Internal Audit:

The Board has determined that due to the size of the Company and its operations, an internal audit function is not currently required. 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 and 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 prepared accompanied by variance analysis;
- circulate 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; 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 and financial statements.

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

The Board has not established a separate Remuneration Committee. The Board considers that given the current size of the Company at this stage there would be no efficiencies or other benefits gained by establishing a separate Remuneration Committee. Accordingly, the full Board has assumed those responsibilities that are ordinarily assigned to a Remuneration Committee.

The Company has adopted a Remuneration 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 Remuneration Committee are marked as separate agenda items at Board meetings when required. Where appropriate, independent consultants are engaged to advise on levels of remuneration.

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.

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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.

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.

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TALGA RESOURCES LTD
SCHEDULE OF MINERAL TENEMENTS
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Tenement	Project	Interest Held by Talga	Tenement	Project	Interest Held by Talga
Jalkunen nr 1	Sweden	100%	M45/618	Talga Talga	100%
Jalkunen nr 2	Sweden	100%	P45/2689	Talga Talga	100%
Jalkunen nr3	Sweden	100%	P45/2690	Talga Talga	100%
Kursuvaara	Sweden	100%	P45/2691	Talga Talga	100%
Lautakoski nr 1	Sweden	100%	P45/2746	Talga Talga	100%
Lautakoski nr 2	Sweden	100%	P45/2747	Talga Talga	100%
Lautakoski nr 3	Sweden	100%	P45/2774	Talga Talga	100%
Nybrännan nr 1	Sweden	100%	E77/2139	Bullfinch	100%
Nybrännan nr 2	Sweden	100%	E77/2221	Bullfinch	100%
Suinavaara nr 1	Sweden	100%	E77/2222	Bullfinch	100%
Suinavaara nr 2	Sweden	100%	P77/4106	Bullfinch	100%
Tiankijoki nr 1	Sweden	100%	E77/2251	Bullfinch	100%
Kiskama nr 1	Sweden	100%	P46/1634	Mosquito Creek	100%
Masugnsbyn nr 1	Sweden	100%	P46/1636	Mosquito Creek	100%
Masugnsbyn nr 2	Sweden	100%	P46/1638	Mosquito Creek	100%
Lehtosölkä nr 3	Sweden	100%	P46/1666	Mosquito Creek	100%
Liviövaara nr 2	Sweden	100%	P46/1667	Mosquito Creek	100%
Grålidén nr 2	Sweden	100%	P46/1668	Mosquito Creek	100%
Önusträsket nr 2	Sweden	100%	P46/1800	Mosquito Creek	100%
Raitajärvi nr 5	Sweden	100%	E46/1035	Mosquito Creek	100%
Raitajärvi nr 6	Sweden	100%	E45/3381	Warrawoona	100%
Maltosrova nr 2	Sweden	100%	P45/2661	Warrawoona	100%
Maltosrova nr 3	Sweden	100%	P45/2662	Warrawoona	100%
Mörttjärn nr 1	Sweden	100%	P45/2781	Warrawoona	100%
Nunasvaara nr 2	Sweden	100%			
Vathanvaara nr 1	Sweden	100%			
Vittangi nr 2	Sweden	100%			
Vittangi nr 3	Sweden	100%			
Vittangi nr 4	Sweden	100%			

P Prospecting Licence

E Exploration Licence

M Mining Licence

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