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

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**2020 ANNUAL REPORT**

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## CORPORATE DIRECTORY

### DIRECTORS

Terry Stinson (Non-executive Chair)  
Mark Thompson (Managing Director)  
Grant Mooney (Non-Executive Director)  
Stephen Lowe (Non-Executive Director)  
Ola Rinnan (Non-Executive Director)  
Andrew Willis (Non-Executive Director)  
(Resigned 17/07/2020)

### COMPANY SECRETARY

Dean Scarparolo

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3, First Floor  
2 Richardson Street  
WEST PERTH WA 6005

Phone: 08 9481 6667

Facsimile: 08 9322 1935

### EMAIL AND WEBSITE

Email: [info@talgagroup.com](mailto:info@talgagroup.com)

Website: [www.talgagroup.com](http://www.talgagroup.com)

### ABN

32 138 405 419

### SECURITIES EXCHANGE LISTING

Talga Resources Ltd is listed on the ASX

Home Exchange: Perth

ASX Code: TLG (Shares)

### SHARE REGISTRY

Automic Registry Services

GPO Box 5193  
Sydney NSW 2001

Phone: 1300 288 664

### AUDITORS

Stantons International

Level 2, 1 Walker Avenue  
WEST PERTH WA 6005

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## LETTER FROM THE CHAIR

Dear fellow Talga shareholders,

The 2020 financial year has been a big year for Talga. We advanced development and commercialisation of our products, grew our natural graphite assets, attracted notable industry partners, strengthened our customer base and solidified our plans for long-term sustainable growth.

I commend the Talga management group and board for successfully navigating the challenges arising from the COVID-19 outbreak and my heartfelt gratitude goes out to our team who has worked tirelessly towards our goal of building a European source of sustainable active materials for the global energy transition. I also thank my fellow shareholders for their continued support through these challenging times.

The proactive approach taken to mitigate impacts to our operation and ensure the well-being of our people, partners and customers saw Talga safely delivering on major milestones over the past year. In early 2020, Swedish authorities provided environmental approval for our second trial mine, ensuring that Talga has adequate graphite to support process and product development and the increasing product sample requests from our growing list of customers. Requisite full scale mining permit applications have been submitted and are progressing at a speed suitable to Talga's project development timeline, set to meet the 2023 start of production for many of the announced Li-ion battery megafactories.

Talnode<sup>®</sup>-C marketing is progressing under our long list of customer engagements, which include six of the world's major automotive manufacturers and the majority of announced European battery megafactories. Based on qualification testing to date, customer confidence is strong and Talnode<sup>®</sup>-C is set to fulfill the anode requirements of major industry players looking for a locally produced, competitively priced and sustainable alternative to today's imported materials.

Projected Li-ion battery production capacity continues to rapidly grow, driving demand for increased anode manufacturing capacity to support these new battery supply chains. Following the expressions of interest received for Talnode<sup>®</sup>-C and the strong interest in Talnode<sup>®</sup>-Si we are actively working to grow our operations, starting with the Niska expansion. With our vast Swedish graphite resources, scalable and sustainable processes and competitive anode products Talga is in a strong position to successfully expand in line with our customer's needs.

In parallel to our advancing anode business we continue to progress development of our Talga graphene, Talphene<sup>®</sup>, products in conjunction with suitable partners and under agreements reflecting various stages of product development. Our graphene product strategy remains focused on high value, high volume applications as reflected in the JDA for graphene packaging technology that Talga executed with BillerudKorsnäs and the real-life trials of Talphene<sup>®</sup>-enhanced marine coatings on two 33,000t container ships that commenced during the year.

Other graphene activities included our participation in the Bentley Motors e-drive innovation project where Talga will develop graphene materials for high performance electric motors, a product that would highly complement our battery products in our aim to facilitate zero and low emission vehicles.

To deliver on our project development and expansion plans, Talga is aligning itself with strong industry partners. During the year this included agreements with Mitsui and Macquarie. Additionally, Talga has engaged with a range of major battery supply chain partners under confidential agreements and the interest, in both project and product, has only increased as qualification tests progress. The Talga team is working closely with strategic partners to support project development, from funding through to sales and production, and customer product qualification, to secure supply agreements and support project financing, towards delivering maximum project value and shareholder returns.

**It is now time to build on these strong foundations and I expect 2021 to be a pivotal year for Talga and our shareholders. Our founder's decision to invest in our truly unique Swedish graphite deposits and his mission to produce graphitic materials that enable greener batteries and products, destined to improve the world, is projected to pay significant future benefits to all stakeholders. As an early mover with strong vertical integration and the ability to grow with our target market, Talga is poised to become one of the world's largest and most successful anode producers.**

We still have much to do so continued hard work and focus are required. The EV and Li-ion battery markets continue to develop and are projecting significant growth making Talga the most exciting business venture that I am involved with. I very much look forward to working with the team over the coming year to deliver on Talga's full potential.

Thank you to our valued shareholders, employees and stakeholders, it has been my absolute privilege to serve as your Chair over the past year.



**Terry Stinson**  
Non-executive Chair

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## DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial statements of Talga Resources Ltd ("Talga" or "the Company") and its controlled entities ("the Group"), for the financial year ended 30 June 2020.

### 1. BOARD OF DIRECTORS

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

Directors	Position	Date of Appointment
Terry Stinson	Non-Executive Chair	Appointed 8 <sup>th</sup> February 2017
Mark Thompson	Managing Director	Appointed 21 <sup>st</sup> July 2009
Grant Mooney	Non-Executive Director	Appointed 20 <sup>th</sup> February 2014
Stephen Lowe	Non-Executive Director	Appointed 17 <sup>th</sup> December 2015
Ola Rinnan	Non-Executive Director	Appointed 7 <sup>th</sup> August 2017
Andrew Willis	Non-Executive Director	Appointed 1 <sup>st</sup> July 2019, resigned 17 <sup>th</sup> July 2020

### 2. INFORMATION ON DIRECTORS

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

#### **Terry Stinson**

**(Non-Executive Chair) (Appointed 8<sup>th</sup> February 2017)**

Mr Stinson has over 35 years' Executive and non-Executive Director experience, working for global innovation companies across a range of industry segments, along with a proven track record of forming and leading international business collaborations and joint ventures.

Formerly the CEO (12 April 2017 to 18 November 2019) and Managing Director (20 May 2008 to 12 April 2017) of Orbital Corporation, VP for Global Fuel Systems at Siemens AG, CEO and Managing Director of Synerject and VP of Manufacturing Outboard Marine Corporation. Mr Stinson is currently the Non-Executive Chair of wave energy technology developer, Carnegie Clean Energy Limited (appointed 19 October 2018) and a Non-Executive Director of Aurora Labs Limited (appointed 27 February 2020).

Interests in shares: 149,622. Interests in options: Nil.

#### **Mark Thompson**

**(Managing Director) (Appointed 21<sup>st</sup> July 2009)**

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

Mr Thompson founded Talga and previously founded and served on the Board of ASX listed Catalyst Metals Limited. Mr Thompson was a Non-Executive Director of Gibb River Diamonds Ltd from 1 December 2012 to 24 March 2020.

Interests in shares: 14,338,969. Interests in options: 2,800,000.

#### **Grant Mooney**

**(Non-Executive Director) (Appointed 20<sup>th</sup> February 2014)**

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

Mr Mooney is a Non-Executive Director of several ASX listed companies including wave energy technology developer, Carnegie Clean Energy Limited (appointed 19 February 2008), 3D metal printing technology company Aurora Labs Limited (appointed 25 March 2020), and mineral resources companies Barra Resources Limited (appointed 29 November 2002), Riedel Resources Limited (appointed 31 October 2018), Accelerate Resources Limited (appointed 1 July 2017), SRJ Technologies (appointed 1 June 2020) and Gibb River Diamonds Limited (appointed 14 October 2008).

Interests in shares: Nil. Interests in options: Nil

### Stephen Lowe

**(Non-Executive Director) (Appointed 17<sup>th</sup> December 2015)**

Mr Lowe has a background in business management with over 20 years' experience consulting to a range of corporate and high wealth clients. Mr Lowe was the Group Manager for the Creasy Group for 12 years before retiring in August 2019.

Mr Lowe is also an experienced public company director, being currently a Non-Executive Director of Coziron Resources Ltd (appointed 22 October 2010) and the former Chair of Sirius Resources NL and former Non-Executive Director of Windward Resources Ltd. Mr Lowe holds a Bachelor of Business (Accounting) and a Masters of Taxation from the UNSW. He is a Fellow of the Taxation Institute of Australia.

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

### Ola Rinnan

**(Non-Executive Director) (Appointed 7<sup>th</sup> August 2017)**

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

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

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

### Andrew Willis

**(Non-Executive Director) (Appointed 1<sup>st</sup> July 2019, resigned 17<sup>th</sup> July 2020)**

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

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

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

## 3. INFORMATION ON COMPANY SECRETARY

### Dean Scarparolo

**(Appointed 5<sup>th</sup> February 2015)**

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

## 4. CORPORATE STRUCTURE

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

## 5. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

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

- Anode project development and mineral exploration in Sweden;
- Development and commercialisation of rechargeable battery materials, including anodes (Talnode®), and advanced graphite (Talphite®) and graphene (Talphene®) products; and
- Development of sustainable, low-cost and innovative graphite, anode and graphene production technology.

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

- Agreements signed with Mitsui & Co. and Macquarie Capital to progress Vittangi Anode Project financing;
- Approval of 25,000 tonne trial mine program at the Vittangi Graphite Project and submission of 22-year 100,000 tonne per annum mining applications for the vertically integrated Vittangi Anode Project;
- Discovery and definition of the Company's significant high-grade Niska graphite deposits at the Vittangi project and completion of Maiden JORC (2012) Indicated resource for Niska;
- Expressions of Interest for Talnode®-C exceeding 300% of planned annual Vittangi Anode Project production, leading to consideration of significant capacity expansion via commencement of the Niska Scoping Study; and
- Successful A\$9.45 million capital raising via Share Purchase Plan and institutional placement with issue of 21,492,683 new ordinary fully paid shares.

## 6. REVIEW OF OPERATIONS

During the financial year, the Group made substantial progress across its operational, commercial and corporate objectives towards bringing the Vittangi Anode Project into production. A summary of operational highlights is provided below.

### COMMERCIAL DEVELOPMENT

#### Industry Partnerships

- Agreement signed with Farasis, one of the world's leading manufacturers of lithium-ion batteries, to supply Talnode® products for evaluation in Farasis batteries and assessment of potential business development opportunities;
- Mitsui & Co., one of the largest global trading and investment companies, enters Memorandum of Understanding to evaluate joint development of the Company's Vittangi Anode Project;
- By end of period Talnode® products were in 36 commercial engagements including the majority of European Li-ion battery manufacturers and 6 major global automotive manufacturers;
- Bentley Motors to use Talphene® in its e-drive innovation project, co-funded by Innovate UK;
- Talga joined Johnson Matthey and Sheffield University in the development of a graphite-based anode for solid-state batteries (Talnode®-E), under a UK Faraday co-funded consortium program;
- Memorandum of Understanding executed with Leclanché SA, a leading provider of high quality energy storage solutions, to evaluate Talnode® for its lithium-ion battery products; and
- Joint Development Agreement executed with BillerudKorsnäs, a multinational paper and paperboard company, to progress co-development of improved packaging technology incorporating Talphene®.

#### Processing and Product Development

- Scale-up of Rudolstadt test processing facility completed to meet increased demand for Talnode®-C samples towards customer qualification for 3C and ESS battery applications;
- Successful 60 tonne pilot-scale Talnode®-C production program demonstrates suitability of the PFS graphite concentrate process flowsheet and achieves targeted range of operational and product performance;
- Commercial-scale trials of Talphene®-enhanced marine coatings commenced on two 33,000t container cargo ships for evaluation of real life performance, representing the largest known application of graphene in the world; and
- Attained European Union 'Registration, Evaluation, Authorisation and Restriction of Chemicals' (REACH) approval for commercial graphene manufacturing.



**MINERAL DEVELOPMENT AND EXPLORATION**

- Three year environmental permit approved for the extraction of up to 25,000 tonnes of Vittangi Graphite ore, to be used as feedstock for the Company's Talnode®-C market development;
- Exploitation concession application and Environmental Impact Assessment submitted for full scale mining as part of vertically integrated Vittangi Anode Project;
- Demarcation of the Vittangi Graphite Projects as a mineral deposit of national interest completed by the Swedish Geological Survey;
- Reported final assay results from the maiden drilling program at the Niska graphite prospect confirmed the discovery of a significant new high-grade graphite deposit with exceptionally wide downhole intercepts;
- Maiden JORC (2012) Indicated resource of 4.6Mt @ 25.8% Cg defined for the Company's Niska graphite deposits, part of the Vittangi Graphite Project, expanding total JORC resource inventory to 52.7Mt containing 9.3Mt graphite;
- Niska scoping study commenced with consideration to significantly expand anode capacity based on Talnode®-C Expressions of Interest received exceeding 300% of planned annual Vittangi Anode Project production; and
- Maiden JORC (2012) Inferred resource of 7.7Mt @ 0.25% Cu, 0.04% Co, 0.36% CuEq defined at the Company's north Sweden Kiskama Cobalt-Copper Project.

**CORPORATE**

- Measures to manage the effect of COVID-19 on the Company's operations proactively implemented with focus on the well-being of people, partners and customers and seeking to limit impact on stakeholders;
- Share Purchasing Plan and institutional placement completed, raising a combined total of approximately A\$9.45 million (before costs) towards funding Vittangi Anode Project development work;
- Mandate signed with Macquarie Capital to act as financial adviser to the Company with a focus on engaging strategic partners and investors in regard to financing of the Vittangi Anode Project; and
- Outreach programs completed focusing on investor and product/technology events including Benchmark Mineral Intelligence World Tour event (Australia, Korea and Japan), Benchmark Minerals Week Graphite & Anodes 2019 (US), IDTechEx Show 2019 (US), WCX™ Digital Summit technical expert panel (Virtual), Benchmark Mineral Intelligence Anode Webinar (Virtual) and Talga Investor webinars and podcasts (Virtual);

**FUTURE OUTLOOK AND STRATEGY**

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

- Finalise Talnode®-C customer qualification and secure orders to underwrite an investment decision;
- Lodgment of anode refinery permits and completion of commercial Definitive Feasibility Study towards completing project financing;
- Completion of Niska Scoping Study towards more detailed expansion plans; and
- Continue development and commercialisation of Talphene® products.

**7. MINERAL RESOURCES AND ORE RESERVE STATEMENT**

This statement represents the Mineral Resources and Ore Reserves ("MROR") for Talga Resources Ltd as at 30 June 2020.

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

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

As at the Annual Review date of 30 June 2020, this MROR Statement has been approved by the named competent persons (see the Competent Persons Statement on page 13).

## MINERAL RESOURCES

Talga owns 100% of mineral assets of graphite (“Cg”), copper (“Cu”), cobalt (“Co”) and iron (“Fe”) in northern Sweden. An overview of each of the assets in the Group’s portfolio at 30 June 2020 is below in Table 1 and details of each project’s Mineral Resource categories are set out in Tables 2 to 7.

**Table 1 – Talga 30 June 2020 Total Mineral Resources**

Project	Tonnes		Grade			Contained Mineral			
	Ore (Mt)	Cg (%)	Fe (%)	Cu (%)	Co (%)	Cg (Mt)	Fe (Mt)	Cu (t)	Co (t)
Vittangi Graphite	16.9	25.6	-	-	-	4.3	-	-	-
Jalkunen Graphite	31.5	14.9	-	-	-	4.7	-	-	-
Raitajärvi Graphite	4.3	7.1	-	-	-	0.3	-	-	-
<b>Total Graphite</b>	<b>52.7</b>	<b>17.7</b>	-	-	-	<b>9.3</b>	-	-	-
Kiskama Copper-Cobalt	7.7	-	-	0.25	0.04	-	-	17,000	1,800
<b>Total Copper-Cobalt</b>	<b>7.7</b>	-	-	<b>0.25</b>	<b>0.04</b>	-	-	<b>17,000</b>	<b>1,800</b>
Vittangi Iron	123.6	-	32.6	-	-	-	40.3	-	-
Masugnsbyn Iron	112	-	28.6	-	-	-	32	-	-
<b>Total Iron</b>	<b>235.6</b>	-	<b>30.7</b>	-	-	-	<b>72.3</b>	-	-

Notes:

1. Details of each of the Indicated and Inferred Mineral Resource categories are set out on tables 2 to 6.
2. All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.
3. All projects are 100% Talga owned.
4. The graphite and iron resources are separate deposits but sometimes occur within the same project area. The Kiskama copper-cobalt project is a separate deposit and project from the graphite and iron projects.
5. Mineral quantities are contained mineral.
6. Mineral Resources are inclusive of Indicated and Inferred Mineral Resource categories and Ore Reserves.

**VITTANGI GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)****Table 2 – Vittangi Graphite Project – JORC (2012) Resources at 17% Cg cut-off, Niska Resource at a 10% Cg cut-off**

Deposit	JORC Resource Category	Tonnes	Grade Cg (%)
Nunasvaara	Indicated	10,700,000	25.7
Nunasvaara	Inferred	1,600,000	23.9
Niska	Indicated	4,600,000	25.82
<b>Total</b>		<b>16,900,000</b>	<b>25.6</b>

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Nunasvaara graphite mineral resource estimate was disclosed in April 2017 in accordance with the 2012 JORC Code (ASX: TLG 27 April 2017). The Niska graphite mineral resource was disclosed in October 2019 in accordance with the 2012 JORC Code (ASX: TLG 15 October 2019).

The total for the Vittangi Graphite Project has increased from the previous reporting period due to the addition of the Niska graphite mineral resource disclosed in October 2019.

**JALKUNEN GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)****Table 3 – Jalkunen Graphite Project – JORC (2012) Resource at 10% Cg cut-off**

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

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

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

**RAITAJÄRVI GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)****Table 4 – Raitajärvi Graphite Project – JORC (2004) Resource at 5% Cg cut-off**

Deposit	JORC Resource Category	Tonnes	Grade Cg (%)
Raitajärvi	Indicated	3,400,000	7.3
Raitajärvi	Inferred	900,000	6.4
<b>Total</b>		<b>4,300,000</b>	<b>7.1</b>

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Raitajärvi Project graphite mineral resource estimate was disclosed in August 2013 in accordance with the 2004 JORC code (ASX: TLG 26 August 2013). It has not been updated since to comply with the JORC code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

**KISKAMA COPPER-COBALT PROJECT, NORTHERN SWEDEN (Talga owns 100%)****Table 5 – Kiskama Copper-Cobalt Project – JORC (2012) Resource at 0.1% CuEq cut-off**

Deposit	JORC Resource Category	Tonnes	Grade Cu %	Grade Co %	Grade CuEq %
Kiskama	Inferred	7,672,000	0.25	0.04	0.36
<b>Total</b>		<b>7,672,000</b>	<b>0.25</b>	<b>0.04</b>	<b>0.36</b>

Note: 20% geological loss applied to account for potential unknown geological losses for Inferred Mineral Resources. Ore tonnes rounded to nearest hundred thousand tonnes.

The Kiskama Copper-Cobalt Project mineral resource estimate was disclosed in August 2019 in accordance with the JORC 2012 code (ASX:TLG 21 August 2019).

**VITTANGI IRON PROJECT, NORTHERN SWEDEN (Talga owns 100%)****Table 6 – Vittangi Iron Project – JORC (2004) Resource 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
<b>Total</b>		<b>123,600,000</b>	<b>32.6</b>

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Vittangi Iron Project mineral resource was disclosed in July 2013 in accordance with the 2004 JORC Code (ASX: TLG 22 July 2013). It has not been updated since to comply with the JORC code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

The total for the Vittangi Iron Project has increased from the previous reporting period due to the addition of the Vathanvaara iron mineral resource (previously disclosed by Talga in July 2013) through the acquisition of the exploration permit Vathanvaara nr 102 during the reporting period.

**MASUGNSBYN IRON PROJECT, NORTHERN SWEDEN (Talga owns 100%)****Table 7 – Masugnsbyn Iron Project – JORC (2004) Resource Estimate at 20% Fe cut-off**

Deposit	JORC Resource Category	Tonnes	Grade Fe (%)
Masugnsbyn	Indicated	87,000,000	28.3
Masugnsbyn	Inferred	25,000,000	29.5
<b>Total</b>		<b>112,000,000</b>	<b>28.6</b>

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Masugnsbyn Iron Project mineral resource was disclosed in February 2012 in accordance with the 2004 JORC Code (ASX: TLG 28 February 2012). It has not been updated since to comply with the JORC code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

The total for the Masugnsbyn Iron Project has increased from the previous reporting period due to the addition of a previously reported portion of the Masugnsbyn iron mineral resource (previously disclosed by Talga in February 2012) through the acquisition of the exploration permit Masugnsbyn nr 102 during the reporting period.

## MINERAL RESERVES

Talga owns 100% of one mineral asset of graphite in the JORC Probable Ore Reserve category in northern Sweden. An overview of the asset in the Group's portfolio at 30 June 2020 is below in Table 8 and details of the project's Mineral Reserve category is set out below in Table 9.

**Table 8 – Talga 30 June 2020 Total Mineral Reserves**

Project	Tonnes	Grade	Contained Mineral
	Ore (Mt)	Cg (%)	Cg (Mt)
Vittangi Graphite	1.94	23.53	0.46
<b>Total Graphite</b>	<b>1.94</b>	<b>23.53</b>	<b>0.46</b>

Note:

1. Detailed table setting out the Probable Ore Reserve category is set out on table 9.
2. All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.
3. All projects are 100% Talga owned.
4. Mineral quantities are contained mineral.
5. Mineral Reserves are of Probable Ore Reserve category.

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

**Table 9 – Vittangi Project Nunasvaara Graphite Deposit – JORC (2012) Reserve at 12% Cg cut-off**

Deposit	JORC Reserve Category	Tonnes	Grade Cg (%)
Nunasvaara	Probable	1,900,000	23.5
<b>Total</b>		<b>1,900,000</b>	<b>23.5</b>

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

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

## COMPARISON WITH PRIOR YEAR ESTIMATES

### Mineral Resources

During the 2019 financial year, the Company made a number of changes to its mineral resource inventory:

- The maiden mineral resource estimate for the Niska deposit saw the Vittangi Graphite Project increase from 12.3Mt @ 25.5% Cg to 16.9Mt @ 25.6% Cg. The Niska graphite mineral resource of 4.6Mt @ 25.82% Cg was disclosed in October 2019 in accordance with the 2012 JORC Code (ASX: TLG 15 October 2019).
- The maiden Kiskama Copper-Cobalt mineral resource estimate of 7.7Mt @ 0.25% Cu, 0.04% Co and 0.36% CuEq was disclosed in August 2019 in accordance with the JORC 2012 code (ASX:TLG 21 August 2019).
- The total iron ore resource for the Vittangi Iron Project has been increased from 72.4Mt @ 30.2% Fe to 123.6Mt @32.6% Fe due to the acquisition of the Vathanvaara nr 102 exploration permit.
- The total iron ore resource for the Masugnsbyn Iron Project has been increased from 25Mt @ 29.5% Fe to 112Mt @28.6% Fe due to the acquisition of the Masugnsbyn nr 102 exploration permit.

All other resource estimates across the Company's projects remain unchanged from the Company's Mineral Resource Statement as at 30 June 2019.

### Ore Reserves

The ore reserve estimates across the Company's projects remain unchanged from the Company's Ore Reserve Statement as at 30 June 2020.

## GOVERNANCE SUMMARY

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

## COMPETENT PERSONS STATEMENT

*The information in this report that relates to the Vittangi Graphite Project - Nunasvaara Resource Estimation is based on information compiled by Oliver Mapeto and reviewed by Albert Thamm. Both Mr Mapeto and Mr Thamm are consultants to the Company. Mr Mapeto is a member of both the Australian Institute of Mining and Metallurgy (Membership No. 306582) and Australian Institute of Geoscientists (Membership No. 5057) and Mr Thamm (Membership No. 203217) is a fellow member of the AusIMM. Both Mr Mapeto and Mr Thamm have sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which both are undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Mapeto and Mr Thamm consent to the inclusion in this report of the matters based on this information in the form and context in which it appears.*

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

*The information in this report that relates to Vittangi Graphite Project - Niska Resource Estimation is based on information compiled by Simon Coxhell, Principal Consultant of CoxsRocks Pty Ltd. Mr Coxhell is a consultant to the Company. Mr Coxhell is 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 has supervised both mining and diamond drilling at both Nunasvaara and the initial diamond drilling at Niska South. Mr Coxhell consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.*

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

*The information in this report that relates to Mineral Resource Estimation for the Kiskama Copper-Cobalt Project is based on information compiled by Elizabeth and Andrew de Klerk. Both Mr and Mrs de Klerk are consultants to the Company. Mr de Klerk is a member of the South African Institute of Mining and Metallurgy (SAIMM) and of the Geological Society of Africa (GSSA) and a registered Professional Natural Scientist (Pr.Sci.Nat. 400030/11) and Mrs de Klerk is a member of the South African Institute of Mining and Metallurgy (SAIMM) and a Fellow of the Geological Society of Africa (GSSA) and a registered Professional Natural Scientist (Pr.Sci.Nat. 400090/08). Both Mr and Mrs de Klerk have sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which both are undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr and Mrs de Klerk consent to the inclusion in this report of the Matters based on this information in the form and context in which it appears.*

*The information in this document that relates to exploration results is based on information compiled by Amanda Scott, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Amanda Scott is a full-time employee of Scott Geological AB. Amanda Scott has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Amanda Scott consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.*



## 8. TENEMENT INTERESTS

As required by ASX listing rule 5.3.3, the Schedule of Mineral Tenements provides details of Talga's interests in mining tenements held by the Group. No joint ventures or farm-in/farm-out activity occurred during the year.

## 9. FINANCIAL PERFORMANCE AND FINANCIAL POSITION

As a mineral explorer and advanced material developer of functional graphene and graphite enhanced products, the Group does not currently have any material operational revenue. Other income during the year consisted of IUK Grants, R&D refunds and COVID-19 rent relief.

The financial results of the Group for the year ended 30 June 2020 are:

	2020	2019
Cash and cash equivalents (\$)	5,074,819	7,666,863
Net assets (\$)	7,242,381	9,490,458
Income (\$)	1,192,230	1,665,368
Net loss after tax (\$)	(13,416,292)	(12,935,079)
Loss per share (cents per share)	(5.7)	(5.9)
Dividend (\$)	-	-

## 10. DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2020. (30 June 2019: Nil).

## 11. RISKS

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

### Mineral and Exploration Risk

The business of exploration, project development and mining contain risks by its very nature. To prosper, is dependent on the successful exploration and/or acquisition of reserves, design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product.

### Operating Risk

The proposed activities, costs and use of funds of the Group are based on certain assumptions with respect to the method and timing of exploration, metallurgy and other technical tests. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. The proposed activities of the Group including preliminary economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics. It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes.

### Foreign Currency Risks

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group conducts exploration and mining development activities in Sweden (transaction currency is SEK), product development in the United Kingdom (transaction currency is GBP) as well as Germany where the Group is developing a graphite/graphene pilot plant facility (transaction currency is EUR). The Group is subject to foreign currency value fluctuations in the course of its operations. To mitigate the Group's exposure currency rates are monitored regularly and funds are transferred to the foreign operations when rates are more favourable and also plans to curtail this impact by paying foreign currency invoices in a timely fashion.

### Additional Requirements for Capital

Talga is now a vertically integrated advanced materials technology company with a strategy to produce value added products that would provide the most effective, near-term opportunities for commercialisation and potential cashflows. The Group's cash as at 30 June 2020 is \$5.07 million.

Further funding will be required to achieve planned business activities in the next financial year. Management has strategies to tailor budgeted cashflows based on future funding received. However, without regular income outside interest proceeds or assets sales, it will rely on continuing access to capital markets (including the exercise of unlisted Talga options) to fund further development in Sweden, Germany and United Kingdom.

Failure to obtain sufficient financing for Talga's activities and future projects may result in delay and indefinite postponement of exploration, development or production on Talga's properties, or even loss of a property interest.

#### **Environmental Impact Constraints**

The Group's exploration programs and other operational activities will, in general, be subject to approval by governmental authorities. Development of any of the Group's properties and operations will be dependent on meeting environmental guidelines and where required, being approved by governmental authorities. The Group is well aware of its environmental obligations across its operational activities in Germany, the UK and in particular Sweden, where there are various environmental requirements to complete and apply for an exploitation permit and continues to monitor compliance.

#### **Mineral Title Risks**

Mining and exploration permits are subject to periodic renewal. There is no guarantee that current or future permits or future applications for production concessions will be approved. Permits are subject to numerous legislation conditions. The renewal of the term of a granted permit is also subject to the discretion of the relevant mining inspector. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Group. Furthermore, the Group could lose title to, or its interest in, tenements if license conditions are not met or if insufficient funds are available to meet expenditure commitments.

At the date of this report all mining and exploration permits and licenses were in good standing. It is also possible that, in relation to tenements which the Group has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law rights of Indigenous owners exist. In this case, the ability of the Group to gain access to tenements (through obtaining consent of any relevant Indigenous owner, body, group or landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected. The Group's mineral titles may also be subject to access by third parties including, but not limited to, the areas' Indigenous people. This access could potentially impact the Group's activities and/or may involve payment of compensation to parties whose existing access to the land may be affected by the Group's activities.

#### **Resource Estimates**

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

#### **Reserve Estimates**

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

#### **Technology Risks**

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

#### **Intellectual Property Risk**

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



## 12. SUBSEQUENT EVENTS

Other than as disclosed below, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- On 17 July 2020, Non-Executive Director Andrew Willis resigned from the Talga Board of Directors in consideration of his increased corporate requirements as Co-Managing Partner of The Pallinghurst Group;
- On 31 July 2020, Talga reported the completion of feasibility work and studies on Stage 1 of its Vittangi Anode Project. The completed work showed highly positive outcomes that will be further refined in the upcoming commercial Detailed Feasibility Study and recommend an amalgamation of the two Pre-feasibility Study project stages for development to progress directly to commercial operation;
- On 25 August 2020, the Company completed a A\$10.00 million capital raising via a strongly supported institutional placement;
- On 28 August 2020, the Company advise of the sale of the its gold royalty entitlements in Western Australia to AIM listed Trident Royalties Plc for a total consideration of A\$800,000 with completion remaining subject to the receipt of Foreign Investment Review Board approval, if required;
- On 17 September 2020, the Company announced significant increases in its graphite mineral resources within its wholly-owned Vittangi Graphite Project which now stands at 19.5 million tonnes at 24.0% graphite. Talga's total graphite resource inventory in Sweden increased to 55.3 million tonnes at 17.5% graphite; and
- As announced on ASX on 25 September 2020, the Company issued 1,000,000 employee share options exercisable at \$1.12 expiring 31 December 2023 subject to vesting conditions, granted 4,000,000 share options to Mark Thompson exercisable at \$1.12 expiring 31 December 2023, subject to vesting conditions and shareholder approval and granted 2,100,000 performance rights to Non-Executive Directors subject to vesting conditions and shareholder approval.

## 13. DIRECTORS' AND COMMITTEE MEETING

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

### Directors Meetings

Directors	Number Eligible to Attend	Number Attended
Terry Stinson	10	10
Mark Thompson	10	10
Grant Mooney	10	10
Stephen Lowe	10	10
Ola Rinnan	10	10
Andrew Willis	10	9

### Remuneration Committee Meetings

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

### Audit and Risk Committee Meetings

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

#### 14. ENVIRONMENTAL REGULATIONS

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

The Group's exploration activities are subject to the Swedish Minerals Act ("Minerallagen") and operational activities in Germany are subject to the German Federal Emissions Control Act (Bundes-Immissionsschutzgesetz) and the AwSV Regulations relating to water discharge. The Group has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Group has adequate systems in place to meet its obligations. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the financial year under review.

The Directors of the Group have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("NGER") to report its annual greenhouse gas emissions and energy use. For the year ending 30 June 2020 the Group was below the reporting threshold and is therefore not required to register or report. The Directors will continue to monitor the Group's registration and reporting obligations.

#### 15. SHARE OPTIONS

As at the date of this report, there were 8,000,000 ordinary shares under option:

- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 17 December 2020;
- 2,000,000 unlisted options with an exercise price of 51 cents expiring on 10 February 2022;
- 4,000,000 unlisted options with an exercise price of 71 cents expiring on 23 October 2022; and
- 1,000,000 unlisted options with an exercise price of \$1.12 cents expiring on 31 December 2023.

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 the following share options expired;

- 2,000,000 unlisted options at an exercise price of \$0.60 expired.
- 1,000,000 unlisted options at an exercise price of \$0.54 expired.
- 2,000,000 unlisted options at an exercise price of \$1.00 expired.
- 1,500,000 unlisted options at an exercise price of \$1.02 expired.
- 650,000 unlisted options at an exercise price of Nil expired.
- 650,000 unlisted options at an exercise price of Nil expired.

#### 16. REMUNERATION REPORT (Audited)

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

##### Remuneration Policy

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

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

The responsibilities of the Remuneration committee are to:

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

The remuneration of a director or KMP will be decided by the Remuneration Committee. In determining competitive remuneration rates the Remuneration Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan. A remuneration consultant has not been consulted.

#### **Non-executive director remuneration**

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive director remuneration within that maximum will be made by the Remuneration Committee having regard to the inputs and value to the Group of the respective contributions by each non-executive director. Shareholders at a general meeting approved an aggregate amount of \$500,000 to be paid to non-executive directors. The Board may allocate this pool (or part of it) at their discretion.

The Remuneration Committee may recommend awarding additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Group. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

#### **Executive remuneration**

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

##### ***Fixed remuneration***

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

##### ***Variable (at risk) remuneration***

Variable remuneration may be delivered in the form of a short-term incentive (STI) scheme, cash bonuses or long-term incentive schemes including share options or rights. All equity-based remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology. All equity-based remuneration for directors must be approved by shareholders.

#### **Performance Based Remuneration**

Other than as noted below under Services Agreements of Executive Directors and KMP, the Group did not pay any other performance based bonuses to directors or KMP in the year ended 30 June 2020.

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

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

### Services Agreements of Executive Directors and KMP

Mr Thompson's employment conditions as Managing Director are defined by way of a contract of employment with no fixed term. Mr Thompson's Base Salary, excluding superannuation, is \$374,696 however as part of cost reduction measures during COVID, Mr Thompson's salary was reduced by 20% from 1<sup>st</sup> April to 30<sup>th</sup> June 2020 resulting in an annual salary of \$356,618. His STI's have been agreed based on the three key performance milestones covering Commercial Agreements, a Joint Venture/Corporate alliance with a Global Industry Leader and Market Capitalisation targets, up to a maximum at risk total of \$200,000 (including superannuation). No STI amounts were paid to Mr Thompson in the 2020 financial year.

The Company may terminate Mr Thompson's employment contract without cause by providing nine months written notice or making payment in lieu of notice, based on the individual's annual salary component. Mr Thompson may terminate the employment without cause by providing six months written notice and the Company may pay Mr Thompson in lieu of notice or require him to serve out his notice. In the event of a change in control of the Company, Mr Thompson will receive a bonus payment comprising of a lump sum gross payment of 12 months' Base Salary. If within 6 months after the change in control Mr Thompson elects to terminate his employment or his employment is terminated by the Company, Mr Thompson will not be entitled to any notice of termination or payment in lieu of notice.

Mr Phillip's employment conditions as Chief Operating Officer (COO) are defined by way of a contract of employment with no fixed term. Mr Phillip's Base Salary, excluding superannuation, is \$317,000. Mr Phillips is predominately located in Europe and is also entitled to six return airfares for immediate family members per year (FY20 \$5,749) and discretionary bonuses (FY20 \$70,000).

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

### Details of Remuneration

Details of the remuneration of the directors, other Key Management Personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Group) and specified executives of Talga are set out in the following tables.

2020 Director	Short Term Benefits				Post-Employment			Share based payments			Value of at risk share-based payments as proportion of remuneration
	Salary	Directors Fees	Other <sup>(i)</sup>	Non-monetary leave entitlements <sup>(ii)</sup>	Super-annuation	Retirement benefits	Sub-Total	Equity	Options <sup>(iv)</sup>	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Terry Stinson Chair	-	106,279	99,855 <sup>(i)(a)</sup>	-	19,583	-	<b>225,717</b>	-	-	<b>225,717</b>	0%
Mark Thompson Managing Director <sup>(v)</sup>	356,618	-	-	11,087	21,000	-	<b>388,705</b>	-	24,696	<b>413,401</b>	6%
Grant Mooney Non-Executive Director	-	47,945	-	-	4,555	-	<b>52,500</b>	-	-	<b>52,500</b>	0%
Steve Lowe Non-Executive Director	-	47,945	-	-	4,555	-	<b>52,500</b>	-	-	<b>52,500</b>	0%
Ola Rinnan Non-Executive Director	-	52,500	-	-	-	-	<b>52,500</b>	-	-	<b>52,500</b>	0%
Andrew Willis Non-Executive Director	-	52,500	-	-	-	-	<b>52,500</b>	-	-	<b>52,500</b>	0%
Martin Phillips Chief Operating Officer <sup>(vi)</sup>	331,792	-	75,749 <sup>(i)(b)</sup>	15,890	35,259	-	<b>458,690</b>	-	531,325	<b>990,015</b>	54%
<b>Total</b>	<b>688,410</b>	<b>307,169</b>	<b>175,604</b>	<b>26,977</b>	<b>84,952</b>	<b>-</b>	<b>1,283,112</b>	<b>-</b>	<b>556,021</b>	<b>1,839,133</b>	

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

- (i) Other benefits (a) The consultancy agreement with Mr Stinson was amended from 7 February 2019 based on daily rate of \$1,057.69; (b) Mr Martin Phillips was provided travel benefits of \$5,749 and a bonus for the 2020 financial year of \$70,000 as part of his remuneration.
- (ii) Non-monetary leave entitlements are the net movement of the balance of accrued annual and long-service leave entitlements.
- (iii) The fair value of options expensed for the year ended 30 June 2020 issued to Mr Thompson in the financial year amounted to \$24,696.
- (iv) The fair value of options expensed for the year ended 30 June 2020 issued to Mr Phillips in the financial year amounted to \$531,325.
- (v) From 1 July 2019, Mr Mark Thompson was entitled to a total annual base salary of \$362,000 plus superannuation of \$34,390 however as part of cost reduction measures during COVID, Mr Thompson's salary was reduced 20% from 1<sup>st</sup> April to 30<sup>th</sup> June 2020 resulting in an annual salary of \$356,618.
- (vi) Mr Martin Phillips was entitled to a total annual base salary of \$317,000 however due to tax equalisation was entitled to be paid \$331,792 for the 2020 financial year.

2019 Director	Short Term Benefits				Post-Employment			Share based payments			Value of at risk share-based payments as proportion of remuneration
	Salary	Directors Fees	Other <sup>(i)</sup>	Non-monetary leave entitlements <sup>(ii)</sup>	Super-annuation	Retirement benefits	Sub-Total	Equity	Options <sup>(iii)</sup>	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Terry Stinson Chair	-	113,242	112,048 <sup>(i)(a)</sup>	-	21,402	-	246,692	-	-	246,692	0%
Mark Thompson Managing Director <sup>(iv)</sup>	360,529	-	70,000 <sup>(i)(b)</sup>	10,710	20,531	-	461,770	-	841,393	1,303,163	65%
Grant Mooney Non-Executive Director	-	54,795	-	-	5,205	-	60,000	-	-	60,000	0%
Steve Lowe Non-Executive Director	-	54,795	-	-	5,205	-	60,000	-	-	60,000	0%
Ola Rinnan Non-Executive Director	-	60,000	-	-	-	-	60,000	-	-	60,000	0%
Andrew Willis Non-Executive Director	-	-	-	-	-	-	-	-	-	-	0%
Martin Phillips Chief Operating Officer <sup>(vi)</sup>	327,136	-	27,118 <sup>(i)(c)</sup>	7,037	30,429	-	391,720	-	39,903	431,623	9%
<b>Total</b>	<b>687,665</b>	<b>282,832</b>	<b>209,166</b>	<b>17,747</b>	<b>82,772</b>	<b>-</b>	<b>1,280,182</b>	<b>-</b>	<b>881,296</b>	<b>2,161,478</b>	

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

- (i) Other benefits (a) The consultancy agreement with Mr Stinson was amended from 7 February 2019 based on a daily rate of \$1,058; (b) Mr Thompson was paid \$70,000 in the 2019 financial year in satisfying market capitalisation targets achieved during the 2018 financial year; (c) Mr Martin Phillips was provided travel benefits of \$11,868 and a bonus for the 2018 financial year of \$15,250 as part of his remuneration.
- (ii) Non-monetary leave entitlements are the net movement of the balance of accrued annual and long-service leave entitlements.
- (iii) Mr Thompson's shareholding includes 4 million shares issued during the 2014 financial year as part of a Management Incentive Plan. This was provided via a non-recourse interest free loan amounting to \$1,480,000 which was payable by 23 June 2019. This repayment date of the non-recourse loan was extended to the earlier of 23 June 2021 or when the Talga share price is greater than or equal to \$1.50 for thirty (30) consecutive Trading Days, payable thirty (30) days after the date on which the 30th consecutive Trading Day where the Closing Price is greater than or equal to \$1.50 occurs. The value of these shares is considered for accounting purposes to be options. As a result of the extension of loan repayment term, Accounting Standard AASB2, requires a revaluation of the shares and using the Black Scholes pricing model, a share based payment amount of \$816,697 was expensed during the year. For avoidance of doubt, no new shares have been issued to Mr Thompson. Note 16(c) refers to the assumptions made in calculating the fair value of the shares expensed in relation to this calculation. Separately, the fair value of options expensed for the year ended 30 June 2019 issued to the Mr Thompson in a prior financial year amounted to \$24,696.
- (iv) The fair value of options expensed for the year ended 30 June 2019 issued to the Mr Phillips in a prior financial year amounted to \$39,903.

- (v) From 1 July 2018, Mr Mark Thompson was entitled to a total annual base salary of \$360,529 plus superannuation of \$20,531.
- (vi) Mr Martin Phillips was entitled to a total annual base salary of \$305,000 however due to tax equalisation was entitled to be paid \$327,136 for the 2019 financial year.

#### Option and Shareholdings of Directors and Officers

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

##### Key Management Personnel Options 2020

30 June 2020	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exercisable
Terry Stinson	2,000,000	-	-	(2,000,000)	-	-	-
Mark Thompson	2,800,000	-	-	-	2,800,000	-	1,500,000
Grant Mooney	-	-	-	-	-	-	-
Stephen Lowe	1,000,000	-	-	-	1,000,000	-	1,000,000
Ola Rinnan	-	-	-	-	-	-	-
Andrew Willis	-	-	-	-	-	-	-
Martin Phillips	2,500,000	3,000,000	(250,000)	(2,250,000)	3,000,000	1,700,000	2,700,000

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

##### Key Management Personnel Shareholdings 2020

30 June 2020	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes During the Year	Balance at End of Year
Terry Stinson <sup>(i)</sup>	59,899	-	-	89,723	149,622
Mark Thompson <sup>(ii)</sup>	14,270,788	-	-	68,181	14,338,969
Grant Mooney	-	-	-	-	-
Stephen Lowe <sup>(iii)</sup>	810,000	-	-	190,000	1,000,000
Ola Rinnan	-	-	-	-	-
Andrew Willis	-	-	-	-	-
Martin Phillips <sup>(iv)</sup>	-	-	250,000	-	250,000

- (i) Mr Stinson purchased 68,181 shares via the Company Share Purchase Plan and 21,542 shares through on market trades during the year.
- (ii) Mr Thompson purchased 68,181 shares via the Company Share Purchase Plan during the year.
- (iii) Mr Lowe purchased 68,181 shares via the Company Share Purchase Plan and 121,819 shares through on market trades during the year.
- (iv) Mr Phillips was issued with 250,000 shares upon exercise of 250,000 share options during the year.

##### Share based payments

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

Key Management Personnel	Granted in Year \$	Value of options expensed during year \$	Value of options exercised in year \$
Terry Stinson	-	-	-
Mark Thompson	-	24,696	-
Grant Mooney	-	-	-
Stephen Lowe	-	-	-
Ola Rinnan	-	-	-
Andrew Willis	-	-	-
Martin Phillips	1,122,000	531,325	29,925

**Additional disclosures relating to options and shares**

The table below discloses the number of share options at 30 June 2020 granted to Key Management Personnel as remuneration as well as the number of options that vested or lapsed during this year.

Share options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

Class	Grant date	Number of Options awarded	Fair value per options at award date	Vesting date	Exercise price	Expiry date	No. vested during this year	No. lapsed during this year
<b>As at 30 June 2020</b>								
Terry Stinson	9/02/17	2,000,000	\$0.1430	9/2/2017	\$0.60	8/2/2020	-	2,000,000
Mark Thompson	11/8/17	1,500,000	\$0.2340	11/8/17	\$1.02	10/8/20	-	-
Mark Thompson	11/8/17	650,000	\$0.1140	*	Nil	10/8/20	-	-
Mark Thompson	11/8/17	650,000	\$0.0190	*	Nil	10/8/20	-	-
Stephen Lowe	17/12/15	1,000,000	\$0.1220	17/12/15	\$0.54	17/12/20	-	-
Ola Rinnan	NA	-	-	-	-	-	-	-
Andrew Willis	NA	-	-	-	-	-	-	-
Martin Phillips	9/8/16	500,000	\$0.1200	9/8/16	\$0.35	10/8/19	-	-
Martin Phillips	9/8/16	1,000,000	\$0.1200	22/6/18	\$0.35	10/8/19	-	-
Martin Phillips	9/8/16	1,000,000	\$0.1200	1/7/19	\$0.35	10/8/19	1,000,000	-
Martin Phillips	24/10/19	3,000,000	\$0.3740	*	\$0.71	23/10/22	-	-

\* Subject to vesting conditions

**17. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Group paid a premium of \$39,550 (2019: \$32,441) to insure directors and officers of the Group. The directors and officers have indemnities in place with the Group whereby the Company has agreed to indemnify the directors and officers in respect of certain liabilities incurred by the director or officer while acting as a director of the Group and to insure the director or officer against certain risks the director or officer is exposed to as an officer of the Group.

**18. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2020 has been received and immediately follows the Directors' Report. There were no other fees paid to Stantons International for non-audit services provided during the year ended 30 June 2020. The directors are satisfied that the provisions of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed did not compromise the external auditor's independence.

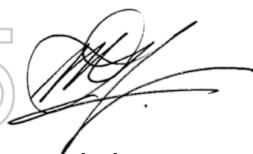


## 19. CORPORATE GOVERNANCE

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

The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council and considers that Talga is in compliance with those guidelines which are of critical importance to the commercial operation and commensurate of an ASX listed company of its size. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Group.

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



**Mark Thompson**  
Managing Director

Perth, Western Australia  
29 September 2020

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29 September 2020

The Directors  
Talga Resources Limited  
Suite 3, First Floor  
2 Richardson Street,  
West Perth, WA 6005

Dear Sirs

**RE: TALGA RESOURCES LIMITED**

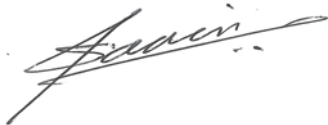
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Talga Resources Limited.

As Audit Director for the audit of the financial statements of Talga Resources Limited for the year ended 30 June 2020, 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**



**Samir Tirodkar**  
Director

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2020 \$	2019 \$
Revenues from ordinary activities	2	9,349	8,542
Other Income	2	1,182,881	1,656,826
Expenses			
Administration expenses		(1,358,732)	(1,736,884)
Compliance and regulatory expenses		(491,114)	(509,298)
Depreciation expense		(862,784)	(436,457)
Employee benefits expenses and Directors Fees		(1,933,508)	(2,118,788)
Exploration and evaluation expenditure	9	(3,128,468)	(2,524,405)
Exploitation costs Sweden	9	(2,164,942)	(997,074)
Exploration acquisition costs written off		(30,613)	-
Operations – Test Facility, Research & Product Dev.		(3,909,623)	(5,081,310)
Operations – Trial Mining Sweden		-	(276)
FX (loss) realised		(31,428)	(21,087)
Share based payments		(697,310)	(1,174,868)
<b>(Loss) before income tax expense</b>		<b>(13,416,292)</b>	<b>(12,935,079)</b>
Income tax expense	3	-	-
<b>Net (loss) attributable to members of the parent entity</b>		<b>(13,416,292)</b>	<b>(12,935,079)</b>
<b>Other comprehensive income / (loss):</b>			
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		19,981	(88,424)
<b>Total other comprehensive (loss) / income for the year</b>		<b>19,981</b>	<b>(88,424)</b>
<b>Total comprehensive (loss) for the year</b>		<b>(13,396,311)</b>	<b>(13,023,503)</b>
<b>Total comprehensive (loss) attributable to members of the parent entity</b>		<b>(13,396,311)</b>	<b>(13,023,503)</b>
Basic loss per share (cents per share)	16	(5.7)	(5.9)
Diluted loss per share (cents per share)	16	(5.7)	(5.9)

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

## Consolidated Statement of Financial Position

		2020	2019
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	4	5,074,819	7,666,863
Trade and other receivables	5	328,934	987,082
Prepayments	7	57,524	51,149
<b>Total Current Assets</b>		<b>5,461,277</b>	<b>8,705,094</b>
<b>Non-Current Assets</b>			
Other receivables	6	55,236	51,734
Plant and equipment	8	2,993,180	2,595,077
Inventory		16,824	15,476
Exploration and evaluation acquisition costs	9	288,037	284,013
<b>Total Non-Current Assets</b>		<b>3,353,277</b>	<b>2,946,300</b>
<b>TOTAL ASSETS</b>		<b>8,814,554</b>	<b>11,651,394</b>
<b>Current Liabilities</b>			
Lease liability		207,419	-
Trade and other payables	10	987,060	1,889,368
Provisions	11	377,694	271,568
<b>TOTAL LIABILITIES</b>		<b>1,572,173</b>	<b>2,160,936</b>
<b>NET ASSETS</b>		<b>7,242,381</b>	<b>9,490,458</b>
<b>Equity</b>			
Issued capital	12	64,567,257	54,119,311
Reserves	13	8,955,044	8,237,753
Accumulated losses	14	(66,279,920)	(52,866,606)
<b>TOTAL EQUITY</b>		<b>7,242,381</b>	<b>9,490,458</b>

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

## Consolidated Statement of Changes in Equity

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>At 1 July 2018</b>	<b>46,582,423</b>	<b>(39,931,527)</b>	<b>7,151,309</b>	<b>13,802,205</b>
<b>Comprehensive income:</b>				
Loss after income tax for the year	-	(12,935,079)	-	(12,935,079)
Other comprehensive loss for the year	-	-	(88,424)	(88,424)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(12,935,079)</b>	<b>(88,424)</b>	<b>(13,023,503)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	8,017,003	-	-	8,017,003
Capital raising costs	(480,115)	-	-	(480,115)
Share based compensation	-	-	1,174,868	1,174,868
<b>At 30 June 2019</b>	<b>54,119,311</b>	<b>(52,866,606)</b>	<b>8,237,753</b>	<b>9,490,458</b>
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>At 1 July 2019</b>	<b>54,119,311</b>	<b>(52,866,606)</b>	<b>8,237,753</b>	<b>9,490,458</b>
<b>Comprehensive income:</b>				
Loss after income tax for the year	-	(13,416,292)	-	(13,416,292)
Impact of change in accounting policy for AASB 16	-	2,978	-	2,978
Other comprehensive income for the year	-	-	19,981	19,981
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>(13,413,314)</b>	<b>19,981</b>	<b>(13,393,333)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	10,730,364	-	-	10,730,364
Capital raising costs	(282,418)	-	-	(282,418)
Share based compensation	-	-	697,310	697,310
<b>At 30 June 2020</b>	<b>64,567,257</b>	<b>(66,279,920)</b>	<b>8,955,044</b>	<b>7,242,381</b>

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

## Consolidated Statement of Cash Flows

	2020	2019
Note	\$	\$
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	5,302	10,107
Payments for exploration, evaluation & exploitation	(5,293,410)	(2,629,276)
Payments to suppliers, contractors and employees	(4,677,339)	(7,214,240)
German Operations & UK Operations including R&D	(3,512,063)	(2,595,426)
Interest received	26,739	282,244
Other - tenements	(25,000)	-
Other income – grants	1,173,689	468,887
<b>Net cash flows used in operating activities</b>	<b>(12,302,082)</b>	<b>(11,677,704)</b>
15		
<b>Cash Flows from Investing Activities</b>		
Purchase of plant and equipment	(365,807)	(576,232)
Payment other – Security Bonds payments	-	(4,560)
Proceeds other – Capital Grants	80,695	168,431
16		
Proceeds from sale of tenements	-	275,000
16		
<b>Net cash provided by investing activities</b>	<b>(285,112)</b>	<b>(137,361)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of securities	10,707,001	8,017,003
Payment for costs of issue of securities	(282,418)	(471,776)
Lease payments	(429,433)	-
<b>Net cash flows from financing activities</b>	<b>9,995,150</b>	<b>7,545,227</b>
<b>Net (decrease) in cash and cash equivalents</b>		
	<b>(2,592,044)</b>	<b>(4,269,838)</b>
Cash and cash equivalents at the beginning of the financial year	7,666,863	11,936,701
<b>Cash and cash equivalents at the end of the financial year</b>	<b>5,074,819</b>	<b>7,666,863</b>
4		

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the parent Talga Resources Ltd and Controlled Entities (the "Group"). Talga Resources Ltd is a public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. Cash as at 30 June 2020 is \$5.07 million. Further funding will be required to achieve planned business activities in the next financial year. Management has strategies to tailor budgeted cashflows based on future funding received and in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

### (a) Business Combinations

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

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

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

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

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

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

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

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

### (b) Exploration, Evaluation and Development Expenditure

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

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

### (c) Plant and Equipment

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

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

Operating Equipment:	3-15 years
Office equipment:	1-15 years
Vehicles:	5-8 years

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

### (d) Financial Instruments

#### Recognition, initial measurement and derecognition

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

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

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



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

### Classification and measurement

#### **Financial assets**

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

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

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

Classifications are determined by both:

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

#### **Financial assets at amortised cost**

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

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

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

#### **Financial assets at fair value through other comprehensive income**

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

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

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

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

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

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

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

### **Financial liabilities**

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

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

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

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

### **Impairment**

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### **(e) Cash and Cash Equivalents**

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

### **(f) Trade and Other Receivables**

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

### **(g) Revenue**

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

Government and other grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

### **(h) Impairment of Assets**

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

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

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generated 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

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

amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

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

**(i) Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the Australian Tax Office (ATO) or relevant Tax Authority. In these circumstances the GST/VAT 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/VAT.

The net amount of GST/VAT 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/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO or relevant Tax Authority are classified as operating cash flows.

**(j) Taxation**

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

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

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

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

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

**(k) Trade and Other Payables**

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

**(l) Share Based Payments**

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

Fair value is measured by use of a Black - 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.

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

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

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

**(m) Issued Capital**

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

**(n) Earnings Per Share**

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

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

**(o) Critical Accounting Estimates and Judgments**

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

**Key Estimates - Impairment**

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

**Key Judgement – Exploration and evaluation costs**

Acquisition costs are accumulated in respect of each identifiable area of interest where the right of tenure is current and are expected to be recouped or where an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

**Key Judgment – Environmental Issues**

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

**(p) Application of new and revised Accounting Standards****(i) New and Revised Accounting Standards Adopted by the Group**

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

**Initial application of AASB 16**

The Group has adopted *AASB 16 Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception for short term and low value leases) recognised as operating leases under AASB 117 Leases where the Group is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

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

The right of use assets were measured and recognised in the statement of financial position as at 1 July 2019 at its carrying amount as if AASB 16: Leases had been applied since the commencement date, but discounted using the incremental borrowing rates applicable to each group of assets and in the respective jurisdiction on 1 July 2019.

Further details of the right of use assets can be found in Note 8.

### Leases

#### *The Group as lessee*

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease. Initially the lease liability is measured at the present value of the remaining lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

#### *The Group as lessor*

The Group has no properties on lease to third parties.

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

#### ***Other standards not yet applicable***

Certain new accounting standards and interpretations have been issued by the Australian Accounting Standards Board (AASB) that are not mandatory for 30 June 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

### **(q) Foreign Currency**

#### **(i) Functional and presentation currency**

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

#### **(ii) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted

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

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:

- Investments at fair value through other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A final liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

### (iii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

### (r) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Talga Resources Ltd) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 25.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling



interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

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

### (s) Fair Value of Assets and Liabilities

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

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

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

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

#### 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.

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

### Fair value hierarchy

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

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

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

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

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

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



**2. REVENUE AND OTHER INCOME**

	2020	2019
	\$	\$
Graphene Product Sales	9,349	8,542
Interest revenue	28,720	283,494
Research and development refund	686,516	345,698
Grants	427,940	777,634
Rent relief COVID-19	39,705	-
Sale of Australian gold tenements	-	250,000
	<b>1,182,881</b>	<b>1,656,826</b>

**3. INCOME TAXES****(a) Income tax**

Prima facie income tax benefit at 26% on loss from ordinary activities is reconciled to the income tax provided in the financial statements

	2020	2019
	\$	\$
Loss before income tax	(13,416,290)	(12,935,079)
Current Tax Expense / (Benefit)	(3,488,235)	(3,557,147)
Tax effect of:		
Expenses not allowed	2,758,984	2,846,403
Income not assessable	(37,014)	(51,032)
Section 40-880 deduction (write off for certain capital costs)	(73,486)	4,399
Accrued expenses	(8,840)	(20,715)
Prepayments	(2,196)	11,285
Other deferred amounts	408,976	(156,616)
Future income tax benefit not brought to account	441,811	923,423
<b>Income tax attributable to operating losses</b>	<b>-</b>	<b>-</b>

**(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.

	2020	2019
	\$	\$
Australian tax losses	5,633,178	5,165,289
Provisions net of prepayments	70,479	72,499
Section 40-880 deduction	189,733	238,710
Other deferred amounts	104,483	91,216
Accruals	8,840	-
Prepayments	(8,473)	(11,285)
<b>Unrecognised deferred tax assets relating to the above temporary differences</b>	<b>5,998,240</b>	<b>5,556,429</b>

The estimated foreign (German/Swedish/UK) cumulative tax losses are approximately \$21.4 million and the deferred tax benefit from the cumulative foreign tax losses not recognised is approximately \$3.6 million (based on a German/Swedish/UK tax rate of 15%/21%/19%).

The benefits will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- The Group continues to comply with the conditions in deductibility imposed by the Law; and
- No change in tax legislation adversely affects the Group in realising the benefits from the deductions or the losses.

**4. CASH AND CASH EQUIVALENTS**

	2020 \$	2019 \$
Cash at bank	5,074,819	7,666,863

**5. TRADE AND OTHER RECEIVABLES**

	2020 \$	2019 \$
<b>CURRENT</b>		
Deposit on machinery in transport	-	217,483
Trade debtors and grant receivables	273,224	4,343
Research and development refund	-	345,698
GST / VAT receivable	55,710	419,558
<b>Total trade and other receivables</b>	<b>328,934</b>	<b>987,082</b>

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

**6. NON CURRENT**

	2020 \$	2019 \$
Security term deposit	55,236	51,734
<b>Total security deposits and bonds</b>	<b>55,236</b>	<b>51,734</b>

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

**7. PREPAYMENTS**

	2020 \$	2019 \$
Balance at the start of the financial year	51,149	-
Movement for the year	6,375	51,149
<b>Balance at the end of the financial year</b>	<b>57,524</b>	<b>51,149</b>

## 8. PLANT AND EQUIPMENT

	2020	2019
	\$	\$
<b>(a) Plant and equipment</b>		
Plant and equipment at cost	3,973,267	3,389,347
Less: accumulated depreciation	(1,189,730)	(794,270)
<b>Total plant and equipment</b>	<b>2,783,537</b>	<b>2,595,077</b>
<b>Balance at the beginning of the financial year</b>	<b>2,595,077</b>	<b>1,815,734</b>
Additions	583,920	1,194,778
Depreciation expense	(410,441)	(436,457)
Effect of foreign currency exchange differences	14,981	21,022
<b>Balance at the end of the financial year</b>	<b>2,783,537</b>	<b>2,595,077</b>
<b>(b) Construction in progress</b>	-	-
<b>Balance at the beginning of the financial year</b>	-	606,486
Additions	-	(606,486)
<b>Balance at the end of the financial year</b>	-	-
<b>(c) Goods in transit</b>	-	-
<b>Balance at the beginning of the financial year</b>	-	198,249
Additions	-	(198,249)
<b>Balance at the end of the financial year</b>	-	-
<b>(d) Right of use assets</b>		
Balance at the beginning of the financial year	-	-
Right of Use Assets at Cost	923,513	-
Less accumulated depreciation	(713,870)	-
<b>Balance at the end of the financial year</b>	<b>209,643</b>	-
Right of Use Assets at Cost		
<b>On initial recognition at 1st July 2019</b>		
Initial recognition	936,661	-
Exchange difference	(13,148)	-
<b>Balance at the end of the financial year</b>	<b>923,513</b>	-
Right of Use Assets Accumulated Depreciation		
On initial recognition at 1st July 2019	(203,825)	-
Termination of contract	(74,380)	-
Depreciation expense	(452,343)	-
Exchange difference	16,678	-
<b>Balance at the end of the financial year</b>	<b>(713,870)</b>	-
<b>Balance of Right Of Use Assets at the end of the financial year</b>	<b>209,643</b>	-
<b>Total property, plant and equipment</b>	<b>2,993,180</b>	<b>2,595,077</b>

**8. PLANT AND EQUIPMENT (Con't)****Liabilities at the end of period in the relation to right of use assets are:**

Current Lease Liability	207,419	-
Non-Current Lease Liability	-	-

**Amounts recognised in statement of profit or loss for the period in the relation to right of use assets and lease liabilities are:**

Depreciation Right of Use Assets	452,343	-
Interest Expense	27,318	-

The lease payments totalling \$429,433 during the period are recorded in the statement of cashflow.

At initial recognition, the lease liability was measured as the present value of minimum lease payments using the Group's incremental borrowing rate of 4%. The incremental borrowing rates was based on the unsecured interest rate that would apply if finance was sought for an amount and time period equivalent to the lease requirements of the Group. Each lease payment is allocated between the liability and interest expense. The interest expense of \$27,318 was included in administration expenses in the consolidated statement of profit or loss and other comprehensive income. Lease payments during the year was \$429,433 including interest.

**9. EXPLORATION AND EVALUATION EXPENDITURE**

	2020 \$	2019 \$
<b>Balance at the beginning of the financial year</b>	<b>284,013</b>	<b>278,071</b>
Exploration and evaluation expenditure	5,293,410	3,521,479
Written off as incurred (refer note 1(b))	(5,293,410)	(3,521,479)
Purchase of tenements	25,000	-
Write off acquisition cost of disposed tenements	(30,613)	-
Foreign currency exchange movement in assets	9,637	5,942
<b>Balance at the end of the financial year</b>	<b>288,037</b>	<b>284,013</b>

**10. TRADE AND OTHER PAYABLES**

	2020 \$	2019 \$
<b>CURRENT PAYABLES</b>		
Trade creditors	748,998	1,368,578
Accruals	181,076	441,166
Superannuation / PAYG payable	56,986	79,624
<b>Total trade and other payables</b>	<b>987,060</b>	<b>1,889,368</b>

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

**11. PROVISIONS**

	2020 \$	2019 \$
Provision for annual leave	307,995	211,183
Provision for long service leave	69,699	60,385
<b>Total Provisions</b>	<b>377,694</b>	<b>271,568</b>

## 12. ISSUED CAPITAL

	2020 \$	2019 \$
Issued and fully paid	64,567,257	54,109,311
Shares to be issued	-	10,000
	<b>64,567,257</b>	<b>54,119,311</b>

## (a) Issued and fully paid

	2020 Number	2020 \$	2019 Number	2019 \$
<b>Fully Paid Ordinary Shares</b>	<b>243,718,495</b>	<b>64,567,257</b>	<b>218,756,450</b>	<b>54,109,311</b>

## Movement Reconciliation

ORDINARY SHARES	Date	Quantity	Issued Price	\$
<b>Balance 30 June 2018</b>		<b>204,187,013</b>		<b>45,431,298</b>
Placement	4/7/18	1,769,231	0.65	1,150,000
Exercise of listed options	5/7/18	2,500	0.45	1,125
Placement	4/7/18	11,306,746	0.65	7,349,385
Exercise of listed options	20/7/18	27,483	0.45	12,367
Exercise of listed options	14/8/18	43,073	0.45	19,383
Exercise of listed options	28/8/18	45,000	0.45	20,250
Exercise of listed options	7/9/18	36,510	0.45	16,430
Exercise of listed options	28/9/18	15,800	0.45	7,110
Exercise of listed options	16/10/18	500	0.45	225
Exercise of listed options	12/11/18	4,491	0.45	2,021
Exercise of listed options	16/11/18	286,500	0.45	128,925
Exercise of listed options	5/12/18	107,328	0.45	48,299
Exercise of listed options	11/12/18	63,643	0.45	28,639
Exercise of listed options	18/12/18	10,562	0.45	4,753
Exercise of listed options	28/12/18	168,270	0.45	75,722
Exercise of listed options	2/1/19	3,750	0.45	1,687
Exercise of listed options	2/1/19	53,500	0.45	24,075
Exercise of listed options	2/1/19	60,750	0.45	27,337
Exercise of unlisted options	21/3/19	30,000	0.54	16,200
Exercise of unlisted options	21/3/19	20,000	0.42	8,400
Exercise of unlisted options	27/3/19	50,000	0.42	21,000
Exercise of unlisted options	28/3/19	23,800	0.42	9,995
Exercise of unlisted options	4/4/19	140,000	0.42	58,800
Exercise of unlisted options	17/4/19	245,000	0.42	102,900
Exercise of unlisted options	7/5/19	55,000	0.42	23,100
Less transaction costs				(480,115)
<b>Balance 30 June 2019</b>		<b>218,756,450</b>		<b>54,109,311</b>

**12. ISSUED CAPITAL (Cont'd)**

Exercise of unlisted options	8/07/2019	23,810	0.42	10,000
Exercise of unlisted options	4/07/2019	476,190	0.42	200,000
Exercise of unlisted options	4/07/2019	250,000	0.35	87,500
Exercise of unlisted options	4/07/2019	476,190	0.42	200,000
Exercise of unlisted options	5/07/2019	23,810	0.42	10,000
Exercise of unlisted options	24/07/2019	150,000	0.35	52,500
Exercise of unlisted options	24/07/2019	250,000	0.35	87,500
Exercise of unlisted options	29/07/2019	140,000	0.35	49,000
Exercise of unlisted options	25/07/2019	100,000	0.35	35,000
Exercise of unlisted options	25/07/2019	100,000	0.35	35,000
Exercise of unlisted options	29/07/2019	200,000	0.35	70,000
Exercise of unlisted options	29/07/2019	100,000	0.35	35,000
Exercise of unlisted options	29/07/2019	250,000	0.35	87,500
Exercise of unlisted options	25/07/2019	110,000	0.35	38,500
Exercise of unlisted options	25/07/2019	100,000	0.35	35,000
Exercise of unlisted options	25/07/2019	300,000	0.35	105,000
Exercise of unlisted options	26/07/2019	50,000	0.35	17,500
Exercise of unlisted options	26/07/2019	100,000	0.35	35,000
Exercise of unlisted options	29/07/2019	50,000	0.35	17,500
Exercise of unlisted options	29/07/2019	100,000	0.35	35,000
Exercise of unlisted options	29/07/2019	50,000	0.35	17,500
Placement	21/11/2019	7,386,365	0.44	3,250,001
Share Purchase Plan	13/12/2019	14,106,318	0.44	6,206,780
Landowner Sweden	2/06/2020	69,362	0.34	23,583
Less transaction costs				(282,418)
<b>Balance 30 June 2020</b>		<b>243,718,495</b>		<b>64,567,257</b>

**12. ISSUED CAPITAL (Cont'd)****(b) Unlisted Share Options**

At 30 June 2020, the Group had 9,800,000 ordinary shares under option (unlisted).

- 1,500,000 unlisted options with an exercise price of 102 cents expiring on 10 August 2020;
- 1,300,000 unlisted options with an exercise price of nil expiring on 10 August 2020;
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 17 December 2020;
- 2,000,000 unlisted options with an exercise price of 51 cents expiring on 10 February 2022;
- 4,000,000 unlisted options with an exercise price of 71 cents expiring on 23 October 2022.

**Capital Management**

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

The Group's capital includes ordinary share capital. There are no externally imposed capital requirements. The working capital position of the Group at 30 June 2020 is as follows:

	2020	2019
	\$	\$
Cash and cash equivalents	5,074,819	7,666,863
Trade and other receivables	328,934	987,082
Prepayments	57,524	51,149
Trade and other payables	(987,060)	(1,889,368)
Lease liability	(207,419)	-
Provisions – employee entitlements	(377,694)	(271,568)
<b>Working capital position</b>	<b>3,889,104</b>	<b>6,544,158</b>

	2020	2019
	\$	\$
(a) Unlisted option reserve	8,207,645	7,510,335
(b) Listed option reserve	861,105	861,105
(c) Foreign currency reserve	(113,706)	(133,687)
<b>Total reserves</b>	<b>8,955,044</b>	<b>8,237,753</b>

**13. RESERVES**

(a) UNLISTED OPTION RESERVE	2020 \$	2019 \$
Balance at the start of the financial year	7,510,335	6,335,467
Options expense (note 26)	697,310	1,174,868
<b>Balance at the end of the financial year</b>	<b>8,207,645</b>	<b>7,510,335</b>

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

(b) LISTED OPTION RESERVE	2020 \$	2019 \$
Balance at the start of the financial year	861,105	861,105
Balance at the end of the financial year	861,105	861,105

(c) FOREIGN CURRENCY RESERVE	2020 \$	2019 \$
Balance at the start of the financial year	(133,687)	(45,263)
Movement during the year	19,981	(88,424)
<b>Balance at the end of the financial year</b>	<b>(113,706)</b>	<b>(133,687)</b>
<b>Total Reserves</b>	<b>8,955,044</b>	<b>8,237,753</b>

**14. ACCUMULATED LOSSES**

	2020 \$	2019 \$
Balance at the beginning of the financial year	(52,866,606)	(39,931,527)
Impact of change in accounting policy	2,978	
Loss for the year	(13,416,292)	(12,935,079)
<b>Balance at the end of the financial year</b>	<b>(66,279,920)</b>	<b>(52,866,606)</b>



## 15. CASHFLOW INFORMATION

	2020	2019
	\$	\$
<b>Reconciliation of cash flows from operating activities with loss after income tax</b>		
Loss after income tax	(13,416,292)	(12,935,079)
<b>Non-cash flows in loss for the year:</b>		
-Capital and R & D grants	(80,695)	(168,431)
-Depreciation expense - office and field equipment and right of use assets	862,784	436,457
-Lease interest	27,318	-
-COVID-19 income on rent relief	(39,705)	-
- Accrued Sale of tenements	-	(275,000)
- Write off of exploration acquisition costs	30,613	-
- Share based payments	697,310	1,174,868
- Gain from sale of investment	-	31,813
- Foreign exchange loss / (gain)	(20,175)	21,087
<b>Changes in assets and liabilities</b>		
- (Increase) / decrease in trade and other receivables	440,665	(643,186)
- Increase / (decrease) in trade and other payables	(902,308)	727,358
- (Increase) / decrease prepayments	(6,375)	(51,149)
- (Increase) / decrease in inventory	(1,348)	(15,476)
- Increase / (decrease) in provisions	106,126	19,032
<b>Net cash outflows from Operating Activities</b>	<b>(12,302,082)</b>	<b>(11,677,704)</b>

**Cash proceeds from capital grants**

During the period the German subsidiary received \$80,695 in grants. These are cash incentives provided by the German Federal Ministry for Economic Affairs and Energy to businesses investing in production facilities.

**Non-Cash Financing and Investing Activities**

There has been non-cash financing and investing activities for the 2020 financial year where 69,362 shares were issued in consideration of landowner access (2019 Nil).

## 16. LOSS PER SHARE

	2020	2019
	\$	\$
Net loss used in calculating the basic loss per share	(13,416,292)	(12,935,079)
	<b>Number</b>	<b>Number</b>
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	234,223,208	217,814,093
Basic loss per share (cents per share)	(5.7)	(5.9)
Diluted loss per share (cents per share)	(5.7)	(5.9)

This calculation does not include shares under option that could potentially dilute basic earnings per share in the future as the Group has incurred a loss for the year.

**17. KEY MANAGEMENT PERSONNEL COMPENSATION****(a) Directors and Specified Executives**

The names and positions held by Key Management Personnel in office at any time during the year are:

Key Management Personnel	Position	Duration of Appointment
Terry Stinson	Non-Executive Chair	Appointed 8 <sup>th</sup> February 2017
Mark Thompson	Managing Director	Appointed 21 <sup>st</sup> July 2009
Grant Mooney	Non-Executive Director	Appointed 20 <sup>th</sup> February 2014
Stephen Lowe	Non-Executive Director	Appointed 17 <sup>th</sup> December 2015
Ola Rinnan	Non-Executive Director	Appointed 7 <sup>th</sup> August 2017
Andrew Willis	Non-Executive Director	Appointed 1 <sup>st</sup> July 2019
Martin Phillips	Chief Operating Officer	Appointed 1 <sup>st</sup> July 2017

**(b) Remuneration of Director and Key Management Personnel**

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

	2020 \$	2019 \$
Short-term employee benefits	1,198,160	1,197,410
Post-employment benefits	84,952	82,772
Other long-term benefits	-	-
Share-based payments	556,021	881,296
<b>Total</b>	<b>1,839,133</b>	<b>2,161,478</b>

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

The total expense recognised in the 2020 financial year for the options issued to Key Management Personnel was \$556,021.

Separately, the fair value of options expensed for the year ended 30 June 2020 issued to Mr Thompson in a financial year amounted to \$24,696. The fair value of options expensed for the year ended 30 June 2020 issued to Mr Phillips in the financial year amounted to \$531,325.

During the year ended 30 June 2020, the value of options granted to directors and Key Management Personnel was calculated applying the following inputs:

	<b>Martin Phillips</b>
Exercise price:	\$0.71
Valuation date:	24/10/19
Expiry date:	23/10/22
Share market price at grant date:	\$0.54
Expected share price volatility:	127%
Risk free interest rate:	0.73%
Valuation per option:	\$0.37

**17. KEY MANAGEMENT PERSONNEL COMPENSATION (Con't)****(d) Related Party Transactions**

Talga entered into a consultancy agreement with Mr Terry Stinson from 7 February 2019 based on a daily rate of \$1,057. The Agreement was in addition to Mr Stinson's role as Chair. Under the Agreement, Mr Stinson is contracted to focus on the commercial and R&D business of Talga's operations, with the goal of progressing strategic, IP and commercial objectives, as well as providing further leadership within the European operations. The consultancy agreement terminated on 31 December 2019. During the 2020 financial year Mr Stinson was paid \$99,855 in consultancy fees (2019 \$112,048).

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

**18. AUDITOR'S REMUNERATION**

	2020	2019
	\$	\$
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	53,184	64,106
Other services	-	-
<b>Total</b>	<b>53,184</b>	<b>64,106</b>

**19. COMMITMENTS****(a) Operating lease commitments**

	2020	2019
	\$	\$
Head office and subsidiaries office leases*		
No longer than one year	-	397,308
Longer than one year, but not longer than five years	-	59,452
Longer than five years	-	-
<b>Total</b>	<b>-</b>	<b>456,760</b>

\* AASB 16 now classifies the office lease commitments as lease liabilities as per notes, 8, 12(b) and 20.

The Group does not have any minimum exploration or development commitments.

**20. FINANCIAL INSTRUMENTS****Financial Risk Management Policies**

The Group's financial instruments consist of deposits with banks, receivables, payables and lease liabilities. No financial derivatives are held.

**Financial Risk Exposures and Management.**

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

**Interest Rate Risk**

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

**Credit Risk Exposures**

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

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

**20. FINANCIAL INSTRUMENTS (Cont'd)**

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:

	2020 \$	2019 \$
<b>Trade and other current receivables</b>		
Group 1	-	-
Group 2	328,934	987,082
Group 3	-	-
<b>Total trade and other current receivables</b>	<b>328,934</b>	<b>987,082</b>
Cash at bank and short-term deposits	5,074,819	7,666,863
<b>Total cash at bank and short-term deposits</b>	<b>5,074,819</b>	<b>7,666,863</b>

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short term deposits are held in financial institutions which must have a minimum AA2 rating.

i. Liquidity Risk

Liquidity risk is the risk that the Group might be unable to meet its financial liability obligations. The Group manages liquidity risk by monitoring forecast cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

ii. Net Fair Values

The net fair values of:

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

iii. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

**Interest Rate Sensitivity Analysis**

At 30 June 2020, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2020 \$	2019 \$
Change in loss		
- Increase in interest rate by 100 basis points	50,748	76,669
- Decrease in interest rate by 100 basis points	(50,748)	(76,669)
Change in equity		
- Increase in interest rate by 100 basis points	50,748	76,669
- Decrease in interest rate by 100 basis points	(50,748)	(76,669)

## 20. FINANCIAL INSTRUMENTS (Cont'd)

	Floating Interest Rate \$	Fixed Interest Rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
<b>2020</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,309,852	3,100,154	664,813	<b>5,074,819</b>	0.26
Trade and other receivables	-	20,900	363,270	<b>384,170</b>	-
Other financial assets	-	-	-	-	-
<b>Total financial assets</b>	<b>1,309,852</b>	<b>3,121,054</b>	<b>1,028,083</b>	<b>5,458,989</b>	-
<b>Financial Liabilities</b>					
Trade and other payables	-	-	987,060	<b>987,060</b>	-
Lease Liability	-	-	207,419	<b>207,419</b>	-
<b>Total financial liabilities</b>	-	-	<b>1,194,479</b>	<b>1,194,479</b>	-
<b>2019</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	3,048,904	4,160,539	457,421	<b>7,666,864</b>	1.43
Trade and other receivables	-	20,900	1,017,916	<b>1,038,816</b>	-
Other financial assets	-	-	-	-	-
<b>Total financial assets</b>	<b>3,048,904</b>	<b>4,181,439</b>	<b>1,475,337</b>	<b>8,705,680</b>	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,889,368	<b>1,889,368</b>	-
<b>Total financial liabilities</b>	-	-	<b>1,889,368</b>	<b>1,889,368</b>	-

## iv. Foreign currency risk

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

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

At 30 June 2019 the parent has a loan receivable from Talga Mining Pty Ltd of SEK 67,947,192 (AUD 10,446,182), a loan receivable from Talga AB of SEK 17,688,853 (AUD 2,719,479), a loan receivable from Talga Battery Metals AB of SEK 2,902,902 (AUD 446,291), a loan receivable from Talga Technologies Limited of GBP 3,291,750 (AUD 5,892,858) and a loan receivable from Talga Advanced Materials GmbH of EUR 6,870,606 (AUD 11,133,700). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$1,445,789.

At 30 June 2020 the parent has a loan receivable from Talga Mining Pty Ltd of SEK 67,275,948 (AUD 10,484,182), a loan receivable from Talga AB of SEK 49,776,854 (AUD 7,757,150), a loan receivable from Talga Battery Metals AB of SEK 3,590,902 (AUD 559,491), a loan receivable from Talga Technologies Limited of GBP 3,321,834 (AUD 5,946,714) and a loan receivable from Talga Advanced Materials GmbH of EUR 8,618,160 (AUD 14,102,670). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$1,942,512.

**21. SEGMENT NOTE**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The term 'chief operating decision maker' identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. The Company's Board is the chief operating decision maker as it relates to segment reporting.

The Group operates in three operating and four geographical segments, being graphite exploration and development in Sweden, graphite/graphene research and development in Germany and the United Kingdom. This is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources within the Group.

<b>2020</b>	<b>Sweden</b>	<b>Germany</b>	<b>United Kingdom</b>	<b>Australia</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>SEGMENT PERFORMANCE</b>					
Revenues from ordinary activities	-	-	9,349	-	<b>9,349</b>
Other Income	-	80,695	861,405	240,781	<b>1,182,881</b>
<b>Total segment revenue</b>	<b>-</b>	<b>80,695</b>	<b>870,754</b>	<b>240,781</b>	<b>1,192,230</b>
<b>Segment expense (including write offs)</b>	<b>(5,624,007)</b>	<b>(2,623,646)</b>	<b>(2,285,926)</b>	<b>(4,074,943)</b>	<b>(14,608,522)</b>
Reconciliation of segment result to net loss before tax					
Segment Result					(13,416,292)
Unallocated items					-
<b>Net loss before tax from continuing operations</b>					<b>(13,416,292)</b>
<b>SEGMENT ASSETS</b>					
<b>As at 30 June 2020</b>					
Segment assets as at July 2019	659,495	2,561,186	925,230	7,505,483	<b>11,651,394</b>
Movement					
- Cash and cash equivalents	30,389	67,312	291,324	(2,981,069)	<b>(2,592,044)</b>
- Inventory	-	1,349	-	-	<b>1,349</b>
- Plant and equipment	17,055	247,745	132,296	1,008	<b>398,104</b>
- Exploration and evaluation expenditure	4,023	-	-	-	<b>4,023</b>
- Other	(374,083)	(228,950)	(757,254)	712,015	<b>(648,272)</b>
	<b>336,879</b>	<b>2,648,642</b>	<b>591,596</b>	<b>5,237,437</b>	<b>8,814,554</b>
Reconciliation of segment assets to					
Other assets					-
<b>Total assets from continuing operations</b>					<b>8,814,554</b>
<b>SEGMENT LIABILITIES</b>					
Segment liabilities as at 30 June 2020	629,090	178,152	292,254	472,677	<b>1,572,173</b>
Reconciliation of segment liabilities to total liabilities					
Unallocated items:					
- Provision					-
<b>Total liabilities from continuing operations</b>					<b>1,572,173</b>

**21. SEGMENT NOTE (Con't)**

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

**22. SUBSEQUENT EVENTS**

Other than as disclosed below, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- On 17 July 2020, Non-Executive Director Andrew Willis resigned from the Talga Board of Directors in consideration of his increased corporate requirements as Co-Managing Partner of The Pallinghurst Group;

**22. SUBSEQUENT EVENTS (Con't)**

- On 31 July 2020, Talga reported the completion of feasibility work and studies on Stage 1 of its Vittangi Anode Project. The completed work showed highly positive outcomes that will be further refined in the upcoming commercial Detailed Feasibility Study and recommend an amalgamation of the two Pre-feasibility Study project stages for development to progress directly to commercial operation;
- On 25 August 2020, the Company completed a A\$10.00 million capital raising via a strongly supported institutional placement;
- On 28 August 2020, the Company advise of the sale of the its gold royalty entitlements in Western Australia to AIM listed Trident Royalties Plc for a total consideration of A\$800,000 with completion remaining subject to the receipt of Foreign Investment Review Board approval, if required;
- On 17 September 2020, the Company announced significant increases in its graphite mineral resources within its wholly-owned Vittangi Graphite Project which now stands at 19.5 million tonnes at 24.0% graphite. Talga's total graphite resource inventory in Sweden increased to 55.3 million tonnes at 17.5% graphite; and
- As announced on ASX on 25 September 2020, the Company issued 1,000,000 employee share options exercisable at \$1.12 expiring 31 December 2023 subject to vesting conditions, granted 4,000,000 share options to Mark Thompson exercisable at \$1.12 expiring 31 December 2023, subject to vesting conditions and shareholder approval and granted 2,100,000 performance rights to Non-Executive Directors subject to vesting conditions and shareholder approval.

**23. RELATED PARTIES**

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

**24. PARENT INFORMATION**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Current assets	5,413,659	7,473,017
Non-Current assets	18,032,410	17,862,013
<b>TOTAL ASSETS</b>	<b>23,446,069</b>	<b>25,335,030</b>
<b>LIABILITIES</b>		
Current liabilities	472,679	814,527
<b>TOTAL LIABILITIES</b>	<b>472,679</b>	<b>814,527</b>
<b>NET ASSETS</b>	<b>22,973,390</b>	<b>24,520,503</b>
<b>EQUITY</b>		
Issued capital	64,567,257	54,119,311
Accumulated losses	(50,662,621)	(37,970,253)
Option reserve	9,068,754	8,371,445
<b>TOTAL EQUITY</b>	<b>22,973,390</b>	<b>24,520,503</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net profit/(loss) for the year	(12,692,367)	1,527,663
<b>Total comprehensive profit/(loss for) the year</b>	<b>(12,692,367)</b>	<b>1,527,663</b>

Talga Resources Ltd has not entered into cross guarantees in relation to the debts of its wholly owned subsidiaries. There are no guarantee, contingencies and subsequent events other than mentioned elsewhere in this report.



## 25. CONTROLLED ENTITIES

Talga Resources Ltd has a 100% direct and indirect interest in the following subsidiaries:

Name of Entity	Country of Incorporation	Percentage Owned (%) *	
		30 June 2020	30 June 2019
Talga Mining Pty Ltd	Australia	100%	100%
Talga Advanced Materials GmbH	Germany	100%	100%
Talga Technologies Limited	United Kingdom	100%	100%
Talga Graphene AB	Sweden	100%	100%
Talga Battery Metals AB	Sweden	100%	100%

\* Percentage of voting power is in proportion to ownership.

## 26. SHARE BASED PAYMENTS

The expense recognised for the financial year, other than what is disclosed on note 17c for options granted in previous and the current year was \$697,310. Share based payments for the financial year have been determined by allocating the grant date value on a straight line basis over the period from grant date to vesting date with the relevant proportion expensed for this financial year.

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

- Series 1 – 4,000,000 options granted 24/10/19

	Series 1
Grant date share price	\$0.54
Exercise price	\$0.71
Expected share price volatility	127%
Option life	3 years
Risk free interest rate	0.73%
Valuation per option	\$0.37

Series 1 options were granted and not vested during the financial year.

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

	2020		2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
<b>Balance at beginning of financial year</b>	<b>15,362,983</b>	<b>0.53</b>	<b>23,792,983</b>	<b>0.54</b>
Granted during the financial year	4,000,000	0.71	2,000,000	0.51
Expired during the financial year	(6,162,983)	0.70	(9,866,200)	0.54
Exercised during the financial year	(3,400,000)	0.37	(563,800)	0.43
<b>Balance at end of the financial year</b>	<b>9,800,000</b>	<b>0.56</b>	<b>15,362,983</b>	<b>0.53</b>
<b>Exercisable at end of the financial year</b>	<b>4,700,000</b>	<b>0.54</b>	<b>9,562,963</b>	<b>0.58</b>

The share based payment options outstanding at the end of the financial year had a weighted average exercise price of \$0.56 (2019: \$0.53) and a weighted average remaining contractual life of 1.16 years (2019: 0.88 years).

Mr Thompson's shareholding includes 4 million shares issued during the 2014 financial year as part of a Management Incentive Plan. This was provided via a non-recourse interest free loan amounting to \$1,480,000 which was payable by 23 June 2019. This repayment date of the non-recourse loan was extended to the earlier of 23 June 2021 or when the Talga share price is greater than or equal to \$1.50 for thirty (30) consecutive Trading Days, payable thirty (30) days after the date on which the 30th consecutive Trading Day where the Closing Price is greater than or equal to \$1.50 occurs.

The value of these shares was considered for accounting purposes to be options. As a result of the extension of loan repayment term, Accounting Standard AASB 2 *Share Based Payment*, requires a revaluation of the shares and using the Black Scholes pricing model, a share based payment amount of \$816,697 was expensed in the prior year.

Separately, the share based payment expense of \$24,696 in relation to Mr Thompson relates to share options granted in prior year being vested over the vesting period.

## **27. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 30 June 2020.

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## DIRECTORS' DECLARATION

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 26 to 57, 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 2020 and of the performance for the year ended on that date of the Group.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



**Mark Thompson**  
Managing Director

Perth, Western Australia  
29 September 2020

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

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of Talga Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

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

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

**Key Audit Matters**

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

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

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**Key Audit Matters****How the matter was addressed in the audit****Valuation of Share Options and share based payment expense  
(Refer to Note 26)**

The Company issued a number of share options to employees of the Company. In addition, the share based payment expense includes the options granted in prior periods which had not fully vested in prior years.

Option valuations and accounting for share based payments was identified as a key audit matter because the expense recognised incorporates judgements in the valuation and expensing of the options over their vesting periods. The Group valued options using the Black-Scholes Option valuation model, where inputs such as volatility and risk-free rate require judgement.

The share based payment expense for the year was \$697,310.

Inter alia, our audit procedures included the following:

- i. Comparing the terms of the options granted during the year to Board minutes and other relevant documentation.
- ii. We reviewed the inputs used in the models, including agreeing the grant date to supporting documentation; the underlying assumptions used and discussed with management the justification for inputs;
- iii. We assessed the accounting treatment and its application in accordance with AASB 2; and
- iv. We assessed whether the Group's disclosures met the requirements of relevant accounting standard.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

**Responsibilities of the Directors for the Financial Report**

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

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

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

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

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

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 17 to 23 of the directors' report for the year ended 30 June 2020. 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 on the Remuneration Report**

In our opinion, the Remuneration Report of Talga Resources Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

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

*Stantons International Audit and Consulting Pty Ltd*  
*Samir*

**Samir Tirodkar**  
Director  
West Perth, Western Australia  
29 September 2020

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## ADDITIONAL SHAREHOLDER INFORMATION

The following additional information is required by the Australian Securities Exchange Limited Listing Rules. Information was prepared based on the share registry information processed up to 18 September 2020.

### Statement of Quoted Securities

Listed on the Australian Securities Exchange are 264,118,495 fully paid ordinary shares.

### Distribution of Shareholding

The distribution of members and their holdings of equity securities in the Group as at 18 September 2020 were as follows:

Spread of Holdings	Fully Paid Ordinary Shares	Total Shareholders
1-1,000	519,882	707
1,001 - 5,000	6,152,801	2,226
5,001 - 10,000	7,938,964	974
10,001 - 100,000	49,354,586	1,541
100,001 and over	200,152,262	256
<b>TOTALS</b>	<b>264,118,495</b>	<b>5,704</b>

### Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares is 153.

### Substantial Shareholders

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

Shareholder	Number Held	% Held
Smedvig Talga L.P.	25,511,221	9.66
Lateral Minerals Pty Ltd <Thompson Family A/C>	14,338,969	5.43

### Restricted Securities

#### Ordinary Shares

Shareholder	Number Held	Restriction Date *
Lateral Minerals Pty Ltd * (A Company associated with Mr Mark Thompson)	4,000,000	23 June 2021

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

### Voting Rights

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

### Twenty Largest Shareholders and Option Holders

The names of the twenty largest ordinary fully paid shareholders as at the 18 September 2020 are as follows:

	Ordinary Shares	Number Held	% Held
1	Smedvig Talga L.P.	25,511,221	9.66
2	JP Morgan Nominees (Australia) Ltd	23,663,422	8.96
3	Lateral Minerals Pty Ltd <Thompson Family A/C>	14,270,788	5.43
4	Citicorp Nominees Pty Ltd	11,274,494	4.27
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	10,435,682	3.95
6	Pelmer Securities S A	9,158,160	3.47
7	Brispot Nominees Pty Ltd	8,169,743	3.09
8	HSBC Custody Nominees (Australia) Limited	7,591,792	2.87
9	Yandal Investments Pty Ltd	5,000,000	1.89
10	Mr Anthony Neil Holman <the Holman Super Fund A/C>	3,300,000	1.25
11	Two Tops Pty Ltd	3,000,000	1.14
12	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	2,670,202	1.01
13	Australian Executor Trustees Ltd	2,478,278	0.94
14	Merrill Lynch (Australia) Nominees Pty Ltd	2,332,374	0.88
15	Danks Kevin Graham	1,825,000	0.69
16	Wong Kin Chun	1,815,905	0.69
17	Methuselah Capital Management Pty Ltd <Feldman Family A/C>	1,626,250	0.62
18	All States Finance Pty Ltd	1,500,000	0.57
19	Mr Graham John Morton	1,426,031	0.54
20	Gerovich Steven R & EL	1,405,000	0.53
	<b>Top 20 holders of ordinary shares</b>	<b>138,454,342</b>	<b>52.45</b>

### Unquoted Equity Securities

As at 18 September 2020, the following unquoted securities were on issue:

Unlisted options with the following terms:

Expiry Date	Exercise Price	Number on Issue	Number of Holders
17-Dec-20	\$0.54	1,000,000	1
10-Feb-22	\$0.51	2,000,000	6
23-Oct-22	\$0.71	4,000,000	2
<b>Total on issue</b>		<b>7,000,000</b>	

Other than Martin Phillips (42.9%), there was no individual option holder that held greater than 20% of the unlisted options on issue.

## Corporate Governance Statement

The overall goals of the corporate governance process are to:

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

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

Talga has followed the ASX Principles where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. In compliance with the "if not, why not" reporting regime, where, after due consideration, Talga's corporate governance practices do not follow an ASX Principles recommendation, the Company has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices Talga has adopted. This corporate governance statement sets out the Company's corporate governance policies and practices and is current as at 29 September 2020 as approved by the Talga Board.

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

### Principle 1: Lay Solid Foundations for Management and Oversight

#### Roles and Responsibilities

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

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

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

#### Appointment, Induction and Training

When a vacancy exists on the Board, for whatever reason, or where it is considered that the Board would benefit from the services of a new director, the Board will determine the selection criteria for the position based on factors deemed necessary for the Board to best carry out its responsibilities. Nomination factors include, but are not limited to, competencies and qualifications, independence, other directorships, time availability, contribution to the overall balance of the composition of the Board and depth of understanding of the role and legal obligations of a director.

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

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

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

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

### Company Secretary

The Company Secretary plays an important role in supporting the effectiveness of the Board. The Company Secretary is accountable to the Board through the Chair on all matters regarding the proper function of the Board. This includes assisting the Board on governance matters, monitoring compliance with policies and procedures, co-ordinating board meetings and acting as the interface between the Board and senior executives. Details regarding the Company Secretary, including their experience and qualifications are set out in the Directors' Report section of the 2020 Annual Report.

### Performance Evaluation Practices

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

The Chair 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 Chair and the Board regularly discussed the performance and composition of the Board during the 2019-20 period, considering issues or concerns as they arose. This ongoing process has remained in-house and informal throughout the year, relying on regular discussion.

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

### Diversity Policy

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

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

The respective proportion of female and male employees across the whole organisation is 33% (9) and 67% (18). Currently the Board comprises five members, all of whom are male. Two senior executive positions are female. A senior executive office holding below the Board level, includes the Company Secretary and the Chief Operating Officer.

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

**Principle 2: Structure the Board to Add Value**

**Nomination Committee**

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

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

**Board Skills and Experience**

The Company’s objective is to have a Board with the appropriate mix of skills, expertise and experience to effectively discharge the duties of the Board. The Board collectively has a combination of skills and experience as set out in the table below. A profile of each director setting out their skills, experience, expertise, is set out in the Directors’ Report section of the 2019 Annual Report.

<b>Expertise</b>	<b>Industry</b>	<b>Qualifications</b>
<ul style="list-style-type: none"> <li>• Mineral Exploration</li> <li>• Commercial &amp; Legal</li> <li>• Finance/Accounting</li> <li>• Governance &amp; Compliance</li> <li>• Strategy &amp; Risk Management</li> <li>• Capital Markets</li> <li>• Project Development</li> </ul>	<ul style="list-style-type: none"> <li>• Mineral Resources</li> <li>• Capital Markets</li> <li>• Renewable Energy</li> <li>• Materials</li> <li>• Automotive</li> <li>• Aerospace</li> <li>• Maritime</li> <li>• Defence</li> </ul>	<ul style="list-style-type: none"> <li>• Business &amp; Accounting</li> <li>• Taxation</li> <li>• Geology</li> <li>• Construction &amp; Materials Technology</li> </ul>

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 been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- is, represents, or is or has been within the last 3 years an officer or employee of, or professional adviser to, a substantial shareholder;
- has close personal ties with any person who falls within any of the categories described above;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive share scheme of, the entity; or
- has been a director of the Company for such a period that his or her independence may have been compromised.

In each case, independence is a matter of judgement for the Board as a whole and the materiality of the interest, position or relationship needs to be assessed by the board to determine whether it might interfere, or might reasonably be seen

to interfere, with the director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.

Materiality is considered from both a quantitative and qualitative perspective. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of an appropriate base amount. Qualitative factors considered include the nature of the relationship or contractual arrangement and factors that could materially interfere with the independent exercise of the director's judgement.

In accordance with the definition of independence above and the materiality thresholds, the independent directors of the Company are Grant Mooney (Non-Executive Director since 20 February 2014), Stephen Lowe (Non-Executive Director since 17 December 2015) and Terry Stinson (Non-Executive Director since 8 February 2017)

The Board recognises the ASX recommendations that the majority of the Board should be comprised of independent directors (Recommendation 2.4) and the Chair of the Board should be an independent director (Recommendation 2.5). The Company complies with these recommendations.

Mr Rinnan is not considered an independent director by virtue of his association within the last 3 years with Smedvig, a substantial and Talga's largest shareholder, even though he no longer serves on any Smedvig Board. Although not considered independent under the strict ASX Corporate Governance Principles, Mr Rinnan uses his independent judgement on issues before the board and acts in the best interests of the entity as a whole.

### **Principle 3: Act Ethically and Responsibly**

#### **Code of Conduct**

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

#### **Conflict of Interest**

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. In addition, where relevant, the Board has adopted a Board protocol for dealing with confidential information. Details of director related transactions with the Company are set out in Note 17 of the 2020 Annual Report.

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

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

The Committee comprises three Non-Executive Directors: Stephen Lowe, Terry Stinson and Grant Mooney, and their qualifications and experience together with meetings attended during the year are contained in the Directors' Report section of the 2020 Annual Report.

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

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

**CEO and CFO Declaration**

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

**Principle 5: Make Timely and Balanced Disclosure**

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

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

**Principle 6: Respect the Rights of Security Holders**

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

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

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

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



**Principle 7: Recognise and Manage Risk**

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

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

The Committee comprises three Non-Executive Directors: Stephen Lowe, Terry Stinson and Grant Mooney, and their qualifications and experience together with meetings attended during the year are contained in the Directors' Report section of the 2020 Annual Report.

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

The Board has received assurance from the Financial Controller and Managing Director that the declarations made in accordance with section 295A of the Corporation Act 2001 are:

1. founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
2. the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

**Internal Audit**

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

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

**Economic, Environmental and Social Risks**

The Company's economic, environmental and social sustainability risks are discussed in the Directors' Report section of the 2020 Annual Report.



**Principle 8: Remunerate Fairly and Responsibly**

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

**Remuneration Committee**

The Board has a separate Remuneration Committee in compliance with ASX Recommendation 8.1. The Remuneration Committee is focused on providing independent reviews and recommendations to the main Board on remuneration packages and policies applicable to senior executives and directors themselves. The Remuneration Committee charter is disclosed on the Company website. Members and meetings of the Remuneration Committee are set out in the Directors' Report section of the 2020 Annual Report.

The remuneration details of non-executive directors and executive directors are also set out in the Remuneration Report that forms part of the Directors' Report section of the 2020 Annual Report.

**Remuneration Policy**

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

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

Details of director and senior executive remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms a part of the Directors' Report section of the 2020 Annual Report.

**Securities Trading Policy**

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

## SCHEDULE OF MINERAL TENEMENTS

Tenement	Project	Interest Held by Talga
Jalkunen nr 1	Jalkunen	100%
Kiskama nr 1	Kiskama	100%
Masugnsbyn nr 101	Masugnsbyn	100%
Masugnsbyn nr 102	Masugnsbyn	100%
Raitajärvi nr 5	Raitajärvi	100%
Nunasvaara nr 2	Vittangi	100%
Vathanvaara nr 101	Vittangi	100%
Vathanvaara nr 102	Vittangi	100%
Vittangi nr 2	Vittangi	100%
Suorravaara nr 2	Aitik East	100%
Suorravaara nr 3	Aitik East	100%
Suorravaara nr 4	Aitik East	100%

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