



---

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

---

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2016**

## **Table of Contents**

<b>Corporate Directory .....</b>	<b>3</b>
<b>Directors' Report .....</b>	<b>4</b>
<b>Auditor's Independence Declaration.....</b>	<b>18</b>
<b>Consolidated Statement of Profit Or Loss And Other Comprehensive Income.....</b>	<b>19</b>
<b>Consolidated Statement of Financial Position .....</b>	<b>20</b>
<b>Consolidated Statement of Changes in Equity .....</b>	<b>21</b>
<b>Consolidated Statement of Cash Flows.....</b>	<b>22</b>
<b>Notes to the Financial Statements.....</b>	<b>23</b>
<b>Directors' Declaration.....</b>	<b>48</b>
<b>Independent Audit Report .....</b>	<b>49</b>
<b>Additional Shareholder Information .....</b>	<b>51</b>
<b>Corporate Governance Statement.....</b>	<b>54</b>
<b>Schedule of Mineral Tenements .....</b>	<b>61</b>

**CORPORATE DIRECTORY**

**DIRECTORS**

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

**COMPANY SECRETARY**

Dean Scarparolo

**REGISTERED OFFICE &  
PRINCIPAL PLACE OF BUSINESS**

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

**EMAIL & WEBSITE**

Email: [admin@talgaresources.com](mailto:admin@talgaresources.com)  
Website: [www.talgaresources.com](http://www.talgaresources.com)

**ABN**

32 138 405 419

**SECURITIES EXCHANGE LISTING**

The Company is listed on ASX

Home Exchange: Perth

ASX Codes: TLG (Shares)  
TLGOA (Options)

**SHARE REGISTRY**

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

**AUDITORS**

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

## **DIRECTORS' REPORT**

The Directors present their report, together with the financial statements of Talga Resources Ltd ("Talga") and its controlled entities ("Group"), for the financial year ended 30 June 2016.

### **1. BOARD OF DIRECTORS**

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

<b>Directors</b>	<b>Position</b>	<b>Date of Appointment</b>
Keith Coughlan	Non-Executive Chairman	Appointed 27 <sup>th</sup> September 2013
Mark Thompson	Managing Director	Appointed 21 <sup>st</sup> July 2009
Grant Mooney	Non-Executive Director	Appointed 20 <sup>th</sup> February 2014
Steve Lowe	Non-Executive Director	Appointed 17 <sup>th</sup> December 2015

### **2. INFORMATION ON DIRECTORS**

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

**Keith Coughlan** (Non-Executive Chairman) (*Appointed 27<sup>th</sup> September 2013*)

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

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

**Mark Thompson** (Managing Director) (*appointed 21<sup>st</sup> July 2009*)

Mr Thompson has more than 25 years industry experience in exploration and mining management, working extensively on Australian and international resource projects. He is a Member of the Australian Institute of Geoscientists and the Society of Economic Geologists, and is Guest Professor in Mineral Exploration Technology at both the Chengdu University of Technology and the Southwest University of Science and Technology in China.

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

**Grant Mooney** (Non-Executive Director) (*appointed 20<sup>th</sup> February 2014*)

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

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

**Steve Lowe** (Non-Executive Director) (*appointed 17<sup>th</sup> December 2015*)

Mr Lowe's background is in business management and taxation and he has over 18 years' experience consulting to a range of corporate and high wealth clients. Mr Lowe is currently a non-executive director of Corizon Resources Ltd and Windward Resources Ltd.

Mr Lowe is a Fellow of the Taxation Institute of Australia and a Member of the Australian Institute of Company Directors.

### **3. INFORMATION ON COMPANY SECRETARY**

**Dean Scarparolo** (*Appointed 5 February 2015*)

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

### **4. CORPORATE STRUCTURE**

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

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

The principal activities of the Group during the financial year were graphite exploration and development, including trial mining, in Sweden and graphite/graphene research and development through the Group's pilot plant test facility in Germany.

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

- Established a pilot test process facility in Germany to produce graphene and graphite directly from 100% owned Swedish project raw ore;
- Successfully completed an initial trial mining program in Sweden;
- Trebled total graphite resource inventory;
- Enhanced and strengthened the Group's intellectual property assets through the lodgement of patents and trademarks;
- Established a range of collaboration agreements with graphene industry participants;
- Strengthened and increased the size of the Board with the addition of non-executive director Stephen Lowe;
- Raised ~\$10 million through a share placement, received ~\$2.3 million from the exercise and underwriting of listed options and initiated a ~\$900,000 share options rights issue (concluded in July 2016);
- Executed an agreement to sell non-core Australian gold assets for \$1 million; and
- Increased the number of employees and subsidiary companies.

Further details are provided in the Review of Operations.

### **6. REVIEW OF OPERATIONS**

During the financial year the Group continued its principal activities of graphite to graphene processing and product development in Germany and mineral resource exploration and development in Sweden. A summary of the major operational highlights is summarised below:

#### **Project Development**

- Establishment of pilot test processing facility to scale up novel method for mass production of high quality graphene, graphite and their functional derivatives;
- Successful commissioning of facility with testing by Dresden Technical University and the Max Planck Institute for Polymer Research confirming high quality graphene suitable for targeted applications;
- Establishment of technical team and appointment of graphene manufacturing specialist Chief Technology Officer, applied products scientists, process engineer, chemists and chemical technicians;
- Graphene and graphite samples produced and dispatched to industry for commercial evaluation; and
- Positive initial battery test results using Talga graphite in anodes for in Li-ion batteries.

#### **Exploration**

- Trebling of total graphite resource inventory to over 43 million tonnes (Mt) following estimate of the Jalkunen project maiden JORC (2012) total resource of 35Mt @ 14.9% graphite (Cg), Talga's 3rd graphite resource in Sweden;
- Increased size, grade and status of the Nunasvaara graphite deposit (Vittangi project) to JORC (2012) total resource of 9.8Mt @ 25.3% Cg; and

- Defined major graphite and cobalt exploration targets and potential graphite resource extensions for drill testing in FY17.

**Trial Mining**

- Designed and permitted multi-year open pit trial mining program at the Vittangi graphite project;
- Successfully completed initial trial mining campaign and test of novel mining methodology; and
- Transported mined graphite ore blocks to the Company's German test processing facility.

**Commercial and Corporate**

**Major industry collaborations**

- Entered supply and research agreement with arm of global industrial conglomerate Tata Group;
- Sample supply agreement secured with US-based lithium-ion battery development corporation;
- Concluded range of agreements for sample supply and product development with market leading participants spanning the paints, battery, construction and sporting goods sectors; and
- Collaboration term sheet signed with UK based graphene functionalisation company, Haydale Graphene Industries Plc to jointly explore business opportunities and refined graphene products.

**Funding initiatives**

- ~\$10 million placement concluded in June 2016 to introduce European based strategic investment partners with funds to support Talga's business plan;
- Initiated a ~\$900,000, 1:4 underwritten rights issue of options to shareholders that subsequently listed and traded at a premium to issue price (ASX:TLGOA);
- November 2015 listed options (expiry date 30 November 2015) underwritten and subscriptions received for \$2.3 million; and
- Agreement executed for sale three Australian gold projects for total up to \$AUD1.0 million.

**Corporate – other**

- Strengthening of Board with appointment of non-executive director Mr Stephen Lowe who has extensive business development experience and financial expertise;
- Admission as Associated Member to the European Commission €1 billion funded Graphene Flagship alongside Bosch and LEGO Group;
- Successful international roadshows and presentations leading to pipeline of new customers and product opportunities;
- Patents lodged covering Talga's novel mining and processing method with additional post FY16 patent application over a graphene metal pre-treatment coating and manufacturing method; and
- Trademarks lodged to form brands and marketing platform for Talga's graphene and graphite products.

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

### **Summary**

This statement represents the Mineral Resources and Ore Reserves (“**MROR**”) for Talga Resources Limited as at 30 June 2016.

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 2016, this MROR Statement has been approved by the named competent persons (see the Competent Persons Statement below).

### **MINERAL RESOURCES**

As at 30 June 2016 the Company’s Mineral Resources are:

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

**Table 1 - Nunasvaara Graphite Deposit – JORC (2012) Resource at 10% Cg cut-off**

<b>Deposit</b>	<b>JORC resource category</b>	<b>Tonnes</b>	<b>Grade Cg (%)</b>
Nunasvaara	Indicated	6,900,000	24.2
Nunasvaara	Inferred	2,900,000	28.1
<b>Total</b>		<b>9,800,000</b>	<b>25.3</b>

Note: Ore tonnes rounded to nearest hundred thousand tonnes

The Vittangi project graphite mineral resource was disclosed in May 2016 in accordance with the 2012 JORC Code (ASX:TLG 30 May 2016).

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

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

<b>Deposit</b>	<b>JORC resource category</b>	<b>Tonnes</b>	<b>Grade Cg (%)</b>
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 was disclosed in August 2015 in accordance with the 2012 JORC Code (ASX:TLG 27 August 2015).

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

**Table 3 - Raitajärvi Graphite Project – JORC (2004) Resource at 5% Cg cut-off**

<b>Deposit</b>	<b>JORC resource category</b>	<b>Tonnes</b>	<b>Grade Cg (%)</b>
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 was disclosed in August 2013 in accordance with the 2004 JORC code (ASX:TLG 26 August 2013). It has not been updated since to comply with the JORC code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

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

**Table 4 - 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.

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

**Table 5- 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.

**COMPARISON WITH PRIOR YEAR ESTIMATES**

**Mineral Resources**

During the 2016 financial year, the Company announced two mineral resource inventory changes.

A maiden mineral resource for the Jalkunen graphite project was estimated by CoxRocks Pty Ltd in accordance with the JORC code 2012 and announced to ASX on 27 August 2015. At 30 June 2016 the Jalkunen graphite project JORC (2012) compliant inferred mineral resource was 31.5 million tonnes at 14.9% graphite at a cut-off grade of 10% graphite.

A revised resource estimate for the Vittangi graphite project was prepared by CoxRocks Pty Ltd utilising new drill and open pit trial mine data and announced to ASX on 30 May, 2016. This re-estimated the former JORC (2004) total mineral resource of 7.6 million tonnes at 24.6% graphite at a cut-off grade 10% graphite (as at 30 June 2015) to JORC (2012) compliant total mineral resource of 9.8 million tonnes @ 25.3% graphite at a cut-off grade of 10% Cg (as at 30 June 2016).

Other resource estimates across the Company's projects remain unchanged from the Company's Mineral Resource Statement as at 30 June 2015.



### **Ore Reserves**

As at 30 June 2016 the Company had no reportable Ore Reserves in accordance with the 2012 JORC Code.

### **GOVERNANCE SUMMARY**

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

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

### **FUTURE OUTLOOK AND STRATEGY**

Talga owns the highest grade graphite mineral resource in the world and has developed an innovative process to make the mass production of high quality graphene possible. The novel mining and processing method allows the conversion of Talga's 100% owned natural raw graphite source in Sweden into high quality graphene and graphite products, using a patent pending industrially scalable and environmentally friendly electrochemical system.

Today's industrial products contain additives that can be replaced with better performing graphene equivalents – graphene adoption will not be a technological odyssey, it will initially come from the improvement of known materials. By owning and optimising the whole supply chain, from unique natural carbon source to product, Talga possesses the ability to potentially commercialise these graphene products for vastly lower costs than prevailing technologies.

To this end, Talga has recently updated its commercialisation strategy to focus on a small number of targeted 'fit for purpose' graphene products which will complement supply of raw graphene and graphite materials.

The Company has identified four industry sectors as prime markets (coatings, composites, building products and energy storage/harvesting). Within these sectors the initial focus is directed to the following products:

- A metal pre-treatment coating;
- An electrically conductive ink suitable for printing, polymer composites and battery electrodes;
- A conductive cement product; and
- A high performance membrane for energy storage/harvesting and filtration applications.

Talga is now moving towards developing and commercialising these target products with customers that span coatings, consumer electronics, energy and composite material industries, in which graphene's applications are many and varied.

Talga believes its strategy to produce value added (dispersed, functionalised and formulated) products will provide the most effective, near-term opportunities for commercialisation. In-house and industry partner testing programs, as well as field and benchmarking product trials will continue and be expanded to validate products and secure commitments from customers. In this way, Talga can utilise its world leading position to vertically integrate and potentially enable, licensing and royalty revenue along with raw material sales in parallel and prior to full scale development.

## **8. TENEMENT INTERESTS**

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

## **9. FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

As a developer of graphene mineral processing and a mineral explorer, the Group currently has little revenue outside of interest on bank deposits and occasional asset sales.

The financial results of the Group for the year ended 30 June 2016 are:

	<b>2016</b>	<b>2015</b>
Cash and cash equivalents (\$)	11,763,678	5,672,645
Net assets (\$)	13,570,098	6,609,684
Income (\$)	859,488	599,445
Net loss after tax (\$)	(6,225,324)	(5,845,450)
Loss per share (cents per share)	(4.3)	(4.6)
Dividend (\$)	-	-

## **10. DIVIDENDS**

No dividend has been paid during or is recommended for the financial year ended 30 June 2016 (30 June 2015: 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 Company and the Directors. The most significant risks identified that may have a material impact on the future financial performance of the Company and the market price of the Shares are:

- **Mineral and Exploration Risk** - The business of exploration, project development and mining contains risks by its very nature. To prosper, it depends on the successful exploration and/or acquisition of reserves, design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product.
- **Operating Risks** - The proposed activities, costs and use of funds of the Group are based on certain assumptions with respect to the method and timing of exploration, metallurgy and other technical tests. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. The proposed activities of the Company including preliminary economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics. It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes.
- **Additional Requirements for Capital** - Talga is now an advanced materials company straddling both the resources and high growth technology sectors. It has 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 2016 is \$11.8 million which is more than sufficient to cover committed expenditure beyond the next 12 months. However, without regular income outside interest proceeds or assets sales, it will rely on continuing access to capital markets (including the exercise of listed and unlisted Talga options) to fund further development in Sweden and Germany. Failure to

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

- **Environmental Impact Constraints** - The Group's exploration programs will, in general, be subject to approval by governmental authorities. Development of any of the Group's properties will be dependent on the Project meeting environmental guidelines and, where required, being approved by governmental authorities. In April 2015, the Group was issued with a trial mining permit (valid to September 2018) by the Swedish Environmental Review Commission, which covers Talga's exploration licence at its Vittangi graphite project in Sweden. Subsequent remaining clearances were also secured (mining, environmental and stakeholder bonds, Mines Department consent, landowner and other stakeholder compensations).
- **Mineral Title Risks and Indigenous Owners** - Mining and exploration permits are subject to periodic renewal. There is no guarantee that current or future permits or future applications for production concessions will be approved. Permits are subject to numerous legislation conditions. The renewal of the term of a granted permit is also subject to the discretion of the relevant mining inspector. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Group. Furthermore the Group could lose title to, or its interest in, tenements if 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 Company's activities. Subsequent to the issue of a trial mining permit in April 2015 by the Swedish Environmental Review Commission, which covers Talga's exploration license at its Vittangi graphite project in Sweden, remaining mining, environmental and stakeholder bonds, Mines Department consent, landowner and other stakeholder compensations and clearances were also secured.

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

## **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.

- As announced on 26 August and 16 September 2016, Talga completed the sale of its Pilbara gold projects to Beatons Creek Gold Pty Ltd ("Beatons"). Beatons exercised its option (the "Sale Agreement") to purchase the Mosquito Creek, Talga Talga and Warrawoona projects located in the Pilbara region of Western Australia (see ASX:TLG 12 Aug 2015). Beatons, an Australian subsidiary of the TSX Venture-listed Novo Resources Corp. ("Novo"), previously acquired 100% ownership of 3 mining leases at Beatons Creek from Millennium Minerals Limited. These mining leases form part of Novo's Beatons Creek gold project north of the township of Nullagine in the East Pilbara district of Western Australia. Following the \$250,000 option fee already received by Talga under the Sale Agreement, Beatons offered and Talga agreed to accept

765,115 shares of Novo in lieu of cash payments for the AUD\$750,000 transaction balance remaining. Talga will also be due a 1.5% net smelter royalty on any minerals produced from the projects;

- On 14 July 2016, Talga concluded the non-renounceable options rights issue undertaken pursuant to the prospectus dated 17 June 2016 (See ASX:TLG 20 June 2016); and
- On 7 July 2016, a new 100% owned subsidiary, Talga Technologies Limited, was incorporated in the UK.

### 13. DIRECTORS' MEETINGS

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

Directors	Number Eligible to Attend	Number Attended
Keith Coughlan	10	10
Mark Thompson	10	10
Grant Mooney	10	9
Stephen Lowe	6	6

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

### 14. ENVIRONMENTAL REGULATIONS

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

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

The Directors of the Group have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("NGER") to report its annual greenhouse gas emissions and energy use. For the year ending 30 June 2016 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 81,113,336 ordinary shares under option:

- 44,920,582 listed options with an exercise price of 45 cents expiring on 31 December 2018;
- 500,000 unlisted options with an exercise price of 45 cents expiring on 3 October 2016;
- 4,000,000 unlisted options with an exercise price of 52 cents expiring on 31 December 2016;
- 2,000,000 unlisted options with an exercise price of 60 cents expiring on 31 December 2016;
- 2,000,000 unlisted options with an exercise price of 65 cents expiring on 31 December 2016;
- 6,900,000 unlisted options with an exercise price of 60 cents expiring on 4 October 2018;
- 8,892,754 unlisted options with an exercise price of 45 cents expiring on 31 December 2018;
- 2,000,000 unlisted options with an exercise price of 42 cents expiring on 3 May 2019;
- 2,500,000 unlisted options with an exercise price of 54 cents expiring on 23 June 2019;
- 1,500,000 unlisted options with an exercise price of 42 cents expiring on 7 July 2019;
- 2,500,000 unlisted options with an exercise price of 35 cents expiring on 10 August 2019;
- 1,400,000 unlisted options with an exercise price of 54 cents expiring on 20 August 2019;
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 26 March 2020;
- 1,000,000 unlisted options with an exercise price of 54 cents expiring on 17 December 2020;

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

During or since the end of the financial year;

- 2,987,474 fully paid ordinary shares were issued as a result of the exercise of options at an exercise price of \$0.35;
- 4,940,436 fully paid ordinary shares were issued as a result of the underwriting of un-exercised listed options (that expired on 30 November 2015) at an exercise price of \$0.35; and
- 285,000 options with a \$0.35 exercise price expired on 21 July 2015.

## **16. REMUNERATION REPORT (Audited)**

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

### **Remuneration Policy**

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

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board and KMP by remunerating them fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of director and KMP emoluments to the Group's financial and operational performance. The Board has adopted a Remuneration Committee Charter. The full Board has assumed those responsibilities that are ordinarily assigned to a Remuneration committee.

The intended outcomes of this remuneration structure are to:

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

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

- **Non-executive director remuneration**

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

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

- **Executive remuneration**

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

#### Fixed remuneration

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

Variable (at risk) remuneration

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

**Performance Based Remuneration**

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

The Group has not paid any bonuses to directors or KMP in the year ended 30 June 2016.

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

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

**Services Agreements of Executive Directors**

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

**Details of Remuneration**

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

**TALGA RESOURCES LTD**  
**FOR THE YEAR ENDED 30 June 2016**

**2016**

Director	Short Term Benefits			Post-Employment		Sub-Total	Share based payments		Total	Value of share based payments as proportion of remuneration
	Salary	Directors Fees	Non Monetary Salary <sup>(i)</sup>	Super-annuation	Retirement Benefits		Equity	Options <sup>(ii)</sup>		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Keith Coughlan Chairman	-	50,228	-	4,772	-	55,000	-	-	55,000	0%
Mark Thompson Managing Director (iv)	361,752	-	61,700	19,308	-	442,760	-	511,200	953,960	54%
Grant Mooney Non-Executive Director	-	43,562	-	4,138	-	47,700	-	-	47,700	0%
Steve Lowe <sup>(iii)</sup> Non-Executive Director	-	23,596	-	2,242	-	25,838	-	122,000	147,838	83%
<b>Total</b>	<b>361,752</b>	<b>117,386</b>	<b>61,700</b>	<b>30,460</b>	<b>-</b>	<b>571,298</b>	<b>-</b>	<b>633,200</b>	<b>1,204,498</b>	<b>53%</b>

**2015**

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

**Notes**

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

- (i) Non monetary salary includes the net movement of the balance of accrued annual and long-service leave entitlements.
- (ii) For the year ended 30 June 2016 the fair value of 5,500,000 options granted to directors totaled \$633,200. Note 16 (c) refers to the assumptions made in calculating the fair value of the options issued. These options were vested as at 30 June 2016.
- (iii) Mr Stephen Lowe commenced on 17 December 2015 and was entitled to receive director's fees of \$47,700 per annum.
- (iv) Year ended 30 June 2016 - From 1 July 2015 Mr Thompson was entitled to an annual salary of \$275,000 plus superannuation and from 1 January 2016 \$348,000 plus superannuation.

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

**TALGA RESOURCES LTD**  
**FOR THE YEAR ENDED 30 June 2016**

**Option and Share holdings of directors and officers**

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

**Key Management Personnel Options 2016**

30 June 2016	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
Keith Coughlan	1,500,000	-	-	-	1,500,000	-	1,500,000
Mark Thompson <sup>(i)</sup>	463,947	4,500,000	(63,947)	(400,000)	4,500,000	4,500,000	4,500,000
Grant Mooney	1,000,000	-	-	-	1,000,000	-	1,000,000
Stephen Lowe <sup>(i)</sup>	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000

(i) 400,000 listed options received by Mr Thompson, pursuant to a capital raising in April 2014, lapsed during the year.

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

**Key Management Personnel Shareholdings 2016**

30 June 2016	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at end of Year
Keith Coughlan	-	-	-	-	-
Mark Thompson <sup>(i)</sup>	14,206,841	-	63,947	-	14,270,788
Grant Mooney	-	-	-	-	-
Stephen Lowe <sup>(ii)</sup>	-	-	-	560,000	560,000

(i) Mr Thompson shareholding includes 4,000,000 shares issued during the 2014 financial year as part of a Management Incentive Plan. This was provided via a non-recourse interest free loan. The loan amounts to \$1,480,000 and is repayable by 23 June 2019.

(ii) Mr Lowe had an interest in 485,000 shares prior to his appointment on 17 December 2015 and increased his interest by 75,000 shares through an on market trade since joining the Board.

**Share based payments**

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

Directors	Granted in Year \$	Value of options exercised in year \$
Keith Coughlan	-	-
Mark Thompson	511,200	-
Grant Mooney	-	-
Stephen Lowe	122,000	-

**Additional disclosures relating to options and shares**

The table below discloses the number of share options at 30 June 2016 granted to key management persons as remuneration as well as the number of options that vested or lapsed during this year.

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



**TALGA RESOURCES LTD**  
**FOR THE YEAR ENDED 30 June 2016**

Class	Year	Options awarded during the year (No.)	Award date	Fair value per options at award date	Vesting date	Exercise price	Expiry date	No. vested during this year	No. lapsed during this year
<b>As at 30 June 2016</b>									
Mark Thompson	2016	4,500,000	1/12/15	\$0.1136	1/12/15	\$0.60	4/10/18	4,500,000	-
Keith Coughlan	2014	1,500,000	23/6/14	\$0.2387	23/6/14	\$0.54	23/6/19	-	-
Grant Mooney	2014	1,000,000	23/6/14	\$0.2387	23/6/14	\$0.54	23/6/19	-	-
Stephen Lowe	2016	1,000,000	17/12/15	\$0.1220	17/12/15	\$0.54	17/12/20	1,000,000	-

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

The Group paid a premium of \$9,794 (2015: \$7,895) 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 2016 has been received and immediately follows the Directors' Report. Apart from share option valuation fees of \$500, there were no other fees paid to Stantons International for non-audit services provided during the year ended 30 June 2016. 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 behavior and accountability, the Directors support and have adhered to principles of sound corporate governance.

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

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



Mark Thompson  
Managing Director  
Perth, Western Australia  
23 September 2016

23 September 2016

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully,

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



**Martin Michalik**  
Director

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**Consolidated Statement of Profit Or Loss And Other Comprehensive Income**

		2016	2015
	Note	\$	\$
Revenues from ordinary activities	2	89,741	104,515
Other Income	2	769,747	494,930
Expenses			
Administration expenses		(1,101,424)	(841,770)
Compliance and regulatory expenses		(441,284)	(387,413)
Depreciation expense – office equipment		(53,614)	(16,891)
Employee benefits expenses and Directors Fees		(1,175,743)	(1,192,023)
Exploration and evaluation expenditure	8	(608,302)	(2,177,669)
Exploitation costs Sweden		(51,752)	-
Exploration acquisition costs written off	6,8	(250,000)	(77,765)
Research and development Germany		(118,074)	(42,095)
Operations – Pilot Plant Test Facility		(1,547,830)	-
Operations – Trial Mining Sweden		(579,847)	(153,570)
FX gain / (loss) realised		(804)	(1,910)
Share based payments		(1,156,138)	(1,553,789)
<b>(Loss) before income tax expense</b>		<b>(6,225,324)</b>	<b>(5,845,450)</b>
Income tax expense	3	-	-
<b>Net (loss) attributable to members of the parent entity</b>		<b>(6,225,324)</b>	<b>(5,845,450)</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		(17,835)	(17,668)
<b>Total other comprehensive (loss) for the year</b>		<b>(17,835)</b>	<b>(17,668)</b>
<b>Total comprehensive (loss) for the year</b>		<b>(6,243,159)</b>	<b>(5,863,118)</b>
<b>Total comprehensive (loss) attributable to members of the parent entity</b>		<b>(6,243,159)</b>	<b>(5,863,118)</b>
Basic loss per share (cents per share)	15	(4.3)	(4.6)
Diluted loss per share (cents per share)	15	(4.3)	(4.6)

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

**TALGA RESOURCES LTD**  
**As at 30 June 2016**

**Consolidated Statement of Financial Position**

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	4	11,763,678	5,672,645
Trade and other receivables	5	223,507	159,864
Assets held for sale	6	750,000	1,000,000
<b>Total Current Assets</b>		<b>12,737,185</b>	<b>6,832,509</b>
<b>Non-Current Assets</b>			
Other receivables	5	134,039	20,900
Plant and equipment	7	776,748	52,872
Exploration and evaluation Acquisition Costs	8	500,654	490,551
<b>Total Non-Current Assets</b>		<b>1,411,441</b>	<b>564,323</b>
<b>TOTAL ASSETS</b>		<b>14,148,626</b>	<b>7,396,832</b>
<b>Current Liabilities</b>			
Trade and other payables	9	411,823	725,881
Provisions	10	166,705	61,267
<b>TOTAL LIABILITIES</b>		<b>578,528</b>	<b>787,148</b>
<b>NET ASSETS</b>		<b>13,570,098</b>	<b>6,609,684</b>
<b>Equity</b>			
Issued capital	11	32,923,846	20,876,411
Reserves	12	4,416,402	3,278,099
Accumulated losses	13	(23,770,150)	(17,544,826)
<b>TOTAL EQUITY</b>		<b>13,570,098</b>	<b>6,609,684</b>

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**Consolidated Statement of Changes in Equity**

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>At 1 July 2014</b>	<b>15,724,298</b>	<b>(11,699,376)</b>	<b>1,741,978</b>	<b>5,766,900</b>
<b>Comprehensive income:</b>				
Loss after income tax for the year	-	(5,845,450)	-	<b>(5,845,450)</b>
Other comprehensive loss for the year	-	-	(17,668)	<b>(17,668)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(5,845,450)</b>	<b>(17,668)</b>	<b>(5,863,118)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	5,514,019	-	-	<b>5,514,019</b>
Capital raising costs	(361,906)	-	-	<b>(361,906)</b>
Share based compensation	-	-	1,553,789	<b>1,553,789</b>
<b>At 30 June 2015</b>	<b>20,876,411</b>	<b>(17,544,826)</b>	<b>3,278,099</b>	<b>6,609,684</b>
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>At 1 July 2015</b>	<b>20,876,411</b>	<b>(17,544,826)</b>	<b>3,278,099</b>	<b>6,609,684</b>
<b>Comprehensive income:</b>				
Loss after income tax for the year	-	(6,225,324)		<b>(6,225,324)</b>
Other comprehensive loss for the year	-		(17,835)	<b>(17,835)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(6,225,324)</b>	<b>(17,835)</b>	<b>(6,243,159)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	12,734,653	-	-	<b>12,734,653</b>
Capital raising costs	(687,218)	-	-	<b>(687,218)</b>
Share based compensation	-	-	1,156,138	<b>1,156,138</b>
<b>At 30 June 2016</b>	<b>32,923,846</b>	<b>(23,770,150)</b>	<b>4,416,402</b>	<b>13,570,098</b>

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**Consolidated Statement of Cash Flows**

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>			
Payments for exploration, evaluation & exploitation		(857,812)	(1,991,336)
Payments for mining		(745,527)	(153,570)
Payments to suppliers, contractors and employees		(2,417,558)	(2,134,544)
German Operations		(2,023,352)	-
Interest received		89,741	104,515
Research and development refund		519,747	440,559
Proceeds from option fees		250,000	50,000
Other income		-	4,371
<b>Net cash flows used in operating activities</b>	<b>14</b>	<b>(5,184,761)</b>	<b>(3,680,005)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant and equipment		(785,449)	(20,992)
Payment other – Security Bonds payments		(48,292)	(62,841)
<b>Net cash used in investing activities</b>		<b>(833,741)</b>	<b>(83,833)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of securities		12,734,653	5,534,019
Payment for costs of issue of securities		(625,118)	(398,885)
<b>Net cash flows from financing activities</b>		<b>12,109,535</b>	<b>5,135,134</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,091,033</b>	<b>1,371,296</b>
Cash and cash equivalents at the beginning of the financial year		5,672,645	4,301,349
<b>Cash and cash equivalents at the end of the financial year</b>	<b>4</b>	<b>11,763,678</b>	<b>5,672,645</b>

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 2016 of \$11.8 million is more than sufficient to cover committed expenditure beyond the next 12 months and in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

#### **(a) Business Combinations**

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

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

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

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

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

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of

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

consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

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

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

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

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

**(c) Financial Instruments**

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

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

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

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

**(ii) Held-to-maturity investments**

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



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

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

*(iii) Loans and receivables*

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

*(iv) Available-for-sale investments*

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

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

*(v) Financial Liabilities*

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

**Impairment**

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

**Derecognition**

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

*(d) Cash and Cash Equivalents*

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

*(e) Trade and Other Receivables*

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

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

**(f) Revenue**

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

**(g) Impairment of Assets**

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

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

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

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

**(h) Goods and Services Tax (GST)**

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

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

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

**(i) Taxation**

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

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.

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

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

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

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

**(j) Trade and Other Payables**

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

**(k) Share Based Payments**

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

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

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

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

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

**(l) Issued Capital**

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

**(m) Earnings Per Share**

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

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

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

changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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

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

**Key Estimates - Impairment**

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

**Key Judgement – Exploration and evaluation costs**

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

**Key Judgment – Environmental Issues**

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

**(o) Application of new and revised Accounting Standards**

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

In the current year, the Group has considered a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective from an accounting period on or after 1 January 2015 and determined that their application to the financial statements is either not relevant or not material.

**Standards and Interpretations issued not yet adopted**

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

*AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

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

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

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

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

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

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

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

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

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

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

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

Although the adoption of AASB 16 will have an impact on the Group's financial statements, the directors anticipate it will not have a material effect.

- *Other standards not yet applicable*

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

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

**(p) Foreign Currency**

**(i) Functional and presentation currency**

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

**(ii) Foreign currency transactions**

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income:

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

**(iii) Foreign operations**

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

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

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

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

**(q) Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Talga Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 24.

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

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

**(r) Fair Value of Assets and Liabilities**

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

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

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

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

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

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

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

### ***Fair value hierarchy***

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

#### **Level 1**

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

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

#### **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**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Interest revenue	89,741	104,515
Research and development refund	519,747	440,559
Option fee on sale of Australian Gold tenements	250,000	50,000
Other income	-	4,371

**3. INCOME TAXES**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax	(6,225,324)	(5,845,450)
Current Tax Expense / (Benefit)	(1,774,217)	(1,753,635)
Tax effect of:		
Expenses not allowed	1,143,435	1,498,353
Section 40-880 deduction	(97,350)	(78,227)
Accrued expenses	(1,425)	2,250
Income not assessable	(148,699)	(132,168)
Future income tax benefit not brought to account	878,257	463,427
Income tax attributable to operating losses	-	-

(b) Deferred tax assets

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Australian tax losses	3,414,060	2,732,625
Provisions net of prepayments	127,668	25,517
Section 40-880 deduction	303,984	163,345
Deferred exploration expenditures	(213,750)	(498,812)
Other deferred amounts	21,390	-
Unrecognised deferred tax assets relating to the above temporary differences	3,653,353	2,422,675

The estimated Swedish tax losses are approximately \$4.8 million and the deferred tax benefit from the Swedish tax losses not recognised is approximately \$1 million (based on a tax rate of 22%). Talga is currently in discussions with the Swedish tax authorities regarding the appropriate assessment of deductions claimed from previous exploration and development expenditure. The Company has received independent taxation advice and believes that it is not liable for penalties emanating from claims of certain expenditures and is awaiting a decision from Swedish authorities on the treatment of such claims and if any resulting penalties are due and payable.

The estimated German tax losses are approximately \$1.7 million and the deferred tax benefit from the German tax losses not recognised is approximately \$250,000 (based on a tax rate of 15%).

The benefits will only be obtained if:

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**4. CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	11,763,678	5,672,645

**5. TRADE AND OTHER RECEIVABLES**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Other Debtors	1,169	62,841
GST / VAT receivable	222,338	97,023
<b>Total trade and other receivables</b>	<b>223,507</b>	<b>159,864</b>

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>NON CURRENT</b>		
Security Term Deposit	70,586	20,900
Environmental Bond	63,453	-
	134,039	20,900

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

**6. ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Balance at the start of the period	1,000,000	-
Movement for the period	(250,000)	1,000,000
Exploration and evaluation acquisition costs	750,000	1,000,000

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

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

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

The amount above represents the carrying amount of acquisition costs relating to these gold assets.

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**7. PLANT AND EQUIPMENT**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment at cost	955,247	207,785
Less: accumulated depreciation	(178,499)	(154,913)
<b>Total plant and equipment</b>	<b>776,748</b>	<b>52,872</b>
<b>Balance at the beginning of the financial year</b>	<b>52,872</b>	<b>57,257</b>
Additions	795,576	20,992
Disposals/write offs	(29,617)	-
Depreciation expense	(51,752)	(25,376)
Accumulated depreciation eliminated on write off of assets	29,617	-
Effect of foreign currency exchange differences	(19,948)	(1)
<b>Balance at the end of the financial year</b>	<b>776,748</b>	<b>52,872</b>

**8. EXPLORATION AND EVALUATION EXPENDITURE**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Balance at the beginning of the financial year</b>	<b>490,551</b>	<b>1,568,987</b>
Exploration and evaluation expenditure	608,302	2,177,669
Written off as incurred (refer note 1(b))	(608,302)	(2,177,669)
Write off as exploration acquisition costs (refer note 1(b))	-	(77,765)
Transferred to Assets classified as held for sale	-	(1,000,000)
Foreign currency exchange movement in assets	10,103	(671)
<b>Balance at the end of the financial year</b>	<b>500,654</b>	<b>490,551</b>

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

**9. TRADE AND OTHER PAYABLES**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT PAYABLES</b>		
Trade creditors	205,927	612,152
Accruals	174,418	30,000
Superannuation / PAYG payable	31,478	83,729
<b>Total trade and other payables</b>	<b>411,823</b>	<b>725,881</b>

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**10. PROVISIONS**

	2016 \$	2015 \$
Provision for Annual Leave	132,832	61,267
Provision for Long Service Leave	33,873	-
<b>Total Provisions</b>	<b>166,705</b>	<b>61,267</b>

**11. ISSUED CAPITAL**

**(a) Issued and Fully Paid**

	2016 Number	2016 \$	2015 Number	2015 \$
Ordinary shares	181,855,075	32,923,846	138,356,150	20,876,411
	<b>181,855,075</b>	<b>32,923,846</b>	<b>138,356,150</b>	<b>20,876,411</b>

**(b) Movement Reconciliation**

<b>ORDINARY SHARES</b>	<b>Date</b>	<b>Quantity</b>	<b>Issue Price \$</b>	<b>\$</b>
<b>Balance 30 June 2014</b>		<b>124,566,097</b>		<b>15,724,298</b>
Issue of shares on exercise of options	25/07/2015	312	0.35	109
Issue of shares on exercise of options	15/08/2015	15,000	0.35	5,250
Issue of shares on exercise of options	22/09/2015	670	0.35	235
Issue of shares on exercise of options	15/10/2015	10,000	0.35	3,500
Issue of shares on exercise of options	13/11/2015	3,052	0.35	1,068
Issue of shares on exercise of options	9/03/2016	1,000	0.35	350
Issue of shares pursuant to a placement	25/03/2016	13,750,000	0.40	5,500,000
Issue of shares on exercise of options	31/03/2016	4,456	0.35	1,560
Issue of shares on exercise of options	31/03/2016	122	0.35	43
Issue of shares on exercise of options	31/03/2016	5,441	0.35	1,904
Less transaction costs	-	-	-	(361,906)
<b>Balance 30 June 2015</b>		<b>138,356,150</b>		<b>20,876,411</b>
Issue of shares on exercise of unlisted options	16/07/2015	215,000	0.35	75,250
Issue of shares on exercise of listed options	4/11/2015	304,987	0.35	106,745
Issue of shares on exercise of listed options	16/11/2015	548,165	0.35	191,858
Issue of shares on exercise of listed options	2/12/2015	1,919,322	0.35	671,763
Issue of shares on exercise of listed options	7/12/2015	4,940,436	0.35	1,729,153
Issue of shares – Placement	22/06/2016	35,571,015	0.28	9,959,884
Less transaction costs	-	-	-	(687,218)
<b>Balance 30 June 2016</b>		<b>181,855,075</b>		<b>32,923,846</b>

**(c) Share Options**

At 30 June 2016 the Group had 23,300,000 ordinary shares under option.

- 500,000 unlisted options have an exercise price of 45 cents and expire 3 October 2016.
- 4,000,000 unlisted options have an exercise price of 52 cents and expire 31 December 2016.
- 2,000,000 unlisted options have an exercise price of 60 cents and expire 31 December 2016.
- 2,000,000 unlisted options have an exercise price of 65 cents and expire 31 December 2016.
- 6,900,000 unlisted options have an exercise price of 60 cents and expire 4 October 2018.
- 2,000,000 unlisted options have an exercise price of 42 cents and expire 3 May 2019
- 2,500,000 unlisted options have an exercise price of 54 cents and expire 23 June 2019.
- 1,400,000 unlisted options have an exercise price of 54 cents and expire 20 August 2019.
- 1,000,000 unlisted options have an exercise price of 54 cents and expire 26 March 2020.
- 1,000,000 unlisted options have an exercise price of 54 cents and expire 17 December 2020.

**11. ISSUED CAPITAL NOTE(Cont'd)**

**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 2016 is as follows:

	2016 \$	2015 \$
Cash and cash equivalents	11,763,678	5,672,645
Trade and other receivables	223,507	159,864
Assets held for sale	750,000	1,000,000
Trade and other payables	(411,823)	(725,881)
Provisions – employee entitlements	(166,705)	(61,267)
<b>Working capital position</b>	<b>12,158,657</b>	<b>6,045,361</b>

**12. RESERVES**

	2016 \$	2015 \$
<b>OPTION RESERVE</b>		
Balance at the beginning of the financial year	3,491,975	1,938,186
Options issued (note 25)	1,156,138	1,553,789
<b>Balance at the end of the financial year</b>	<b>4,648,113</b>	<b>3,491,975</b>

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

	2016 \$	2015 \$
<b>FOREIGN CURRENCY RESERVE</b>		
Balance at the beginning of the financial year	(213,876)	(196,208)
Movement during the year	(17,835)	(17,668)
<b>Balance at the end of the financial year</b>	<b>(231,711)</b>	<b>(213,876)</b>
<b>Total Reserves</b>	<b>4,416,402</b>	<b>3,278,099</b>

**13. ACCUMULATED LOSSES**

	2016 \$	2015 \$
Balance at the beginning of the financial year	(17,544,826)	(11,699,376)
Loss for the year	(6,225,324)	(5,845,450)
<b>Balance at the end of the financial year</b>	<b>(23,770,150)</b>	<b>(17,544,826)</b>

**14. CASHFLOW INFORMATION**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of cash flows from operating activities with loss after income tax</b>		
Loss after income tax	(6,225,324)	(5,845,450)
<b>Non-cash flows in loss for the year:</b>		
- Depreciation expense - office and field equipment	53,614	25,376
- Write off of exploration acquisition costs	250,000	77,765
- Share based payment	1,156,138	1,553,789
- Employee benefits expense	-	-
- Foreign exchange loss / (gain)	(9,521)	(15,089)
<b>Changes in assets and liabilities</b>		
- (Increase) / decrease in trade and other receivables	(126,485)	(95,204)
- Increase / (decrease) in trade and other payables	(388,621)	561,431
- Increase / (decrease) in provisions	105,438	57,377
<b>Net cash outflows from Operating Activities</b>	<b>(5,184,761)</b>	<b>(3,680,005)</b>

**Non Cash Financing and Investing Activities**

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

**15. LOSS PER SHARE**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Net loss after income tax attributable to members of the Group	(6,225,324)	(5,845,450)
	<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	143,765,577	128,245,913

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

**16. KEY MANAGEMENT AND PERSONNEL COMPENSATION**

**(a) Directors and Specified Executives**

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

<b>Directors</b>	<b>Position</b>	<b>Duration of Appointment</b>
Keith Coughlan	Non-Executive Chairman	Appointed 27 <sup>th</sup> September 2013
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

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

**(b) Remuneration of Directors**

\$1,204,498 (2015: \$481,512) in remuneration was paid to Directors for the financial year comprising salary, superannuation, insurance and commercial fees.

	2016 \$	2015 \$
Short-term employee benefits	540,838	450,969
Post-employee benefits	30,460	30,543
Other long-term benefits	-	-
Share-based payments	633,200	-
<b>Total</b>	<b>1,204,498</b>	<b>481,512</b>

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

On 1 December 2015, 4,500,000 options (exercisable at \$0.60 and expiring on 4 October 2018) were granted to Managing Director Mark Thompson and on 17 December 2015 1,000,000 options (exercisable at \$0.54 and expiring 17 December 2020) were granted to non-executive director Stephen Lowe for no consideration. The options hold no dividend or voting rights and are not transferrable. The options vested on grant date.

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

	<b>Mark Thompson</b>	<b>Stephen Lowe</b>
Exercise price:	\$0.60	\$0.54
Valuation date:	1 December 2015	17 December 2015
Expiry date:	4 October 2018	17 December 2020
Market price of shares at grant date:	\$0.355	\$0.275
Expected share price volatility:	70%	70%
Risk free interest rate:	2.09%	2.31%
Valuation per option:	11.36 cents	12.2 cents

The expense recognised for the options issued to key management personnel during the 2016 financial year was \$633,200.

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

**d) Related Party Transactions:**

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

**17. AUDITOR'S REMUNERATION**

	2016 \$	2015 \$
Amounts received or due and receivable by the auditors for:		
Auditing and review of financial reports	30,038	35,364
Other services	500	-
<b>Total</b>	<b>30,538</b>	<b>35,364</b>

**18. COMMITMENTS**

**a) Exploration commitments**

In order to maintain current rights of tenure to mining tenements, the Group has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

**18. COMMITMENTS NOTE (Cont'd)**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Not longer than one year	280,120	218,404
Longer than one year, but not longer than five years	744,083	536,765
Longer than five years	309,745	330,201
<b>Total</b>	<b>1,333,948</b>	<b>1,085,370</b>

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

As advised in both the assets held for sale note 6 and subsequent events note 21, Talga has completed the sale of its Pilbara project tenements to Beatons Creek Gold Pty Ltd. As a result, the only exploration expenditure commitments remaining subsequent to the sale of the Pilbara project tenements relate to the Bullfinch project tenements. These commitments are:

	<b>2016</b>
	<b>\$</b>
Not longer than one year	100,342
Longer than one year, but not longer than five years	203,803
Longer than five years	-
<b>Total</b>	<b>304,145</b>

**b) Operating lease commitments**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Head Office lease		
Not longer than one year	33,277	51,273
Longer than one year, but not longer than five years	34,410	15,312
Longer than five years	-	-
<b>Total</b>	<b>67,687</b>	<b>66,585</b>

**19. FINANCIAL INSTRUMENTS**

**a. Financial Risk Management Policies**

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

**i. Financial Risk Exposures and Management.**

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

**Interest rate risk**

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

**Credit risk exposures**

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



**19. FINANCIAL INSTRUMENTS NOTE (Cont'd)**

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

The credit quality of financial assets that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2016 \$	2015 \$
<b>Trade and other current receivables</b>		
Group 1		-
Group 2	223,507	159,864
Group 3		-
<b>Total trade and other current receivables</b>	<b>223,507</b>	<b>159,864</b>
 Cash at bank and short-term deposits	 11,763,678	 5,672,645
<b>Total</b>	<b>11,763,678</b>	<b>5,672,645</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.

ii. 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.

iii. Net Fair Values

The net fair values of:

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

iv. 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 2016, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2016 \$	2015 \$
Change in loss		
- Increase in interest rate by 100 basis points	117,637	56,726
- Decrease in interest rate by 100 basis points	(117,637)	(56,726)
Change in equity		
- Increase in interest rate by 100 basis points	117,637	56,726
- Decrease in interest rate by 100 basis points	(117,637)	(56,726)

**19. FINANCIAL INSTRUMENTS NOTE (Cont'd)**

	<b>Floating Interest Rate \$</b>	<b>Fixed Interest Rate \$</b>	<b>Non interest bearing \$</b>	<b>Total \$</b>	<b>Weighted average interest rate %</b>
<b>2016</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	10,430,000	-	1,333 678	<b>11 763 678</b>	2.3
Trade and other receivables	-	20,900	336 646	<b>357,546</b>	-
<b>Total financial assets</b>	<b>10,430,000</b>	<b>20,900</b>	<b>1 670 324</b>	<b>12 121 224</b>	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	411 823	<b>411 823</b>	
<b>Total financial liabilities</b>	-	-	<b>411 823</b>	<b>411 823</b>	
<b>2015</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	4,621,271	-	1,051,374	<b>5,672,645</b>	2.4
Trade and other receivables	-	20,900	159,864	<b>180,764</b>	-
<b>Total financial assets</b>	<b>4,621,271</b>	<b>20,900</b>	<b>1,211,238</b>	<b>5,853,409</b>	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	725,881	<b>725,881</b>	-
<b>Total financial liabilities</b>	-	-	<b>725,881</b>	<b>725,881</b>	-

v. Foreign currency risk

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

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

The parent has a loan receivable from Talga Mining Pty Ltd of SEK37,829,466 (\$6,000,477) and a loan receivable from Talga Advanced Materials GmbH of EUR1,726,303 (\$2,576,353). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately \$408,420.

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**20. 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 the chief operating decision maker as it relates to segment reporting.

The Group operates in three operating and geographical segments, being graphite exploration and development in Sweden, gold exploration and evaluation in Australia and graphite/graphene research and development in Germany. 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>2016</b>	<b>Sweden</b>	<b>Germany</b>	<b>Australia</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>SEGMENT PERFORMANCE</b>				
Revenues from ordinary activities	-	-	89,741	<b>89,741</b>
Other Income	-	-	769,747	<b>769,747</b>
<b>Total segment revenue</b>	-	-	<b>859,488</b>	<b>859,488</b>
<b>Segment expense (inc write offs)</b>	<b>(1,331,894)</b>	<b>(1,693,166)</b>	<b>(353,127)</b>	<b>(3,378,187)</b>

*Reconciliation of segment result to net loss before tax*

Segment Result	(2,518,699)
Unallocated items:	
- Administration expenses	(1,022,541)
- Compliance and regulatory expenses	(326,042)
- Depreciation expense	(25,357)
- Director fees and employee benefits expenses	(1,175,743)
- Share based payments	(1,156,138)
- Foreign exchange gain / (loss)	(804)
<b>Net loss before tax from continuing operations</b>	<b>(6,225,324)</b>

**SEGMENT ASSETS**

**As at 30 June 2016**

Segment assets as at 1 July 2015	744,271	36,235	6,616,326	<b>7,396,832</b>
Segment asset increases/(decreases) for the year:				
- Cash and cash equivalents	(90,863)	12,129	6,169,767	<b>6,091,033</b>
- Assets held for sale	-	-	(250,000)	<b>(250,000)</b>
- Plant and equipment	1,512	735,230	(12,866)	<b>723,876</b>
- Exploration and evaluation expenditure	10,107	-	-	<b>10,107</b>
- Other	(31,617)	226,881	(18,486)	<b>176,778</b>
	<b>633,410</b>	<b>1,010,475</b>	<b>12,504,741</b>	<b>14,148,626</b>

Reconciliation of segment assets to total assets

Other assets	-
<b>Total assets from continuing operations</b>	<b>14,148,626</b>

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**20. SEGMENT NOTE (Cont'd)**

	Sweden \$	Germany \$	Australia \$	Total \$
<b>SEGMENT LIABILITIES</b>				
<b>As at 30 June 2016</b>	120,452	50,301	241,070	411,823
Reconciliation of segment liabilities to total liabilities				
Unallocated items:				
- Provision				166,705
<b>Total liabilities from continuing operations</b>				<b>578,528</b>
<b>2015</b>				
	\$	\$	\$	\$
<b>SEGMENT PERFORMANCE</b>				
Revenues from ordinary activities	-	-	104,515	<b>104,515</b>
Other income	-	-	494,930	<b>494,930</b>
<b>Total segment revenue</b>	-	-	<b>599,445</b>	<b>599,445</b>
<b>Segment expense (including write offs)</b>	<b>(1,925,457)</b>	<b>(42,095)</b>	<b>(483,547)</b>	<b>(2,451,099)</b>

*Reconciliation of segment result to net loss before tax*

Segment Result	(1,851,654)
Unallocated items:	
- Administration expenses	(841,770)
- Compliance and regulatory expenses	(387,413)
- Depreciation expense – office equipment	(16,891)
- Director fees and employee benefits expenses	(1,192,023)
- Share based payments	(1,553,789)
- Foreign exchange gain	(1,910)
<b>Net loss before tax from continuing operations</b>	<b>(5,845,450)</b>

**SEGMENT ASSETS**

**As at 30 June 2015**

Segment assets as at 1 July 2014	560,616	-	5,356,823	<b>5,917,439</b>
Segment asset increases/(decreases) for the year:				
- Cash and cash equivalents	82,124	36,235	1,252,937	<b>1,371,296</b>
- Assets held for sale	-	-	1,000,000	<b>1,000,000</b>
- Plant and Equipment	2,061	-	50,811	<b>52,872</b>
- Exploration and evaluation expenditure	(28,446)	-	(1,049,990)	<b>(1,078,436)</b>
- Other	127,916	-	5,745	<b>133,661</b>
	<b>744,271</b>	<b>36,235</b>	<b>6,616,326</b>	<b>7,396,832</b>

**20. SEGMENT NOTE (Cont'd)**

	Sweden \$	Germany \$	Australia \$	Total \$
Reconciliation of segment assets to total assets				
Other assets				-
<b>Total assets from continuing operations</b>				<b>7,396,832</b>

**SEGMENT LIABILITIES**

Segment liabilities as at 30 June 2015	219,713	-	506,168	725,881
Reconciliation of segment liabilities to total liabilities				
Unallocated items:				
- Provision				61,267
<b>Total liabilities from continuing operations</b>				<b>787,148</b>

**21. SUBSEQUENT EVENTS**

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

- As announced on 26 August 2016 and 16 September 2016, Talga completed the sale of its Pilbara gold projects to Beatons Creek Gold Pty Ltd ("Beatons"). Beatons exercised its option (the "Sale Agreement") to purchase the Mosquito Creek, Talga Talga and Warrawoona projects located in the Pilbara region of Western Australia (see ASX:TLG 12 Aug 2015). Beatons, an Australian subsidiary of the TSX Venture-listed Novo Resources Corp. ("Novo"), previously acquired 100% ownership of 3 mining leases at Beatons Creek from Millennium Minerals Limited. These mining leases form part of Novo's Beatons Creek gold project north of the township of Nullagine in the East Pilbara district of Western Australia. Following the \$250,000 option fee already received by Talga under the Sale Agreement, Beatons offered and Talga agreed to accept 765,115 shares of Novo in lieu of cash payments for the AUD\$750,000 transaction balance remaining. Talga will also be due a 1.5% net smelter royalty on any minerals produced from the projects;
- On 14 July 2016, Talga concluded the non-renounceable options rights issue undertaken pursuant to the prospectus dated 17 June 2016 (See ASX:TLG 20 June 2016); and
- On 7 July 2016, a new 100% owned subsidiary, Talga Technologies Limited, was incorporated in the UK.

**22. RELATED PARTIES**

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**23. PARENT INFORMATION**

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

**STATEMENT OF FINANCIAL POSITION**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Current assets	11,695,896	5,544,611
Non-Current assets	9,421,178	6,019,284
<b>TOTAL ASSETS</b>	<b>21,117,074</b>	<b>11,563,895</b>
<b>LIABILITIES</b>		
Current liabilities	388,746	567,435
<b>TOTAL LIABILITIES</b>	<b>388,746</b>	<b>567,435</b>
<b>NET ASSETS</b>	<b>20,728,328</b>	<b>10,996,460</b>
<b>EQUITY</b>		
Issued capital	32,923,846	20,876,411
Accumulated losses	(16,843,632)	(13,371,927)
Option Reserve	4,648,114	3,491,976
<b>TOTAL EQUITY</b>	<b>20,728,328</b>	<b>10,996,460</b>

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Net loss for the year	(3,471,705)	(3,609,041)
<b>Total comprehensive loss for the year</b>	<b>(3,471,705)</b>	<b>(3,609,041)</b>

**24. CONTROLLED ENTITIES**

Talga Resources Limited owns the following subsidiaries:

Name of Entity	Country of Incorporation	Percentage Owned (%) *	
		30 June 2016	30 June 2015
Talga Mining Pty Ltd	Australia	100%	100%
Talga Advanced Materials GmbH	Germany	100%	100%

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**25. SHARE BASED PAYMENTS**

The following share based payments were made during the year:

- Series 1 – 2,000,000 options granted 3/9/15
- Series 2 – 2,400,000 options granted 8/10/15
- Series 3 – 4,500,000 options granted 1/12/15
- Series 4 – 1,000,000 options granted 17/12/15
- Series 5 – 2,000,000 options granted 4/5/16
- Series 6 – 1,500,000 options granted 1/6/16

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6
Grant date share price	\$0.290	\$0.395	\$0.355	\$0.275	\$0.235	\$0.295
Exercise price	\$0.52	\$0.60	\$0.60	\$0.54	\$0.42	\$0.42
Expected share price volatility	70%	70%	70%	70%	65%	74%
Option life	1.3 years	3 years	3 years	5 years	3 years	3 years
Risk free interest rate	1.78%	1.84%	2.09%	2.31%	1.73%	1.51%
Valuation per option	\$0.043	\$0.141	\$0.114	\$0.122	\$0.066	\$0.118

The expense recognised for the options granted during the financial year was \$1,156,138. The 1,500,000 Series 6 options were deemed granted in June 2016 and included in the amount expensed for the 2016 financial year however were not allotted until July 2016 and therefore not included in the 11,900,000 options as noted in the table below.

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

	2016		2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
<b>Balance at beginning of financial year</b>	<b>11,900,000</b>	<b>0.55</b>	<b>6,250,000</b>	<b>0.46</b>
Granted during the financial year	11,900,000	0.55	8,600,000	0.57
Expired during the financial year	(285,000)	0.35	(2,950,000)	0.41
Exercised during the financial year	(215,000)	0.35	-	-
<b>Balance at end of the financial year</b>	<b>23,300,000</b>	<b>0.55</b>	<b>11,900,000</b>	<b>0.55</b>
<b>Exercisable at end of the financial year</b>	<b>23,300,000</b>	<b>0.55</b>	<b>11,900,000</b>	<b>0.55</b>

The share based payment options outstanding at the end of the financial year had a weighted average exercise price of \$0.55 (2015: \$0.55) and a weighted average remaining contractual life of 2.25 years (2015: 2.54 years).

**26. CONTINGENT LIABILITIES**

The Company has received a claim from a former employee of the Company for certain costs pertaining to his termination of employment. The Company is defending the claim. Apart from this claim, there were no contingent liabilities or contingent assets as at 30 June 2016 (2015: nil).

**Directors' Declaration**

The directors of the Group declare that:

1. the financial statements and notes, as set out on pages 19 to 47, 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 2016 and of the performance for the year ended on that date of the Group.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mark Thompson  
Managing Director

Perth, Western Australia  
23 September 2016



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

**Report on the Financial Report**

We have audited the accompanying financial report of Talga Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company also comprising the entities it controlled from time to time during the financial year.

*Directors' responsibility for the Financial Report*

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

*Auditor's responsibility*

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

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

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

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

*Independence*

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

*Opinion*

In our opinion:

- a) the financial report of Talga Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. Complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included on pages 13 to 17 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the remuneration report of Talga Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Yours faithfully

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

*Stantons International Audit & Consulting Pty Ltd*



Martin Michalik  
Director  
23 September 2016

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**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 15 September 2016.

**Statement of Quoted Securities**

Listed on the Australian Securities Exchange are 181,855,075 fully paid ordinary shares and 44,920,582 Listed Options exercisable at \$0.45 expiring 31 December 2018.

**Distribution of Shareholding**

The distribution of members and their holdings of equity securities in the Group as at 15 September 2016 were as follows:

<b>Spread of Holdings</b>	<b>Fully Paid Ordinary Shares</b>	<b>Total Shareholders</b>	<b>Listed Options</b>	<b>Total Option holders</b>
1-1,000	20,253	85	51,819	88
1,001 - 5,000	1,618,837	539	680,933	240
5,001 – 10,000	3,453,807	408	724,116	98
10,001 - 100,000	33,970,474	943	6,103,630	202
100,001 and over	142,791,704	219	37,360,084	35
<b>TOTALS</b>	<b>181,855,075</b>	<b>2,194</b>	<b>44,920,582</b>	<b>663</b>

**Unmarketable Parcels**

The number of holders of less than a marketable parcel of ordinary shares is 211.

**Substantial Shareholders**

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

<b>Shareholder</b>	<b>Number Held</b>	<b>% Held</b>
SMEDVIG G P LTD	19,571,221	10.76
LATERAL MINERALS PL	14,270,788	7.85

**Restricted Securities**

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

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

**Voting Rights**

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**Twenty Largest Shareholders and Option holders**

The names of the twenty largest Ordinary Fully Paid shareholders as at the 15 September 2016 are as follows:

<b>Ordinary Shares</b>		<b>Number Held</b>	<b>% Held</b>
1	SMEDVIG G P LTD	19,571,221	10.76
2	LATERAL MINERALS PL	14,270,788	7.85
3	J P MORGAN NOM AUST LTD	10,245,188	5.63
4	YANDAL INV PL	5,524,000	3.04
5	HSBC CUSTODY NOM AUST LTD	4,845,951	2.66
6	PELMER SEC S A	4,542,775	2.50
7	TWO TOPS PL	3,750,000	2.06
8	HSBC CUSTODY NOM AUST LIM	2,501,793	1.38
9	CITICORP NOM PL	2,300,737	1.27
10	WONG KIN CHUN	2,233,246	1.23
11	ONE MANAGED INV FUNDS LTD	2,200,000	1.21
12	UNITED OVERSEAS SVC MGNT	1,979,054	1.09
13	DANKS KEVIN GRAHAM	1,825,000	1.00
14	LIDDELL KEITH S + S J	1,778,551	0.98
15	ALL STATES FINANCE PL	1,700,000	0.93
16	BNP PARIBAS NOMS NZ LTD	1,685,291	0.93
17	ABBOT FINANCE CORP	1,607,143	0.88
18	GEROVICH STEVEN R + E L	1,475,000	0.81
19	JAMES BRONWYN JULIANNE	1,471,405	0.81
20	AUST EXECUTOR TTEES LTD	1,360,000	0.75
<b>Top 20 holders of ordinary shares</b>		<b>86,867,143</b>	<b>44.77</b>

The names of the twenty largest Listed Option holders as at the 15 September 2016 are as follows:

<b>Listed Options</b>		<b>Number Held</b>	<b>% Held</b>
1	SMEDVIG G P LTD	13,402,126	29.84
2	J P MORGAN NOM AUST LTD	6,172,075	13.74
3	LIDDELL KEITH S + S J	4,699,298	10.46
4	LATERAL MINERALS PL	3,567,697	7.94
5	PELMER SEC S A	1,135,693	2.53
6	UBS NOM PL	907,688	2.02
7	HSBC CUSTODY NOM AUST LIM	625,000	1.39
8	WONG KIN CHUN	558,311	1.24
9	UNITED OVERSEAS SVC MGNT	494,763	1.10
10	HSBC CUSTODY NOM AUST LTD	468,500	1.04
11	ALL STATES FINANCE PL	425,000	0.95
12	ABBOT FINANCE CORP	401,785	0.89
13	GEROVICH STEVEN R + E L	375,000	0.83
14	JAMES BRONWYN JULIANNE	364,544	0.81
15	AUST EXECUTOR TTEES LTD	338,750	0.75
16	MADGWICK KARIN JOY + P W	294,715	0.66
17	MORTON GRAHAM JOHN	250,162	0.56
18	TEXMODE PL	250,000	0.56
19	GOLDEN WORDS PL	227,625	0.51
20	NEWBALL PL	222,500	0.50
<b>Top 20 holders of Listed Options</b>		<b>35,181,232</b>	<b>78.32</b>

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

---

**Unquoted Equity Securities**

As at 15 September 2016, the following unquoted securities were on issue:

- Unlisted Options with the following terms:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number on Issue</b>	<b>Number of Holders</b>
3 October 2015	\$0.45	500,000	3
31 December 2016	\$0.52	4,000,000	3
31 December 2016	\$0.60	2,000,000	2
31 December 2016	\$0.65	2,000,000	2
4 October 2018	\$0.60	6,900,000	6
31 December 2018	\$0.45	8,892,754	12
3 May 2019	\$0.42	2,000,000	1
23 June 2019	\$0.54	2,500,000	2
7 July 2019	\$0.42	1,500,000	1
10 August 2019	\$0.35	2,500,000	1
20 August 2019	\$0.54	1,400,000	3
26 March 2020	\$0.54	1,000,000	1
17 December 2020	\$0.54	1,000,000	1
<b>Total on issue</b>		<b>36,192,754</b>	

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, [www.taglaresources.com](http://www.taglaresources.com), under the section 'About Us'.

Talga has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where Talga's corporate governance practices follow a recommendation, the Company has made appropriate statements reporting on the implementation of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, Talga's corporate governance practices do not follow a recommendation, the Company has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices Talga has adopted. This corporate governance statement sets out the Company's corporate governance policies and practices and is current as at 23 September 2016 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 17 December 2015. Should the Company appoint a new Director in the future, appropriate checks including criminal record and bankruptcy history, will be undertaken prior to the appointment. Information about a candidate standing for election or re-election as a Director is provided to shareholders via the Notice of Meeting and the information contained in the Annual Report.

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

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

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

#### **Company Secretary**

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

#### **Performance Evaluation Practices**

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

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

The Chairman and the Board regularly discussed the performance and composition of the Board during the 2015-16 period, considering issues or concerns as they arose. This ongoing process has remained in-house and informal throughout the year, relying on regular discussion.

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

#### **Diversity Policy:**

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

The Board did not establish measurable targets for achieving gender diversity across the group during 2016. The Company is currently not of a size that justifies the establishment of measurable diversity objectives. The Board will seek to develop a reporting framework in the future as the Company grows to report the Company's progress against the objectives and strategies for achieving a diverse workplace which can be used as a guide to be used by the Company to identify new directors, senior executives and employees.

The respective proportion of men and women employees across the whole organisation is 78% (14) and 22% (4). Currently the Board comprises four members, all of whom are men. All the senior executive positions

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

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

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

### **Nomination Committee:**

The Board has not established a separate Nomination Committee. The Board considers that at this stage there would be no efficiencies or other benefits gained by establishing a separate Nomination Committee. Accordingly, the full Board has assumed those responsibilities that are ordinarily assigned to a Nomination Committee and has addressed the skill-set of current Board members and the future need to expand that skill-set by way of appointment of new directors.

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

### **Board Skills and Experience:**

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

Expertise	Industry	Qualifications
<ul style="list-style-type: none"> <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> </ul>	<ul style="list-style-type: none"> <li>• Mineral Resources</li> <li>• Capital Markets</li> <li>• Renewable Energy</li> <li>• Materials</li> </ul>	<ul style="list-style-type: none"> <li>• Business &amp; Accounting</li> <li>• Taxation</li> <li>• Geology</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 within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company or any of its subsidiaries;
- is, or has been within the last three years, in a material business relationship (eg as a supplier or customer) with the Company or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- is a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial holder of the Company;
- has a material contractual relationship with the Company or its subsidiaries other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the Company for such a period that his or her independence may have been compromised.



The assessment of whether a Board member is independent is a matter of judgement for the Board as a whole and includes concepts of materiality. In the context of independence, materiality is considered from both a quantitative and qualitative perspective.

In accordance with the definition of independence above and the materiality thresholds, the independent directors of the Company are Keith Coughlan (Chairman since 27 Sept 2013), Grant Mooney (Non-Executive Director since 20 Feb 2014) and Mr Stephen Lowe (Non-Executive-Director since 17 December 2015).

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

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

#### **Code of Conduct:**

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

#### **Conflict of Interest:**

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of Director related transactions with the Company are set out in Note 16 of the 2016 Annual Report.

### **Principle 4: Safeguard Integrity of Corporate Reporting**

#### **Audit and Risk Committee**

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

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

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

#### **CEO and CFO Declaration**

The Managing Director and Financial Controller have provided a declaration to the Board in accordance with section 295A of the Corporations Act that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company for the reporting period and that their opinion

is formed on the basis of a sound system of risk management and internal control which is operating effectively.

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

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

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

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

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

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

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

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

**Principle 7: Recognise and Manage Risk**

The Board has not established a separate Risk Committee and therefore it is not structured in compliance with ASX Recommendation 7.1. Prior to increasing the size of the Board, the Board believed that there would be no efficiencies gained by establishing a separate Audit Committee. However, the Board is currently in the process of establishing a separate Audit and risk Committee. The Board's Charter clearly establishes that the Board is responsible for ensuring there is a good sound system for overseeing and managing risk. The Company has adopted a Risk Management Policy (as disclosed on the Company website) which describes the role and responsibilities of the Board in lieu of a separate Risk Committee. The Board assumes the responsibilities of ensuring that risks and opportunities are identified on a timely basis and the Company's objectives and activities are aligned with those risks and opportunities.

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

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

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

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

Furthermore, the Board is currently in the process of establishing a separate Audit and risk Committee.

**Internal Audit:**

The Board has determined that due to the size of the Company and its operations, an internal audit function is not currently required. The Board has adopted a Risk Management Policy and processes appropriate to the size of the Company to manage the Company's material business risks and to ensure regular reporting to the Board on whether those risks are being managed effectively in accordance with the controls in place such as:

- monthly reporting to the Board in respect of operations and the financial position of the Company;
- monthly rolling cashflow forecasts budgets prepared accompanied by variance analysis;
- circulate minutes of and relevant Committees to the Board and the Chairman of each respective committee and provide a report to the Board on an annual basis;
- employing appropriately qualified employees; and
- a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

**Economic, Environmental and Social Risks:**

The Company's economic, environmental and social sustainability risks are discussed in the Directors Report and financial statements.

**Principle 8: Remunerate Fairly and Responsibly**

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

**Remuneration Committee**

The Board has not established a separate Remuneration Committee. Prior to increasing the size of the Board, the Board believed that there would be no efficiencies gained by establishing a separate Remuneration Committee. However, the Board is currently in the process of establishing a separate Remuneration Committee. Accordingly, during the 2016 financial period, the full Board has assumed those responsibilities that are ordinarily assigned to a Remuneration Committee.

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

**Remuneration Policy**

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

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

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

**Securities Trading Policy**

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

**TALGA RESOURCES LTD**  
**For the Year Ended 30 June 2016**

**Schedule of Mineral Tenements**

Tenement	Project	Interest Held by Talga	Tenement	Project <sup>(i)</sup>	Interest Held by Talga
Jalkunen nr 1	Sweden	100%	M45/618	Talga Talga	100%
Jalkunen nr 2	Sweden	100%	P45/2689	Talga Talga	100%
Jalkunen nr3	Sweden	100%	P45/2690	Talga Talga	100%
Kursuvaara	Sweden	100%	P45/2691	Talga Talga	100%
Lautakoski nr 1	Sweden	100%	P45/2746	Talga Talga	100%
Lautakoski nr 2	Sweden	100%	P45/2747	Talga Talga	100%
Lautakoski nr 3	Sweden	100%	P45/2774	Talga Talga	100%
Nybrännan nr 1	Sweden	100%	E77/2139	Bullfinch	100%
Nybrännan nr 2	Sweden	100%	E77/2221	Bullfinch	100%
Suinavaara nr 1	Sweden	100%	E77/2222	Bullfinch	100%
Suinavaara nr 2	Sweden	100%	P77/4106	Bullfinch	100%
Tiankijoki nr 1	Sweden	100%	E77/2251	Bullfinch	100%
Kiskama nr 1	Sweden	100%	P46/1634	Mosquito Creek	100%
Masugnsbyn nr 1	Sweden	100%	P46/1636	Mosquito Creek	100%
Masugnsbyn nr 2	Sweden	100%	P46/1638	Mosquito Creek	100%
Lehtosölkä nr 3	Sweden	100%	P46/1666	Mosquito Creek	100%
Liviövaara nr 2	Sweden	100%	P46/1667	Mosquito Creek	100%
Gråliden nr 2	Sweden	100%	P46/1668	Mosquito Creek	100%
Önusträsket nr 2	Sweden	100%	P46/1800	Mosquito Creek	100%
Raitajärvi nr 5	Sweden	100%	E46/1035	Mosquito Creek	100%
Maltosrova nr 2	Sweden	100%	E45/3381	Warrawoona	100%
Maltosrova nr 3	Sweden	100%	P45/2661	Warrawoona	100%
Mörtjtjärn nr 1	Sweden	100%	P45/2662	Warrawoona	100%
Nunasvaara nr 2	Sweden	100%	P45/2781	Warrawoona	100%
Vathanvaara nr 1	Sweden	100%			
Vittangi nr 2	Sweden	100%			
Vittangi nr 3	Sweden	100%			
Vittangi nr 4	Sweden	100%			

P Prospecting Licence

E

Exploration Licence

M

Mining Licence

(i) As disclosed at note 21 to the financial statements, the Mosquito Creek, Talga Talga and Warrawoona projects were sold on 16 September 2016.