



QUARTERLY ACTIVITIES REVIEW

For the period ending 30 September 2013

Talga Resources Ltd

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Corporate Information

ASX Code TLG

Shares on issue 84.8m

Options (unlisted) 3.75m

Company Directors

Keith Coughlan

Non-Executive Chairman

Mark Thompson

Managing Director

Piers Lewis

Non-Executive Director

 **ASX Code: TLG**

SUMMARY

The reporting period was a notable one for Talga Resources Ltd (ASX: TLG) ("Talga" or "the Company") with the Company delivering milestones across its flagship graphite and iron ore projects in Sweden, backed up towards the end of the quarter by a capital raising initiative to underpin Talga's upcoming development and value-adding objectives.

Highlights of the quarter include:

- Updated JORC estimate for Raitajärvi graphite project, increasing project's contained graphite inventory by 500%
- Maiden JORC resource estimates for the Vittangi iron project, doubling the Company's iron inventory
- Conducted placement and fully underwritten non-renounceable pro rata entitlement offer raising approximately \$1.47m
- Board changes – New Chairman, one Director retirement
- Negotiations on potential divestments advanced
- Further reductions in overhead costs
- Discussions underway with parties interested in co-development and commercialisation of graphite and iron projects

Fig 1. Talga Resources project locations in north Sweden.



SWEDEN GRAPHITE PROJECTS

Talga's work to date has now defined sufficient JORC resources to support a potential 10+ year mine life at both the Nunasvaara and Raitajärvi graphite projects (Fig 1), with the majority of tonnes classified JORC Indicated status. While there is clear potential to substantially increase resource size with further drilling along strike and at depth, the Board believes there is more to gain by advancing economic studies for both deposits. This requires less cash outflow than drilling and is the fastest route to both commercialisation and a positive rerating of the Company's market value.

During the period the Company entered into further non-disclosure co-operative agreements with several European graphite consumers including a significant privately owned German company and a group buying for a consortium of industrial conglomerates with major requirements for both amorphous/powder and large flake.

Work in the upcoming quarter will focus on graphite metallurgical studies to update encouraging historic results and provide more accurate parameters for the scoping study inputs. Samples of the resulting concentrate will be used to advance new and current customer relationships towards potential enduser and financing partnerships.

Raitajärvi Graphite Project (Talga 100%)

During the period the Company completed a new JORC resource estimate for Raitajärvi with a resulting 500% increase in contained graphite following the Company's latest drilling (ASX:TLG 19 September 2013). This result substantially advanced Raitajärvi along the development pathway by defining a resource potentially capable of supporting 25,000 tonnes per annum of coarse flake concentrate production over a minimum of 10 years.

The project's JORC resource estimate now totals 4.3 million tonnes at 7.1% graphite ("Cg"), with 3.4 million tonnes at 7.3% Cg in the Indicated category (see Appendix). The updated estimate increased Raitajärvi's total contained graphite to 307,000 tonnes up from 54,000 tonnes previously (ASX:TLG 19 September 2013).

The new estimate was prepared upon receipt of the final assays from Talga's 2013 drilling program which consisted of 28 diamond drill holes for 3,666 metres (ASX:TLG 5 July 2013).

A total of 48 diamond holes for 4,907 metres comprising historic and recent holes, have now been drilled over the resource. Further drilling is not expected to be necessary apart from mine planning (geotechnical/pit slope/water) through the next phases of project development.

The new resource positions Talga to emerge as a graphite supplier to nearby European markets which import 95% of their annual 200,000 tonne natural graphite consumption. The potential development of Raitajärvi is aided by

Fig 2. Talga Resources Raitajärvi project location and features.



Coarse flake graphite in surface trench

Road and grid power running through project

direct access to established bulk commodity transport infrastructure and the high-quality low cost power supply which runs through the project (see Fig 2).

These advantages, combined with the project's location within the low sovereign risk EU and its substantial natural graphite market (see Fig 3) warrant progressing Raitajärvi through a preliminary economic assessment (scoping study).

Although shipping is available from the nearby port of Luleå the Company will also assess options to direct road/rail product from Raitajärvi to mainland Europe via the Öresund Bridge/Tunnel. This may deliver a significant market advantage in delivery time and price compared to current suppliers (mostly China, Brazil and African countries).

BACKGROUND: Raitajärvi is located 2km from the Överkalix-Övertorneå Highway, 25 km by road to the nearest railway or 130km by road to the Port of Luleå where Talga has signed a MOU for the export of up to 80,000 tonnes per annum of graphite concentrate or products. The deposit outcrops and remains open at depth and along strike. With only 25% of the electromagnetic (EM) conductor/graphitic unit drill tested to date, and with the new estimate exceeding expectations, the Company is confident of further expansion capability from the 17km² project in future.

Vittangi Graphite Project - Nunasvaara Deposit (Talga 100%)

Work on the economic scoping study for Nunasvaara is scheduled to recommence in the current quarter after the Company elected to defer the study, in line with reducing total company expenditure to more prudent levels pending an uplift in equity markets and sentiment towards junior resource developers.

The work to date includes pit optimisation and mine scheduling, with new metallurgy and product specification studies expected to provide more refined economic inputs in the current quarter and next.

BACKGROUND: Nunasvaara is a microcrystalline flake graphite project with a current global JORC resource of 7.6Mt @ 24.4% Cg (5.6Mt @ 24.6% Cg JORC Indicated and 2.0Mt @ 24.0% Cg JORC Inferred, see Appendix). The exceptional grade, geometry and location of the deposit (just 3 km from sealed highway and 20 km from rail) allows the project to be a potential producer for the large and diversified microcrystalline graphite market that is currently 95% supplied by China.

Other Graphite Projects and Activities

Minimal work was done on the Company's other graphite projects in Sweden during the period.

SWEDEN IRON PROJECTS

The Company owns a suite of iron deposits that are located in the Kiruna mining district, adjacent to transport infrastructure and between processing mills owned by state owned and private iron mining companies. Iron deposits in the district typically utilise 25-45% Fe magnetite ore which is then concentrated to 68-70% Fe for domestic steel mills and export markets. This processing takes advantage of exceptionally high-quality low cost power supply from hydroelectric and nuclear sources, as magnetite iron projects typically have high power consumption. Approximately 90% of the district's iron ore production is exported to countries within Europe and the Middle-East, with the remainder feeding local steel mills.

Talga's priority in Sweden remains development of its graphite deposits, but the iron projects deliver another development or asset realisation opportunity. To that end the Company is conducting ongoing negotiations to attract a partner to develop or buy either or both iron projects. During the period confidentiality

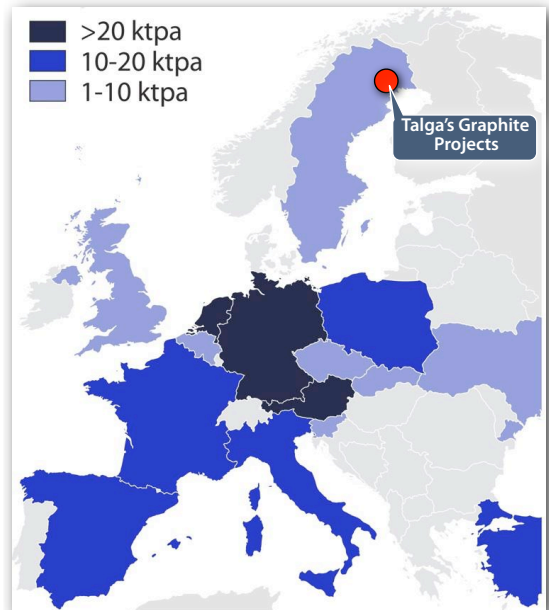


Fig 3. Annual European Natural Graphite demand; data from Industrial Minerals Natural Graphite Report 2012.

agreements were concluded with four iron ore producers outside the region and data reviews are underway. Iron ore producers within the region have also been approached and similar processes have been initiated. Two further significant milestones were achieved during the period under review for the Company's 100% owned iron projects.

Vittangi Iron Project (Talga 100%)

Combined maiden JORC Inferred resource estimates totalling 123.6 million tonnes at 32.6% Fe_{mag} were announced during the period (ASX:TLG 22 July 2013). This followed an independent review of historic drilling, geophysics and other available data including 37 diamond holes for 6,055 metres conducted by Perth-based CoxsRocks Pty Ltd. Release of these maiden resources generated a further milestone for Talga, doubling the Company's Swedish iron ore inventory to 236Mt grading 30.7%Fe_{mag} (see Appendix).

The Vittangi resources are primarily higher grade than the Company's Masugnsbyn iron project and are situated approximately 30km closer to rail infrastructure (see Fig 4).

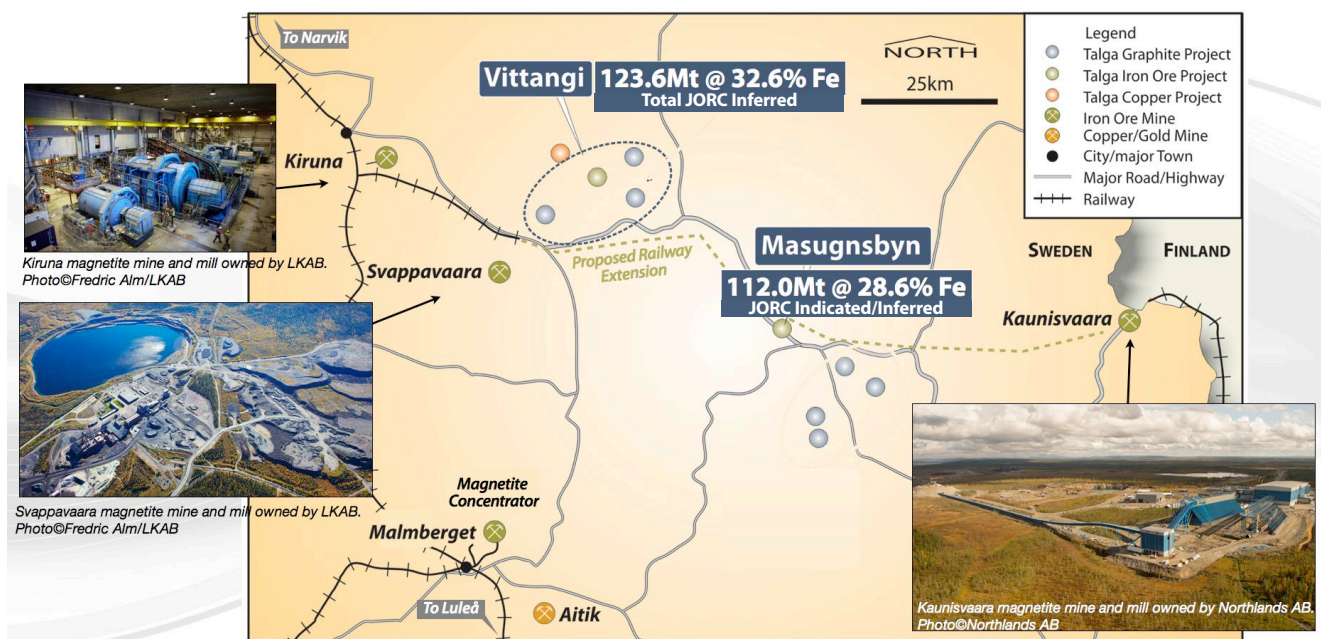
BACKGROUND: The Vittangi project covers in excess of 325km² amongst the region's prominent iron deposits, mines and steel mill networks. The project comprises five principal deposits located approximately 30km from the railhead and magnetite iron mill at Svappavaara, and 50km east of the world's largest and most modern underground iron mine, Kiruna. Talga will assess Vittangi's high grade sections for any ore suitable for transport to a toll treatment facility.

Masugnsbyn (Talga 100%)

Work during the quarter was minimised, however preliminary metallurgical work was completed to gain a pre-concentrate which indicated the potential of the Masugnsbyn ore to produce a 69-70% iron concentrate (ASX:TLG 15 August 2013). In the upcoming quarter a more comprehensive test will be conducted to assist design of an indicative processing flow sheet and concentrate specification that will aid in commercial discussions.

BACKGROUND: The Masugnsbyn project is located on the Svappavaara-Pajala highway, approximately 60km by road southeast from the Svappavaara iron mine and mill of the state-owned Luossavaara-Kiirunavaara AB ("LKAB") group (Fig 4). The current JORC resource estimate for the Masugnsbyn project stands at 112.0Mt @ 28.6% Fe_{mag}, with 87.0Mt @ 28.3% Fe_{mag} classified Indicated (See ASX:TLG release 21 May 2013 and Appendix).

Fig 4. Talga iron project locations in the Kiruna mineral district of north Sweden showing adjacent iron mines, concentrators and transport infrastructure. See Appendix for Talga iron project resource details.



GOLD PROJECTS - AUSTRALIA

No substantial work was carried out on the Company's gold exploration assets in Western Australia during the quarter, under Talga's strategy to prepare these assets for possible sale. Work during the period included minimal field work to maintain statutory expenditure requirements, site rehabilitation and reviews towards rationalisation of projects to preserve funds while seeking partners or trade sales.

POTENTIAL DIVESTMENTS

During the quarter the Company continued to assess and implement strategies to optimise project values and potentially monetise those assets which are non-core to Talga's graphite development objectives in Sweden. The potential pool of divestment assets includes the Masugnsbyn and Vittangi iron projects in Sweden, copper-gold exploration assets in Sweden and gold exploration assets in Western Australia. While negotiations are underway they are not at a point of commercial agreement and contract completion. The market will be notified when this changes.

CAPITAL RAISING

After an active period of resource development the Company's cash balance at the end of the quarter was \$354,000. The Company launched a fully underwritten 1:3 non-renounceable pro-rata entitlement offer ("**Offer**") late in the quarter at a price of A\$0.05 cents per share to raise \$1.06 million. The Offer followed a placement of \$415,000 to sophisticated investors, at the same price (which settled during the period). Proceeds from both the placement and Offer will be used to advance the Company's graphite projects in Sweden including preliminary economic assessments, to advance the Swedish iron ore projects for possible divestment and general working capital. Subsequent to the reporting period the full proceeds of the Offer were received.

CORPORATE RESTRUCTURING

A number of initiatives were implemented during the quarter in terms of the Company's corporate structure and cash preservation strategies. The management team has been reduced and other roles relinquished or outsourced where possible. A 20-40% reduction and deferral of base salary for management was instigated and non-executive Directors waived their director fees through to end of October 2013.

Founding Director, Mr Sean Neary, retired from the Board and the Company on 27 September 2013. An experienced funds manager and stockbroking principal, Mr Keith Coughlan, was appointed to the Board as non-executive Chairman.

For further information, please contact:

Talga Resources Ltd.

Mark Thompson

Managing Director

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APPENDIX

Raitajärvi Mineral Resource (5% Cg lower cut-off) Aug 2013

JORC Classification	Tonnes (Mt)	Grade (%Cg)	Contained Graphite (tonnes)
Indicated	3.4	7.3	246,400
Inferred	0.9	6.4	60,900
Total	4.3	7.1	307,300

Nunasvaara Mineral Resource (10% Cg lower cut-off) Nov 2012

JORC Classification	Tonnes (Mt)	Grade (%Cg)	Contained Graphite (tonnes)
Indicated	5.6	24.6	1,377,600
Inferred	2.0	24.0	480,000
Total	7.6	24.4	1,857,600

Masugnsbyn iron project JORC Resource (20% Fe_{mag} lower cut-off) May 2013

Deposit	Tonnes (Mt)	Grade %Fe _{mag}	JORC Classification
Masugnsbyn	87.0	28.3	Indicated Resource
Masugnsbyn	25.0	29.5	Inferred Resource
Total	112.0	28.6	

Vittangi iron project JORC Resource (15% Fe_{mag} lower cut-off) July 2013

Deposit	Tonnes (Mt)	Grade %Fe _{mag}	JORC Classification
Vathanvaara	51.2	36.0	Inferred Resource
Kuusi Nunasvaara	46.1	28.7	Inferred Resource
Mänty Vathanvaara	16.3	31.0	Inferred Resource
Sorvivuoma	5.5	38.3	Inferred Resource
Jänkkä	4.5	33.0	Inferred Resource
Total	123.6	32.6	

ABOUT TALGA RESOURCES LTD

Talga Resources Limited (**Talga**) (ASX: "TLG") is a diversified mineral explorer and developer with a portfolio of 100% owned graphite, iron, copper/gold projects in Sweden and gold projects in Western Australia.

Graphite

Talga wholly owns multiple advanced and high grade graphite projects in northern Sweden. The immediate focus is to advance these projects towards development, utilising the advantages of established quality infrastructure including power, road, rail and ports. Initially this will entail economic studies on the Nunasvaara and Raitajärvi graphite deposits.

Iron

Talga owns multiple magnetite iron deposits located in the Kiruna mineral district of northern Sweden. The iron deposits are of significant scale and strategic importance, with considerable growth upside based on historic drilling. Talga's strategy is to commercialise these assets to provide funds for the graphite projects.

Gold

Talga owns multiple high grade gold projects located in the Yilgarn and Pilbara regions of Western Australia, which the Company is divesting to focus on the Swedish assets. Additionally the Company owns several copper-gold projects within its Sweden portfolio.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled and reviewed by Mr Darren Griggs and Mr Mark Thompson, who are members of the Australian Institute of Geoscientists. Mr Griggs and Mr Thompson are employees of the Company and have sufficient experience which is relevant to the activity which is being undertaken to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Griggs and Mr Thompson consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Resource Estimation is based on information compiled and reviewed by Mr Simon Coxhell. Mr Coxhell is a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy. Mr Coxhell has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Talga Resources Ltd

ABN

32 138 405 419

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(403)	(403)
(b) development	-	-
(c) production	-	-
(d) administration	(144)	(144)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(547)	(547)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	3	3
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(56)	(56)
Net investing cash flows	(53)	(53)
1.13 Total operating and investing cash flows (carried forward)	(600)	(600)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(600)	(600)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	415	415
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – Share issue costs	(33)	(33)
	Net financing cash flows	381	381
	Net increase (decrease) in cash held	(218)	(218)
1.20	Cash at beginning of quarter/year to date	572	572
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	354*	354

* In October 2013 \$1.06 million in proceeds was received from an Entitlement Offer

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	4
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

In an effort to assist the Company with managing its cash flow, Managing Director Mr Thompson waived his salary for July 2013 and deferred his salary from 1 August to 30 September totalling \$33,000. This amount has not been included in the above. The non-executive Directors waived their director fees 1 July 2013 to 30 October 2013.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	
4.3 Production	
4.4 Administration	140
Total	240

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	333	551
5.2 Deposits at call	21	21
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	354	572

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Bullfinch E77/1909	Direct, relinquished	100%	0%
	Mosquito Creek P46/1628, P46/1665 P46/1801, P46/1802	Direct, amalgamated Direct, relinquished	100% 100%	0% 0%
6.2 Interests in mining tenements and petroleum tenements acquired or increased				

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	63,600,067	63,600,067		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(a) 8,295,661	(a) 8,295,661		Fully Paid
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2,750,000 500,000 500,000		Exercise price 40 cents 35 cents 45 cents	Expiry date 30 November 2014 21 July 2015 3 October 2016
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 31 Oct 2013
(Director/Company secretary)

Print name:

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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