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

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**INTERIM REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

**TALGA RESOURCES LTD**  
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**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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**TALGA RESOURCES LTD  
CORPORATE DIRECTORY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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**DIRECTORS**

Terry Stinson (Chairman)  
Mark Thompson (Managing Director)  
Grant Mooney (Non-Executive Director)  
Stephen Lowe (Non-Executive Director)  
Ola Morkved Rinnan (Non-Executive Director)  
Andrew Willis (Non-Executive Director)  
(appointed 01/07/2019)

**COMPANY SECRETARY**

Dean Scarparolo

**REGISTERED OFFICE &  
PRINCIPAL PLACE OF BUSINESS**

Suite 3, First Floor  
2 Richardson Street  
WEST PERTH Western Australia 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 Australian Securities Exchange Limited

Home Exchange: Perth  
ASX Codes: TLG (Shares)

**SHARE REGISTRY**

Automic Group  
GPO Box 5193  
Sydney NSW 2001  
Telephone: 1300 288 664

**AUDITORS**

Stantons International  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

**TALGA RESOURCES LTD  
DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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The Directors present their report on the consolidated entity comprising Talga Resources Ltd ("Company") and its controlled entities ("Group" or "Consolidated Entities") for the half-year ended 31 December 2019.

**BOARD OF DIRECTORS**

The names of the Talga Resources Ltd directors in office during or since the end of the half-year period are as follows. Directors were in office for this entire period unless otherwise noted.

| <b>Directors</b>   | <b>Position</b>                               |
|--------------------|---|
| Terry Stinson      | Non-Executive Chairman                        |
| Mark Thompson      | Managing Director                             |
| Grant Mooney       | Non-Executive Director                        |
| Stephen Lowe       | Non-Executive Director                        |
| Ola Morkved Rinnan | Non-Executive Director                        |
| Andrew Willis      | Non-Executive Director (Appointed 01/07/2019) |

**REVIEW OF OPERATIONS**

During the period the Group continued to focus on delivering the milestones to bring the Vittangi Anode Project into production and progress towards establishing a European source of battery anode and graphene additives to meet the demand for a more sustainable world. Highlights included:

Commercial Development

Deepened engagement with customers and market operatives to progress commercialisation of Talga's battery anode and graphene additive products, including;

- Memorandum of Understanding signed with Switzerland-based Leclanché SA, a leading provider of high-quality energy storage solutions, for evaluation and use of Talga's Talnode® products; and
- Graphene agreement signed with Swedish multinational paper and paperboard company BillerudKorsnäs to continue developing a Talphene® product for packaging applications.

Product and Processing Development

Positive developments across the Group's battery anode and graphene additive products, technology and processing capacity;

- World's largest known single application of graphene completed during commercial scale trials of Talga's graphene maritime primer coating, Talcoat®, on two 33,000 tonne cargo vessels;
- Receipt of European Union REACH approval for the manufacturing and sale of graphene;
- Co-funded development of a graphite-based anode for solid state batteries, Talnode®-E, started under a new Innovate UK Faraday Challenge consortium project; and
- Scale-up of Talga's Rudolstadt test processing facility, to meet increased Talnode®-C sample demand for progressing market development, began.

Mineral Project Development and Exploration

Continued development of the Vittangi Anode Project and on-going mineral exploration activities at the Company's graphite and battery metal assets;

- Balance of assay results received from drilling the Niska prospect within the Company's Vittangi Project confirmed discovery of a major high-grade extension of the Nunasvaara graphite deposit;
- Maiden JORC Mineral Resource Estimate for the Niska graphite deposit completed to expand Vittangi Project scale and development options in north Sweden;
- Maiden JORC Mineral Resource Estimate for the Kiskama copper-cobalt project completed with development partners sought as Talga continues to focus on the Vittangi Anode Project; and
- Stage 1 project permitting submitted and continued DFS activities for the Vittangi Anode Project.

**TALGA RESOURCES LTD  
DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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Corporate

Strategic corporate activities completed to advance the establishment of a vertically integrated battery anode and graphene additives business;

- Appointment of second European-based Board member, Mr Andrew Willis;
- Macquarie Capital Europe appointed as financial adviser for project financing and strategic investment processes relating to Talga's Swedish Anode Project;
- Completion of oversubscribed \$9.45 million Share Purchase Plan and institutional placement; and
- Cash on hand of \$11.0 million at the end of the period.

**POST THE PERIOD**

Planned 2020 key activities as follows:

- Increase of Talnode®-C processing capacity at Talga's German test process facility to produce larger samples for customer testing;
- Delivery of remaining permitting milestones, definitive feasibility study and financing for Stage 1 of the Vittangi Anode Project;
- Completion and submission of permitting applications for the Vittangi Anode Project Stage 2 mining and refinery operations; and
- Delivery of Niska Scoping study to consider growth options in response to increased indicated demand for graphite anode to feed the emerging European battery and Automotive EV markets.

Key achievements thus far in 2020 include:

- Completion of successful 60 tonne pilot flotation program supporting Talga's process scale-up and anode market development; and

Swedish authorities approved environmental permit for Stage 1 mining operation at Talga's Vittangi Graphite Project.

There has not been any other matter or circumstance occurring subsequent to the end of the period 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 periods.

**FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

The financial results of the Group for the half-year ended 31 December 2019 are:

|                                | <b>31 December<br/>2019</b> | <b>30 June<br/>2019</b> |
|--------------------------------|-----------------------------|-------------------------|
| Cash and cash equivalents (\$) | 11,032,960                  | 7,666,863               |
| Net assets (\$)                | 12,335,946                  | 9,490,458               |

|                                  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
|----------------------------------|-----------------------------|-----------------------------|
| Income(\$)                       | 342,838                     | 846,076                     |
| Loss per share (cents per share) | (3.5)                       | (2.4)                       |
| Dividend (\$)                    | -                           | -                           |

**DIVIDENDS**

No dividend has been paid during or is recommended for the half-year ended 31 December 2019.

**TALGA RESOURCES LTD  
DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the half-year ended 31 December 2019 has been received and immediately follows the Directors' Report.

This report has been made in accordance with a resolution of the Board of Directors.



Mark Thompson  
Managing Director  
Perth, Western Australia  
13 March 2020

13 March 2020

Board of Directors  
Talga Resources Ltd  
Suite 3, First Floor  
2 Richardson Street  
WEST PERTH WA 6005

Dear Sirs

**RE: TALGA RESOURCES LTD**

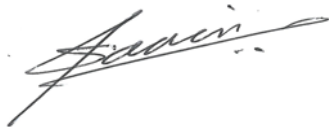
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Talga Resources Ltd.

As Audit Director for the review of the financial statements of Talga Resources Ltd for the period ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



**Samir Tirodkar**  
**Director**

**TALGA RESOURCES LTD**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

|  | Note | 31 December<br>2019<br>\$ | 31 December<br>2018<br>\$ |
|--|------|---------------------------|---------------------------|
| Revenues from ordinary activities  | 3    | 9,059                     | 2,217                     |
| Gain on sale of Investments  |      | -                         | 250,000                   |
| Sale of assets   |      | -                         | -                         |
| Other Income   | 3    | 333,779                   | 593,859                   |
| <b>Expenses</b>  |      |                           |                           |
| Exploration and evaluation expenditure   |      | (1,968,827)               | (1,163,122)               |
| Operations - test facility & product development                               |      | (2,169,652)               | (2,451,227)               |
| Employee benefits expenses and directors fees                                  |      | (1,101,353)               | (1,007,008)               |
| Exploitation costs Sweden  |      | (1,096,094)               | (451,844)                 |
| Marketing  |      | (264,114)                 | -                         |
| Administration expenses  |      | (849,147)                 | (682,037)                 |
| Depreciation expense   |      | (408,779)                 | (205,108)                 |
| Share based payments   | 4    | (239,095)                 | (90,067)                  |
| FX gain / (loss) realised  |      | (5,468)                   | (3,129)                   |
| Acquisition costs write off  |      | -                         | 3,028                     |
| <b>(Loss) before income tax expense</b>  |      | <b>(7,759,691)</b>        | <b>(5,204,438)</b>        |
| Income tax expense   |      | -                         | -                         |
| <b>Net (loss) attributable to members of the parent entity</b>                 |      | <b>(7,759,691)</b>        | <b>(5,204,438)</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                         | 4    | (61,294)                  | 44,049                    |
| <b>Total other comprehensive (loss)/income</b>                                 |      | <b>(61,294)</b>           | <b>44,049</b>             |
| <b>Total comprehensive (loss) for the period</b>                               |      | <b>(7,820,985)</b>        | <b>(5,160,389)</b>        |
| <b>Total comprehensive (loss) attributable to members of the parent entity</b> |      | <b>(7,820,985)</b>        | <b>(5,160,389)</b>        |
| Basic loss per share (cents per share)   | 5    | (3.5)                     | (2.4)                     |
| Diluted loss per share (cents per share)                                       | 5    | (3.5)                     | (2.4)                     |

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



**TALGA RESOURCES LTD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

|  |      | 31 December<br>2019 | 30 June<br>2019   |
|--|------|---------------------|-------------------|
|  | Note | \$                  | \$                |
| <b>Current Assets</b>                  |      |                     |                   |
| Cash and cash equivalents              |      | 11,032,960          | 7,666,863         |
| Trade and other receivables            |      | 348,124             | 987,082           |
| Prepayments                            |      | 236,866             | 51,149            |
| <b>Total Current Assets</b>            |      | <b>11,617,950</b>   | <b>8,705,094</b>  |
| <b>Non-Current Assets</b>              |      |                     |                   |
| Other receivables                      |      | 61,088              | 51,734            |
| Property, plant and equipment          | 6    | 3,374,774           | 2,595,077         |
| Inventory                              |      | 23,007              | 15,476            |
| Exploration and evaluation expenditure |      | 281,884             | 284,013           |
| <b>Total Non-Current Assets</b>        |      | <b>3,740,753</b>    | <b>2,946,300</b>  |
| <b>TOTAL ASSETS</b>                    |      | <b>15,358,703</b>   | <b>11,651,394</b> |
| <b>Current Liabilities</b>             |      |                     |                   |
| Lease liabilities                      | 6    | 427,969             | -                 |
| Trade and other payables               |      | 2,218,440           | 1,889,368         |
| Provisions                             |      | 285,685             | 271,568           |
| <b>Total Current Liabilities</b>       |      | <b>2,932,094</b>    | <b>2,160,936</b>  |
| <b>Non-Current Liabilities</b>         |      |                     |                   |
| Lease liabilities                      | 6    | 90,663              | -                 |
| <b>Total Non-Current Liabilities</b>   |      | <b>90,663</b>       | <b>-</b>          |
| <b>TOTAL LIABILITIES</b>               |      | <b>3,022,757</b>    | <b>2,160,936</b>  |
| <b>NET ASSETS</b>                      |      | <b>12,335,946</b>   | <b>9,490,458</b>  |
| <b>Equity</b>                          |      |                     |                   |
| Issued capital                         | 7    | 64,543,674          | 54,119,311        |
| Reserves                               | 4    | 8,415,554           | 8,237,753         |
| Accumulated losses                     |      | (60,623,282)        | (52,866,606)      |
| <b>TOTAL EQUITY</b>                    |      | <b>12,335,946</b>   | <b>9,490,458</b>  |

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

**TALGA RESOURCES LTD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

|  | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Reserves<br>\$   | Total<br>\$        |
|--|-------------------------|-----------------------------|------------------|--------------------|
| <b>At 1 July 2018</b>  | <b>46,582,423</b>       | <b>(39,931,527)</b>         | <b>7,151,309</b> | <b>13,802,205</b>  |
| <b>Comprehensive income:</b>                                 |                         |                             |                  |                    |
| Loss after income tax for the period                         | -                       | (5,204,438)                 | 4                | <b>(5,204,434)</b> |
| Other comprehensive income for the period                    | -                       | -                           | 44,049           | <b>44,049</b>      |
| <b>Total comprehensive (loss) for the period</b>             | <b>-</b>                | <b>(5,204,438)</b>          | <b>44,053</b>    | <b>(5,160,385)</b> |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                             |                  |                    |
| Issue of listed share and options                            | 7,739,270               | -                           | -                | <b>7,739,270</b>   |
| Capital raising costs  | (413,532)               | -                           | -                | <b>(413,532)</b>   |
| Share based compensation                                     | -                       | -                           | 90,067           | <b>90,067</b>      |
| <b>At 31 December 2018</b>                                   | <b>53,908,161</b>       | <b>(45,135,965)</b>         | <b>7,285,429</b> | <b>16,057,625</b>  |
|  | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Reserves<br>\$   | Total<br>\$        |
| Balance as at 1 July 2019, as previously reported            | 54,119,311              | (52,866,606)                | 8,237,753        | 9,490,458          |
| Impact of change in accounting policy                        |                         | 3,015                       |                  | 3,015              |
| <b>Adjusted balances at 1 July 2019</b>                      | <b>54,119,311</b>       | <b>(52,863,591)</b>         | <b>8,237,753</b> | <b>9,493,473</b>   |
| <b>Comprehensive income:</b>                                 |                         |                             |                  |                    |
| Loss after income tax for the period                         | -                       | (7,759,691)                 | -                | <b>(7,759,691)</b> |
| Other comprehensive loss for the period                      | -                       | -                           | (61,294)         | <b>(61,294)</b>    |
| <b>Total comprehensive (loss) for the period</b>             | <b>-</b>                | <b>(7,759,691)</b>          | <b>(61,294)</b>  | <b>(7,820,985)</b> |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                             |                  |                    |
| Issue of shares  | 10,706,781              | -                           | -                | <b>10,706,781</b>  |
| Capital raising costs  | (282,418)               | -                           | -                | <b>(282,418)</b>   |
| Share based compensation                                     | -                       | -                           | 239,095          | <b>239,095</b>     |
| <b>At 31 December 2019</b>                                   | <b>64,543,674</b>       | <b>(60,623,282)</b>         | <b>8,415,554</b> | <b>12,335,946</b>  |

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

**TALGA RESOURCES LTD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

|   | <b>31 December<br/>2019<br/>\$</b> | <b>31 December<br/>2018<br/>\$</b> |
|---|------------------------------------|------------------------------------|
| <b>Cash Flows from Operating Activities</b>                         |                                    |                                    |
| Receipts from customers   | 5,225                              | 5,868                              |
| Payments for exploration evaluation and exploitation                | (1,812,543)                        | (3,053,942)                        |
| Payment for mining  | (120,389)                          | -                                  |
| Payments to suppliers, contractors and employees                    | (3,407,857)                        | (1,016,421)                        |
| German operations & UK operations including R&D                     | (1,726,201)                        | (1,521,514)                        |
| Interest received   | 14,277                             | 145,352                            |
| R&D refunds   | 336,588                            | -                                  |
| Proceeds other - grants   | 285,160                            | 110,851                            |
| Other - tenements   | (12,400)                           | -                                  |
| <b>Net cash outflows from operating activities</b>                  | <b>(6,438,140)</b>                 | <b>(5,329,806)</b>                 |
| <b>Cash Flows from Investing Activities</b>                         |                                    |                                    |
| Purchase of plant and equipment                                     | (424,420)                          | (389,545)                          |
| Proceeds other - sale of investments                                | -                                  | 250,000                            |
| <b>Net cash outflows from investing activities</b>                  | <b>(424,420)</b>                   | <b>(139,545)</b>                   |
| <b>Cash Flows from Financing Activities</b>                         |                                    |                                    |
| Proceeds from issue of securities                                   | 7 9,457,001                        | 7,739,269                          |
| Proceeds from exercise of share options                             | 1,250,000                          | -                                  |
| Payment for costs of issue of securities                            | 7 (253,120)                        | (413,532)                          |
| Lease Payments  | 6 (225,224)                        | -                                  |
| <b>Net cash outflows from financing activities</b>                  | <b>10,228,657</b>                  | <b>7,325,737</b>                   |
| <b>Net increase in cash and cash equivalents</b>                    | <b>3,366,097</b>                   | <b>1,856,386</b>                   |
| Cash and cash equivalents at the beginning of the financial period  | 7,666,863                          | 11,936,701                         |
| <b>Cash and cash equivalents at the end of the financial period</b> | <b>11,032,960</b>                  | <b>13,793,087</b>                  |

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

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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**1. CORPORATE INFORMATION**

The financial report for the parent Talga Resources Ltd and its Controlled Entities, (The “Group”) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 13 March 2020. Talga Resources Ltd is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described on page 4 to 5 of the Directors Report.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance and basis of accounting**

The half-year financial report is a general purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. All amounts are presented in Australian dollars.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Talga Resources Ltd as at 30 June 2019.

It is also recommended that the half-year financial report be considered together with any public announcements made by Talga Resources Ltd during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the Australian Securities Exchange.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period**

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period. The application of the new and revised Accounting Standards and Interpretation, the right of use assets and corresponding lease liabilities are material and has resulted in the recognition of the right of use assets and corresponding lease liabilities as disclosed in note 6.

**(b) Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 2(c) below.

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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**(c) New and Amended Standards Adopted by the Company**

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

- AASB 16: *Leases*

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2 (d) below.

**(d) Changes in Accounting Policies**

This note describes the nature and effect of the adoption of AASB 16: *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in Group's accounting policies, prior year financial statements were required to be restated. However, the Group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019.

**i. Leases**

**The Group as lessee**

At inception of a contract the Group assesses if the contract is a lease or contains a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses a relevant incremental borrowing rate.

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

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

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

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

ii. **Initial Application of AASB 16: Leases**

The Group has adopted AASB 16: **Leases** retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

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

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

The right-of-use assets were measured at their carrying values as if AASB 16 Leases had been applied since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 Leases for the first time:

- For a portfolio of leases that have been reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term lease.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4%.

**3. REVENUE AND OTHER INCOME**

|                                       | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
|---------------------------------------|-----------------------------|-----------------------------|
|                                       | <b>\$</b>                   | <b>\$</b>                   |
| Revenue from ordinary activities      | 9,059                       | 2,217                       |
| Interest revenue                      | 16,393                      | 185,847                     |
| Rental income - sub lease             | 19,676                      | 5,897                       |
| Government Grants                     | 297,710                     | 356,955                     |
| Gain on sale of investment            | -                           | 250,000                     |
| Refund                                | -                           | 45,160                      |
| <b>Total revenue and other income</b> | <b>342,838</b>              | <b>846,076</b>              |

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

**4. RESERVES**

|  | 6 months ended<br>31 December<br>2019<br>\$ | 12 months ended<br>30 June<br>2019<br>\$ |
|--|---|--|
| <b>(a) LISTED OPTION RESERVE</b>           |   |  |
| Balance 30 June 2019                       | 861,105                                     | 861,105                                  |
| Movement during the period                 | -   | -  |
| <b>Balance 31 December 2019</b>            | <b>861,105</b>                              | <b>861,105</b>                           |
| <br>                                       |   |  |
|  | 6 months ended<br>31 December<br>2019<br>\$ | 12 months ended<br>30 June<br>2019<br>\$ |
| <b>(b) UNLISTED OPTION RESERVE</b>         |   |  |
| Balance at the start of the financial year | 7,510,335                                   | 6,335,467                                |
| Share based payment for options            | 239,095                                     | 1,174,868                                |
| <b>Balance at the end of the period</b>    | <b>7,749,430</b>                            | <b>7,510,335</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.

|   | 6 months ended<br>31 December<br>2019<br>\$ | 12 months ended<br>30 June<br>2019<br>\$ |
|---|---|--|
| <b>(c) FOREIGN CURRENCY RESERVE</b>     |   |  |
| Balance at the beginning of the period  | (133,687)                                   | (45,263)                                 |
| Movement during the period              | (61,294)                                    | (88,424)                                 |
| <b>Balance at the end of the period</b> | <b>(194,981)</b>                            | <b>(133,687)</b>                         |
| <br>                                    |   |  |
| <b>Total Reserves</b>                   | <b>8,415,554</b>                            | <b>8,237,753</b>                         |

**5. LOSS PER SHARE**

|  | 31 December<br>2019<br>\$ | 31 December<br>2018<br>\$ |
|--|---------------------------|---------------------------|
| Net loss after income tax attributable to members of the Group   | (7,759,691)               | (5,204,438)               |
|  | <b>Number</b>             | <b>Number</b>             |
| Weighted average number of shares on issue during the financial period used in the calculation of basic loss per share | 224,805,253               | 217,235,206               |

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 period.

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

**6. PROPERTY, PLANT AND EQUIPMENT**

|   | 31 December<br>2019<br>\$ | 30 June<br>2019<br>\$ |
|---|---------------------------|-----------------------|
| <b>(a) Plant and equipment</b>  |                           |                       |
| Plant and equipment at cost   | 4,585,620                 | 3,389,347             |
| Less: accumulated depreciation  | (1,210,846)               | (794,270)             |
| <b>Total plant and equipment</b>  | <b>3,374,774</b>          | <b>2,595,077</b>      |
| <b>Balance at the beginning of the financial year</b>   | <b>2,595,077</b>          | <b>1,815,734</b>      |
| Additions   | 399,412                   | 1,194,778             |
| Disposals/write offs  | -                         | -                     |
| Depreciation expense  | (196,382)                 | (436,457)             |
| Effect of foreign currency exchange differences   | 56,228                    | 21,022                |
| <b>Balance at the end of the period</b>   | <b>2,854,335</b>          | <b>2,595,077</b>      |
| <b>(b) Construction in progress</b>   | -                         | -                     |
| <b>Balance at the beginning of the financial year</b>   | -                         | <b>606,486</b>        |
| Additions   | -                         | (606,486)             |
| <b>Balance at the end of the period</b>   | -                         | -                     |
| <b>(c) Goods in transit</b>   | -                         | -                     |
| <b>Balance at the beginning of the financial year</b>   | -                         | <b>198,249</b>        |
| Additions   | -                         | (198,249)             |
| <b>Balance at the end of the period</b>   | -                         | -                     |
| <b>(d) Right of use assets</b>  |                           |                       |
| <b>Balance at the beginning of the financial year</b>   |                           | -                     |
| Right of Use Assets at Cost   | 936,661                   | -                     |
| Less accumulated depreciation   | (416,222)                 | -                     |
| <b>Balance at the end of the period</b>   | <b>520,439</b>            | -                     |
| Right of Use Assets at Cost   |                           |                       |
| <b>On initial recognition at 1st July 2019</b>  |                           |                       |
| Initial recognition   | 936,661                   | -                     |
| <b>Balance at the end of the period</b>   | <b>936,661</b>            | -                     |
| Right of Use Assets Accumulated Depreciation  |                           |                       |
| On initial recognition at 1st July 2019   | (203,825)                 | -                     |
| Depreciation expense  | (212,397)                 | -                     |
| <b>Balance at the end of the period</b>   | <b>(416,222)</b>          | -                     |
| <b>Balance of Right Of Use Assets at the end of the period</b>  | <b>520,439</b>            | -                     |
| <b>Total property, plant and equipment</b>  | <b>3,374,774</b>          | <b>2,595,077</b>      |
| <b>Liabilities at the end of period in the relation to right of use assets are:</b>   |                           |                       |
| Current Lease Liability   | 427,969                   | -                     |
| Non-Current Lease Liability   | 90,663                    | -                     |
| <b>Amounts recognised in statement of profit or loss for the period in the relation to right of use assets and lease liabilities are:</b> |                           |                       |
| Depreciation Right of Use Assets  | 212,397                   | -                     |
| Interest Expenses   | 12,827                    | -                     |

The lease payments totalling \$225,224 during the period are recorded in the statement of cashflow.



**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

**7. ISSUED CAPITAL**

**Issued and Fully Paid**

|                            | <b>31 December<br/>2019<br/>Number</b> | <b>31 December<br/>2019<br/>\$</b> | <b>30 June<br/>2019<br/>Number</b> | <b>30 June<br/>2019<br/>\$</b> |
|----------------------------|--|------------------------------------|------------------------------------|--------------------------------|
| Fully Paid Ordinary Shares | <b>243,649,133</b>                     | <b>64,543,674</b>                  | <b>218,756,450</b>                 | <b>54,119,311</b>              |

The balance at 30 June included \$10,000 for which shares had not been issued at the balance date.

**Movement Reconciliation**

| <b>ORDINARY SHARES</b>            | <b>Date</b> | <b>Quantity</b>    | <b>Issue Price<br/>\$</b> | <b>\$</b>         |
|-----------------------------------|-------------|--------------------|---------------------------|-------------------|
| <b>Balance 30 June 2019</b>       |             | <b>218,756,450</b> |                           | <b>54,119,311</b> |
| Option exercise and share issue   | 04/07/2019  | 952,380            | 0.42                      | 400,000           |
| Option exercise and share issue   | 04/07/2019  | 250,000            | 0.35                      | 87,500            |
| Option exercise and share issue   | 05/07/2019  | 23,810             | **                        | **                |
| Option exercise and share issue   | 08/07/2019  | 23,810             | 0.42                      | 10,000            |
| Option exercise and share issue   | 24/07/2019  | 400,000            | 0.35                      | 140,000           |
| Option exercise and share issue   | 25/07/2019  | 710,000            | 0.35                      | 248,500           |
| Option exercise and share issue   | 26/07/2019  | 150,000            | 0.35                      | 52,500            |
| Option exercise and share issue   | 29/07/2019  | 890,000            | 0.35                      | 311,500           |
| Placement of shares               | 21/11/2019  | 7,386,365          | 0.44                      | 3,250,000         |
| Share purchase plan – share issue | 13/12/2019  | 14,106,318         | 0.44                      | 6,206,780         |
| Less transaction costs            |             |                    |                           | (282,417)         |
| <b>Balance 31 December 2019</b>   |             | <b>243,649,133</b> |                           | <b>64,543,674</b> |

\*\*Funds received in prior year

**8. SEGMENT INFORMATION**

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

The Group has four operating and geographical segments, being exploration and development (graphite focus with interests in copper, cobalt and vanadium) in Sweden and graphite/graphene research and development in Germany and the United Kingdom as well as Group corporate activities in Australia. 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.

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

**(i) SEGMENT PERFORMANCE**

|   | Sweden             | Germany            | UK                 | Australia          | Total              |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | \$                 | \$                 | \$                 | \$                 | \$                 |
| <b>Half-year ended<br/>31 December 2019</b>             |                    |                    |                    |                    |                    |
| Revenues from ordinary activities                       | -                  | -                  | 9,059              | -                  | 9,059              |
| Other income  | -                  | 99,284             | 218,117            | 16,378             | 333,779            |
| <b>Total segment revenue</b>                            | <b>-</b>           | <b>99,284</b>      | <b>227,176</b>     | <b>16,378</b>      | <b>342,838</b>     |
| <b>Segment expense<br/>(including write offs)</b>       | <b>(3,188,997)</b> | <b>(1,524,924)</b> | <b>(1,154,040)</b> | <b>(2,234,568)</b> | <b>(8,102,529)</b> |
| Reconciliation of segment result to net loss before tax |                    |                    |                    |                    |                    |
| Segment Result  |                    |                    |                    |                    | (7,759,691)        |
| Unallocated items:                                      |                    |                    |                    |                    | -                  |
| <b>Net loss before tax from continuing operations</b>   |                    |                    |                    |                    | <b>(7,759,691)</b> |

|   | Sweden             | Germany            | UK                 | Australia          | Total              |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | \$                 | \$                 | \$                 | \$                 | \$                 |
| <b>Half-year ended<br/>31 December 2018</b>             |                    |                    |                    |                    |                    |
| Revenues from ordinary activities                       | -                  | -                  | -                  | 2,217              | 2,217              |
| Other income  | -                  | 51,057             | 356,969            | 435,833            | 843,859            |
| <b>Total segment revenue</b>                            | <b>-</b>           | <b>51,057</b>      | <b>356,969</b>     | <b>438,050</b>     | <b>846,076</b>     |
| <b>Segment expense<br/>(including write offs)</b>       | <b>(1,310,672)</b> | <b>(1,428,017)</b> | <b>(1,344,644)</b> | <b>(1,967,181)</b> | <b>(6,050,514)</b> |
| Reconciliation of segment result to net loss before tax |                    |                    |                    |                    |                    |
| Unallocated items:                                      |                    |                    |                    |                    | -                  |
| <b>Net loss before tax from continuing operations</b>   |                    |                    |                    |                    | <b>(5,204,438)</b> |

**(ii) SEGMENT ASSETS**

|   | Sweden         | Germany          | UK             | Australia         | Total             |
|---|----------------|------------------|----------------|-------------------|-------------------|
|   | \$             | \$               | \$             | \$                | \$                |
| <b>As At 31 Dec 2019</b>                    |                |                  |                |                   |                   |
| Segment assets as at 1 July 2019            | 659,495        | 2,561,186        | 925,230        | 7,505,483         | 11,651,394        |
| Segment asset period increases/(decreases): |                |                  |                |                   |                   |
| - Cash and cash equivalents                 | (18,621)       | 71,446           | 123,643        | 3,189,629         | 3,366,097         |
| - Inventory                                 | -              | 7,531            | -              | -                 | 7,531             |
| - Property, plant and equipment             | 37,385         | 369,060          | 355,043        | 18,210            | 779,698           |
| - Exploration and evaluation expenditure    | (2,129)        | -                | -              | -                 | (2,129)           |
| - Other                                     | 53,357         | (103,887)        | (421,288)      | 27,930            | (443,888)         |
|   | <b>729,487</b> | <b>2,905,336</b> | <b>982,628</b> | <b>10,741,252</b> | <b>15,358,703</b> |

|  |  |  |  |  |                   |
|--|--|--|--|--|-------------------|
| Reconciliation of segment assets to total assets |  |  |  |  | -                 |
| <b>Total assets from continuing operations</b>   |  |  |  |  | <b>15,358,703</b> |

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

|   | Sweden         | Germany          | UK             | Australia        | Total             |
|---|----------------|------------------|----------------|------------------|-------------------|
|   | \$             | \$               | \$             | \$               | \$                |
| <b>As at 30 June 2019</b>                         |                |                  |                |                  |                   |
| Segment assets as at 1 July 2018                  | 461,370        | 2,676,160        | 438,090        | 11,655,251       | 15,230,871        |
| Segment asset increases/(decreases) for the year: |                |                  |                |                  |                   |
| - Cash and cash equivalents                       | 82,969         | (151,649)        | (30,342)       | (4,170,816)      | (4,269,838)       |
| - Inventory                                       | -              | 15,476           | -              | -                | 15,476            |
| - Plant and equipment                             | 24,045         | (49,129)         | (164)          | (144)            | (25,392)          |
| - Exploration and evaluation expenditure          | 5,942          | -                | -              | -                | 5,942             |
| - Other   | 85,169         | 70,328           | 517,646        | 21,192           | 694,335           |
|   | <b>659,495</b> | <b>2,561,186</b> | <b>925,230</b> | <b>7,505,483</b> | <b>11,651,394</b> |
| Reconciliation of segment assets to total assets  |                |                  |                |                  | -                 |
| <b>Total assets from continuing operations</b>    |                |                  |                |                  | <b>11,651,394</b> |

| (iii) SEGMENT LIABILITIES                                  | Sweden    | Germany | UK      | Australia | Total            |
|--|-----------|---------|---------|-----------|------------------|
|  | \$        | \$      | \$      | \$        | \$               |
| <b>As At 31 December 2019</b>                              |           |         |         |           |                  |
| Segment liabilities as at 31 December 2019                 | 1,747,534 | 219,957 | 447,095 | 608,171   | 3,022,757        |
| Reconciliation of segment liabilities to total liabilities |           |         |         |           | -                |
| <b>Total liabilities from continuing operations</b>        |           |         |         |           | <b>3,022,757</b> |

|  | Sweden  | Germany | UK      | Australia | Total            |
|--|---------|---------|---------|-----------|------------------|
|  | \$      | \$      | \$      | \$        | \$               |
| <b>As At 30 June 2019</b>                                  |         |         |         |           |                  |
| Segment liabilities as at 30 June 2018                     | 729,402 | 334,667 | 282,339 | 814,528   | 2,160,936        |
| Reconciliation of segment liabilities to total liabilities |         |         |         |           | -                |
| <b>Total liabilities from continuing operations</b>        |         |         |         |           | <b>2,160,936</b> |

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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**9. SUBSEQUENT EVENTS**

There has not been any other matter or circumstance occurring subsequent to the end of the period 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 periods.

**10. CONTINGENT ASSETS AND LIABILITIES**

There were no contingent assets or contingent liabilities as at 31 December 2019.

**TALGA RESOURCES LTD  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

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In accordance with a resolution of the directors of Talga Resources Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes as set out on pages 8 to 20 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date of the Consolidated entity; and
  - (ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) 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 directors.

On behalf of the Board



Mark Thompson  
Managing Director  
Perth, Western Australia  
13 March 2020

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Talga Resources Ltd, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Talga Resources Ltd (the consolidated entity). The consolidated entity comprises both Talga Resources Ltd (the Company) and the entities it controlled during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Talga Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

*Independence*

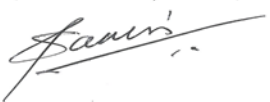
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Talga Resources Ltd on 13 March 2020.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Talga Resources Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

*Stantons International Audit and Consulting Pty Ltd*  


**Samir Tirodkar**  
**Director**

West Perth, Western Australia  
13 March 2020