

QUARTERLY ACTIVITIES REVIEW FOR THE PERIOD ENDING 30 SEPTEMBER 2018

Talga Resources Ltd

ABN 32 138 405 419

1st Floor, 2 Richardson St,
West Perth 6005
Australia

T: +61 8 9481 6667

F: +61 8 9322 1935

www.talgaresources.com

Corporate Information

ASX Codes **TLG, TLGOA**

Shares on issue **217.4m**

Options (listed) **43.8m**

Options (unlisted) **26.7m**

Company Directors

Terry Stinson

Non-Executive Chairman

Mark Thompson

Managing Director

Grant Mooney

Non-Executive Director

Stephen Lowe

Non-Executive Director

Ola Mørkved Rinnan

Non-Executive Director

Australian advanced material technology company, Talga Resources Ltd (**ASX:TLG**) (“**Talga**” or “**the Company**”) is pleased to report its activities for the quarter ending 30 September 2018.

Talga is building a vertically integrated business with wholly owned world class mineral resources, processing innovations and product technology to enable advanced materials that are stronger, lighter, multi-functional and environmentally positive in their applications. Highlights of the September quarter include:

COMMERCIAL DEVELOPMENT

- Letter of Intent signed with Swedish-based multinational paper and paperboard company, BillerudKorsnäs, to explore incorporation of a Talphene® product into a BillerudKorsnäs packaging application
- Joint Development Agreement executed with UK-based polymer manufacturing and technology company, Biomer, to co-develop Talphene®-enhanced thermoplastics for commercial applications in the healthcare and coating markets
- Graphene Sales and Distribution Agreement signed with German-based commodities and product distribution company, Possehl Erzkontor GmbH & Co. KG, to globally market and distribute Talphene® products

PRODUCT & PROCESSING DEVELOPMENT

- Equipment at Rudolstadt test processing facility fully commissioned with samples under Phase 3 being prepared for customer programs and joint development projects
- Graphene product development proceeding as outlined with planned conductive epoxy resin and new coatings in final stages of testwork
- Battery product development and strategy progressing with successful test results reported subsequent to the quarter

MINERAL PROJECT DEVELOPMENT & EXPLORATION

- Advancements of the Vittangi Graphite-Graphene Project pre-feasibility study with delivery expected in Q1 2019
- Further exploration and work completed at Kiskama, Lautakoski and East Aitik Cobalt-Copper-Gold Projects

CORPORATE & INVESTOR RELATIONS

- Incorporation of Swedish domiciled subsidiaries completed
- Completed sale of Western Australian gold assets
- Shares issued after successful A\$8.5 million institutional placement
- Cash balance of A\$16.6 million as at 30 September, 2018



Managing Director, Mark Thompson: “Our proprietary high performance graphene products continue to gather interest from high calibre, potential long-term customers in the UK and Europe particularly. These customers are currently in large or high margin markets, that require extensive assessment potential integration into their own production and manufacturing processes. While providing technical validation of our products, such agreements and testwork is a somewhat slow but necessary precursor to unlocking the commercial potential of our own high grade and unique graphite ore bodies and graphene technologies.

Now with the addition of our battery products that offer a potentially shorter term path to these goals, we are better placed than ever to deliver the step-change that will catapult this company into the global players of our chosen target markets.”

COMMERCIAL DEVELOPMENT

A major highlight of the September quarter was a substantial expansion of the Company’s UK-European partner footprint with the embracement of three new industry alliances – all leaders in their respective sectors of packaging, thermoplastic technology and product distribution.

New packaging approaches

During the quarter Swedish-based multinational paper and paperboard company BillerudKorsnäs and Talga signed a Letter of Intent (“LOI”) under which both companies will jointly develop and test incorporating a Talga graphene product (Talphone®) into a BillerudKorsnäs packaging application (details of the application are commercially confidential).

BillerudKorsnäs’ packaging materials and solutions challenge conventional packaging by focusing on a sustainable future, making the company a world-leader in primary fibre-based packaging materials. It has customers in more than 100 countries with eight production units across Sweden, Finland and the UK.

The current global paper and paperboard market is estimated be worth over US\$200 billion annum (Markets & Markets Research data) for which the barrier and coatings component is worth in excess of US\$5 billion annum.

Thermoplastics in healthcare and coatings

During the period, UK-based polymer manufacturing and technology company, Biomer Technology Ltd, signed a Joint Development Agreement (“JDA”) with Talga, under our business growth initiatives in the composites sector, for the use of Talphone® in Biomer thermoplastic polyurethanes (“TPU”).

Under the JDA both companies will co-develop targeted graphene-enhanced TPU products for global scale commercial applications in the healthcare and coating markets. The JDA terms include an evaluation period, five (5) year exclusive supply arrangement under commercialisation of the new products, and intellectual property ownership entitlements by both Companies.

Figure 1. BillerudKorsnäs sustainable paper packaging product



Figure 2. Example of 3D printed structure in medical application.



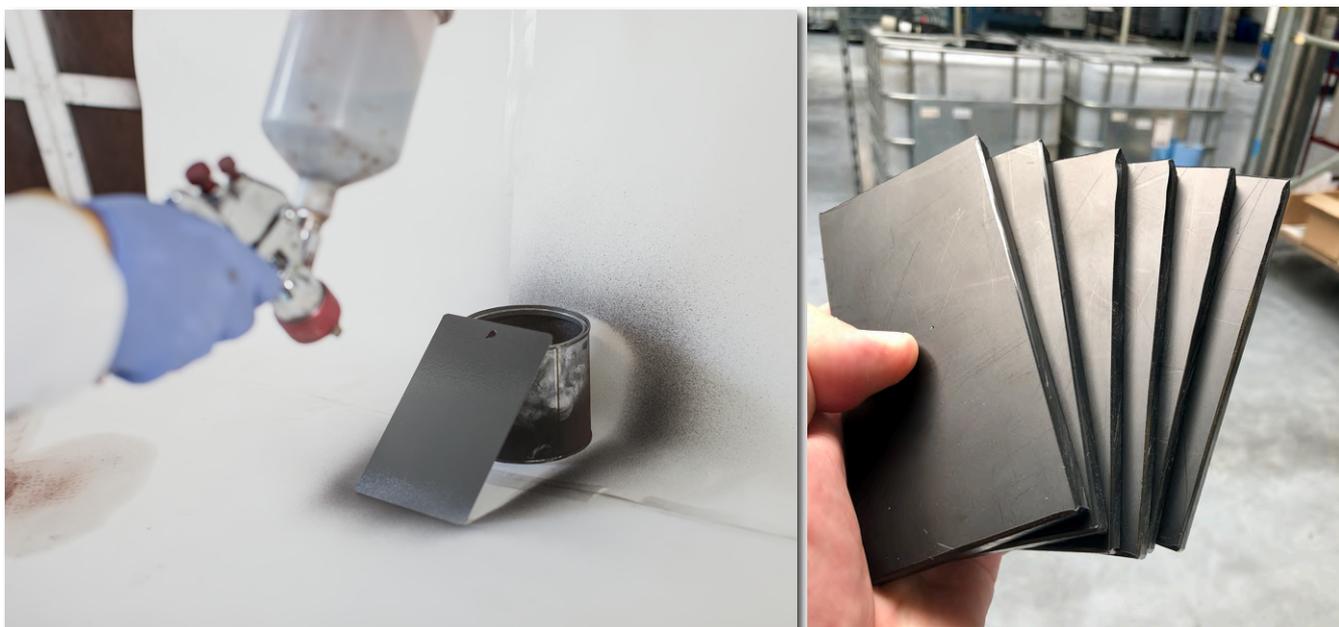
Talga's unique strengths in proprietary graphene production and functionalisation technology will focus on achieving the correct dispersion to enable multifunctional performance. Sale of successful products can be facilitated through Biomer's existing global-scale commercial clients.

The current global TPU market is estimated to be worth about US\$2 billion annum (Zion Market Research data).

In coatings applications Talga's graphene has demonstrated proven increases of corrosion and abrasion resistance in epoxy based systems, and further success in polyurethanes will increase the volume of addressable market for Talphene® products.

In healthcare, polymers such as TPU have been used in medical applications for decades but only recently has the benefits of using specialty multi-functional compounds become achievable. Unique anti-static, electrically or thermally conductive, wear resistant, chemically resistant, bio-compatible, sterilisation resistant compounds are now finding their way into medical devices ranging from joint replacements to 3D printed tissue replacements. The rapid growth and high potential margins of these products are a driver for Talga seeking partnerships in the sector.

Figure 3. Spray coating tests at Talga Technologies Limited in Cambridge, UK (left) and samples of Talga graphene enhanced thermoplastics (right)



First global distributor appointed

Also during the quarter, German-based commodities and product distribution company, Possehl Erzkontor GmbH & Co. KG, signed a Graphene Sales and Distribution Agreement (“SDA”) with Talga under which Possehl has the non-exclusive right to globally sell and distribute Talphene® for an initial period of two years, with an option to renew on mutual agreement. Other terms of the deal give Possehl the exclusive right to sell, market and distribute Talphene® to six of its existing customers, whom Possehl had already identified with high value potential.

The agreement is welcome, as Possehl is a global, high quality commodity supplier with a rich European trading history, including at times being the largest importer of Swedish iron into Germany. The Company is also active in mineral project infrastructure, financing and logistics. Possehl has already identified opportunities with a variety of its large customers whose products may be improved with Talphene®. Talga's longer-term view is to ultimately reach formal offtake agreements with Possehl, which has subsidiaries across 15 countries.

PRODUCT AND PROCESSING DEVELOPMENT

During the period under review the Phase 3 of Talga's test processing facility in Rudolstadt, Germany was fully commissioned and tested. Phase 3 is providing further important data for feasibility studies, project/product planning and permitting applications towards full scale development in Sweden. The increased test processing output also provides graphene and graphite supply to Talga Technologies Limited for ramp up of advanced material product development and to meet growing demand for commercial samples.

Talphen® graphene product programs are steadily progressing with ongoing advancements of graphene-enhanced coating, composites, construction and battery products across our target sectors. In the near term, results relating to high thermal and electric conductive epoxy resins and enhanced barrier surface treatment tests are imminent, with updates on other ongoing individual graphene customer programs and joint development projects to follow as they proceed.

Battery product development and strategy has been rapidly progressing, with successful test results reported subsequent to the quarter. Following Talga's lithium-ion battery anode announcement in May 2018 new test results show the Company's product outperforming commercial benchmark and enabling ultra-fast charge rates (>300mAh/g at 20C). Initial test relating to a Talga-developed graphene silicon lithium-ion anode product, Talnode™-Si, also proves promising with results showing ~50% higher anode capacity over a current commercial graphite reference.

MINERAL PROJECT DEVELOPMENT AND EXPLORATION

Main activities completed in the period in Sweden included progression of work related to pre-feasibility study and mine permitting of the Vittangi Graphite-Graphene Project ("Vittangi"), and work towards resource definition drilling at the Kiskama cobalt project ("Kiskama").

Vittangi graphene-graphite project

The Vittangi project pre-feasibility study ("PFS") is advancing with commencement of both the detailed infrastructure study by ÅF Consultants and the mining and closure study by Golder Associates. Preliminary pit design geotechnical assessment has been undertaken by Itasca and is continuing.

Vittangi environmental work completed includes a soil/moraine survey by Golder, archaeological investigation by Norrbotten Museum, rare species inventory by Pelagia, installation of piezometers and hydrogeological investigation by Sweco, installation of 8 ground water monitoring wells by Maskintjänst, installation of a continuous water monitoring and weather station by EHP Environment. Studies of potential acid-rock drainage and potential water quality impacts have continued with encouraging results. Reporting on the above surveys and investigations along with a complete determination of site specific design criteria is scheduled for delivery in the next two months.

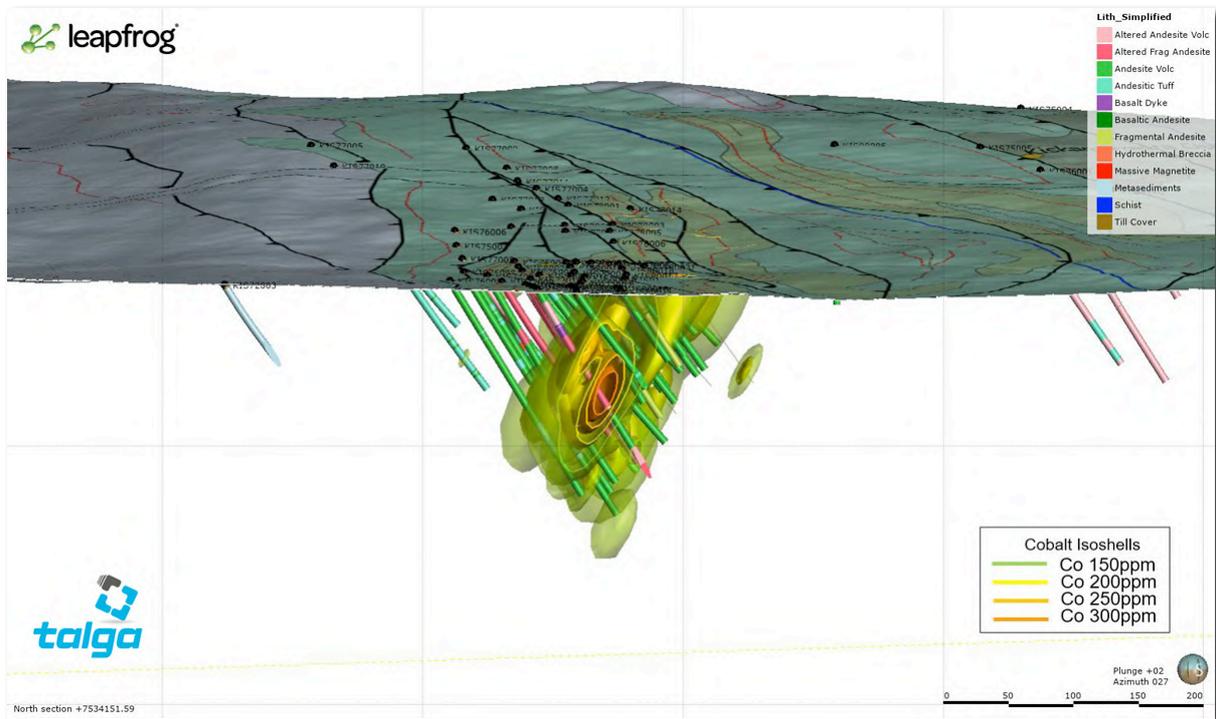
Battery market and engineering studies underway to potentially incorporate battery anode production into the current Vittangi project pre-feasibility study planned for delivery in Q1 2019.

Work permits for exploration and drilling activities at the Vittangi project 'Niska' prospect have been approved. Some non-core graphite prospects were rationalised or relinquished during the period under review.

Figure 4. Water monitoring station installed at the Vittangi Graphite-Graphene Project



Figure 5. Map showing initial Leapfrog interpolated cobalt shells of the Kiskama deposit based on historic drillhole data, projected with surface topography, geology and structures. Drillhole traces are coloured by lithology. View looking North. Note cutoff grades are not deposit grades.



Cobalt project work commences

A range of activities were completed across most of Talga’s 100% owned cobalt-copper-gold projects during the period, with programs designed to make discoveries or define a cobalt, copper and gold inventory to support higher valuations in various divestment scenarios.

At the Kiskama project, geophysical surveys and geotechnical investigations for targeting extensions to the IOCG mineralisation were completed, with results to be processed along with further geophysical and geotechnical investigations to follow prior to definition and resource drilling being planned for November. The aim is to define a maiden JORC compliant resource by the end of this year, followed by a preliminary economic study, that will elevate Kiskama from an exploration to development stage project.

Sampling of surface samples and drill core from the Lautakoski and East Aitik projects was completed and results subsequently reported (ASX:TLG 11 Oct, 2018). Subsequently downhole geophysics has been completed at the Lautakoski project and results are currently being processed. Activities at the high grade Ahmavuoma project are being planned to be completed in the upcoming winter months.

CORPORATE

Balance Sheet Strengthened

Early in the September quarter, Talga issued 13,075,977 fully paid ordinary shares following a successful placement late in June at an issue price of \$0.65 per share (under the Company’s 15% placement capacity under ASX Listing Rule 7.1). The placement raised gross proceeds of A\$8.5 million. Proceeds will be used to accelerate business growth and development, whilst strengthening the Company’s balance sheet to ensure adequate funding heading into calendar 2019.

Outreach

During the quarter, Talga's Managing Director, Mr Mark Thompson, was interviewed on Sky News and featured in the September edition of the Australian Mining Review. A clip of the video and a copy of the feature interview, along with other notable Talga press mentions during the quarter, are available to view via the Media Coverage page on Talga's website: www.talgaresources.com/irm/content/media-coverage

In September, Talga's Chief Technology Officer, Dr Siva Bohm, gave a technical presentation at Graphene Week 2018 in San Sebastian, Spain. The event is regarded as the world's foremost gathering of stakeholders in the graphene sector. The presentation is available on Talga's website: www.talgaresources.com/irm/content/presentations

In the same month, Talga's Senior Scientist - Coatings, Dr Karanveer S. Aneja, gave a talk at the renowned annual corrosion congress EuroCorr 2018 - this year held in Cracow, Poland. The event is considered one of the world's foremost conferences on coatings for corrosion control.

Other notable outreach engagements during the period include Dr Sai Shivareddy's, Talga's Product Manager - Energy Storage, graphene panel participation during Fastmarkets IM's (previously Industrial Minerals) 7th Graphite and Graphene Conference, and Talga's attendance at the 1st international Zero Emission Vehicle Summit that brought together ministers, officials and business leaders from over 40 countries in the pursuit to accelerate investment in zero emission technology and infrastructure.

Investor and stakeholder engagements were also conducted in Norway, Sweden, Germany and the UK during the period.

Cobalt split out

The incorporation of Talga Graphene AB and Talga Battery Metals AB has been completed with transfer of respective projects into the Swedish domiciled subsidiaries having commenced.

Meetings with potential cobalt customers in Europe and Asia commenced along with marketing of Talga's Li-ion anode products.

Proceeds from Non-Core Asset Sales

In the period under review, Talga formally completed the sale of its Bullfinch gold project in Western Australia ("Bullfinch") (ASX:TLG 31 Oct 2017). This included a final payment of \$250,000, being the balance due pursuant to the option and sale agreement with Torque Metals Pty Ltd ("Torque"). The sale comprised a total cash payment to Talga of \$380,000 (exclusive of GST) plus at least \$140,000 in exploration work completed during the option period. Talga retains an ongoing 1.0% gross production royalty on any minerals extracted from Bullfinch, effective from after the first 5,000oz gold production and Torque retains a right to buy the royalty at any time for \$1.7 million (ASX:TLG 19 Jul 2018).

Option Exercise Proceeds

The quarter saw Talga receiving notices to exercise listed options resulting in the issue of 168,367 new ordinary fully paid shares, with incoming proceeds totalling \$75,765.

Cash Balance

Talga closed the September quarter with approximately A\$16.6 million cash-in-bank.

For further information, visit www.talgaresources.com or contact:

Mark Thompson
Managing Director
Talga Resources Ltd
T: + 61 (08) 9481 6667

Dean Scarparolo
Company Secretary
Talga Resources Ltd
T: + 61 (08) 9481 6667

About Talga

Talga Resources Ltd (“Talga”) (ASX: TLG) is an advanced material technology company enabling stronger, lighter and more functional graphene and graphite enhanced products for the multi-billion dollar global coatings, battery, construction and carbon composites markets. Talga has significant advantages owing to its 100%-owned unique high grade conductive graphite deposits in north Sweden, a Research and Development test processing facility in Germany and in-house product development and technology. Joint development agreements are underway with a range of international corporations.

No New Information

To the extent that announcement contains references to prior technical information, exploration results and mineral resources; these have been cross referenced to previous market announcements made by the Company. These had been disclosed to JORC 2012 standard. Unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements that assumptions and technical parameters underpinning the relevant market announcement continue to apply and have not materially changed.

APPENDIX 1

Tenement Holdings

Project/Location	Tenements	Interest at end of quarter	Acquired during quarter	Disposed during quarter
Ahmavuoma Project Norrbotten County, Sweden	Ahmavuoma nr 3	100%		
	Ahmavuoma nr 4	100%		
	Ahmavuoma nr 5	100%		
Aitik East Project Norrbotten County, Sweden	Suorravaara 2	100%		
	Suorravaara 3	100%		
	Suorravaara 4	100%		
Jalkunen Project Norrbotten County, Sweden	Jalkunen nr 1	100%		
	Jalkunen nr 2	0%		100%
	Kursuvaara nr 75	100%		
	Nybrännan nr 2	100%		
Kiskama Project Norrbotten County, Sweden	Kiskama nr 1	100%		
	Airivaara nr 100	100%		
Lautakoski Project Norrbotten County, Sweden	Jukkasvaara nr 2	100%		
	Lautakoski nr 2	100%		
	Lautakoski nr 3	0%		100%
	Lautakoski nr 4	100%		
	Piipiönjoki nr 1	100%		
	Suinavaara nr 2	100%		
	Suinavaara nr 3	100%		
	Suinavaara nr 4	100%		
Masugnsbyn Project Norrbotten County, Sweden	Masugnsbyn nr 101	100%		
Piteå Project Norrbotten County, Sweden	Grålidén nr 2	100%		
	Önusträsket nr 2	100%		
Raitajärvi Project Norrbotten County, Sweden	Raitajärvi nr 5	100%		
Vittangi Project Norrbotten County, Sweden	Maltosrova nr 3	100%		
	Nunasvaara nr 2	100%		
	Vathanvaara nr 101	100%		
	Vittangi nr 2	100%		
	Vittangi nr 3	100%		
Bullfinch Western Australia, Australia	Vittangi nr 4	100%		
	E77/2139	0%		100%
	E77/2221	0%		100%
	E77/2222	0%		100%
	E77/2251	0%		100%
	E77/2350	0%		100%
P77/4106	0%		100%	