



## QUARTERLY ACTIVITIES REVIEW For the period ending 31 March 2013

### SUMMARY

During the reporting period, Talga Resources Ltd (ASX: TLG) ("Talga" or "the Company") has been highly active exploring the Company's 100% owned projects in Sweden (graphite, iron ore and copper/gold) and Western Australia (gold). The main achievements were:

- Talga's maiden drilling program at *Raitajärvi* commenced and subsequent to the period 28 drill holes for 3,666m were completed.
- Scoping study work commenced on the *Nunasvaara* graphite deposit.
- New project *Piteå* granted over historically drilled graphite mineralisation, where 70-90% of flake content exceeds 0.3mm size (+50 mesh/'jumbo').
- Sampling completed on drill core from the *Masugnsbyn* iron project and subsequent to the period assay results were received.

Talga is now moving into a phase of receiving drilling results, updating and expanding resources and conducting preliminary economic studies. With the major drilling programs now complete, these activities are expected to continue to progress the Swedish graphite projects towards commercialization without needing the substantial cash expenditures associated with further drilling campaigns.

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#### Corporate Information

ASX Code TLG

Shares on issue 54.40m

Options (unlisted) 3.75m

#### Company Directors

Sean Neary

Non-Executive Chairman

Mark Thompson

Managing Director

Piers Lewis

Non-Executive Director

 ASX Code: TLG

Fig 1. Talga Resources project locations in north Sweden.



### SWEDEN GRAPHITE PROJECTS (TLG 100%)

During the period Talga commenced a diamond drilling program at the **Raitajärvi** flake graphite project, located 2km from the Överkallix - Övertorneå Highway in north Sweden.

Raitajärvi is a flake graphite deposit that was the subject of drilling, trenching, geophysical and metallurgical work by the Swedish Geological Survey ("SGU") between 1974 and 1991. The SGU identified that 49% of the graphite flake exceeded 0.2mm in size and could attain concentrate purity over 99%C (See ASX:TLG 4<sup>th</sup> February 2013).

Since pegging the project in October 2011 Talga used historical drilling data to define a JORC Inferred resource of 0.5Mt @ 10.8% Cg and completed environmental and stakeholder surveys towards drill permitting.

During the period Talga commenced a drilling campaign constituting 28 diamond holes for 3,666 metres, targeting zones at depth and along strike from the historic drilling. The drilling finished subsequent to the period (See ASX:TLG 26 April 2013) and results from the first holes are expected in 2-3 weeks.

At the Company's flagship **Nunasvaara** graphite project a preliminary economic scoping study was commenced on the current global JORC resource 7.6Mt @ 24.4% Cg (5.6Mt @ 24.6% Cg JORC Indicated and 2.0Mt @ 24.0% Cg JORC Inferred). Initial work includes pit optimisation and product specification studies. The results of the scoping study are expected to be received in the next quarter.

During the period Talga received notice of grant for a new exploration licence called Önusträsket, that forms a prospect of the new 100% owned project area called **Piteå** (See ASX:TLG 28 March 2013 and Fig 1). Piteå graphite mineralisation was historically drilled by the SGU and is characterised as exceptionally coarse flake graphite, with 70-90% of flake size observed larger than 0.3mm (equivalent of +50 mesh, also referred to as extra-large or 'jumbo' flake).

The project is advantageously located 50km by road to the operating port of Piteå, which has 12.6m depth approach and advanced infrastructure, that itself lies 50km south from Luleå port where Talga has an MOU for the export of graphite concentrates/products (See ASX:TLG 10<sup>th</sup> December 2012).

The Company considers Piteå a valuable addition to the Company's graphite strategy in developing multiple graphite deposits with different flake size and characteristics to supply wider segments of the market. The compilation of datasets to develop drill targets has commenced.

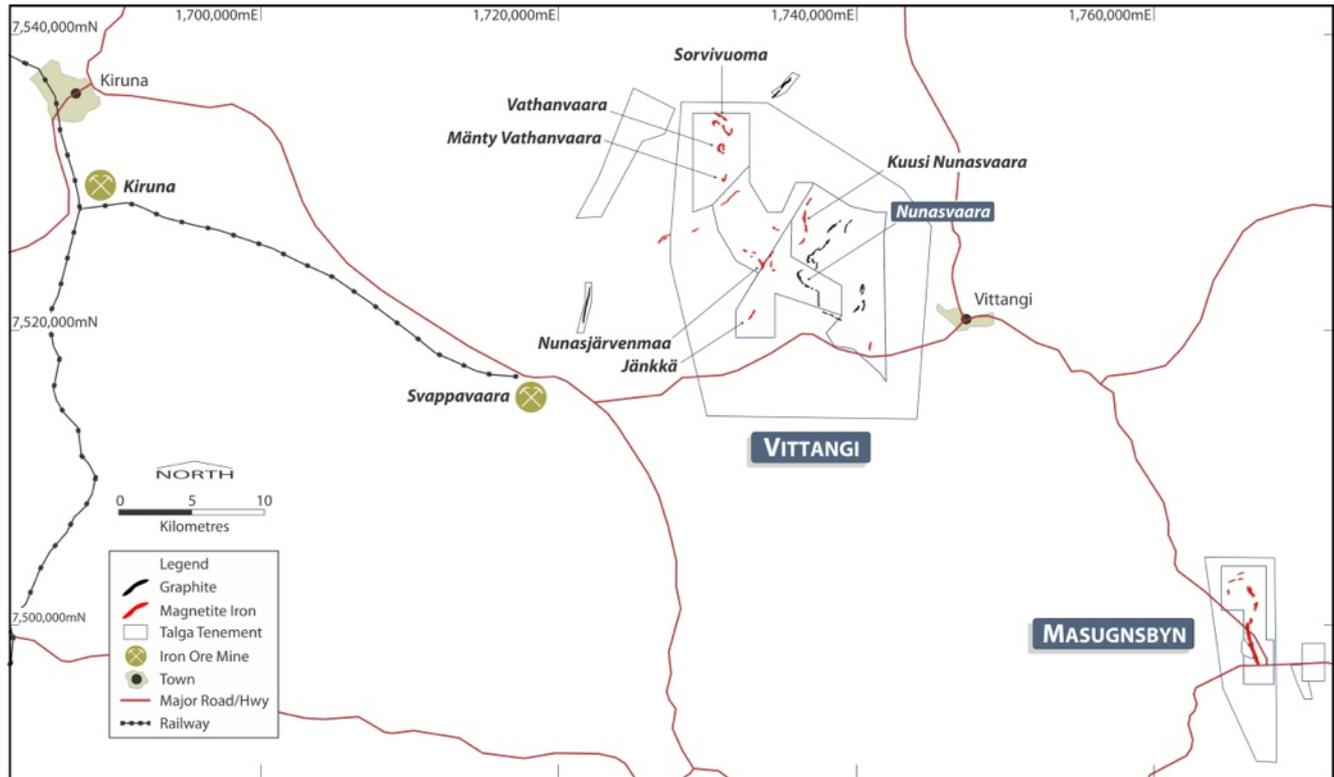
### SWEDEN IRON PROJECTS (TLG 100%)

During the previous period Talga completed nine diamond drill holes for 1,428m at its 100% owned **Masugnsbyn** magnetite iron project (see Fig 2). At Masugnsbyn the Company previously defined a total global JORC compliant Mineral Resource estimate of 87.2Mt @ 29.9% iron as magnetite ("Fe<sub>mag</sub>") using a cut

Talga staff geologist logging new Raitajärvi drill core.



Fig 2. Location of Talga Resources iron projects in the Kiruna mineral district of north Sweden.



off grade of 20% Fe<sub>mag</sub>, with 49.7Mt @ 30.0%Fe<sub>mag</sub> JORC Indicated and 37.5Mt @ 29.6% Fe<sub>mag</sub> JORC Inferred (See ASX:TLG 10<sup>th</sup> October 2012).

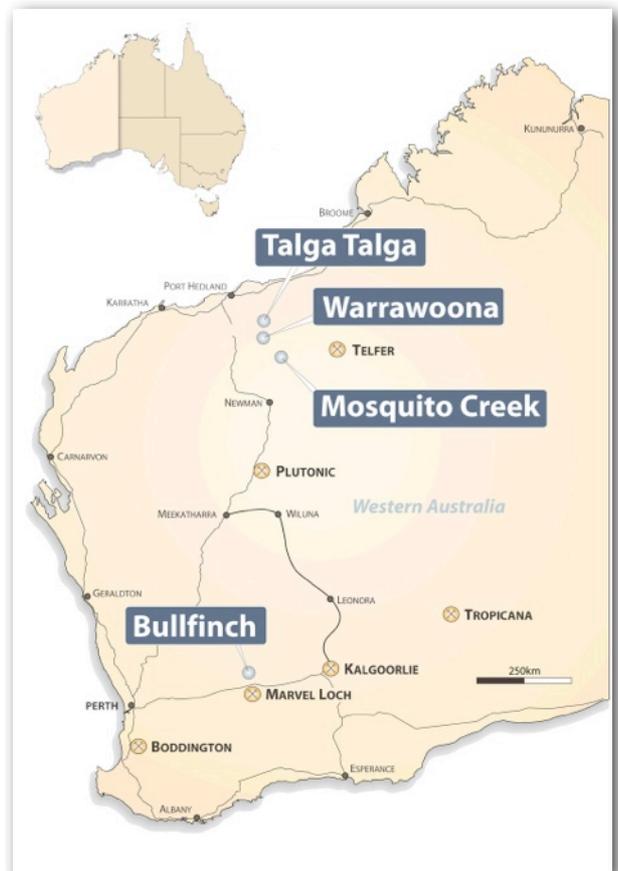
The drilling was designed to infill and test previously untested updip positions in the northern 1,100 metres of strike of the *Junosuando* deposit, one of five historic magnetite iron deposits within the 48km<sup>2</sup> *Masugnsbyn* project.

Subsequent to the period assay results were received that confirm mineralisation is present closer to the surface than indicated by historic drilling (See ASX:TLG 29 April 2013) and a new resource estimate has commenced. A larger and higher status resource estimate at Masugnsbyn, combined with the existing JORC compliant exploration targets<sup>7</sup> at the Vittangi project, will potentially increase the value of the Sweden iron assets towards divestment or joint venture.

**AUSTRALIA GOLD PROJECTS (TLG 100%)**

Surface geochemical surveys (soil and rock) at the Warrawoona and Mosquito Creek projects were undertaken during the quarter. This work is focused on extending and upgrading the quality of some anomalies including Horigans and Klondyke Extended, towards attracting a JV partner or trade sale on the Australian gold projects.

Fig 3. Talga Resources Australian gold project locations.



## CORPORATE

The Company has had an intense year of acquisition and drilling activity in Sweden, the key outputs of which are the JORC resources for graphite and magnetite iron ore referred to above. This has been achieved through the outstanding efforts of our field team, outsourced contractors and the support of local stakeholders in Sweden. The Board is pleased with the exceptional results, particularly in relation to the announced JORC resources and the modest acquisition costs.

Whilst the current climate is tight for exploration companies seeking to raise capital, the Board remains confident of the medium term outlook for graphite in particular. As Europe currently imports around 95% of its graphite needs annually, the Board believes that there is room for a new graphite mine in Europe based on an import replacement model alone. At the same time a continuation of supply tightness out of China may further enhance Talga's opportunity to successfully engage with offtake partners in Asia. In the near term the priority for the Company is to balance the Board's continuing desire to advance the graphite projects in Sweden with a need to operate within tight capital market constraints. With that in mind the Company has marketed itself throughout Europe and Asia, with the aim of forming a new base for capital raising activities in future. Additionally the Company has been canvassing interest in some of Talga's non-core assets, including the Australian gold assets.

Talga already has sufficient JORC resources to support a potential 20 year mine life (based on 80,000t graphite per annum) at the Nunasvaara graphite project and is targeting a substantial resource upgrade at the Raitajärvi graphite project. Whilst there is potential to add size by drilling along strike and at depth at both projects, the Board has decided that there is more to be gained by advancing the economic studies at this time. Such studies can meaningfully progress the projects whilst requiring less cash outflow than further drilling programs (particularly at the pace of drilling undertaken over the past year).

As at 31 March 2013 the Company had a cash balance of \$0.9m, following an exceptionally active period of drill programs. Subsequent to the period a Share Purchase Plan ("SPP") was launched to raise up to AUD \$3.1m in capital. Any shortfall in the SPP can be placed at the Board's discretion. Selective divestment of non-core assets may also raise further cash. On the expenditure side a shift from drilling to the preparation of economic scoping studies and a review of general expenditure is expected to reduce outgoings. The strategy is to use a mix of these measures to continue to advance the Swedish graphite assets whilst minimizing cash outflows until conditions in capital markets improve sufficiently to allow an acceleration of development activity.

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**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.

*1 Exploration Targets: The estimates of exploration target sizes in this announcement are in accordance with the guidelines of the JORC Code (2004) and should not be misunderstood or misconstrued as estimates of Mineral Resources. The potential quantity and quality of the exploration targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

**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.*