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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 2016**

**TALGA RESOURCES LTD**  
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**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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**TALGA RESOURCES LTD  
CORPORATE DIRECTORY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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**DIRECTORS**

Terry Stinson (Chairman)  
Mark Thompson (Managing Director)  
Grant Mooney (Non-Executive Director)  
Stephen Lowe (Non-Executive Director)

**COMPANY SECRETARY**

Dean Scarparolo

**REGISTERED OFFICE &  
PRINCIPAL PLACE OF BUSINESS**

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

**EMAIL & WEBSITE**

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

**ABN**

32 138 405 419

**SECURITIES EXCHANGE LISTING**

The Company is listed on Australian Securities Exchange Limited

Home Exchange: Perth  
ASX Codes: TLG (Shares)  
TLGOA (Listed Options)

**SHARE REGISTRY**

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

**AUDITORS**

Stantons International  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

# TALGA RESOURCES LTD

## DIRECTORS' REPORT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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The Directors present their report on Talga Resources Ltd for the half-year ended 31 December 2016.

#### BOARD OF DIRECTORS

The names of the Talga Resources Ltd ("Company") 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.

Directors	Position
Terry Stinson <sup>1</sup>	Non-Executive Chairman
Mark Thompson	Managing Director
Grant Mooney	Non-Executive Director
Stephen Lowe	Non-Executive Director
Keith Coughlan <sup>2</sup>	Non-Executive Chairman

<sup>1</sup> Terry Stinson was appointed 8 February 2017.

<sup>2</sup> Keith Coughlan resigned 8 February 2017.

#### REVIEW OF OPERATIONS

During the period, the Company advanced towards becoming a technology minerals producer by developing its 100% owned graphite projects in Sweden, completing a 2<sup>nd</sup> trial mining campaign, discovering and extending mineralisation through drilling, implementing a graphene product strategy and expanding graphene processing activities at its test facility in Germany. Highlights include:

##### Commercial & Graphene Project Development

- Strategy implemented to create value-added graphene products in addition to raw graphene and graphite materials accelerates commercialisation opportunities with global industry and academic partners;
- Positive lithium-ion battery test results at Warwick University in the UK using Talga graphite material shows potential for fast growing energy storage applications, triggering scale-up test work to be followed by graphene formulations;
- Talga's first value-add graphene product, a metal pre-treatment coating, demonstrates improved corrosion protection of steel in scientific tests - validating opportunities in the global scale coatings sector;
- Expansion of graphene test facility in Germany successfully commissioned. A range of R&D programs were undertaken to trial different processing technologies for incorporation into future processing development. The majority of this testwork relates to optimising the recovery of graphite to graphene while producing graphene test samples for product development test programs.;
- Commencement of graphene product partnership with German Company, Jena Batteries GmbH, on commercial scale grid energy battery applications;
- Indian Institute of Technology study shows Talga graphene-based sensor achieves a 10-fold increase in sensitivity for air and water pollution analysis and offers simpler, more eco-friendly production process; and

##### Mining & Exploration

- Successful completion of 2nd trial graphite mining program (balance of the total 5,000 tonnes permitted) in Sweden using new contractors, equipment and efficiencies produces ore to feed German test facility and provide data for future mine planning;
- North Nunasvaara graphite deposit extended at Vittangi project with drilling returning outstanding high grade zones, including results that exceed 40% graphitic carbon. Results to drive updated Vittangi project resource estimate in CY2017;

**TALGA RESOURCES LTD  
DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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- A wildcat hole drilled at the Jalkunen project intersected a broad zone of copper-cobalt-gold mineralisation in addition to graphite. Alteration style similar to Kiskama IOCG project supports review of cobalt-rich mineralisation across range of permits; and
- Permitting underway with Swedish regulators and stakeholders regarding future mine options.

Corporate

- Appointment of ex Iluka Resources Limited Commercial Manager, Martin Phillips, as Project Manager - Europe, to drive operations in Germany and Sweden;
- Completed the \$0.9 million options entitlement offer component of a combined \$10.9 million placement and rights issue;
- Completed \$750,000 sale of the Company's Pilbara based gold projects in Western Australia; and
- Talga presentations delivered by Company's Perth and European-based managers at a range of national and international industry and investor events.

**POST THE PERIOD**

2017 activities will revolve primarily around the following:

- Product development initiatives with industry partners;
- Identifying and cultivating new industry partners and potential customers;
- Testing revenue opportunities;
- Industry validation of raw materials as well as value added products;
- Permitting activities in Sweden;
- Feasibility studies; and
- Graphene process development including scale up and optimization.

Talga is well positioned to meet its objectives as they relate to the abovementioned activities. In addition to the above, Talga has commenced 2017 with the initiation of several testwork programs that relate to base metal opportunities across a range of cobalt-bearing, iron oxide copper gold (IOCG) projects in Sweden. The outcomes of this work will provide Talga with the means to evaluate the most appropriate commercial opportunities for Talga's non-graphite projects.

Key developments thus far in 2017 have included:

- Orbital Corporation Managing Director, Mr Terry Stinson, was appointed as Non-executive Chairman upon the departure of retiring Chairman Mr Keith Coughlan;
- Programs commenced to identify and evaluate development options for Talga's 100% owned cobalt-rich IOCG projects located in Northern Sweden. Work includes metallurgical testwork to determine cobalt, gold and copper recovery from the Kiskama IOCG project, modern re-evaluation of 105 historic Kiskama drillholes and assessment of further sites of known cobalt, copper and gold enrichment across Talga's 100% owned project areas; and
- Execution of an option agreement for the sale of the Company's remaining Australian gold project, Bullfinch, to Australian company GBM Investments No. 1 Pty Ltd for a total sale price of \$400,000 including a \$50,000 non-refundable deposit (which has been received), plus Talga retains a 1% net smelter royalty on production. The Option must be exercised within a 3 month due diligence period.

**TALGA RESOURCES LTD  
DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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**FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

The financial results of the Company for the half-year ended 31 December 2016 are:

	<b>31 December 2016</b>	<b>30 June 2016</b>
Cash and cash equivalents (\$)	7,820,065	11,763,678
Net assets (\$)	9,806,625	13,570,098

	<b>31 December 2016</b>	<b>31 December 2015</b>
Revenue (\$)	168,174	148,248
Net loss after tax (\$)	(4,779,957)	(3,921,981)
Loss per share (cents per share)	(2.6)	(2.8)
Dividend (\$)	-	-

**DIVIDENDS**

No dividend has been paid during or is recommended for the half-year ended 31 December 2016.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the half-year ended 31 December 2016 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  
15 March 2017

15 March 2017

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

Dear Sirs

**RE: TALGA RESOURCES LIMITED**

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

As Audit Director for the review of the financial statements of Talga Resources Limited for the period ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the 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)**



**Martin Michalik**  
**Director**

**TALGA RESOURCES LTD**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	31 December 2015 \$
Revenues from ordinary activities		108,498	48,248
Other Income		59,676	100,000
Expenses			
Exploration and evaluation expenditure		(757,169)	(398,056)
Trial mining Sweden		(1,323,704)	(477,235)
Research and development operations - Germany		(1,082,359)	(662,424)
Administration expenses		(684,061)	(711,567)
Director fees and employee benefits expenses		(740,509)	(562,857)
Depreciation expense – office equipment		(63,109)	(14,584)
Other expenses		(788)	(804)
Loss on held for sale trading investment	4	(121,000)	-
Exploration acquisition cost write off		-	(250,000)
Share based payments	7	(175,432)	(992,702)
<b>(Loss) before income tax expense</b>		<b>(4,779,957)</b>	<b>(3,921,981)</b>
Income tax expense		-	-
<b>Net (loss) attributable to members of the parent entity</b>		<b>(4,779,957)</b>	<b>(3,921,981)</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	7	(20,053)	17,968
<b>Total period other comprehensive (loss)/income</b>		<b>(20,053)</b>	<b>17,968</b>
<b>Total comprehensive (loss) for the period</b>		<b>(4,800,010)</b>	<b>(3,904,013)</b>
<b>Total comprehensive (loss) attributable to members of the parent entity</b>		<b>(4,800,010)</b>	<b>(3,904,013)</b>
Basic loss per share (cents per share)	3	(2.6)	(2.8)
Diluted loss per share (cents per share)	3	(2.6)	(2.8)

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 2016**

		31 December 2016	30 June 2016
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		7,820,065	11,763,678
Trade and other receivables		307,505	223,507
Other financial assets	4	629,000	-
Assets held for sale	5	-	750,000
<b>Total Current Assets</b>		<b>8,756,570</b>	<b>12,737,185</b>
<b>Non-Current Assets</b>			
Other receivables		129,325	134,039
Plant and equipment	6	1,065,374	776,748
Exploration and evaluation expenditure		464,473	500,654
<b>Total Non-Current Assets</b>		<b>1,659,172</b>	<b>1,411,441</b>
<b>TOTAL ASSETS</b>		<b>10,415,742</b>	<b>14,148,626</b>
<b>Current Liabilities</b>			
Trade and other payables		441,250	411,823
Provisions		167,867	166,705
<b>TOTAL LIABILITIES</b>		<b>609,117</b>	<b>578,528</b>
<b>NET ASSETS</b>		<b>9,806,625</b>	<b>13,570,098</b>
<b>Equity</b>			
Issued capital	7	33,784,951	32,923,846
Reserves	8	4,571,781	4,416,402
Accumulated losses		(28,550,107)	(23,770,150)
<b>TOTAL EQUITY</b>		<b>9,806,625</b>	<b>13,570,098</b>

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

**TALGA RESOURCES LTD**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>At 1 July 2015</b>	<b>20,876,411</b>	<b>(17,544,826)</b>	<b>3,278,099</b>	<b>6,609,684</b>
<b>Comprehensive income:</b>				
Loss after income tax for the period	-	(3,921,981)	-	(3,921,981)
Other comprehensive income for the period	-	-	17,968	17,968
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(3,921,981)</b>	<b>17,968</b>	<b>(3,904,013)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	2,774,769	-	-	2,774,769
Capital raising costs	(150,677)	-	-	(150,677)
Share based compensation	-	-	992,702	992,702
<b>At 31 December 2015</b>	<b>23,500,503</b>	<b>(21,466,807)</b>	<b>4,288,769</b>	<b>6,322,465</b>
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>At 1 July 2016</b>	<b>32,923,846</b>	<b>(23,770,150)</b>	<b>4,416,402</b>	<b>13,570,098</b>
<b>Comprehensive income:</b>				
Loss after income tax for the period	-	(4,779,957)	-	(4,779,957)
Other comprehensive income for the period	-	-	(20,053)	(20,053)
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(4,779,957)</b>	<b>(20,053)</b>	<b>(4,800,010)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of listed share options	898,412	-	-	898,412
Capital raising costs	(37,307)	-	-	(37,307)
Share based compensation	-	-	175,432	175,432
<b>At 31 December 2016</b>	<b>33,784,951</b>	<b>(28,550,107)</b>	<b>4,571,781</b>	<b>9,806,625</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 2016**

	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
<b>Cash Flows from Operating Activities</b>		
Payments for exploration and evaluation	(831,818)	(633,960)
Payments for research and development	(1,069,758)	(801,506)
Payments for trial mining	(1,224,398)	(657,668)
Payments to suppliers, contractors and employees	(1,458,773)	(1,155,267)
Interest received	108,498	48,248
Other income	59,676	100,000
<b>Net cash outflows from operating activities</b>	<b>(4,416,573)</b>	<b>(3,100,153)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of plant and equipment	(326,044)	(149,724)
Other payments - security bond payments	-	(17,636)
<b>Net cash outflows from investing activities</b>	<b>(326,044)</b>	<b>(167,360)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of securities	898,412	2,774,769
Payment for costs of issue of securities	(99,408)	(150,677)
<b>Net cash inflows/(outflows) from financing activities</b>	<b>799,004</b>	<b>2,624,092</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,943,613)</b>	<b>(643,421)</b>
Cash and cash equivalents at the beginning of the financial period	11,763,678	5,672,645
<b>Cash and cash equivalents at the end of the financial period</b>	<b>7,820,065</b>	<b>5,029,224</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 2016**

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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 2016 was authorised for issue in accordance with a resolution of the directors on 15 March 2017. 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 Company are described on page 4 to 6 of the Directors Report.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**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 Company 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 2016.

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 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 2016 annual financial report for the financial year ended 30 June 2016, 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 Company 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 Interpretations does not have a material impact on the Group.

**3. LOSS PER SHARE**

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
Net loss after income tax attributable to members of the Group	(4,779,957)	(3,921,981)
	<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	181,855,075	139,770,989

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 2016**

**4. OTHER FINANCIAL ASSETS**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	\$	\$
Novo Resources Corp – 765,115 shares		
Balance as at date of Acquisition (16 Sept 16) *	750,000	-
Loss on held for sale trading investment	(121,000)	-
Closing balance 31 Dec 2016 (765,115 shares @ CAD 0.80)	<b>629,000</b>	<b>-</b>

\* \$750,000 represents the carrying amount of acquisition costs relating to Talga's Australian Pilbara gold assets subject to the the sale agreement with Beatons (See Note 5). Beatons offered Talga 765,115 shares in the TSX Venture listed Canadian Parent, Novo Resources Corp, in lieu of the AUD\$750,000 cash transaction payable. Talga will also be due a 1.5% net smelter royalty.

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

	<b>31 December 2016</b>	<b>30 June 2016</b>
	\$	\$
Exploration and evaluation acquisition costs	-	<b>750,000</b>

On 12 August 2015, the Company entered into an agreement to grant Beatons Creek Gold Pty Ltd ("Beatons") an option to purchase all of its Australian Pilbara gold assets comprising Mosquito Creek, Talga Talga and Warrawoona. The amount above as at 30 June 2016 represents the carrying amount of acquisition costs relating to these gold assets.

**6. PLANT AND EQUIPMENT**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	\$	\$
Plant and equipment at cost	1,306,678	955,247
Less: accumulated depreciation	(241,304)	(178,499)
<b>Total plant and equipment</b>	<b>1,065,374</b>	<b>776,748</b>
<b>Balance at the beginning of the financial year</b>	<b>776,748</b>	<b>52,872</b>
Additions	367,516	795,576
Disposals/write offs	-	(29,617)
Depreciation expense	(63,126)	(51,752)
Accumulated depreciation eliminated on write off of assets	-	29,617
Effect of foreign currency exchange differences	(15,764)	(19,948)
<b>Balance at the end of the financial year</b>	<b>1,065,374</b>	<b>776,748</b>

**7. ISSUED CAPITAL**

**(a) Issued**

	<b>31 December 2016</b>	<b>31 December 2016</b>	<b>30 June 2016</b>	<b>30 June 2016</b>
	Number	\$	Number	\$
Ordinary shares – fully paid	181,855,075	32,923,846	181,855,075	32,923,846
Listed options – exerc. @ \$0.45	44,920,582	861,105	-	-
<b>Total issued capital</b>		<b>33,784,951</b>		<b>32,923,846</b>

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**7. ISSUED CAPITAL (Continued)**

<b>ORDINARY SHARES</b>	<b>Date</b>	<b>Quantity</b>	<b>Issue Price</b>	<b>\$</b>
<b>Balance 30 June 2016</b>		<b>181,855,075</b>		<b>32,923,846</b>
Less transaction costs	-	-	-	-
<b>Balance 31 December 2016</b>		<b>181,855,075</b>		<b>32,923,846</b>

  

<b>LISTED OPTIONS</b>	<b>Date</b>	<b>Quantity</b>	<b>Issue Price</b>	<b>\$</b>
<b>Balance 30 June 2016</b>		-		-
Issue of listed options (\$0.45 exercise price & expiry 31/12/18)	July 2016	44,920,582	\$0.02	898,412
Less transaction costs	-	-	-	(37,307)
<b>Balance 31 December 2016</b>		<b>44,920,582</b>		<b>861,105</b>

**8. RESERVES**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>OPTION RESERVE</b>		
<b>Balance at the beginning of the period</b>	<b>4,648,113</b>	<b>3,491,975</b>
Share based payment options issued during the period	175,432	1,156,138
<b>Balance at the end of the period</b>	<b>4,823,545</b>	<b>4,648,113</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.

The following share based payment options were issued during the half year:

- Series 1 – 1,500,000 options granted 1/6/16 (issued 11/7/16)
- Series 2 – 2,500,000 options granted 9/8/16 (issued 12/8/16)

	<b>Series 1</b>	<b>Series 2</b>
Grant date share price	\$0.295	\$0.275
Exercise price	\$0.42	\$0.35
Expected share price volatility	74%	75%
Option life	3 years	3 years
Risk free interest rate	1.51%	1.43%
Valuation per option	\$0.12	\$0.12

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>FOREIGN CURRENCY RESERVE</b>		
<b>Balance at the beginning of the period</b>	<b>(231,711)</b>	<b>(213,876)</b>
Movement during the period	(20,053)	(17,835)
<b>Balance at the end of the period</b>	<b>(251,764)</b>	<b>(231,711)</b>
<b>Total Reserves</b>	<b>4,571,781</b>	<b>4,416,402</b>

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**9. SEGMENT INFORMATION**

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker. The term 'chief operating decision maker' identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. The Company's Board is the the chief operating decision maker as it relates to segment reporting.

The Group operates in three operating and four geographical segments (since July 2016), being graphite exploration and evaluation in Sweden, gold exploration and evaluation in Australia and graphite/graphene research and development in Germany and the UK (since July 2016). 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.

**(i) SEGMENT PERFORMANCE**

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
<b>Half-year ended 31 December 2016</b>					
Revenues from ordinary activities	-	-	-	108,498	<b>108,498</b>
Other income	-	37,676	-	22,000	<b>59,676</b>
<b>Total segment revenue</b>	<b>-</b>	<b>37,676</b>	<b>-</b>	<b>130,498</b>	<b>168,174</b>
<b>Segment expense (including write offs)</b>	<b>(2,122,725)</b>	<b>(1,137,108)</b>	<b>(1,951)</b>	<b>(64,637)</b>	<b>(3,326,421)</b>

Reconciliation of segment result to net loss before tax

Unallocated items:

- Administration expenses	(583,642)
- Depreciation expense	(7,960)
- Director fees and employee benefits expenses	(740,509)
- Loss on trading investments	(121,000)
- Foreign exchange gain	6,833
- Share based payments	(175,432)
<b>Net loss before tax from continuing operations</b>	<b>(4,779,957)</b>

	Sweden	Germany	Australia	Total
	\$	\$	\$	\$
<b>Half-year ended 31 December 2015</b>				
Revenues from ordinary activities	-	-	48,248	<b>48,248</b>
Other income	-	-	100,000	<b>100,000</b>
<b>Total segment revenue</b>	<b>-</b>	<b>-</b>	<b>148,248</b>	<b>148,248</b>
<b>Segment expense (including write offs)</b>	<b>(834,641)</b>	<b>(666,534)</b>	<b>(320,546)</b>	<b>(1,821,721)</b>

Reconciliation of segment result to net loss before tax

Unallocated items:

- Administration expenses	(682,102)
- Depreciation expense	(10,043)
- Director fees & employee benefits expenses	(562,857)
- Foreign exchange loss	(804)
- Share based payments	(992,702)
<b>Net loss before tax from continuing operations</b>	<b>(3,921,981)</b>

**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**9 SEGMENT INFORMATION (Continued)**

**(ii) SEGMENT ASSETS**

	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>Australia</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>As At 31 Dec 2016</b>					
Segment assets as at 1 July 2016	633,410	1,010,475	-	12,504,741	<b>14,148,626</b>
Segment asset period increases/(decreases):					
- Cash and cash equivalents	222,320	237,393	-	(4,403,326)	<b>(3,943,613)</b>
- Exploration and evaluation expenditure	(36,180)	-	-	-	<b>(36,180)</b>
- Plant and equipment	(467)	287,916	-	1,178	<b>288,627</b>
- Assets held for sale	-	-	-	(750,000)	<b>(750,000)</b>
- Share investments	-	-	-	629,000	<b>629,000</b>
- Other	72,501	9,674	2,161	(5,054)	<b>79,282</b>
	<b>891,584</b>	<b>1,545,458</b>	<b>2,161</b>	<b>7,976,539</b>	<b>10,415,742</b>

Reconciliation of segment assets to total assets

Other assets

**Total assets from continuing operations**

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**10,415,742**

	<b>Sweden</b>	<b>Germany</b>	<b>Australia</b>	<b>Total</b>
	\$	\$	\$	\$
<b>As At 30 June 2016</b>				
Segment assets as at 1 July 2015	744,271	36,235	6,616,326	<b>7,396,832</b>
Segment asset period increases/(decreases):				
- Cash and cash equivalents	(90,863)	12,129	6,169,767	<b>6,091,033</b>
- Assets held for sale	-	-	(250,000)	<b>(250,000)</b>
- Plant and equipment	1,512	735,230	(12,866)	<b>723,876</b>
- Exploration and evaluation expenditure	10,107	-	-	<b>10,107</b>
- Other	(31,617)	226,881	(18,486)	<b>176,778</b>
	<b>633,410</b>	<b>1,010,475</b>	<b>12,504,741</b>	<b>14,148,626</b>

Reconciliation of segment assets to total assets

Other assets

**Total assets from continuing operations**

-

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**14,148,626**



**TALGA RESOURCES LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**9 SEGMENT INFORMATION (Continued)**

<b>(iii) SEGMENT LIABILITIES</b>	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>Australia</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>As At 31 December 2016</b>					
Segment liabilities as at 31 December 2016	241,297	78,381	566	121,006	<b>441,250</b>
Reconciliation of segment liabilities to total liabilities					
Unallocated items:					
- Provision					<b>167,867</b>
<b>Total liabilities from continuing operations</b>					<b>609,117</b>

<b>SEGMENT LIABILITIES</b>	<b>Sweden</b>	<b>Germany</b>	<b>Australia</b>	<b>Total</b>
	\$	\$	\$	\$
<b>As At 30 June 2016</b>				
Segment liabilities as at 30 June 2016	120,452	50,301	241,070	<b>411,823</b>
Reconciliation of segment liabilities to total liabilities				
Unallocated items:				
- Provision				<b>166,705</b>
<b>Total liabilities from continuing operations</b>				<b>578,528</b>

**10. SUBSEQUENT EVENTS**

Other than as disclosed below, 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:

- As announced to the ASX on 1 February 2017, Talga has entered into an agreement granting GBM Investments No.1 Pty Ltd ("GBM") an exclusive three-month option to purchase Talga's 100% owned Bullfinch gold project (the "Option"). A non-refundable AUD\$50,000 deposit has been received by Talga. The Option must be exercised within a three month due diligence period. Execution of the Option 'exercise notice' will trigger completion of the sale and purchase agreement and payment of AUD\$350,000, being the balance of the purchase price. Talga will also retain a 1% gross royalty payable on the net smelter return of minerals extracted from the Bullfinch project in perpetuity; and
- As announced to the ASX on 9 February 2017, Mr Terry Stinson was appointed as Non-executive Chairman upon the resignation of Mr Keith Coughlan.

**11. CONTINGENT LIABILITIES**

The Company has received a claim from a former employee of the Company for certain costs pertaining to his termination of employment. The Company is defending the claim. Apart from this claim, there were no contingent liabilities or contingent assets as at 31 December 2016 (2015:nil).

**TALGA RESOURCES LTD  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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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 of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2016 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.

On behalf of the Board



Mark Thompson  
Managing Director  
Perth, Western Australia  
15 March 2017

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

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

We have reviewed the accompanying half-year financial report of Talga Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 Limited (the consolidated entity). The consolidated entity comprises both Talga Resources Limited (the Company) and the entities it controlled during the half year.

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

The directors of Talga Resources Limited 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 2016 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 Limited, 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 Limited on 15 March 2017.

*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 Limited 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 2016 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 & Consulting Pty Ltd*



**Martin Michalik**  
**Director**

West Perth, Western Australia  
15 March 2017