



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

**INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

TALGA RESOURCES LTD
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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**TALGA RESOURCES LTD
CORPORATE DIRECTORY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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)

COMPANY SECRETARY

Dean Scarparolo

**REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

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2 Richardson Street
WEST PERTH Western Australia 6005

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Facsimile: +618 9322 1935

EMAIL AND WEBSITE

Email: admin@talgaresources.com
Website: www.talgaresources.com

ABN

32 138 405 419

SECURITIES EXCHANGE LISTING

The Company is listed on Australian Securities Exchange Limited

Home Exchange: Perth
ASX Code: TLG

SHARE REGISTRY

Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: 1300 992 916

AUDITORS

Stantons International
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

TALGA RESOURCES LTD

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The Directors present their report on Talga Resources Ltd for the half-year ended 31 December 2018.

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	Non-Executive Chairman
Mark Thompson	Managing Director
Grant Mooney	Non-Executive Director
Stephen Lowe	Non-Executive Director
Ola Mørkved Rinnan	Non-Executive Director

REVIEW OF OPERATIONS

During the period the Company delivered on a range of milestones as it continued building a vertically integrated business with a wholly owned world class mineral resource and exploration targets, processing innovations and product technology enabling graphite and graphene products that are stronger, lighter, multi-functional and environmentally positive in their applications. Highlights include:

Commercial Development

Substantial expansion of the Company's European partner footprint with several new industry alliances;

- Graphene Sales and Distribution Agreement signed with Possehl Erzkontor GmbH & Co. KG, German-based commodities and product distribution company, to globally market and distribute Talphene products;
- Letter of Intent signed with BillerudKorsnäs, Swedish multinational paper and paperboard company, to explore Talphene product incorporation into a packaging application;
- Joint Development Agreement executed with Biomer, UK-based polymer manufacturing and technology company, to co-develop Talphene-enhanced thermoplastics for commercial applications in the healthcare and coatings markets; and
- Talga's range of Lithium-ion battery anode products trademarked as Talnode™ to accompany Talga's previously trademarked graphene and graphite product lines, Talphene® and Talphite®.

Product and Processing Development

Positive product test results across all target market sectors supported significant increase in commercial engagements during the period, with samples of Talphite, Talphene and Talnode products despatched globally;

- Talphene-enhanced lightweight epoxy composites show high conductivity test results for lightning strike protection and anti-icing in aircraft and wind turbine applications;
- Scale up of Talnode-C sample production, testing and product development commenced to satisfy interest from battery and electronics manufacturers in Europe and Asia;
- Ultra-fast charge lithium-ion battery anode product, Talnode-X, retains capacity over 300mAh/gm at 20C charge rate (equivalent of charging a lithium-ion battery from 0-100% in 3 minutes);
- High energy graphene silicon lithium-ion battery anode product, Talnode-Si, shows 50% higher anode capacity over commercial graphite only anode; and
- Rudolstadt test processing facility equipment fully commissioned with Phase 3 sample production commenced for customer programs and joint development projects.

TALGA RESOURCES LTD

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Mineral Project Development and Exploration

Activities focussed on advancement of the development plans for the Vittangi Graphene - Graphite Project, with a pre-feasibility study scheduled for delivery in Q1 2019. Mine and process plant permitting was also progressed as planned during the period, and mineral exploration activities advanced the Company's core graphite and non-core battery metal assets;

- Encouraging results from a range of activities and programs designed to make discoveries or add value to Talga's 100% owned mineral projects;
- New geophysical conductors and prospective targets defined at Kiskama Co-Cu-Au project;
- Significant Cu-Co drill sample results from Lautakoski project;
- High grade rock Cu-Au-Ag-Mo sample results from East Aitik project;
- Significant vanadium prospect identified on the Company's Vittangi project; and
- Activities and studies continued as part of the feasibility and permitting for the Vittangi Graphene-Graphite project.

Corporate

Strategic corporate activities completed to deliver operational and financial efficiencies across the Company's assets and support the continued successful establishment of a vertically integrated advanced materials technology company;

- Successful outreach conducted across Asia, US and Europe that included graphite and graphene product roadshows, commercial engagements across key target market sectors, presence and participation at relevant industry events and fruitful investor and stakeholder meetings;
- The incorporation of Swedish domiciled subsidiaries, Talga Graphene AB and Talga Battery Metals AB, completed as part of internal restructure;
- In line with the Company's growth and initiatives underway to expand the European management group and strengthen the Company's commercial team, the following key appointments occurred;
 - Swedish based General Manager, Anna Utsi;
 - UK based Technical Sales Director, Stephen Hutchins; and
- Sale of the Bullfinch gold project in the Yilgarn region of Western Australia finalised with a cash receipt of \$250,000 (exclusive of GST) received and an ongoing 1.0% gross production royalty on any minerals extracted (effective from the first 5,000oz gold production) retained;
- Shares issued following a successful \$8.5 million institutional placement; and
- Cash on hand counted \$13.8 million at the end of the period.

POST THE PERIOD

Planned 2019 key activities as follows:

- Continued growth via ongoing expansion of European operations, in particular the newly established sales and marketing unit, and expanded pipeline of market opportunities, with product development and supply programs focussing on products suitable to underwrite large-scale development;
- Accelerated development and marketing of Talga's graphite products, including strategic re-direction of graphite material towards Talnode product range, to finalise incorporation of lithium-ion battery anode products into feasibility studies and the advancing commercialisation process as part of long-term business strategy;
- Continued capacity increase and performance optimisation of expanded Phase 3 test facility in Germany for increased commercial sample production;
- Delivery of the Vittangi Graphene - Graphite Project pre-feasibility study and lodgment of permits to progress to mine and production facility construction; and
- Continued exploration and development of mineral projects, including drilling and evaluation of resource potential both on graphite and non-graphite projects, for value-adding in support of higher valuations in various development or divestment scenarios.

**TALGA RESOURCES LTD
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Key developments thus far in 2019 have included:

- Signed Letter of Intent with Schunk Group, global carbon and technology giant, to explore incorporation of Talphene into automotive application;
- Further gains from high energy graphene silicon lithium-ion battery anode product, Talnode-Si, with test results now showing 70% higher anode capacity over commercial graphite only anode; and
- New large geophysical conductor identified at the Kiskama cobalt-copper-gold project, double the size and strength of the current deposit signature, with infill geophysical surveys planned and permitting underway to commence drilling as part of re-scheduled resources drill-out.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The financial results of the Company for the half-year ended 31 December 2018 are:

	31 December 2018	30 June 2018
Cash and cash equivalents (\$)	13,793,087	11,936,701
Net assets (\$)	16,057,625	13,802,205

	31 December 2018	31 December 2017
Income(\$)	846,076	1,914,541
Loss per share (cents per share)	(2.4)	(1.5)
Dividend (\$)	-	-

DIVIDENDS

No dividend has been paid during or is recommended for the half-year ended 31 December 2018.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 31 December 2018 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 2019

15 March 2019

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 2018, 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 2018

	Note	31 December 2018 \$	31 December 2017 \$
Revenues from ordinary activities		2,217	2,197
Gain on sale of Investments		250,000	1,507,441
Sale of Assets		-	105,000
Other Income	3	593,859	299,903
Expenses			
Exploration and evaluation expenditure		(1,163,122)	(731,819)
Operations - test facility & product development		(2,451,227)	(2,111,101)
Operations - trial mining Sweden		-	(30,042)
Employee benefits expenses and directors fees		(1,007,008)	(871,834)
Exploitation costs Sweden		(451,844)	(325,806)
Administration expenses		(682,037)	(599,095)
Depreciation expense		(205,108)	(127,221)
Investment revaluations		-	529,192
Share based payments	4	(90,067)	(745,703)
FX gain / (loss) realised		(3,129)	(1,090)
Acquisition costs write off		3,028	-
Other expenses		-	-
(Loss) before income tax expense		(5,204,438)	(3,099,978)
Income tax expense		-	-
Net (loss) attributable to members of the parent entity		(5,204,438)	(3,099,978)
Other comprehensive income / (loss):			
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	44,049	53,965
Total period other comprehensive (loss)/income		44,049	53,965
Total comprehensive (loss) for the period		(5,160,388)	(3,046,013)
Total comprehensive (loss) attributable to members of the parent entity		(5,160,388)	(3,046,013)
Basic loss per share (cents per share)	5	(2.4)	(1.5)
Diluted loss per share (cents per share)	5	(2.4)	(1.5)

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 2018

	Note	31 December 2018 \$	30 June 2018 \$
Current Assets			
Cash and cash equivalents		13,793,087	11,936,701
Trade and other receivables		850,149	324,343
Prepayments		44,994	
Total Current Assets		14,688,230	12,261,044
Non-Current Assets			
Other receivables		72,575	71,287
Plant and equipment	6	2,841,459	2,620,469
Exploration and evaluation expenditure		307,988	278,071
Total Non-Current Assets		3,222,022	2,969,827
TOTAL ASSETS		17,910,252	15,230,871
Current Liabilities			
Trade and other payables		1,633,219	1,176,130
Provisions		219,408	252,536
TOTAL LIABILITIES		1,852,627	1,428,666
NET ASSETS		16,057,625	13,802,205
Equity			
Issued capital	7	53,908,161	46,582,423
Reserves	4	7,285,429	7,151,309
Accumulated losses		(45,135,965)	(39,931,527)
TOTAL EQUITY		16,057,625	13,802,205

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 2018

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2017	44,562,212	(32,329,482)	5,951,467	18,184,197
Comprehensive income:				
Loss after income tax for the period	-	(3,099,978)	-	(3,099,978)
Other comprehensive income for the period	-	-	53,965	53,965
Total comprehensive (loss) for the period	-	(3,099,978)	53,965	(3,046,013)
Transactions with owners in their capacity as owners:				
Issue of listed share options	7,024	-	-	7,024
Capital raising costs	-	-	-	-
Share based compensation	-	-	745,703	745,703
At 31 December 2017	44,569,236	(35,429,460)	6,751,135	15,890,911
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2018	46,582,423	(39,931,527)	7,151,309	13,802,205
Comprehensive income:				
Loss after income tax for the period	-	(5,204,438)	4	(5,204,434)
Other comprehensive income for the period	-	-	44,049	44,049
Total comprehensive (loss) for the period	-	(5,204,438)	44,053	(5,160,389)
Transactions with owners in their capacity as owners:				
Issue of listed share options	7,739,270	-	-	7,739,270
Capital raising costs	(413,532)	-	-	(413,532)
Share based compensation	-	-	90,067	90,067
At 31 December 2018	53,908,161	(45,135,965)	7,285,429	16,057,625

The above consolidated statement of changes in equity 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 2018

	31 December 2018 \$	31 December 2017 \$
Cash Flows from Operating Activities		
Receipts from customers	5,868	3,649
Payments for exploration evaluation and exploitation	(3,053,942)	(1,006,412)
Payment for mining	-	(34,686)
Payments to suppliers, contractors and employees	(1,016,421)	(1,523,534)
German operations & UK operations including R&D	(1,521,514)	(1,877,804)
Interest received	145,352	124,314
Proceeds from options for sale of tenements	-	105,000
Net cash outflows from operating activities	(5,440,657)	(4,209,473)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(389,545)	(307,793)
Proceeds other - sale of investments	250,000	1,987,141
Proceeds other - grants	110,851	175,589
Net cash outflows from investing activities	(28,694)	1,854,937
Cash Flows from Financing Activities		
Proceeds from issue of securities	7,739,269	7,024
Payment for costs of issue of securities	(413,532)	-
Net cash inflows from financing activities	7,325,737	7,024
Net increase in cash and cash equivalents	1,856,386	(2,347,512)
Cash and cash equivalents at the beginning of the financial period	11,936,701	16,340,409
Cash and cash equivalents at the end of the financial period	13,793,087	13,992,897

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 2018

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 2018 was authorised for issue in accordance with a resolution of the directors on 15 March 2019. 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 2018.

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 2018 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 2018 annual financial report for the financial year ended 30 June 2018, 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 do not have a material impact on the Group.

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The adoption of AASB16 in the financial year ended 30 June 2020 is expected to have a material impact on the financial statements but the Company has not yet quantified the impact. The estimated impact is expected to be disclosed in the 30 June 2019 annual report. The Board expects the impact to be significant. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

TALGA RESOURCES LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

3. REVENUE AND OTHER INCOME

	31 December 2018	31 December 2017
	\$	\$
Interest revenue	185,847	124,314
Rental income - sub lease	5,897	-
Government Grants	356,955	175,589
Refund	45,160	-
Total revenue and other income	593,859	299,903

4. RESERVES

		Quantity	Issue Price \$	\$
A LISTED OPTION RESERVE	Date			
Balance 30 June 2018		43,958,181		861,105
Exercise of listed options	05/07/2018	(2,500)		
Exercise of listed options	20/07/2018	(27,483)		
Exercise of listed options	14/08/2018	(43,073)		
Exercise of listed options	28/08/2018	(45,000)		
Exercise of listed options	28/09/2018	(36,510)		
Exercise of listed options	28/09/2018	(15,800)		
Exercise of listed options	16/10/2018	(500)		
Exercise of listed options	13/11/2018	(4,491)		
Exercise of listed options	16/11/2018	(286,500)		
Exercise of listed options	05/12/2018	(107,328)		
Exercise of listed options	11/12/2018	(63,643)		
Exercise of listed options	18/12/2018	(10,562)		
Exercise of listed options	28/12/2018	(168,270)		
Rounding				4
Balance 31 December 2018		43,146,521		861,109
			31 December 2018	30 June 2018
			\$	\$
B UNLISTED OPTION RESERVE				
Balance at the start of the financial year			6,335,467	5,320,986
Share based payment options issued during the period			90,067	1,014,481
Balance at the end of the period			6,425,534	6,335,467

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.

TALGA RESOURCES LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

4. RESERVES (continued)

	31 December 2018 \$	30 June 2018 \$
C FOREIGN CURRENCY RESERVE		
Balance at the beginning of the period	(45,263)	(230,624)
Movement during the period	44,049	185,361
Balance at the end of the period	(1,214)	(45,263)
Total Reserves	7,285,429	7,151,309

5. LOSS PER SHARE

	31 December 2018 \$	31 December 2017 \$
Net loss after income tax attributable to members of the Group	(5,204,438)	(3,099,978)
	Number	Number
Weighted average number of shares on issue during the financial period used in the calculation of basic loss per share	217,235,206	202,416,203

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.

6. PLANT AND EQUIPMENT

	31 December 2018 \$	30 June 2018 \$
(a) Plant and equipment		
Plant and equipment at cost	3,571,658	2,412,051
Less: accumulated depreciation	(730,199)	(596,317)
Total plant and equipment	2,841,459	1,815,734
Balance at the beginning of the financial year	2,620,469	1,245,756
Additions	389,545	700,374
Disposals/write offs	64,122	-
Depreciation expense	(205,108)	(282,910)
Effect of foreign currency exchange differences	(27,569)	152,514
Balance at the end of the period	2,841,459	1,815,734
(b) Construction in progress	-	606,486
Balance at the beginning of the financial year	-	-
Additions	-	606,486
Balance at the end of the period	-	606,486
(c) Goods in transit	-	198,249
Balance at the beginning of the financial year	-	-
Additions	-	198,249
Balance at the end of the period	-	198,249
Total	2,841,459	2,620,469

TALGA RESOURCES LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

7. ISSUED CAPITAL

(a) Issued and Fully Paid

	31 December 2018 Number	31 December 2018 \$	30 June 2018 Number	30 June 2018 \$
Fully Paid Ordinary Shares	218,131,900	53,908,161	204,187,013	45,431,298
Shares to be issued 30 June 2018			1,771,731	1,151,125
			205,958,744	46,582,426

Movement Reconciliation

ORDINARY SHARES	Date	Quantity	Issue Price \$	\$
Balance 30 June 2018		204,187,013		45,431,298
Placement	04/07/2018	13,075,977	0.65	8,499,385
Exercise and allotment of Options	5/07/2018	2,500	0.45	1,125
Exercise and allotment of Options	20/07/2018	27,483	0.45	12,367
Exercise and allotment of Options	14/08/2018	43,073	0.45	19,383
Exercise and allotment of Options	28/08/2018	45,000	0.45	20,250
Exercise and allotment of Options	07/09/2018	36,510	0.45	16,429
Exercise and allotment of Options	28/09/2018	15,800	0.45	7,110
Exercise and allotment of Options	16/10/2018	500	0.45	225
Exercise and allotment of Options	13/11/2018	4,491	0.45	2,021
Exercise and allotment of Options	16/11/2018	286,500	0.45	128,925
Exercise and allotment of Options	05/12/2018	107,328	0.45	48,298
Exercise and allotment of Options	11/12/2018	63,643	0.45	28,639
Exercise and allotment of Options	18/12/2018	10,562	0.45	4,753
Exercise and allotment of Options	28/12/2018	168,270	0.45	75,722
Less transaction costs				(413,532)
Balance 31 December 2018		218,074,650		53,882,399

(b) Shares to be issued

	31 December 2018 Number	31 December 2018 \$
Shares to be issued *	57,250	25,762

* Listed options were exercised 31st Dec 2018 and shares issued on 2nd Jan 2019 (see ASX release Appendix 3B lodged 2nd Jan 2019).

TALGA RESOURCES LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 operates in four operating and geographical segments, being mineral project exploration and development (graphite, cobalt, copper, gold and vanadium) in Sweden and graphite/graphene process-to-product research and development in Germany and the United Kingdom. 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
	\$	\$	\$	\$	\$
Half-year ended 31 December 2018					
Revenues from ordinary activities	-	-	-	2,217	2,217
Other income	-	51,057	356,969	435,833	843,859
Total segment revenue	-	51,057	356,969	438,050	846,076
Segment expense (including write offs)	(1,310,672)	(1,428,017)	(1,344,644)	(1,967,181)	(6,050,514)

Reconciliation of segment result to net loss before tax	
Segment Result	5,204,438
Unallocated items:	-
Net loss before tax from continuing operations	5,204,438

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
Half-year ended 31 December 2017					
Revenues from ordinary activities	-	-	-	2,197	2,197
Other income	612	120,940	54,862	1,735,930	1,912,344
Total segment revenue	612	120,940	54,862	1,738,127	1,914,541
Segment expense (including write offs)	(999,717)	(1,560,703)	(671,345)	(1,782,754)	(5,014,519)

Reconciliation of segment result to net loss before tax	
Unallocated items:	-
Net loss before tax from continuing operations	(3,099,978)

TALGA RESOURCES LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

8 SEGMENT INFORMATION (Continued)

(ii) SEGMENT ASSETS

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
As At 31 Dec 2018					
Segment assets as at 1 July 2018	461,370	2,676,160	438,090	11,655,251	15,230,871
Segment asset period increases/(decreases):					
- Cash and cash equivalents	225,158	(48,743)	4,973	1,674,998	1,856,386
- Exploration and evaluation expenditure	29,917	-	-	-	29,917
- Plant and equipment	21,079	153,088	50,572	(3,749)	220,990
- Assets held for sale/investments	-	-	-	-	-
- Other	186,442	13,542	328,267	43,837	572,088
	923,966	2,794,047	821,902	13,370,336	17,910,252

Reconciliation of segment assets to total assets

Total assets from continuing operations

17,910,252

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
As at 30 June 2018					
Segment assets as at 1 July 2017	551,121	1,513,824	223,572	16,637,619	18,926,136
Segment asset increases/(decreases) for the year:					
- Cash and cash equivalents	84,424	(45,256)	(108,799)	(4,334,077)	(4,403,708)
- Assets held for sale	-	-	-	(629,000)	(629,000)
- Plant and equipment	4,962	1,080,679	288,571	501	1,374,713
- Exploration and evaluation expenditure	(147,161)	-	-	-	(147,161)
- Other	(31,976)	126,913	34,746	(19,792)	109,891
	461,370	2,676,160	438,090	11,655,251	15,230,871

Reconciliation of segment assets to total assets

Total assets from continuing operations

15,230,871

TALGA RESOURCES LTD
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

8 SEGMENT INFORMATION (Continued)

(iii) SEGMENT LIABILITIES	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
As At 31 December 2018					
Segment liabilities as at 31 December 2018	628,076	433,519	295,725	495,307	1,852,627
Reconciliation of segment liabilities to total liabilities					
Total liabilities from continuing operations					<u>1,852,627</u>
	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
As At 30 June 2018					
Segment liabilities as at 30 June 2018	410,058	365,966	143,218	509,424	1,428,666
Reconciliation of segment liabilities to total liabilities					
Total liabilities from continuing operations					<u>-</u> <u>1,428,666</u>

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 2018.

**TALGA RESOURCES LTD
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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 2018 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 2018

**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 2018, 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 2018 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 15 March 2019.

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 2018 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 2019