

# QUARTERLY ACTIVITIES REVIEW

## FOR THE PERIOD ENDING 31 DECEMBER 2020

### Talga Group Ltd

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Australia

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### Corporate Information as at 29 January 2021

ASX Codes **TLG**

Shares on issue **303.2m**

Options (unlisted) **10.8m**

Performance rights **2.1m**

### 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

Battery anode and graphene additives company Talga Group Ltd (**ASX:TLG**) (“Talga” or “the Company”) is pleased to report its activities for the quarter ending 31 December 2020.

### COMMERCIAL AND PROJECT DEVELOPMENT

- Additional major partners attracted to Talga’s integrated Swedish battery anode project using fossil-free power to make cleaner, high-performance European anode products for Li-ion batteries:
  - Swedish state-owned mining and minerals group LKAB signs tripartite joint development LOI with Mitsui and Talga
  - Global technology leader ABB signs development MOU with Talga
- Positive stand-alone Niska Scoping Study highlights expansion potential, with pre-tax base-case outcomes including 14 year mine life with NPV<sub>8</sub> US\$3.5 billion, IRR of 47% and free cash flow of US\$690 million/annum

### PRODUCT AND TECHNOLOGY DEVELOPMENT

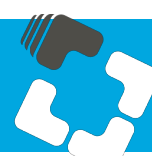
- Positive customer feedback drives Talga to fast-track Talnode<sup>®</sup>-Si silicon anode development and boost sample production capacity
- UK Government grants support feasibility studies into Talnode<sup>®</sup>-C and Talnode<sup>®</sup>-Si production for UK Li-ion battery megafactories

### CORPORATE AND FINANCE

- Morgan Stanley appointed as Talga’s Financial & Transaction Advisor
- Completion of successful A\$25 million institutional placement
- Shareholder Purchase Plan launched to raise additional A\$10 million
- Cash balance of A\$32.4 million as at 31 December 2020

**Managing Director, Mr Mark Thompson commented:** “This was a significant quarter to end 2020. Our team delivered positive outcomes across every facet of the Group: from finance, to development partnership agreements, to further success in tests of our anode and graphene products in customer qualification programs. Talga is in great shape for further growth and to take advantage of demand from the global battery boom.

*In Europe in particular, the moves to introduce a battery materials ‘passport’ requiring stricter emissions regulations on imported battery materials, and growing financial and regulatory support for local manufacturers, supports Talga’s plans. We are also glad to see the increased realisation of these factors in capital markets, with newly ESG-mandated funds rotating out of fossil fuel investments towards sustainable transport and battery materials.”*



"The renewed interest in battery materials is further reflected in the significant valuations of battery material start-ups such as QuantumScape (solid state batteries) and Sila Nanotechnologies (silicon anodes). When we consider that Talga owns products across both these next generation market verticals in addition to our flagship Talnode®-C anode product, we see every reason to be excited heading into 2021."

## COMMERCIAL AND PROJECT DEVELOPMENT

### Talga Attracts Major Project Development Partners

Following the identification of potential commercial synergies, LKAB and Mitsui & Co. Europe Plc entered into a non-binding tripartite Letter of Intent ("LOI") with Talga for the joint development of the Vittangi Anode Project ([ASX:TLG 2 November 2020](#)). LKAB, the Swedish state-owned high-tech mining and minerals group, has existing operations adjacent to Talga's projects, presenting a range of potential synergies across local resources, logistics and regional investment.

In addition, there may be mutual benefits across sales and distribution alongside Mitsui. Opportunities for sustainability innovations and efficiencies in recycling and energy will be explored under the LOI.

The LOI provides the non-exclusive rights for each party to negotiate and enter binding co-development agreements with Talga by 30 June 2021 (or as extended by mutual agreement), subject to Talga's Detailed Feasibility Study ("DFS"), expected March 2021, and related due diligence.

In November ([ASX:TLG 24 November 2020](#)), global technology leader ABB and Talga signed an MOU relating to the development and construction of the Vittangi Anode Project. ABB will work together with Talga and its partners to provide engineering support for the Vittangi Anode Project DFS, due for completion March 2021.

Following execution of binding agreements for construction and operations, ABB will utilise its industrial automation and electrification expertise to develop and co-ordinate an extensive suite of production control and process solutions for Talga's operations, planned to commence 2023.

**Figure 1.** Illustration of Talga's planned battery anode production refinery in Luleå, Sweden.



## Niska Study Outlines Pathway to >100,000tpa Anode Production

In response to customer feedback, potential expansion options for the Vittangi Anode Project were considered in a stand-alone scoping study of the graphite resources to the north of the Nunasvaara South deposit; Nunasvaara North, Niska South and Niska North ("Niska").

The Niska production would add to the existing plans of a 19,000tpa operation<sup>1</sup>, due to commence production in 2023, and take Talga's total Talnode®-C production to >100,000tpa by 2025-26.

Key outcomes from the study ([ASX:TLG 7 December 2020](#)) included:

- Stand-alone mine and anode refinery operation producing ~85,000tpa anode product Talnode®-C and ~8,500tpa Talphene® for at least 14 years<sup>2</sup>
- When combined with the initial 19,000tpa production it would place Talga as the largest natural graphite anode producer in the world and largest anode producer outside China
- Robust stand-alone economic outcomes including pre-tax:
  - NPV<sub>8</sub> range of US\$2.4 to \$4.6 billion with base case US\$3.5 billion
  - Base case IRR of 47% and post-commissioning payback 1.7 years
  - Base case free operating cash flow US\$690 million per annum under steady state operation
- Study based on 400,000tpa underground development of in-situ 5.1Mt @ 28.7% graphite with >98% in the Indicated Mineral Resource category
- Underground development reduces surface impacts by 75% and decreases LOM operating costs
- Deposits remain open with significant potential to add further resources, mine-life and scale

Further studies and work have commenced towards lodging initial development permits in the latter half of 2021. It is envisaged that a feasibility study on the combined Vittangi project graphite resources will be completed in future to support unified development of the project area as a whole.

**Figure 2.** Updated (Q1 2021) announced European battery megafactories by Roland Zenn, Farasis Energy. The total 600GWh annum production capacity could equip 9-10 million electric vehicles annum and require 600-700,000 tonnes annum anode product such as Talnode®-C.



<sup>1, 2</sup> Talga confirms all material assumptions underpinning production targets and corresponding financial information continue to apply and have not materially changed as per Listing Rule 5.19.2

## PRODUCT & TECHNOLOGY DEVELOPMENT

### Silicon Anode Advances

Talga-developed silicon anode lithium-ion (“Li-ion”) battery product Talnode®-Si continues successful development, building on the Company’s approach of using lower-cost metallurgical-grade silicon for a high-energy density anode with mass-producibility potential.

The positive results from initial tests in unoptimised (standard commercial electrolyte and non pre-lithiated) Li-ion battery cells supports Talga to fast-track further product development and include Talnode®-Si in a range of commercialisation studies.

Customer testing in ‘full-cell’ batteries by multiple battery manufacturers and auto OEMs under confidentiality and material transfer agreements is ongoing. Updates on progress will be provided when commercially possible.

### UK Refinery Study Funding

Talga received two commitments for total ~A\$2m grant funding under the UK Government’s Automotive Transformation Fund (“ATF”) to complete feasibility studies for:

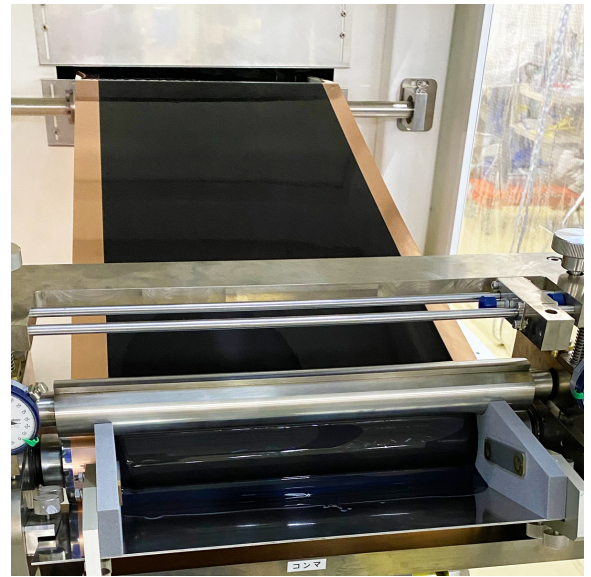
- the commerciality of a Talga UK Anode (Talnode®-C) Refinery; and
- the commercialisation of Talga’s silicon anode product (Talnode®-Si) in the UK.

The studies will review the potential growth opportunities for Talga of having additional production sites close to planned UK battery megafactories. Additionally, the outcomes of the study are expected to identify potential production sites and assist in the engagement with funding sources currently supporting the electrification of the UK automotive industry.

**Figure 4.** Talga staff with range of UK government and industry agencies working on the transition and transformation to de-carbonised automotive and transport manufacturing in the UK.



**Figure 3.** Talnode® used in recent customer pilot scale run of Li-ion battery cells.



## **CORPORATE & FINANCE**

### **Morgan Stanley Appointment**

Talga is reviewing multiple financing opportunities for its Vittangi Anode Project; a scalable coated anode production facility and integrated graphite mining operation in northern Sweden to supply European low-CO<sub>2</sub> emission anode materials for lithium-ion batteries.

To assist in evaluating the myriad opportunities emerging from Talga's ongoing partnership, customer and financing discussions the Company appointed leading global financial services firm Morgan Stanley as its Financial and Transaction Advisor.

Morgan Stanley has acted for a range of major EV industry participants and has strong commercial relationships across Talga's existing and potential battery anode customers and development partners.

### **Oversubscribed Capital Raising**

A strongly supported institutional placement to raise A\$25 million at A\$1.45 per share, underwritten by Morgan Stanley, was successfully completed during the quarter. Use of proceeds include the construction of Talga's Electric Vehicle Anode ("EVA") qualification sample and pilot plant in Luleå, Sweden to be operational in the latter half of 2021.

Parallel to the placement the Company offered eligible Talga shareholders the opportunity to participate in a Share Purchase Plan ("SPP") seeking to raise A\$10 million.

Subsequent to the quarter, the SPP closed heavily oversubscribed, with eligible 3,991 applications received for \$53.5 million, representing a participation level of ~53% of eligible shareholders. In acknowledgement of the strong shareholder support the Talga Board elected to increase the size of the SPP offer to ~A\$30 million, with the additional proceeds being used to bring forward and ramp-up multiple project and product developments. The SPP proceeds were received after the quarter as noted in the attached 5B.

### **Company Name Change**

In November 2020 the Company name was officially changed to Talga Group Ltd, to better reflect the Company's position as an emerging producer of a diverse range of sustainable graphite-based products and technologies spanning global energy and advanced materials.

Talga's ASX and other market codes/tickers remain unchanged.

### **Exploration and Tenement Interests**

As required by ASX listing rule 5.3.3, refer to Appendix 1 for details of Talga's interests in mining tenements held by the Company. No new joint ventures or farm-in/farm-out activity occurred during the quarter however, Talga rationalised a number of non-core tenements as part of ongoing management of its extensive Swedish graphite resources.

Work permits for further drilling at the Vittangi and Jalkunen Project have been approved by authorities and local stakeholders with the first drill program set to commence in Q1 2021.

### **Financial**

Talga closed out the 2020 December quarter with A\$32.4 million cash-in-bank and was capitalised at ~A\$457 million based on closing price on 31 December 2020. The Company has 303.2 million quoted ordinary shares, 10.8 million unlisted options and 2.1 million performance rights on issue.

**Notes 6 to Appendix 5B**

Payments to related parties of the entity and their associates: during the quarter \$180,000 was paid to Directors and associates for salaries, superannuation and consulting fees.

This announcement has been authorised by the Board of Directors of Talga Group Ltd.

For further information, visit [www.talgagroup.com](http://www.talgagroup.com) or contact:

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**Talga Resources Ltd**  
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Company Secretary  
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## About Talga

Talga Resources Ltd (ASX:TLG) is building a European source of battery anode and graphene additives, to offer graphitic products critical to its customers' innovation and the shift towards a more sustainable world. Vertical integration, including ownership of several high-grade Swedish graphite projects, provides security of supply and creates long-lasting value for stakeholders. Joint development programs are underway with a range of international corporations.

Company website: [www.talgagroup.com](http://www.talgagroup.com)

## 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
<b>Aitik East Project</b> Norrbotten County, Sweden	Suorravaara 2 Suorravaara 3 Suorravaara 4	0% 100% 0%		100% 100%
<b>Jalkunen Project</b> Norrbotten County, Sweden	Jalkunen nr 1	100%		
<b>Kiskama Project</b> Norrbotten County, Sweden	Kiskama nr 1	100%		
<b>Masugnsbyn Project</b> Norrbotten County, Sweden	Masugnsbyn nr 101 Masugnsbyn nr 102	0% 100%		100%
<b>Raitajärvi Project</b> Norrbotten County, Sweden	Raitajärvi nr 5	100%		
<b>Vittangi Project</b> Norrbotten County, Sweden	Nunasvaara nr 2 Vathanvaara nr 101 Vathanvaara nr 102 Vittangi nr 2 Vittangi nr 4	100% 0% 100% 100% 0%		100% 100%



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Talga Group Ltd

ABN

32 138 405 419

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	61	61
1.2 Payments for		
(a) exploration & evaluation (if expensed) <sup>(i)</sup>	(773)	(1,184)
(b) development <sup>(ii)</sup>	(2,780)	(3,959)
(c) production	-	-
(d) staff costs - corporate	(548)	(902)
(e) administration and corporate costs <sup>(iii)</sup>	(489)	(789)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	326	429
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,198)</b>	<b>(6,336)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(253)	(262)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	125
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(253)</b>	<b>(137)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	25,000	35,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	540	540
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,293)	(1,710)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>24,247</b>	<b>33,830</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	12,635	5,075
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,198)	(6,336)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(253)	(137)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	24,247	33,829

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period <sup>(iv)</sup></b>	<b>32,431</b>	<b>32,431</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,732	5,075
5.2	Call deposits	30,699	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>32,431</b>	<b>5,075</b>

**6. Payments to related parties of the entity and their associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1	180
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

## Notes

- (i) Exploration and evaluation includes Sweden tenement renewal and exploitation permitting costs  
(ii) Development includes feasibility studies, UK product development and German test facility operations and (iii) Administration includes Sweden  
(iv) Subsequent to the 31 Dec 2020 quarter end, Talga received \$30M as a result of the Share Purchase Plan which closed on 15 Jan 2021.

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	4,198
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	4,198
8.4 Cash and cash equivalents at quarter end (Item 4.6)	32,431
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	32,431
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	7.72

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: NA

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: NA

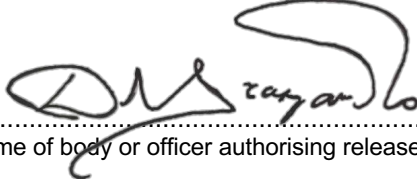
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: NA

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 Jan 2021  
 .....

Authorised by:   
 (Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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