

QUARTERLY ACTIVITIES REVIEW

FOR THE PERIOD ENDING 31 MARCH 2021

Talga Group Ltd

ABN 32 138 405 419

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West Perth 6005
Australia

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www.talgagroup.com

Corporate Information

ASX Code **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 March 2021.

COMMERCIAL AND PROJECT DEVELOPMENT

- Construction of Talga's fully funded Swedish Electric Vehicle Anode ("EVA") qualification plant commenced
- Vittangi Anode Project DFS timing updated and site investigations for mine, concentrator and refinery completed
- Permitting applications advance Vittangi project and preparations for 25,000 tonne trial mine commenced
- Preparations commenced for significant ~6,700m diamond drilling campaign and upgrade of JORC exploration targets
- Feasibility studies into UK Talnode®-C and Talnode®-Si anode production advance on schedule

PRODUCT AND TECHNOLOGY DEVELOPMENT

- Talcoat® reaches milestone in commercial sea trials
- Battery anode and graphene product range advances

CORPORATE AND FINANCE

- Oversubscribed Shareholder Purchase Plan raises A\$30 million
- Sale of the Company's Australian gold royalty entitlements completed
- Swedish iron projects to be divested
- Cash balance of A\$58.4 million as at 31 March 2021

Talga's Electric Vehicle Anode qualification plant site in Luleå, Sweden.



COMMERCIAL AND PROJECT DEVELOPMENT

Electric Vehicle Anode Qualification Plant

During the period and following completion of the equity raising in December 2020 Talga finalised design and engineering of its Swedish Electric Vehicle Anode (“EVA”) qualification plant that will produce active anode for large-scale testing by automotive battery OEM’s.

Construction of the fully funded and permitted EVA plant commenced subsequent to the quarter and on schedule, with equipment being manufactured for installation into the existing production hall at Swerim, Luleå in Q4 2021.

Graphite ore from the Company’s Vittangi project (“Vittangi”) has been transported to Talga’s Scandinavian mineral processing partner for milling and concentration. Concentrates are scheduled to arrive at the Company’s toll purification plant mid-year and output of purified product is planned for Q4 2021, with commercial anode sample output targeted for Q1 2022, as scheduled.

Concurrent customer qualification programs are continuing from Talga’s existing pilot plant in Rudolstadt, Germany and laboratories in Cambridge, UK.

Swerim facility in Luleå, Sweden, where Talga’s Electric Vehicle Anode qualification plant is being constructed (L) and crushed graphite ore commencing processing at Scandinavian toll concentrator (R).



Vittangi Anode Project DFS and Site Development

During the quarter the finalisation of the Vittangi Anode Project Detailed Feasibility Study (“DFS”) was impacted by COVID-19 travel and site access restrictions, leading to delays in the provision of key data. European travel and operating conditions are improving and the impacted DFS work is expected to be completed and delivered late June 2021.

The updated DFS delivery schedule is not expected to impact the overall timing of the Vittangi Anode Project with the EVA construction already underway and on track for delivery later this year. There is sufficient information available to progress project development and initial data is being provided to potential JV and project development partners, on a confidential basis.

At the proposed Vittangi mine-site, surface geophysical surveys across planned mine infrastructure areas were completed during the period. Additional environmental work in the period included downhole groundwater and surface water surveys, and preparation for installation of further hydrogeological boreholes and piezometers to further develop the existing hydrogeological model.

Subsequent to the period, geotechnical drilling and geophysical ground investigations commenced at the commercial refinery site in Luleå, as part of infrastructure planning and structural design.

Vittangi Permitting

Talga has previously completed and submitted (May 2020) statutory documentation required to operate a 100,000tpa graphite mine and concentrator on its Nunasvaara South graphite resource at Vittangi, including exploitation and environmental permits, and a Natura 2000 assessment. The Company continued to positively engage with authorities during the period as all permits progress through the approvals process. Talga is also conducting preparation work and consultation for the environmental permit for the Luleå refinery site.

Following the successful 'Niska Expansion' scoping study (ASX:TLG 7 Dec 2020), the Company has completed a range of technical studies, consultations and environmental impact assessments during the quarter. As a result, Talga is on track to submit applications for mining exploitation permits for the Niska Expansion in Q3 2021.

Subsequent to the period Talga has commenced preparations and scheduling for trial mining of 25,000 tonnes of graphite ore from the Niska South deposit of Vittangi this European summer, subject to any future changes in the impact of COVID-19 on operations.

Graphite Exploration

Talga's focus for exploration in 2021 is to fully define its Swedish graphite deposits for the first time, particularly at the Vittangi project, amid booming growth in Li-ion battery production expected to drive major demand increases for graphite anodes.

At Vittangi, less than 15% length of the graphite units have been drilled and only at shallow depths, with no drilling between the deposits. All deposits remaining open along strike and at depth, as do Talga's other graphite resources at the Jalkunen and Raitajärvi projects.

Proposed exploration activities were impacted during the quarter by COVID-19 related travel restrictions and safety requirements. As a result, the planned resource extension diamond drilling (where the drill contractor utilises some Finnish and Russian personnel) has been rescheduled to commence in July at Vittangi and December at Jalkunen. Notwithstanding operational restrictions, ground geophysical surveys were completed during the quarter at Vittangi using Swedish contractors. This followed downhole geotechnical and ground electromagnetic surveys completed late 2020.

Talga is now synthesising the new survey data to its historic data to upgrade the drill plans, where ~6,700 metres of diamond drilling is planned to expand what is already Europe's largest and highest-grade JORC-compliant graphite resource for Li-ion battery anodes. Additionally, the data will be used with the recent Niska underground mining study to review the JORC exploration target for Vittangi. The review is planned to be completed in May 2021.

Ground penetrating radar survey underway at Vittangi.



Geotechnical drilling at Talga's planned Anode Refinery site in Luleå.



UK Anode Refinery Studies

During the period, Talga advanced its feasibility studies into the commerciality of Talnode®-C and Talnode®-Si production in the UK, under ~A\$2m grant funding of the UK Government's Automotive Transformation Fund. The studies will review the potential growth opportunities for Talga of having multiple production sites close to a range of planned European battery megafactories.

Design and engineering work, including screening of potential production sites, has been completed and the feasibility studies are on track for scheduled delivery to government agencies in May 2021.

PRODUCT & TECHNOLOGY DEVELOPMENT

Graphene and Battery Anode Products Advance

During the period Talga provided an update on the commercial scale trials of its Talcoat® graphene additive for marine coatings, where the primer coating has completed over 15 months commercial service on the hull of the 33,000 tonne Robin 1 (previously Algarrobo). Detailed tests of the coating performance will be conducted as COVID-impacted travel and access restrictions are lifted.

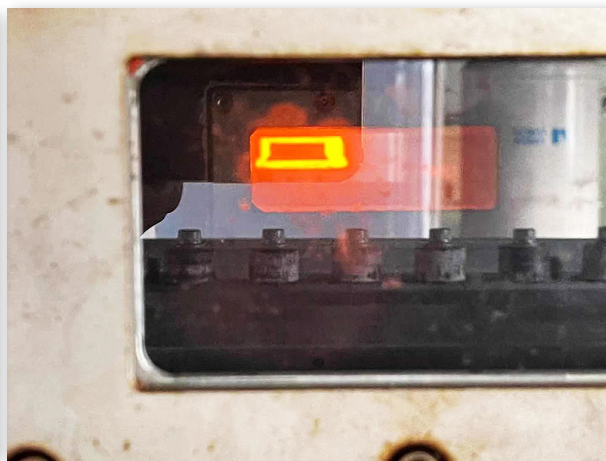
Talga's range of Talphene® graphene products continue being developed in numerous commercial customer programs and in co-funded research and development across a range of material additives.

In coating applications the targeted large-volume markets include marine anti-fouling, food packaging, anti-bacterial plastics and corrosion protection for metal parts/fasteners. The Company is also progressing several new graphene products across multiple types of Li-ion battery electrodes.

The Company's range of advanced Talnode®-C and Talnode®-Si anode products for Li-ion batteries continue to advance in numerous customer sample qualification programs, including optimisation to customer performance specifications.

Earlier stage next generation products such as Talnode®-E anode for solid-state batteries are undergoing continued work at Talga facilities in UK, Germany and Japan.

Qualification samples of coated Talnode®-C undergoing final processing in toll partner's roller hearth kiln.



CORPORATE & FINANCE

Oversubscribed Share Purchase Plan completed

A Share Purchase Plan ("SPP") seeking to raise A\$10 million closed heavily oversubscribed during the quarter. The Company received 3,991 eligible applications, representing a participation level of ~53% of eligible shareholders, for a total of \$53.5 million. 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.

Sale of Western Australian gold royalties completed

The sale of the Company's gold royalty entitlements in Western Australia, to AIM listed Trident Royalties Plc, was completed during the quarter and following receipt of Foreign Investment Review Board approval. Upon completion of the sale the Company received cash payments totalling A\$250,000 and the equivalent of A\$550,000 in Trident shares. The shares remain subject to a six-month escrow period. Talga held the royalties pursuant to agreements over its WA gold projects (Warrawoona, Talga Talga, Mosquito Creek and Bullfinch) sold to various parties in 2016 and 2018.

Swedish Iron Projects Divestment

The Company has appointed a Nordic investment bank to advise and transact the divestment of Talga's iron (magnetite) projects in Northern Sweden to local parties. The iron projects are considered to be non-core to Talga's activities and any funds raised from the divestment will be used towards the Company's core graphite and battery material developments. The process is expected to be finalised by the end of September and details of any transaction will be announced when concluded.

Change to Company Details - Facsimile

During the quarter the Company decided to discontinue its facsimile number and Talga gives notice, in accordance with Listing Rule 3.14, that this change will take immediate effect. All other company contact details remain the same.

Tenement Interests

As required by ASX listing rule 5.3.3, refer to Appendix 1 for details of interests in mining tenements held by the Company. No new joint ventures or farm-in/farm-out activity occurred during the quarter.

Financial

Talga closed out the 2021 March quarter with A\$58.4 million cash-in-bank and was capitalised at ~A\$373 million based on closing price on 31 March 2021. 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 \$185,000 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 or contact:

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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

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
Aitik East Project Norrbotten County, Sweden	Suorravaara 3	100%		
Jalkunen Project Norrbotten County, Sweden	Jalkunen nr 1	100%		
Kiskama Project Norrbotten County, Sweden	Kiskama nr 1	100%		
Masugnsbyn Project Norrbotten County, Sweden	Masugnsbyn nr 102	100%		
Raitajärvi Project Norrbotten County, Sweden	Raitajärvi nr 5	100%		
Vittangi Project Norrbotten County, Sweden	Nunasvaara nr 2 Vathanvaara nr 102 Vittangi nr 2	100% 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 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	61
1.2	Payments for		
	(a) exploration & evaluation (if expensed) ⁽ⁱ⁾	(594)	(1,774)
	(b) development ⁽ⁱⁱ⁾	(4,578)	(8,531)
	(c) production	-	-
	(d) staff costs - corporate	(557)	(1,461)
	(e) administration and corporate costs ⁽ⁱⁱⁱ⁾	(316)	(1,120)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	47	55
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	634	1,059
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(5,364)	(11,711)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(182)	(443)
	(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 (9 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	250
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(57)	(193)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	30,102	65,102
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	540
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(134)	(1,845)
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) ^(iv)	1,480	1,480
3.10	Net cash from / (used in) financing activities	31, 448	65,277
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	32,421	5,075
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,364)	(11,711)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(57)	(193)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	31,448	65,277

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	58,448	58,448

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	1,265	1,732
5.2	Call deposits	57,183	30,699
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	58,448	32,431

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

**Current quarter
\$A'000**

185

-

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. Financing facilities

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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 include Sweden tenement renewal and exploitation permitting costs

(ii) Development includes feasibility studies, UK product development and German test facility operations

(iii) Administration includes Sweden

(iv) Non-recourse loan repayment by the Managing Director (see ASX announcement 15 Jan 2021).

8. Estimated cash available for future operating activities**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

5,365

8.2 Capitalised exploration & evaluation (Item 2.1(d))

-

8.3 Total relevant outgoings (Item 8.1 + Item 8.2)

5,365

8.4 Cash and cash equivalents at quarter end (Item 4.6)

58,448

8.5 Unused finance facilities available at quarter end (Item 7.5)

-

8.6 Total available funding (Item 8.4 + Item 8.5)

58,448

8.7 **Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**

10.90

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: 30 April 2021

Authorised by: By the Board

 (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.