

# QUARTERLY ACTIVITIES REVIEW

## FOR THE PERIOD ENDING 30 JUNE 2021

**Talga Group Ltd**  
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Australia

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### Corporate Information

ASX Code **TLG**  
Shares on issue **303.2m**  
Options (unlisted) **11.3m**  
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 advanced materials company Talga Group Ltd (**ASX:TLG**) ("Talga" or "the Company") is pleased to report its activities for the quarter ending 30 June 2021.

### PROJECT DEVELOPMENT

- Completion of Detailed Feasibility Study, showing robust outcomes for Swedish battery anode project
- Resource growth commenced with large graphite target defined for drilling

### COMMERCIAL PROGRESS

- FREYR signs battery MOU for supply of anode materials and potential co-development
- Increased customer engagements support continued expansion planning for Talga battery anode operations
- Talnode® commercialisation and scale up progress drives recruitment of European commercial staff and Australian Corporate Commercial Manager
- Studies confirm feasibility of producing Talga battery anode products Talnode®-C and Talnode®-Si in the UK

### PRODUCT AND TECHNOLOGY DEVELOPMENT

- Talga awarded ISO 9001 quality accreditation

### CORPORATE AND FINANCE

- LKAB and Mitsui extend Talga LOI for Swedish Graphite Anode Project
- Cash balance of A\$52.5 million as at 30 June 2021

**Commenting on the developments over the June 2021 quarter, Talga Managing Director Mark Thompson said:** "This quarter saw the Talga team reach a substantial milestone – the completion of the DFS for our Vittangi Anode Project. The study shows robust economics for the project, forming a solid stepping stone for Talga to become one of Europe's foremost producers of sustainable green battery anode. The result is timely for our engagement with development partners and the increased number of Tier 1 battery and automotive customers interested in our Talnode® products."



## PROJECT DEVELOPMENT

### Positive Vittangi Anode Project DFS results

Completion of the Detailed Feasibility Study ("DFS") for Talga's Vittangi Anode Project in northern Sweden ([ASX:TLG 1 July 2021](#)), delivered subsequent to the quarter, confirms the Project's exceptional potential to supply globally competitive green graphite anode suitable for multiple applications including Tier 1 automotive lithium-ion ("Li-ion") batteries.

The DFS outlines a pre-tax NPV<sub>8</sub> of US\$1,054 million and an annual estimated revenue of US\$240 million from steady state production of 19,500 tonnes per annum ("tpa") battery anode product Talnode®-C, with a 24-year life of mine revenue of US\$5,352 million and EBITDA of US\$4,081 million<sup>1</sup>.

Internationally renowned engineering firm Worley (UK) led the Study with key areas of the DFS executed by Tier 1 engineering consultancies with support from Talga staff and Swedish consultants.

**Figure 1** Vertically integrated Vittangi Anode Project. Graphite mining operation (L) and Anode Refinery (R).



### New Swedish Resource Growth Initiative Commenced

With only a fraction of mapped graphite at Talga's northern Sweden projects having been drill tested to date, and in light of the positive economics of the Vittangi Anode Project DFS, Talga has commenced resource growth initiatives at its graphite deposits. The initiatives, designed to better align future development with increased global battery anode demand, were announced subsequent to the period ([ASX:TLG 20 July 2021](#)).

A revised JORC-compliant Exploration Target (Figure 2) totalling 170-200Mt at 20-30% Cg at Vittangi was estimated from modelling data from the results of new electromagnetic geophysical ("EM") surveys of graphite targets, in conjunction with positive outcomes of the Niska underground mining scoping study ([ASX:TLG 7 December 2020](#)). This is a significant increase from the previous 26-46Mt at 20-30% Cg.

*Note that the potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

An extensive program totalling ~8,000m of diamond core drilling has now commenced at Vittangi. Drilling over the balance of the Vittangi Exploration Target, along with testing of nearby regional Talga targets, is planned to take place in stages over the next 12-18 months. Drilling aimed at expanding Talga's current Jalkunen Graphite Project resource base is scheduled to commence in Q1 2022.

<sup>1</sup> The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that the material assumptions underpinning the production target continue to apply and have not materially changed.

Figure 2 3D perspective of updated Vittangi Graphite Project Exploration Target.

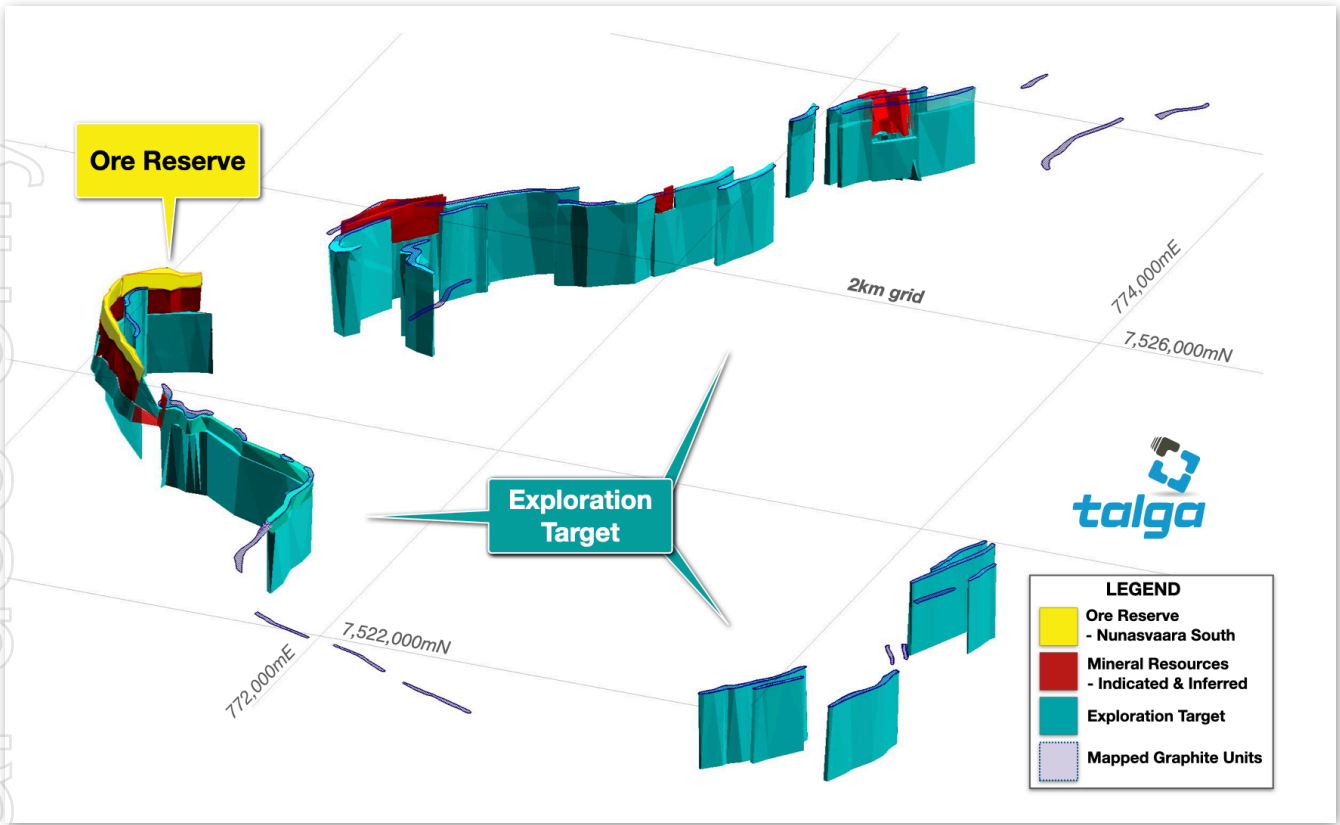
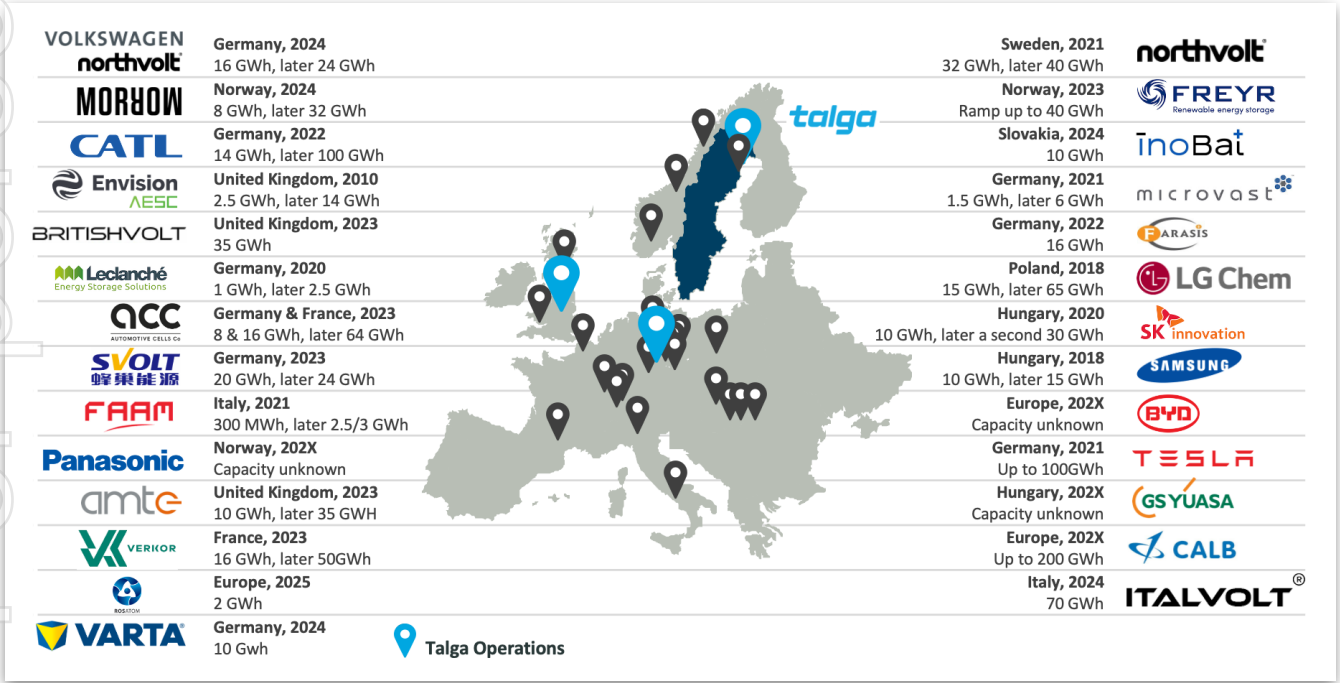


Figure 3 European battery manufacturers. Source: CIC energiGUNE, April 2021 and public sources, July 2021.





## COMMERCIAL PROGRESS

### Increased Battery Customer Engagements

Since the Company's 2020 update ([ASX:TLG 24 June 2020](#)), confidential commercial processes using Talnode® qualification samples have increased to 62 active programs across 48 customer engagements. Talga is now working directly with 11 automotive companies and the majority of announced battery manufacturers in Europe (Figure 3) under advancing qualification and procurement processes.

**Engaged customers' annual demand, including current expressions of interest and targeted 2025 anode supply, now exceeds 14 times the 19,500tpa Talnode®-C production capacity outlined in the Vittangi Anode Project DFS ([ASX:TLG 1 July 2021](#)).** By 2030, engaged customers' demand exceeds 50 times the DFS capacity with 30% of this demand coming from European manufacturers.

**Commenting on the Company's commercial progress, Talga Europe CEO and Group COO Martin Phillips said:** *"We have seen a large increase in customer engagements and demand over the last 12 months as commercialisation of our green Li-ion battery anode products progress. This growth drives us to look beyond our currently planned production capacity, where negotiations for purchase agreements are advancing, to explore additional growth options for our northern Sweden anode operation. We look forward to playing a substantial role in decarbonisation for years to come by meeting the challenge of our customers' sharply rising demands."*

### FREYR Battery Anode Material MOU

During the quarter, FREYR and Talga signed a Memorandum of Understanding ("MOU") regarding supply of Talga's Swedish active anode materials for FREYR's battery cell production under development in Norway ([ASX:TLG 22 June 2021](#)).

The parties are committed to jointly test and potentially develop large scale, sustainable and competitive solutions to help accelerate the development of local Nordic supply chains for production of clean, low-cost batteries. Under the MOU, Talga and FREYR will work towards the commercial supply of Talga's Talnode® range of anode materials for FREYR's planned operations.

The parties intend discussing binding long term supply agreements as well as other business models, including licensing of Talga anode technologies or Joint Ventures. The agreement also includes studies into potential operational synergies such as Talga co-locating operations within FREYR's production facilities for the scale-up of new anode materials and technologies at industrial level for battery manufacturing.

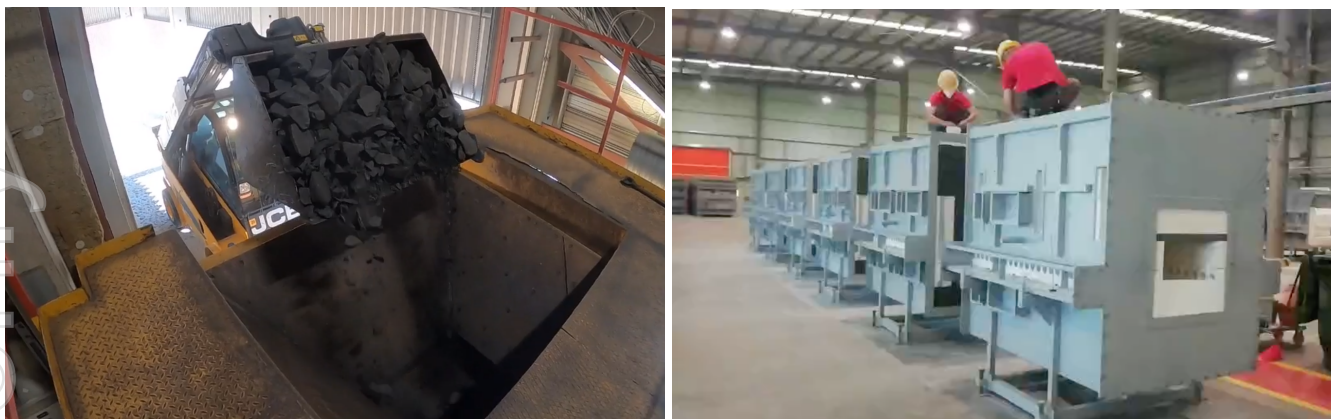
The MOU is non-binding and for a term of 2 years, in which the intent is to execute formally binding agreements as required. The agreement may be terminated by either party on 30 days' notice.



**Figure 4** Talnode® coated onto current collector in automotive customer Li-ion battery cell pilot scale production.



**Figure 5** Bulk Vittangi graphite ore sample processing (L) and part of Talga EVA plant under construction (R).



### Talnode® Commercialisation and Scale Up

Talga is manufacturing increasing amounts of commercial Talnode® samples across its European operations and Japanese partner facilities to satisfy advancing customer programs. These programs include procurement and qualification processes with requisite customer standards for ISO accreditations, quality management and environmental impact assessments.

Qualification processes now extend to bespoke Talnode® products for customer-specific battery cell chemistry, capacity, performance and size requirements. **This includes Talga toll manufacturing battery cells using automotive customers' proprietary materials and designs with Talnode® anodes at custom cell pilot production sites (Figure 4).**

Construction of a fully funded and permitted Electric Vehicle Anode (“EVA”) plant in Luleå, Sweden, commenced during the quarter to further expand the scale of Talnode® customer qualification samples ([ASX:TLG 19 April 2021](#)). Toll milling and concentrate flotation of graphite ore derived from the Company's Vittangi project is underway with purification operations set to commence Q3 2021 to provide a feed for the EVA plant. Purified concentrate delivery is planned for Q4 2021, with EVA coated anode production scheduled for Q1 2022.

To better resource these advancing Talnode® qualification processes and the growing amount of customer engagements, Talga has recruited additional commercial staff at its UK and Swedish operations.

In addition, Mr Mark Percey, most recently the Commercial Manager Operations at Iluka Resources, has joined Talga Group as the new Corporate Commercial Manager based in Perth, Australia. Mr Percey will be responsible for strategic commercial planning at the corporate level and supporting the business development team in assessing expansion planning, growth projects, joint venture discussions and strategic opportunities.

### Expansion Planning

Subsequent to the period, Talga commenced resource growth initiatives to fully define the greater extent of its graphite deposits and better align future Talnode® supply with the scale of its customers' battery production ambitions. In the first instance, a revised JORC-compliant Exploration Target estimate has been defined at Vittangi.

A review of Talga's other graphite projects and regional opportunities will also be undertaken and announced when finalised (*see Project Development above*). Results from these exploration programs and resource growth initiatives, in combination with customer demand, will guide updates of future expansion plans.

The review of expansion options is expected to include a scoping study on the unification of all existing Vittangi graphite project deposits, along with resource increases potentially arising from the upcoming drilling. The scale of a potential scoping study would be based on discussions with customers, local stakeholders and project development partners.

## Completed UK Anode Refinery Studies

In addition to Swedish Talnode®-C expansion planning, the Company aims to identify suitable pathways for future geographical and product expansions to serve the existing and emerging needs of global battery manufacturers and electric vehicle producers.

To this end and during the period, Talga completed two feasibility studies into the technical and commercial prospects of Talnode®-C and Talnode®-Si production in the UK ([ASX:TLG 1 June 2021](#)). The Studies found it is technically and economically feasible to refine and produce Talga anodes in the UK, and identified the factors within the commercial, engineering, permitting and energy supply aspects of the project that would need to be further investigated.

The Company is deepening its engagement with a range of potential UK customers, project partners and stakeholders to consider the Studies' outcomes in the context of Talga's expansion planning.

## PRODUCT AND TECHNOLOGY DEVELOPMENT

### Talga Attains ISO 9001 Quality Accreditation

Subsequent to the quarter, Talga was awarded the globally recognised ISO 9001:2015 certification for its current stage production and distribution of graphite and graphene products ([ASX:TLG 29 July 2021](#)). The certification provides third-party assurance of Talga's quality management system ("QMS") which has been implemented to support current production and the progress towards commercial manufacturing.

ISO 9001:2015 certification is a key factor in Talga's ongoing engagements with customers as it forms part of the procurement process requirements for most large automotive, electronic, appliance and coating companies. The QMS and the certification fall under a broader quality assurance program being implemented across Talga's global entities in preparation of future commercial operations.

**Figure 6** Talga staff undertaking quality control in lab at Talga's German test processing and distribution facility.



## CORPORATE AND FINANCE

### LKAB and Mitsui Extend Talga LOI for Swedish Graphite Anode Project

During the quarter, Talga's Letter of Intent ("LOI") executed with LKAB and Mitsui was extended by mutual agreement ([ASX:TLG 28 June 2021](#)). Since entering the LOI ([ASX:TLG 2 November 2020](#)) LKAB and Mitsui have been undertaking due diligence, including customer interactions, and advanced discussions on potential joint development.

The LOI considers co-development of Talga's European green anode project, including construction of an initial scalable anode production facility and integrated graphite mining operation in northern Sweden ("Vittangi Anode Project") with an additional 85,000tpa expansion opportunity ("Niska Project").

The LOI extension provides LKAB and Mitsui the non-exclusive right to negotiate and enter into a binding joint venture agreement with Talga by 30 November 2021, or as mutually agreed. All other terms of the LOI remain unchanged.

### 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 June quarter with A\$52.5 million cash-in-bank and was capitalised at ~A\$403 million based on closing price on 30 June 2021. The Company has 303.2 million quoted ordinary shares and 11.3 million unlisted options on issue.

### Notes 6 to Appendix 5B

Payments to related parties of the entity and their associates: during the quarter \$210,000 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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Company Secretary  
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## About Talga

Talga Group 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.

## Forward-Looking Statements & Disclaimer

Statements in this document regarding the Company's business or proposed business, which are not historical facts, are forward-looking statements that involve risks and uncertainties, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. Investors are cautioned not to place undue reliance on forward-looking statements.

This announcement may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply in their own jurisdiction. A failure to do so may result in a violation of securities laws in such jurisdiction. This document does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this representation are not intended to represent recommendations of particular investments to particular investments to particular persons.

## 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 3	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 102	100%		
<b>Raitajärvi Project</b> Norrbotten County, Sweden	Raitajärvi nr 5	100%		
<b>Vittangi Project</b> 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")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	61
1.2	Payments for		
	(a) exploration & evaluation <sup>(i)</sup>	(1,291)	(3,065)
	(b) development <sup>(ii)</sup>	(2,235)	(10,766)
	(c) production	-	-
	(d) staff costs	(570)	(2,031)
	(e) administration and corporate costs <sup>(iii)</sup>	(670)	(1,790)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	47	102
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	226	1,285
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(4,493)</b>	<b>(16,204)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(1,479)	(1,922)
	(d) exploration & evaluation	-	-
	(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 (12months) \$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	-	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	<b>Net cash from / (used in) investing activities</b>	<b>(1,479)</b>	<b>(1,672)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(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) <sup>(iv)</sup>	-	1,480
3.10	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>65,277</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	58,448	5,075
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,493)	(16,204)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,479)	(1,672)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	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 (12months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	52,476	52,476

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	1,278	1,265
5.2	Call deposits	51,198	57,183
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)	52,476	58,448

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	210
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

## 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.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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.		
	<p>Notes</p> <p>(i) Exploration and evaluation include Sweden tenement renewal and exploitation permitting costs</p> <p>(ii) Development includes feasibility studies, UK product development and German test facility operations</p> <p>(iii) Administration includes Sweden</p> <p>(iv) Non-recourse loan repayment by the Managing Director (see ASX announcement 15 Jan 2021).</p>		

8. <b>Estimated cash available for future operating activities</b>		\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	4,493
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	4,493
8.4	Cash and cash equivalents at quarter end (item 4.6)	52,476
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	52,476
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	11.68
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	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:	
8.8.2	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:	



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

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

Answer:

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

### 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 July 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.