# TALGA GROUP LTD

# AND CONTROLLED ENTITIES

# ABN 32 138 405 419

**2021 FINANCIAL REPORT**

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# CORPORATE DIRECTORY

## DIRECTORS

Terry Stinson (Non-executive Chair)

Mark Thompson (Managing Director)

Grant Mooney (Non-Executive Director)

Stephen Lowe (Non-Executive Director)

Ola Rinnan (Non-Executive Director)

## COMPANY SECRETARY

Dean Scarparolo

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3, First Floor
2 Richardson Street
WEST PERTH WA 6005

Phone: 08 9481 6667

Facsimile: 08 9322 1935

## EMAIL AND WEBSITE

Email: info@talgagroup.com

Website: www.talgagroup.com

## ABN

32 138 405 419

## SECURITIES EXCHANGE LISTING

Talga Group Ltd is listed on the ASX

Home Exchange: Perth

ASX Code: TLG (Shares)

## SHARE REGISTRY

Automic Registry Services

GPO Box 5193
Sydney NSW 2001

Phone: 1300 288 664

## AUDITORS

Stantons

Level 2, 1 Walker Avenue
WEST PERTH WA 6005

# DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial statements of Talga Group Ltd ("Talga"or "the Company") and its controlled entities ("the Group"), for the financial year ended 30 June 2021.

## 1. BOARD OF DIRECTORS

The following persons were directors of Talga Group Ltd during the financial year and up to the date of this report,unless otherwise stated:

| Directors | Position | Date of Appointment |
|---|---|---|
| Terry Stinson | Non-Executive Chair | Appointed 8th February 2017 |
| Mark Thompson | Managing Director | Appointed 21st July 2009 |
| Grant Mooney | Non-Executive Director | Appointed 20th February 2014 |
| Stephen Lowe | Non-Executive Director | Appointed 17th December 2015 |
| Ola Rinnan | Non-Executive Director | Appointed 7th August 2017 |
| Andrew Willis | Non-Executive Director | Appointed 1st July 2019, resigned 17th July 2020 |

## 2. INFORMATION ON DIRECTORS

The names and details of directors in office during the financial year and up to the date of this report are as follows:

### Terry Stinson

**(Non-Executive Chair) (*Appointed 8th February 2017*)**

Mr Stinson has over 35 years' Executive and Non-Executive Director experience, working for global innovation companies across a range of industry segments, along with a proven track record of forming and leading international business collaborations and joint ventures.

Formerly the CEO (12 April 2017 to 18 November 2019) and Managing Director (20 May 2008 to 12 April 2017) of Orbital Corporation, VP for Global Fuel Systems at Siemens AG, CEO and Managing Director of Synerject and VP of Manufacturing Outboard Marine Corporation, Mr Stinson is currently the Non-Executive Chair of wave energy technology developer, Carnegie Clean Energy Limited (appointed 19 October 2018), Non-Executive Director of Aurora Labs Limited (appointed 27 February 2020), and Non-Executive Director of Engentus Pty Ltd (appointed May, 2021).

Interests in shares: 175,554. Interests in performance rights: 600,000.

### Mark Thompson

**(Managing Director) (*Appointed 21st July 2009*)**

Mr Thompson has over 30 years' global experience in the geoscience and mineral industries including project discovery, development, technology, and management. He is a member of the Australian Institute of Geoscientists, the Society of Economic Geologists, and the Society of Vertebrate Paleontology.

Mr Thompson founded Talga and previously founded and served on the Board of ASX-listed Catalyst Metals Limited. Mr Thompson was a Non-Executive Director of Gibb River Diamonds Ltd from 1 December 2012 to 24 March 2020.

Interests in shares: 14,354,901. Interests in options: 4,000,000.

### Grant Mooney

**(Non-Executive Director) *(Appointed 20th February 2014)***

Mr Mooney has a background in corporate advisory with extensive experience in equity capital markets, corporate governance and M&A transactions along with a wealth of experience in resources and technology markets. He is a member of the Institute of Chartered Accountants in Australia.

Mr Mooney is a Non-Executive Director of several ASX-listed companies including wave energy technology developer Carnegie Clean Energy Limited (appointed 19 February 2008), 3D metal printing technology company Aurora Labs Limited (appointed 25 March 2020), and mineral resources companies Barra Resources Limited (appointed 29 November 2002), Riedel Resources Ltd (appointed 31 October 2018), Accelerate Resources Limited (appointed 1 July 2017), SRJ Technologies (appointed 1 June 2020), and Gibb River Diamonds Limited (appointed 14 October 2008).

Interests in shares: Nil. Interests in performance rights: 500,000.

### Stephen Lowe

**(Non-Executive Director) (*Appointed 17th December 2015*)**

Mr Lowe has a background in business management with over 20 years' experience consulting to a range of corporate and high wealth clients. Mr Lowe was the Group Manager for the Creasy Group for 12 years before retiring in August 2019.

Mr Lowe is also an experienced public company director, being the former Chair of Sirius Resources NL and former Non-Executive Director of Coziron Resources Ltd and Windward Resources Ltd. Mr Lowe holds a Bachelor of Business (Accounting) and a Masters of Taxation from the UNSW. He is a Fellow of the Taxation Institute of Australia.

Interests in shares: 2,050,000. Interests in performance rights: 500,000.

### Ola Rinnan

**(Non-Executive Director) (*Appointed 7th August 2017*)**

Mr Rinnan has extensive commercialisation and leadership experience across the energy, banking and finance sectors and has held numerous board positions for European listed companies and financial institutions including Non-Executive Directorships in Smedvig group (Talga's largest shareholder) companies and DFCU Bank (representing the largest shareholder Norfund).

Formerly the Chairman of Avinor AS, CEO at Eidsiva Energi AS, CEO at Norgeskreditt AS and CFO for Moelven Industrier AS, Mr Rinnan is currently the Chairman of Nordavind DC Sites AS, Hamar Media AS, Espern Eiendom AS, Alpha Entrance AS, Megafun AS and Gravdahl AS. Mr Rinnan holds a Bachelor in Economics and a Masters in Construction and Materials Technology.

Interests in shares: Nil. Interests in performance rights: 500,000.

## 3. INFORMATION ON COMPANY SECRETARY

### Dean Scarparolo

***(Appointed 5th February 2015)***

Mr Scarparolo is a member of CPA Australia and has a wealth of experience developing and managing the finance departments of ASX-listed companies within the resources sector. Mr Scarparolo is also the Financial Controller for the Group.

## 4. CORPORATE STRUCTURE

Talga Group Ltd is a company limited by shares incorporated and domiciled in Australia. As at 30 June 2021, Talga Group Ltd has a 100% interest in Talga Mining Pty Ltd, Talga Advanced Materials GmbH (a German company), Talga Anode UK Limited, and Talga Technologies Limited (both UK companies). Talga Mining Pty Ltd has a 100% interest in Talga AB and Talga Battery Metals AB (both Swedish companies). On 25th August 2021 Talga Group Ltd incorporated 3 new 100% subsidiaries: Niska AB, Jalkunen AB and Raitajarvi AB.

## 5. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Talga is building a Swedish source of advanced battery materials and graphene additives to offer graphitic products critical to customers' innovation and the shift towards a more sustainable world.

The principal activities of the Group during the financial year comprised:

- Anode project development and mineral exploration in Europe;
- Development and commercialisation of battery and advanced materials, including anodes (Talnode®), advanced graphite (Talphite®) and graphene (Talphene®) products; and
- Development of sustainable, low-cost and innovative graphite, anode and graphene production technology.

During the year, significant changes in the state of affairs of the Group were as follows:

- Swedish state-owned mining and minerals group LKAB signed a tripartite joint development Letter of Intent (LOI) with Mitsui and Talga in November 2020 (and further extended the LOI in June 2021).
- Completion of Detailed Feasibility Study with announcement subsequent to the financial year end, showing robust outcomes for Swedish battery anode project with pre-tax $NPV_8$ US$1.05 billion and an IRR of 30%. Annual estimated revenue of US$240 million from steady state production of 19,500tpa battery anode product Talnode®-C. The high margin operation has a 24-year life of mine revenue of US$5,352 million and EBITDA of US$4,081 million.
- Expansion potential highlighted through stand-alone Niska Scoping Study, with pre-tax base-case outcomes including 14 year mine life with $NPV_8$ US$3.5 billion, IRR of 47% and free cash flow of US$690 million/annum.
- Morgan Stanley appointed as Talga's Financial and Transaction Advisor.
- Completion of placements to sophisticated investors and institutions, raising a total of A$35 million.
- Oversubscribed Shareholder Purchase Plan raised A$30 million in January 2021.
- Commercial engagements using Talnode® qualification samples grow to 62 active programs across 48 customers.
- Construction of Talga's Swedish Electric Vehicle Anode ("EVA") qualification plant commenced in April 2021.

## 6. REVIEW OF OPERATIONS

### COMMERCIAL DEVELOPMENT

**Industry Partnerships**

- Norwegian battery manufacturer FREYR signed a Memorandum of Understanding for supply of anode materials and potential co-development.
- Swedish state-owned mining and minerals group LKAB signed a tripartite joint development Letter of Intent with Mitsui and Talga in November 2020 (and further extended the LOI in June 2021).
- Global technology leader ABB signed a development Memorandum of Understanding with Talga relating to the development and construction of the Vittangi Anode Project.

**Commercial and Project Development**

- Positive stand-alone Niska Scoping Study completed, showing pre-tax base-case outcomes including 14 year mine life with $NPV_8$ US$3.5 billion, IRR of 47% and free cash flow of US$690 million/annum.
- Construction of Talga's fully funded Swedish Electric Vehicle Anode qualification plant commenced in April 2021.
- Increase to 48 customer engagements using Talnode® qualification samples across 62 active programs.
- Studies confirmed feasibility of producing Talga battery anode products Talnode®-C and Talnode®-Si in the UK.
- Permitting applications advanced and preparations for 25,000 tonne trial mine commenced.

**Processing and Product Development**

- Fast-tracked decision for Talga's mass-producible silicon anode product, Talnode®-Si, as part of the Company's strategy of research and development into next generation battery materials.
- US patent granted for Talga's integrated mining method and electrochemical exfoliation process under the Company's Intellectual Property strategy to protect its expanding product, technology, and processing portfolio.
- Talcoat® reached milestone in commercial trials as a graphene enhancement of ship coating. Talga's graphene products continue development in numerous commercial customer programs and in co-funded research and development across a range of material additives.

### MINERAL DEVELOPMENT AND EXPLORATION

- Nunasvaara South JORC 2012 Mineral Resource Estimate updated and defined 15% increase to total 19.5 million tonnes at 24.0% graphite.
- Commenced significant ~6,700m diamond drilling campaign and upgrade of JORC exploration targets.

### CORPORATE

- Board and Executive changes included appointment of Mr Martin Phillips as European Chief Executive Officer.
- Mr Andrew Willis resigned from the Talga Board in consideration of his increased corporate requirements as Co-Managing Partner of The Pallinghurst Group.
- Sale of Western Australian gold royalties to AIM-listed Trident Royalties Plc for consideration of A$250,000 cash and the equivalent of A$550,000 in Trident shares during Q3 2020.
- Morgan Stanley appointed as Talga's Financial and Transaction Advisor.
- Completion of placements to sophisticated investors and institutions to raise total of A$35 million.
- Oversubscribed Shareholder Purchase Plan raised A$30 million.
- Process for Swedish iron projects divestment initiated in Q1 2021.

### FUTURE OUTLOOK AND STRATEGY

The Group is well placed to achieve its goal of building a European source of Li-ion battery materials and graphene additives. The aim of the Group in the coming financial year is:

- Finalise Talnode®-C customer qualification and secure orders to underwrite an investment decision;
- Completion of financing and project partnering process for the Vittangi Anode Project;
- Progress range of workstreams in support of process for expansion and extension of Vittangi graphite project; and
- Continue development and commercialisation of Talphene® and next generation Talnode® products.

## 7. MINERAL RESOURCES AND ORE RESERVE STATEMENT

This statement represents the Mineral Resources and Ore Reserves ("MROR") for Talga Group Ltd as at 30 June 2021.

This MROR statement has been compiled and reported in accordance with the guidelines of the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

This statement is to be reviewed and updated annually in accordance with Section 15 of the JORC Code 2012. The nominated annual review date for this MROR statement is 30 June.

As at the Annual Review date of 30 June 2021, this MROR Statement has been approved by the named Competent Persons (see the Competent Persons Statement on page 12).

## MINERAL RESOURCES

Talga owns 100% of multiple mineral assets of graphite ("Cg"), copper ("Cu"), cobalt ("Co") and iron ("Fe") in northern Sweden. An overview of each of the assets in the Group's portfolio at 30 June 2021 is set out below in Table 1 and details of each project's Mineral Resource categories are set out in Tables 2 to 7.

**Table 1 –** Talga 30 June 2021 Total Mineral Resources

| Project | Tonnes | Grade | | | | Contained Mineral | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Ore (Mt) | Cg (%) | Fe (%) | Cu (%) | Co (%) | Cg (Mt) | Fe (Mt) | Cu (t) | Co (t) |
| Vittangi Graphite | 19.5 | 24.0 | - | - | - | 4.7 | - | - | - |
| Jalkunen Graphite | 31.5 | 14.9 | - | - | - | 4.7 | - | - | - |
| Raitajärvi Graphite | 4.3 | 7.1 | - | - | - | 0.3 | - | - | - |
| **Total Graphite** | **55.3** | **17.5** | **-** | **-** | **-** | **9.3** | - | - | - |
| Kiskama Copper-Cobalt | 7.7 | - | - | 0.25 | 0.04 | - | - | 17000 | 1800 |
| **Total Copper-Cobalt** | **7.7** | - | - | **0.25** | **0.04** | - | - | **17000** | **1800** |
| Vittangi Iron | 123.6 | - | 32.6 | - | - | - | 40.3 | - | - |
| Masugnsbyn Iron | 87.0 | - | 28.3 | - | - | - | 24.6 | - | - |
| **Total** | **210.6** | - | **30.8** | **-** | **-** | **-** | **64.9** | **-** | **-** |

Notes:

1. Details of each of the Indicated and Inferred Mineral Resource categories are set out in tables 2 to 7.
2. All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.
3. All projects are 100% Talga owned.
4. The graphite and iron resources are separate deposits but sometimes occur within the same project area. The Kiskama Copper-Cobalt Project is a separate deposit and project from the graphite and iron projects.
5. Mineral quantities are contained mineral.
6. Mineral Resources are inclusive of Indicated and Inferred Mineral Resource categories.

## VITTANGI GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)

**Table 2 –** Vittangi Graphite Project (Nunasvaara and Niska Deposits) – JORC (2012) Resources at 10% Cg cut-off

| Deposit | JORC Resource Category | Tonnes | Grade Cg (%) |
|---|---|---|---|
| Nunasvaara | Indicated | 10,400,000 | 25.6 |
| Nunasvaara | Inferred | 4,500,000 | 18.3 |
| Niska | Indicated | 4,600,000 | 25.8 |
| **Total** | | **19,500,000** | **24.0** |

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Nunasvaara graphite Mineral Resource estimate was first disclosed on 28 February 2012 (ASX:TLG 28 February 2012), and last disclosed on 17 September 2020 in accordance with the JORC Code 2012 (ASX:TLG 17 September 2020).

The Niska graphite Mineral Resource estimate was first disclosed on 15 October 2019, and last disclosed on 17 September 2020 in accordance with the JORC Code 2012 (ASX:TLG 17 September 2020).

The total for the Vittangi Graphite Project has increased from the previous reporting period due to a Mineral Resource review that used a revised 10% graphite (Cg) lower cut-off grade across the entire project that was disclosed in September 2020 (ASX:TLG 17 September 2020).

## JALKUNEN GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)

**Table 3 –** Jalkunen Graphite Project – JORC (2012) Resource at 10% Cg cut-off

| Deposit | JORC Resource Category | Tonnes | Grade Cg (%) |
|---|---|---|---|
| Jalkunen | Inferred | **31,500,000** | **14.9** |

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Jalkunen graphite Mineral Resource estimate was first disclosed on 27 August 2015 in accordance with the JORC Code 2012 (ASX:TLG 27 August 2015).

## RAITAJÄRVI GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)

**Table 4 –** Raitajärvi Graphite Project – JORC (2004) Resource at 5% Cg cut-off

| Deposit | JORC Resource Category | Tonnes | Grade Cg (%) |
|---|---|---|---|
| Raitajärvi | Indicated | 3,400,000 | 7.3 |
| Raitajärvi | Inferred | 900,000 | 6.4 |
| **Total** | | **4,300,000** | **7.1** |

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Raitajärvi graphite Mineral Resource estimate was first disclosed on 26 August 2013 in accordance with the JORC Code 2004 (ASX:TLG 26 August 2013). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

## KISKAMA COPPER-COBALT PROJECT, NORTHERN SWEDEN (Talga owns 100%)

**Table 5 –** Kiskama Copper-Cobalt Project – JORC (2012) Resource at 0.1% CuEq cut-off

| Deposit | JORC Resource Category | Tonnes | Grade Cu % | Grade Co % | Grade CuEq % |
|---|---|---|---|---|---|
| Kiskama | Inferred | 7,672,000 | 0.25 | 0.04 | 0.36 |
| **Total** | | **7,672,000** | **0.25** | **0.04** | **0.36** |

Note: 20% geological loss applied to account for potential unknown geological losses for Inferred Mineral Resources. Ore tonnes rounded to nearest hundred thousand tonnes.

The Kiskama copper-cobalt Mineral Resource estimate was first disclosed on 21 August 2019 in accordance with the JORC Code 2012 (ASX:TLG 21 August 2019).

### VITTANGI IRON PROJECT, NORTHERN SWEDEN (Talga owns 100%)

**Table 6 –** Vittangi Iron Project – JORC (2004) Resource Estimate at 15% Fe cut-off

| Deposit | JORC Resource Category | Tonnes | Grade Fe (%) |
|---|---|---|---|
| Vathanvaara | Inferred | 51,200,000 | 36.0 |
| Kuusi Nunasvaara | Inferred | 46,100,000 | 28.7 |
| Mänty Vathanvaara | Inferred | 16,300,000 | 31.0 |
| Sorvivuoma | Inferred | 5,500,000 | 38.3 |
| Jänkkä | Inferred | 4,500,000 | 33.0 |
| **Total** | | **123,600,000** | **32.6** |

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Vittangi iron Mineral Resource estimate was first disclosed on 22 July 2013 in accordance with the JORC Code 2004 (ASX:TLG 22 July 2013). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

### MASUGNSBYN IRON PROJECT, NORTHERN SWEDEN (Talga owns 100%)

**Table 7 –** Masugnsbyn Iron Project – JORC (2004) Resource Estimate at 20% Fe cut-off

| Deposit | JORC Resource Category | Tonnes | Grade Fe (%) |
|---|---|---|---|
| Masugnsbyn | Indicated | 87,000,000 | 28.3 |
| **Total** | | **87,000,000** | **28.3** |

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Masugnsbyn iron Mineral Resource estimate was first disclosed on 28 February 2012 in accordance with the JORC Code 2004 (ASX:TLG 28 February 2012). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

The total for the Masugnsbyn Iron Project has decreased from the previous reporting period due to the removal of a previously reported portion of the Masugnsbyn iron Mineral Resource (Mineral Resource estimate previously disclosed by Talga on 28 February 2012) through the surrender of the exploration permit Masugnsbyn nr 101 during the reporting period.

## ORE RESERVES

Talga owns 100% of one mineral asset of graphite in the JORC Probable Ore Reserve category in northern Sweden. An overview of the asset in the Group's portfolio at 30 June 2021 is set out below in Table 8 and details of the project's Mineral Reserve category is set out below in Table 9.

**Table 8 –** Talga 30 June 2020 Total Ore Reserves

| Project | Tonnes | Grade | Contained Mineral |
|---|---|---|---|
| | **Ore** (Mt) | **Cg** (%) | **Cg** (Mt) |
| Vittangi Graphite | 1.94 | 23.53 | 0.46 |
| **Total** | **1.94** | **23.53** | **0.46** |

Note:

1. Detailed table setting out the Probable Ore Reserve category is set out on table 9.
2. All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.
3. All projects are 100% Talga owned.
4. Mineral quantities are contained mineral.
5. Ore Reserves are of Probable Ore Reserve category.

## VITTANGI GRAPHITE PROJECT, NORTHERN SWEDEN (Talga owns 100%)

**Table 9 –** Vittangi Project Nunasvaara Graphite Deposit – JORC (2012) Reserve at 12% Cg cut-off

| Deposit | JORC Reserve Category | Tonnes | Grade Cg (%) |
|---|---|---|---|
| Nunasvaara | Probable | 1,900,000 | 23.5 |
| **Total** | | **1,900,000** | **23.5** |

Note: Ore tonnes rounded to nearest hundred thousand tonnes.

The Vittangi graphite Ore Reserve statement was first disclosed on 23 May 2019 in accordance with the JORC Code 2012 (ASX:TLG 23 May 2019).

## COMPARISON WITH PRIOR YEAR ESTIMATES

### Mineral Resources

During the 2021 financial year, the Company made a number of changes to its Mineral Resource inventory:

- The Vittangi Mineral Resource review saw the Vittangi Graphite Project increase from 16.9Mt @ 25.6% Cg to 19.5Mt @ 24.0% Cg. The resource review was disclosed in September 2020 in accordance with the JORC Code 2012 (ASX:TLG 17 September 2020).
- The total iron ore resource for the Masugnsbyn Iron Project has been decreased from 112Mt @28.6% Fe to 87Mt @ 28.3% Fe due to the surrender of the Masugnsbyn nr 101 exploration permit.

All other resource estimates across the Company's projects remain unchanged from the Company's Mineral Resource Statement as at 30 June 2020.

### Ore Reserves

The Ore Reserve Statement across the Company's projects remain unchanged from the Company's Ore Reserve Statement as at 30 June 2020.

## GOVERNANCE SUMMARY

The Mineral Resource estimates and Ore Reserve statements listed in this report are subject to Talga's governance arrangements and internal controls. Talga's Mineral Resource estimates and Ore Reserve statements are derived by Competent Person's ("CP") with the relevant experience in the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking**.** Geology models in all instances are generated by Talga staff and are reviewed by the CP. The CP carries out reviews of the quality and suitability of the data underlying the Mineral Resource estimate and Ore Reserve statement, including a site visit. Talga management conducts its own internal review of the estimate and statement to ensure that it honours the Talga geological model and has been classified and reported in accordance with the JORC Code.

## COMPETENT PERSONS STATEMENT

*The information in this report that relates to the Vittangi Graphite Project - Nunasvaara Resource Estimate is based on information compiled by Albert Thamm. Mr Thamm is a consultant to the Company. Mr Thamm is a member of the Australian Institute of Mining and Metallurgy (Membership No. 203217). Mr Thamm has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Mr Thamm consents to the inclusion in this report of the matters based on this information in the form and context in which it appears. Mr Thamm does not hold securities (directly or indirectly) in the Company.*

*The information in this report that relates to the Vittangi Graphite Project - Nunasvaara Reserve Estimate is based on information compiled by John Walker. Mr. Walker is a consultant to the company. Mr Walker, (FGS, MIMMM, FIQ), Principal Mining Engineer for SLR Consulting who is a full-time employee of SLR Consulting. Mr Walker has sufficient experience which is relevant to the style of mineralisation and type of deposit. Mr Walker is a competent person, considered to meet the JORC Code reporting standards as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Walker consents to the inclusion in this report of the matters based on this information in the form and context in which it appears. Mr Walker does not hold securities (directly or indirectly) in the Company.*

*The information in this report that relates to Vittangi Graphite Project - Niska Resource Estimate is based on information compiled by Simon Coxhell, Principal Consultant of CoxsRocks Pty Ltd. Mr Coxhell is a consultant to the Company. Mr Coxhell is a Member of the Australian Institute of Mining and Metallurgy. Mr Coxhell has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Coxhell has supervised both mining and diamond drilling at both Nunasvaara and the initial diamond drilling at Niska South. Mr Coxhell consents to the inclusion in this report of the matters based on this information in the form and context in which it appears. Mr Coxhell does not hold securities (directly or indirectly) in the Company.*

*The information in this report that relates to Mineral Resource Estimate for the Jalkunen and Raitajärvi Graphite Projects, and Masugnsbyn and Vittangi Iron Projects is based on information compiled and reviewed by Mr Simon Coxhell. Mr Coxhell is a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy. Mr Coxhell has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr Coxhell consents to the inclusion in this report of the matters based on this information in the form and context in which it appears. Mr Coxhell does not hold securities (directly or indirectly) in the Company.*

*The information in this report that relates to the Mineral Resource Estimate for the Kiskama Copper-Cobalt Project is based on information compiled by Elizabeth and Andrew de Klerk. Both Mr and Mrs de Klerk are consultants to the Company. Mr de Klerk is a member of the South African Institute of Mining and Metallurgy (SAIMM) and of the Geological Society of Africa (GSSA) and a registered Professional Natural Scientist (Pr.Sci.Nat. 400030/11) and Mrs de Klerk is a member of the South African Institute of Mining and Metallurgy (SAIMM) and a Fellow of the Geological Society of Africa (GSSA) and a registered Professional Natural Scientist (Pr.Sci.Nat. 400090/08). Both Mr and Mrs de Klerk have sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which both are undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Mr and Mrs de Klerk consent to the inclusion in this report of the Matters based on this information in the form and context in which it appears. Mr and Mrs de Klerk do not hold securities (directly or indirectly) in the Company.*

## 8. TENEMENT INTERESTS

As required by ASX listing rule 5.3.3, please refer to the Schedule of Mineral Tenements for details of Talga's interests in mining tenements held by the Group. No joint ventures or farm-in/farm-out activity occurred during the year.

## 9. FINANCIAL PERFORMANCE AND FINANCIAL POSITION

As a mineral explorer and advanced material developer of functional graphene and graphite enhanced products, the Group does not currently have any material operational revenue. Other income during the year consisted of IUK Grants, and R&D refunds.

**The financial results of the Group for the year ended 30 June 2021 are:**

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents ($) | 52,497,518 | 5,074,819 |
| Net assets ($) | 55,097,074 | 7,242,381 |
| Income ($) | 3,518,060 | 1,192,230 |
| Net loss after tax ($) | (19,893,911) | (13,416,292) |
| Loss per share (cents per share) | (7.1) | (5.7) |
| Dividend ($) | - | - |

## 10. DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2021. (30 June 2020: Nil).

## 11. RISKS

There are specific risks associated with the activities of the Group and general risks that are largely beyond the control of the Group and the directors. The most significant risks identified that may have a material impact on the future financial performance of the Group and the market price of the shares are:

### Mineral and Exploration Risk

The business of exploration, project development and mining contain risks by its very nature. To prosper, is dependent on the successful exploration and/or acquisition of reserves, design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product.

### Operating Risk

The proposed activities, costs and use of funds of the Group are based on certain assumptions with respect to the method and timing of exploration, metallurgy, and other technical tests. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions.

The proposed activities of the Group including preliminary economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics.It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes.

### Foreign Currency Risks

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group conducts exploration and development activities in Sweden (transaction currency is SEK), product development in the United Kingdom (transaction currency is GBP) as well as Germany where the Group has a graphite/graphene pilot plant facility (transaction currency is EUR).

The Group is subject to foreign currency value fluctuations in the course of its operations. To mitigate the Group's exposure currency rates are monitored regularly and funds are transferred to the foreign operations when rates are more favourable and also plans to curtail this impact by paying foreign currency invoices in a timely fashion.

### Additional Requirements for Capital

Talga is seeking to become a vertically integrated anode and advanced materials technology company with a strategy to produce value added products that would provide the most effective, near-term opportunities for commercialisation and potential cashflows.

Whilst the Group's cash as at 30 June 2021 of $52.5 million will provide for on-going business activities, the Company will need to seek funding options to advance the Vittangi anode project as disclosed in the detailed feasibility study (see ASX: TLG 1 July 2021). With the assistance of our financial and transaction adviser Morgan Stanley, Talga is advancing project funding discussions with third parties including, under a under a Letter of Intent (LOI) with international high-tech mining and minerals group Luossavaara-Kiirunavaraa Aktiebolag (LKAB) and Mitsui & Co.

Europe Plc (Mitsui), a subsidiary of global trading and investment company Mitsui & Co. Apart from the Vittangi project financing, management has strategies to tailor budgeted cashflows based on future funding received. However, without regular income outside interest proceeds or assets sales, it will rely on continuing access to capital markets (including the exercise of unlisted Talga options) to fund further development in Sweden, Germany, and United Kingdom.

Failure to obtain sufficient financing for Talga's activities and future projects may result in delay and indefinite postponement of exploration, development, or production on Talga's properties, or even loss of a property interest.

**Environmental Impact Constraints**

The Group's exploration programs, and other operational activities will, in general, be subject to approval by governmental authorities. Development of any of the Group's properties and operations will be dependent on meeting environmental guidelines and where required, being approved by governmental authorities. The Group is well aware of its environmental obligations across its operational activities in Germany, the UK and in particular Sweden, where there are various environmental requirements to complete and apply for an exploitation permit and continues to monitor compliance.

**Mineral Title Risks**

Mining and exploration permits are subject to periodic renewal. There is no guarantee that current or future permits or future applications for production concessions will be approved. Permits are subject to numerous legislation conditions. The renewal of the term of a granted permit is also subject to the discretion of the relevant mining inspector. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Group. Furthermore, the Group could lose title to, or its interest in, tenements if license conditions are not met or if insufficient funds are available to meet expenditure commitments.

At the date of this report all mining and exploration permits and licenses were in good standing. It is also possible that, in relation to tenements which the Group has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law rights of Indigenous owners exist. In this case, the ability of the Group to gain access to tenements (through obtaining consent of any relevant Indigenous owner, body, group or landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected. The Group's mineral titles may also be subject to access by third parties including, but not limited to, the areas' Indigenous people. This access could potentially impact the Group's activities and/or may involve payment of compensation to parties whose existing access to the land may be affected by the Group's activities.

**Resource Estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Group's operations.

**Reserve Estimates**

The Reserve estimates have been carefully prepared by an appropriately qualified person in compliance with the Joint Ore Reserves Committee (JORC) guidelines and in appropriate instances are verified by independent mining experts. Estimated valuations are dependent on Market Prices for the targeted ore.

**Technology Risks**

Sensitive data relating to Talga, its employees, associates, customers, suppliers or the development of Talga's innovative product range may be exposed resulting in a negative impact on the Group's reputation or competitive advantage. Policies, procedures and practices are in place to ensure security of this data. Talga and its subsidiaries recognise the importance of data privacy, and comply with relevant data privacy regulations, including the EU General Data Protection Regulation, to safeguard the security and privacy of data.

**Intellectual Property Risk**

The Group relies heavily on its ability to maintain and protect its intellectual property (IP) including registered and unregistered IP. Talga continues to invest significantly in product development and innovation. Talga has policies, procedures and practices in place and seeks appropriate patent, design, and trademark protection to manage any potential IP risk. The Group will continue to protect its IP in its technology and develop other barriers to entry.

## 12. SUBSEQUENT EVENTS

Other than as disclosed below, there has not been any other matter or circumstance occurring subsequent to the end of the financial year 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 years.

- 500,000 unquoted employee share options were issued with an exercise price of $1.93 expiring 4 July 2024
- 2,000,000 unquoted employee share options were issued with an exercise price of $2.16 expiring 14 September 2024
- Appointment of global Chief Financial Officer.

## 13. DIRECTORS' AND COMMITTEE MEETING

The number of meetings attended by each of the Directors of the Group during the financial year was:

**Directors Meetings**

| Directors | Number Eligible to Attend | Number Attended |
|---|---|---|
| Terry Stinson | 8 | 8 |
| Mark Thompson | 8 | 8 |
| Grant Mooney | 8 | 7 |
| Stephen Lowe | 8 | 8 |
| Ola Rinnan | 8 | 8 |
| Andrew Willis (resigned 17 July 2020) | 0 | 0 |

**Remuneration Committee Meetings**

| Directors | Number Eligible to Attend | Number Attended |
|---|---|---|
| Terry Stinson | 4 | 4 |
| Grant Mooney | 4 | 4 |
| Stephen Lowe | 4 | 4 |
| Ola Rinnan | 4 | 4 |

**Audit and Risk Committee Meetings**

| Directors | Number Eligible to Attend | Number Attended |
|---|---|---|
| Grant Mooney | 3 | 3 |
| Terry Stinson | 3 | 3 |
| Stephen Lowe | 3 | 3 |

## 14. ENVIRONMENTAL REGULATIONS

The Group's operations are subject to local, State and Federal laws and regulations concerning the environment. Details of the Group's performance in relation to environmental regulations are as follows:

The Group's exploration activities are subject to the Swedish Minerals Act ("Minerallagen") and operational activities in Germany are subject to the German Federal Emissions Control Act (Bundes-Immisionsschutzgesetz) and the AwSV Regulations relating to water discharge. The Group has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Group has adequate systems in place to meet its obligations. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the financial year under review.

The Directors of the Group have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("NGER") to report its annual greenhouse gas emissions and energy use. For the year ending 30 June 2021

The Group was below the reporting threshold and is therefore not required to register or report. The Directors will continue to monitor the Group's registration and reporting obligations.

## 15. SHARE OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there were 13,300,000 ordinary shares under option and 2,100,000 shares subject to performance rights:

- 1,800,000 unlisted options with an exercise price of 51 cents expiring on 10 February 2022;
- 4,000,000 unlisted options with an exercise price of 71 cents expiring on 23 October 2022;
- 5,000,000 unlisted options with an exercise price of $1.12 expiring on 31 December 2023;
- 500,000 unlisted options with an exercise price of $1.93 expiring on 4 July 2024
- 2,000,000 unlisted options with an exercise price of $2.16 expiring on 14 September 2024; and
- 2,100,000 performance rights expiring 31 December 2023.

No person entitled to exercise any option or performance right referred to above has or had, by virtue of the option or performance right, a right to participate in any share issue of any other body corporate.

During or since the end of the financial year the following share options expired;

- 1,500,000 unlisted options at an exercise price of $1.02 expired.
- 1,300,000 unlisted options at an exercise price of Nil expired.

## 16. REMUNERATION REPORT (Audited)

This report details the type and amount of remuneration for each director and Key Management Personnel ("KMP") (defined as those having authority and responsibility for planning, directing and controlling the activities of the Group).

**Remuneration Policy**

The performance of the Group depends upon the quality of its directors and executives. To be successful, the Group must attract, motivate and retain highly skilled directors and executives.

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high-quality board and KMP by remunerating them fairly and appropriately with reference to relevant employment market conditions. The Board links the nature and amount of some director and KMP emoluments to the Group's financial and operational performance.To assist in achieving the objective the Board set up a Remuneration Committee.

The responsibilities of the Remuneration committee are to:

- Attract, retain and motivate high quality directors and KMP;
- Reward directors and KMP for Group performance;
- Align the interest of directors and KMP with those of shareholders;
- Link reward with strategic goals and performance of the Group; and
- Ensure total remuneration is competitive with market standards.

The remuneration of a director or KMP will be decided by the Remuneration Committee. In determining competitive remuneration rates the Remuneration Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan. A remuneration consultant has also been consulted.

### Non-executive director remuneration

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive director remuneration within that maximum will be made by the Remuneration Committee having regard to the inputs and value to the Group of the respective contributions by each non-executive director. Shareholders at a general meeting approved an aggregate amount of $500,000 to be paid to non-executive directors. The Board may allocate this pool (or part of it) at their discretion.

The Remuneration Committee may recommend awarding additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Group such as representation on committees. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

### Executive remuneration

Executive remuneration may consist of both fixed and variable (at risk) elements.

***Fixed remuneration***

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and is competitive in the market and may be in variety of forms including cash and fringe benefits. The remuneration is reviewed annually by the Remuneration Committee.

***Variable (at risk) remuneration***

Variable remuneration may be delivered in the form of a short-term incentive (STI) scheme, cash bonuses or long-term incentive schemes including share options or rights. All equity-based remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options and performance rights are valued using the Black-Scholes methodology. All equity-based remuneration for directors must be approved by shareholders.

**Performance Based Remuneration**

Other than as noted below under Services Agreements of Executive Directors and KMP, the Group did not pay any other performance based bonuses to directors or KMP in the year ended 30 June 2021.

**Group Performance, Shareholder Wealth and Directors' and Executives' Remuneration**

The remuneration policy has been tailored to maximise the commonality of goals between shareholders, directors and executives. The method applied in achieving this aim to date has been the issue of options or performance rights to directors under the Company's Employee Securities Incentive Scheme to encourage the alignment of personal and shareholder interests. Furthermore, STI's that are structured to remunerate KMP for achieving annual Group targets and individual performance targets that reflect the Group's development path and that can translate into long term value being created for shareholders have also been considered. The Group believes this policy will be the most effective in increasing shareholder wealth.

**Services Agreements of Executive Directors and KMP**

Mark Thompson's employment conditions as Managing Director are defined by way of a contract of employment with no fixed term. Mr Thompson's Base Salary and superannuation, from 1 March 2021 is $450,000. His STI's have been agreed based on the three key performance milestones covering Commercial Agreements, Joint Venture/Corporate alliances and Market Capitalisation targets, up to a maximum at risk total of $200,000 (including superannuation). No STI amounts were paid to Mr Thompson in the 2021 financial year.

The Company may terminate Mr Thompson's employment contract without cause by providing nine months written notice or making payment in lieu of notice, based on the individual's annual salary component. Mr Thompson may terminate the employment without cause by providing six months written notice and the Company may pay Mr Thompson in lieu of notice or require him to serve out his notice. In the event of a change in control of the Company, Mr Thompson will receive a bonus payment comprising of a lump sum gross payment of 12 months' Base Salary. If within 6 months after the change in control Mr Thompson elects to terminate his employment or his employment is terminated by the Company, Mr Thompson will not be entitled to any notice of termination or payment in lieu of notice.

Martin Phillip's conditions as Chief Operating Officer (COO) are defined by way of a contract of employment with no fixed term. Mr Phillip's Base Salary and superannuation, from 1 March 2021 is $450,000. Mr Phillips is predominately located in Europe and is also entitled to six return airfares for immediate family members per year (No airfares were taken in FY21 due to COVID19 restrictions). Mr Phillips was appointed as the European Chief Executive Officer.

The Company may terminate Mr Phillips' employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component. Mr Phillips may terminate the employment without cause by providing six months written notice and the Company may pay Mr Phillips in lieu of notice or require him to serve out his notice.

**Details of Remuneration**

Details of the remuneration of the directors, other Key Management Personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Group) and specified executives of Talga are set out in the following tables.

| | Short Term Benefits | | | | Post-Employment | | | Share Based Payments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | Salary | Directors Fees | Other (i) | Non-monetary leave entitlements (ii) | Super-annuation | Retirement Benefits | Subtotal | Equity | Options and Rights | Total | Value of at risk share based payment as proportion of remuneration |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | % |
| Terry Stinson Chair (vii) | - | 138,508 | - | - | 13,158 | - | 151,666 | - | 219,252 | 370,918 | 59% |
| Mark Thompson Managing Director (iii, v) | 392,566 | - | - | 22,708 | 21,695 | - | 436,969 | - | 1,045,880 | 1,482,849 | 71% |
| Grant Mooney Non-Executive Director (viii) | - | 54,795 | 4,566 | - | 5,639 | - | 65,000 | - | 182,710 | 247,710 | 74% |
| Steve Lowe Non-Executive Director (ix) | - | 54,795 | 4,566 | - | 5,639 | - | 65,000 | - | 182,710 | 247,710 | 74% |
| Ola Rinnan Non-Executive Director (x) | - | 60,000 | - | - | - | - | 60,000 | - | 182,710 | 242,710 | 75% |
| Andrew Willis Non-Executive Director (xi) | - | 2,742 | - | - | - | - | 2,742 | - | - | 2,742 | 0% |
| Martin Phillips Chief Operating Officer (iv, vi) | 386,918 | - | - | 34,576 | 21,695 | - | 443,189 | - | 213,224 | 656,413 | 32% |
| **Total** | **779,484** | **310,840** | **9,132** | **57,284** | **67,826** | - | **1,224,566** | - | **2,026,486** | **3,251,052** | |

Notes: All directors are paid under the terms agreed by way of director's resolution.

(i) $4,566 plus superannuation was paid to Grant Mooney as Chair of Remuneration Committee and to Steve Lowe as Chair of the Audit and Risk Committee.

(ii) Non-monetary leave entitlements are the net movement of the balance of accrued annual and long-service leave entitlements.

(iii) The fair value of options expensed for the year ended 30 June 2021 issued to Mr Thompson in the financial year amounted to $1,045,880.

(iv) The fair value of options expensed for the year ended 30 June 2021 issued to Mr Phillips in the financial year amounted to $213,224.

(v) From 1 July 2020, Mr Mark Thompson was entitled to a total annual base salary of $374,696 plus superannuation of $21,694. From 1 March 2021 his total annual base salary increased to $426,432 plus superannuation of $23,568. His resulting total annual base salary and superannuation for the financial year was $414,261.

(vi) From 1 July 2020, Mr Martin Phillips was entitled to a total annual base salary of $359,716 plus superannuation of $21,694. From 1 March 2021 his total annual base salary increased to $426,432 plus superannuation of $23,568. However due to tax equalisation, this change together with tax equalisation resulted in a total annual base salary and superannuation of $408,613 paid for the 2021 financial year.

(vii) The fair value of rights expensed for the year ended 30 June 2021 issued to Mr Stinson in the financial year amounted to $219,252.

(viii) The fair value of rights expensed for the year ended 30 June 2021 issued to Mr Mooney in the financial year amounted to $182,710

(ix) The fair value of rights expensed for the year ended 30 June 2021 issued to Mr Lowe in the financial year amounted to $182,710.

(x) The fair value of rights expensed for the year ended 30 June 2021 issued to Mr Rinnan in the financial year amounted to $182,710.

(xi) Mr Andrew Willis resigned 17 July 2020.

| | Short Term Benefits | | | | Post-Employment | | | | Share Based Payments | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | Salary | Directors Fees | Other (i) | Non-monetary leave entitlements (ii) | Super-annuation | Retirement Benefits | Subtotal | Equity | Options (iii) | Total | Value of at risk share based payment as proportion of remuneration |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | % |
| Terry Stinson Chair | - | 106,279 | 99,855(i)(a) | - | 19,583 | - | **225,717** | - | - | **225,717** | 0% |
| Mark Thompson Managing Director (v) | 356,618 | - | - | 11,087 | 21,000 | - | **388,705** | - | 24,696 | **413,401** | 6% |
| Grant Mooney Non-Executive Director | - | 47,945 | - | - | 4,555 | - | **52,500** | - | - | **52,500** | 0% |
| Steve Lowe Non-Executive Director | - | 47,945 | - | - | 4,555 | - | **52,500** | - | - | **52,500** | 0% |
| Ola Rinnan Non-Executive Director | - | 52,500 | - | - | - | - | **52,500** | - | - | **52,500** | 0% |
| Andrew Willis Non-Executive Director | - | 52,500 | - | - | - | - | **52,500** | - | - | **52,500** | 0% |
| Martin Phillips Chief Operating Officer (vi) | 331,792 | - | 75,749(i)(b) | 15,890 | 35,259 | - | **458,690** | - | 531,325 | **990,015** | 54% |
| **Total** | **688,410** | **307,169** | **175,604** | **26,977** | **84,952** | **-** | **1,283,112** | **-** | **556,021** | **1,839,133** | |

Notes: All directors are paid under the terms agreed by way of director's resolution.

(i) Other benefits (a) The consultancy agreement with Mr Stinson was amended from 7 February 2019 based on daily rate of $1,057.69; (b) Mr Martin Phillips was provided travel benefits of $5,749 and a bonus for the 2020 financial year of $70,000 as part of his remuneration.

(ii) Non-monetary leave entitlements are the net movement of the balance of accrued annual and long-service leave entitlements.

(iii) The fair value of options expensed for the year ended 30 June 2020 issued to Mr Thompson in the financial year amounted to $24,696.

(iv) The fair value of options expensed for the year ended 30 June 2020 issued to Mr Phillips in the financial year amounted to $531,325.

(v) From 1 July 2019, Mr Mark Thompson was entitled to a total annual base salary of $362,000 plus superannuation of $34,390 however as part of cost reduction measures during COVID, Mr Thompson's salary was reduced 20% from 1st April to 30th June 2020 resulting in an annual salary of $356,618.

(vi) Mr Martin Phillips was entitled to a total annual base salary of $317,000 however due to tax equalisation was entitled to be paid $331,792 for the 2020 financial year.

**Option, Right and Shareholdings of Directors and Officers**

The number of options and performance rights over ordinary shares in Talga held by Key Management Personnel of the Group during the financial year is as follows:

## Key Management Personnel Options and Rights 2021

| 30 June 2021 | Balance at Beginning of Year | Granted as Remuneration during the Year | Exercised during the Year | Other changes during the Year(i) | Balance at End of Year | Vested during the Year | Vested and Exercisable |
|---|---|---|---|---|---|---|---|
| Terry Stinson | - | 600,000 | - | - | 600,000 | - | - |
| Mark Thompson | 2,800,000 | 4,000,000 | - | (2,800,000) | 4,000,000 | - | - |
| Grant Mooney | - | 500,000 | - | - | 500,000 | - | - |
| Stephen Lowe | 1,000,000 | 500,000 | (1,000,000) | - | 500,000 | - | - |
| Ola Rinnan | - | 500,000 | - | - | 500,000 | - | - |
| Andrew Willis | - | - | - | - | - | - | - |
| Martin Phillips | 3,000,000 | 1,000,000 | - | - | 4,000,000 | - | - |

(i) Options for Mark Thompson lapsed.

The number of ordinary shares in Talga held by Key Management Personnel of the Group during the financial year is as follows:

## Key Management Personnel Shareholdings 2021w

| 30 June 2021 | Balance at Beginning of the Year | Granted as Remuneration During the Year | Issued on Exercise of Options During the Year | Other Changes During the Year | Balance at End of the Year |
|---|---|---|---|---|---|
| Terry Stinson | 149,622 | - | - | 25,932 | 175,554 |
| Mark Thompson | 14,338,969 | - | - | 15,932 | 14,354,901 |
| Grant Mooney | - | - | - | - | - |
| Stephen Lowe | 1,000,000 | - | 1,000,000 | 50,000 | 2,050,000 |
| Ola Rinnan | - | - | - | - | - |
| Andrew Willis | - | - | - | - | - |
| Martin Phillips | 250,000 | - | - | (20,050) | 229,950 |

(i) Mr Stinson purchased 15,932 shares via the Company Share Purchase Plan and 10,000 shares through on market trades during the year.
(ii) Mr Thompson purchased 15,932 shares via the Company Share Purchase Plan during the year.
(iii) Mr Lowe exercised 1,000,000 options, purchased 15,932 shares via the Company Share Purchase Plan and 34,068 shares through on market trades during the year.
(iv) Mr Phillips sold 23,637 and acquired 3,587 shares on market during the year.

## Share based payments

The following table summarises the value of options granted, expensed, and exercised during the financial year, in relation to options granted to Key Management Personnel as part of their remuneration:

| Key Management Personnel | Granted in Year $ | Value of Options Expensed During Year $ | Value of Options Exercised in Year $ |
|---|---|---|---|
| Terry Stinson | 1,041,000 | 219,252 | - |
| Mark Thompson | 4,956,000 | 1,045,880 | - |
| Grant Mooney | 867,500 | 182,710 | - |
| Stephen Lowe | 867,500 | 182,710 | 122,000 |
| Ola Rinnan | 867,500 | 182,710 | - |
| Andrew Willis | - | - | - |
| Martin Phillips | 495,000 | 213,224 | - |

### Additional disclosures relating to options, performance rights and shares

The table below discloses the number of share options and performance rights at 30 June 2021 granted to Key Management Personnel as remuneration as well as the number of options that vested or lapsed during this year.

Share options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

| Class | Grant Date | Number of Options / Rights Awarded | Fair Value per Option / Right at Award Date | Vesting Date | Exercise Price | Expiry Date | No. Vested During this Year | No. Lapsed During this Year |
|---|---|---|---|---|---|---|---|---|
| **As at 30 June 2021** | | | | | | | | |
| Mark Thompson | 12/11/20 | 4,000,000 | $1.239 | * | $1.12 | 31/12/23 | - | - |
| Martin Phillips | 24/10/19 | 3,000,000 | $0.374 | * | $0.71 | 23/10/22 | - | - |
| Martin Phillips | 25/09/20 | 1,000,000 | $0.495 | * | $1.12 | 31/12/23 | - | - |
| Terry Stinson | 12/11/20 | 600,000 (i) | $1.735 | * | - | 31/12/23 | - | - |
| Stephen Lowe | 12/11/20 | 500, 000 (i) | $1.735 | * | - | 31/12/23 | - | - |
| Grant Mooney | 12/11/20 | 500, 000 (i) | $1.735 | * | - | 31/12/23 | - | - |
| Ola Rinnan | 12/11/20 | 500, 000 (i) | $1.735 | * | - | 31/12/23 | - | - |
| Mark Thompson | 11/8/17 | 1,500,000 | $0.234 | * | $1.02 | 10/8/20 | - | 1,500,000 |
| Mark Thompson | 11/8/17 | 1,300,000 | $0.114 | * | $1.02 | 10/8/20 | - | 1,300,000 |

***** Subject to vesting conditions

(i) Performance rights granted

END OF REMUNERATION REPORT

## 17. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group paid a premium of $58,804 (2020: $39,550) to insure directors and officers of the Group. The directors and officers have indemnities in place with the Group whereby the Company has agreed to indemnify the directors and officers in respect of certain liabilities incurred by the director or officer while acting as a director of the Group and to insure the director or officer against certain risks the director or officer is exposed to as an officer of the Group.

## 18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2021 has been received and immediately follows the Directors' Report. There were no other fees paid to Stantons International for non-audit services provided during the year ended 30 June 2021. The directors are satisfied that the provisions of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed did not compromise the external auditor's independence.

## 19. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to principles of sound corporate governance.

The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council and considers that Talga is in compliance with those guidelines which are of critical importance to the commercial operation and commensurate of an ASX listed company of its size. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Group.

This report is made in accordance with a resolution of the directors.

**Mark Thompson**
Managing Director
Perth, Western Australia
17 September 2021

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Australia

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17 September 2021

The Directors
Talga Group Limited
Suite 3, First Floor
2 Richardson Street,
West Perth, WA 6005

Dear Directors

**RE: TALGA GROUP 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 Group Limited.

As the Audit Director for the audit of the financial statements of Talga Group Limited for the year ended 30 June 2021, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Authorised Audit Company)**

**Samir Tirodkar**
Director

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| Revenues from ordinary activities | 2 | 108,969 | 9,349 |
| Other Income | 2 | 3,409,091 | 1,182,881 |
| Expenses | | | |
| Administration expenses | | (2,901,546) | (1,358,732) |
| Compliance and regulatory expenses | | (773,518) | (491,114) |
| Depreciation expense | | (694,448) | (862,784) |
| Employee benefits expenses and Directors Fees | | (2,293,334) | (1,933,508) |
| Exploration and evaluation expenditure | 9 | (389,134) | (3,128,468) |
| Exploitation costs Sweden | 9 | (6,771,816) | (2,164,942) |
| Exploration acquisition costs written off | | (40,570) | (30,613) |
| Operations – Test Facility, Research & Product Dev. | | (7,119,333) | (3,909,623) |
| FX (loss) realised | | (12,052) | (31,428) |
| Share based payments | 26 | (2,416,220) | (697,310) |
| **(Loss) before income tax expense** | | **(19,893,911)** | **(13,416,292)** |
| Income tax expense | 3 | - | - |
| **Net (loss) attributable to members of the parent entity** | | **(19, 893,911)** | **(13, 416,292)** |
| **Other comprehensive income / (loss):** | | | |
| Items that will not be reclassified to profit or loss | | - | - |
| Items that may be reclassified subsequently to profit or loss | | | |
| Changes in the fair value of financial assets at fair value through OCI | 5 (b) | 35,000 | - |
| Exchange differences on translating foreign operations | | (29,578) | 19,981 |
| **Total other comprehensive (loss) / income for the year** | | 5,422 | 19,981 |
| **Total comprehensive (loss) for the year** | | **(19,888,489)** | **(13,396,311)** |
| **Total comprehensive (loss) attributable to members of the parent entity** | | **(19,888,489)** | **(13,396,311)** |
| Basic loss per share (cents per share) | 16 | (7.1) | (5.7) |
| Diluted loss per share (cents per share) | 16 | (7.1) | (5.7) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | 52,497,518 | 5,074,819 |
| Trade and other receivables | 5 (a) | 2,723,793 | 328,934 |
| Financial assets | 5 (b) | 585,000 | - |
| Prepayments | 7 | 37,570 | 57,524 |
| **Total Current Assets** | | **55,843,881** | **5,461,277** |
| **Non-Current Assets** | | | |
| Other receivables | 6 | 73,126 | 55,236 |
| Plant and equipment | 8 | 4,767,423 | 2,993,180 |
| Inventory | | 16,268 | 16,824 |
| Exploration and evaluation acquisition costs | 9 | 265,800 | 288,037 |
| **Total Non-Current Assets** | | **5,122,617** | **3,353,277** |
| **TOTAL ASSETS** | | **60,966,498** | **8,814,554** |
| **Current Liabilities** | | | |
| Lease liability | 8 | 279,816 | 207,419 |
| Trade and other payables | 10 | 4,967,931 | 987,060 |
| Provisions | 11 | 506,456 | 377,694 |
| **Total Current Liabilities** | | **5,754,203** | **1,572,173** |
| **Non-Current Liabilities** | | | |
| Lease liability | 8 | 115,221 | - |
| **Total Non-Current Liabilities** | | **115,221** | **-** |
| **TOTAL LIABILITIES** | | **5,869,424** | **1,572,173** |
| **NET ASSETS** | | **55,097,074** | **7,242,381** |
| **Equity** | | | |
| Issued capital | 12 | 130,184,218 | 64,567,257 |
| Reserves | 13 | 11,086,686 | 8,955,044 |
| Accumulated losses | 14 | (86,173,831) | (66,279,920) |
| **TOTAL EQUITY** | | **55,097,074** | **7,242,381** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued Capital $ | Accumulated Losses $ | Reserves $ | Total $ |
|---|---|---|---|---|
| **At 1 July 2019** | **54,119,311** | **(52,866,606)** | **8,237,753** | **9,490,458** |
| **Comprehensive income:** | | | | |
| Loss after income tax for the year | - | (13,416,292) | - | **(13,416,292)** |
| Impact of change in accounting policy for AASB 16 | - | 2,978 | - | **2,978** |
| Other comprehensive income for the year | - | - | 19,981 | **19,981** |
| **Total comprehensive (loss) / income for the year** | **-** | **(13,413,314)** | **19,981** | **(13,393,333)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of share capital | 10,730,364 | - | - | **10,730,364** |
| Capital raising costs | (282,418) | - | - | **(282,418)** |
| Share based compensation | - | - | 697,310 | **697,310** |
| **At 30 June 2020** | **64,567,257** | **(66,279,920)** | **8,955,044** | **7,242,381** |

| | Issued Capital $ | Accumulated Losses $ | Reserves $ | Total $ |
|---|---|---|---|---|
| **At 1 July 2020** | **64,567,257** | **(66,279,920)** | **8,955,044** | **7,242,381** |
| **Comprehensive income:** | | | | |
| Loss after income tax for the year | - | (19,893,911) | - | **(19,893,911)** |
| Fair value adjustment in relation to financial assets at FVTOCI | - | - | 35,000 | **35,000** |
| Exchange differences on translation of foreign operations | - | - | (29,578) | **(29,578)** |
| **Total comprehensive (loss)/income for the year** | **-** | **(19,893,911)** | **5,422** | **(19,888,489)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of share capital | 67,267,006 | - | - | **67,267,006** |
| Capital raising costs | (1,940,044) | - | - | **(1,940,044)** |
| Share based compensation | 289,999 | - | 2,126,221 | **2,416,220** |
| **At 30 June 2021** | **130,184,218** | **(86,173,831)** | **11,086,686** | **55,097,074** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from Customers | | 61,240 | 5,302 |
| Payments for exploration, evaluation & exploitation | | (5,492,971) | (5,293,410) |
| Payments to suppliers, contractors and employees | | (3,860,860) | (4,677,339) |
| German Operations & UK Operations including R&D | | (7,932,469) | (3,512,063) |
| Interest received | | 102,228 | 26,739 |
| Other - tenements | | (25,000) | (25,000) |
| Other income – grants | 15 | 1,284,885 | 1,173,689 |
| **Net cash flows (used in) operating activities** | | **(15,862,947)** | **(12,302,082)** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Purchase of plant and equipment | 16 | (1,922,308) | (365,807) |
| Payment other – Security Bonds payments | 16 | - | - |
| Proceeds other – Capital Grants | | - | 80,695 |
| Proceeds from sale of tenements | | 250,000 | - |
| **Net cash (used in) investing activities** | | **(1,672,308)** | **(285,112)** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issue of securities | | 65,047,005 | 10,707,001 |
| Payment for costs of issue of securities | | (1,789,763) | (282,418) |
| Proceeds from exercise of share options | | 540,000 | - |
| Proceeds from repayment of directors non-recourse loan | | 1,480,000 | - |
| Lease payments | | (319,288) | (429,433) |
| **Net cash flows from financing activities** | | **64,957,954** | **9,995,150** |
| | | | |
| **Net increase in cash and cash equivalents** | | **47,422,699** | **(2,592,044)** |
| Cash and cash equivalents at the beginning of the financial year | 4 | 5,074,819 | 7,666,863 |
| **Cash and cash equivalents at the end of the financial year** | | **52,497,518** | **5,074,819** |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report covers the parent Talga Group Ltd and Controlled Entities (the "Group"). Talga Group Ltd is a public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. Cash as at 30 June 2021 is $52.5 million. Further funding will be required in the next financial year to achieve planned business activities as noted in the Directors Report. Management has strategies to tailor budgeted cashflows based on future funding received and in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e., parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired, and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (b) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are written off in the year they are incurred. Costs of acquisition are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

#### (c) Plant and Equipment

Plant and equipment are initially recognised at acquisition cost (including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management) and subsequently measured using the cost model (cost less subsequent depreciation and impairment losses).

Depreciation is calculated on either the straight-line basis or diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. The following useful lives are applied:

| | |
|---|---|
| Operating Equipment: | 3-15 years |
| Office equipment: | 1-15 years |
| Vehicles: | 5-8 years |

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

#### (d) Financial Instruments

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Classification and measurement

***Financial assets***

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

***Financial assets at fair value through other comprehensive income***

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

***Financial assets at fair value through profit or loss (FVPL)***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

***Financial liabilities***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

***Impairment***

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### (e) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the Statement of Financial Position.

### (f) Trade and Other Receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 -90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 1(h).

### (g) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).
Government and other grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

### (h) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to theextent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

### (i) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses, and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the Australian Tax Office (ATO) or relevant Tax Authority. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

The net amount of GST/VAT recoverable from, or payable to, the ATO or other Tax Authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO or relevant Tax Authority are classified as operating cash flows.

### (j) Taxation

The Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### (k) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### (l) Share Based Payments

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting period. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments used, if it is determined the fair value of the goods and services cannot be reliably measured and are recorded at the date the goods or services are received.

Fair value is measured by use of a Black - Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

The value of shares issued to employees financed by way of a non-recourse loan under the employee Share Plan is recognised with a corresponding increase in equity when the Company receives funds from either the employees repaying the loan or upon the loan termination. All shares issued under the plan with non-recourse loans are considered, for accounting purposes, to be options.

### (m) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (n) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (o) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### Key Estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

#### Key Judgement – Exploration and evaluation costs

Acquisition costs are accumulated in respect of each identifiable area of interest where the right of tenure is current and are expected to be recouped or where an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

#### Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

#### Share based payments

The Group measures the cost of equity-settled and cash-settled transactions by reference to the fair value of the goods or services received in exchange if it can be reliably measured. If the fair value of the goods or services cannot be reliably measured, the costs is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model and the assumptions and carrying amount at the reporting date, if any, is disclosed in note 26.

#### Deferred tax

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of the tax losses is not yet considered probable (refer note 3).

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (p) Application of new and revised Accounting Standards

#### (i) New and Revised Accounting Standards Adopted by the Group

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period.

#### Initial adoption of AASB 2020-04: COVID-19-Related Rent Concessions

AASB 2020-4: Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions amends AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modifications.

Initial adoption of AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business
AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: Business Combinations, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

#### Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material

This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

#### Initial adoption of AASB 2019-3: Amendments to Australian Accounting Standards – Interest Rate Benchmark

This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform.

#### Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework

This amendment amends Australian Accounting Standards, Interpretations, and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (ii) New and revised Accounting Standards for Application in Future Periods

***Other standards not yet applicable***

Certain new accounting standards and interpretations have been issued by the Australian Accounting Standards Board (AASB) that are not mandatory for 30 June 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

### (q) Foreign Currency

#### (i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of the Consolidated Entity's subsidiaries, Talga Mining Pty Ltd Filial (Branch), Talga Graphene AB and Talga Battery Metals AB, is the Swedish Krona (SEK), Talga Advanced Materials GmbH, is the Euro (EUR) and Talga Technologies Limited is Great Britain Pounds (GBP) and Talga Anode UK Limited is in Great Britain Pounds (GBP).

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income:

- Investments at fair value through other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A final liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

#### (iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and presented in the translation reserve in equity.

#### (r) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Talga Group Ltd) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 25.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly, or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (s) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

## 2. REVENUE AND OTHER INCOME

| | 2021 $ | 2020 $ |
|---|---|---|
| Product Sales | 108,969 | 9,349 |
| Interest revenue | 102,227 | 28,720 |
| Research and development refund | 123,619 | 686,516 |
| Grants | 2,383,245 | 427,940 |
| Rent relief COVID-19 | - | 39,705 |
| Sale of gold royalties | 550,000 | - |
| Sale of Australian gold tenements | 250,000 | - |
| | **3,409,091** | **1,182,881** |

## 3. INCOME TAXES

(a) **Income tax**

Prima facie income tax benefit at 26% on loss from ordinary activities is reconciled to the income tax provided in the financial statements

| | 2021 $ | 2020 $ |
|---|---|---|
| Loss before income tax | (19,893,911) | (13,416,290) |
| Current Tax Expense / (Benefit) | (5,172,417) | (3,488,235) |
| Tax effect of: | | |
| Expenses not allowed | 4,349,724 | 2,758,984 |
| Income not assessable | (32,141) | (37,014) |
| Section 40-880 deduction (write off for certain capital costs) | (182,556) | (73,486) |
| Accrued expenses | 1,500 | (8,840) |
| Prepayments | (344) | (2,196) |
| Other deferred amounts | (27,763) | 408,976 |
| Future income tax benefit not brought to account | 1,063,997 | 441,811 |
| **Income tax attributable to operating losses** | - | - |

**(b) Deferred tax assets**

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

| | 2021 $ | 2020 $ |
|---|---|---|
| Australian tax losses | 6,319,266 | 5,633,178 |
| Provisions net of prepayments | 99,225 | 70,479 |
| Section 40-880 deduction | 482,521 | 189,733 |
| Other deferred amounts | 128,716 | 104,483 |
| Accruals | 10,000 | 8,840 |
| Prepayments | (7,803) | (8,473) |
| **Unrecognised deferred tax assets relating to the above temporary differences** | **7,031,266** | **5,998,240** |

The estimated foreign (German/Swedish/UK) cumulative tax losses are approximately $34.1 million and the deferred tax benefit from the cumulative foreign tax losses not recognised is approximately $6.1 million (based on a German/Swedish/UK tax rate of 15%/20.6%/19%).

The benefits will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- The Group continues to comply with the conditions in deductibility imposed by the Law; and
- No change in tax legislation adversely affects the Group in realising the benefits from the deductions or the losses.

## 4. CASH AND CASH EQUIVALENTS

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Cash at bank** | **52,497,518** | **5,074,819** |

## 5a. TRADE AND OTHER RECEIVABLES

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **CURRENT** | | |
| Trade debtors and grant receivables | 1,667,234 | 273,224 |
| GST / VAT receivable | 1,056,559 | 55,710 |
| **Total trade and other receivables** | **2,723,793** | **328,934** |

All trade and other receivables are current and there are no overdue or impaired amounts.

The Group has determined that there are no expected credit losses.

## 5b. FINANCIAL ASSETS

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **CURRENT** | | |
| Financial assets at fair value through OCI | 585,000 | - |
| **Total financial assets** | **585,000** | **-** |

Fair value is determined by reference to quoted prices in an active market (London Stock Exchange) - Level 1.
848,059 Trident Royalties PLC (LON: TRR) shares were received as part consideration for sale of royalties. The fair value on initial recognition was $550,000. The fair value adjustment for the period of $35,000 is accounted for through OCI.

## 6. OTHER RECIEVABLES

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **NON CURRENT** | | |
| Security term deposit | 73,126 | 55,236 |
| **Total security deposits** | **73,126** | **55,236** |

Security term deposit relates to a term deposit taken out as security for rent of the Perth head office and German pilot plant facility.

## 7. PREPAYMENTS

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Balance at the start of the financial year | 57,524 | 51,149 |
| Movement for the year | (19,954) | 6,375 |
| **Balance at the end of the financial year** | **37,570** | **57,524** |

## 8. PLANT AND EQUIPMENT

| | 2021 $ | 2020 $ |
|---|---|---|
| **(a) Plant and equipment** | | |
| Plant and equipment at cost | 4,997,252 | 3,973,267 |
| Less: accumulated depreciation | (1,588,802) | (1,189,730) |
| **Total plant and equipment** | **3,408,450** | **2,783,537** |
| | | |
| **Balance at the beginning of the financial year** | **2,783,537** | **2,595,077** |
| Additions | 1,041,803 | 583,920 |
| Disposal | (40,570) | |
| Depreciation expense | (399,072) | (410,441) |
| Effect of foreign currency exchange differences | 22,752 | 14,981 |
| **Balance at the end of the financial year** | **3,408,450** | **2,783,537** |
| | | |
| **(b) Construction in progress** | | |
| | | |
| **Balance at the beginning of the financial year** | - | - |
| Additions | 962,225 | - |
| **Balance at the end of the financial year** | **962,225** | **-** |
| | | |
| **(c) Right of use assets** | | |
| | | |
| Right of Use Assets at Cost | 813,903 | 923,513 |
| Less accumulated depreciation | (417,155) | (713,870) |
| **Balance at the end of the financial year** | **396,748** | **209,643** |
| | | |
| Right of Use Assets at Cost | | |
| **On initial recognition at 1st July 2019** | | |
| | | |
| **Opening net carrying value / initial recognition** | **923,513** | **936,661** |
| Right of Use Assets Accumulated Depreciation Bought forward / On initial recognition at 1st July 2019 | 529,833 | - |
| Termination of contract | (636,736) | - |
| Depreciation expense | (707) | (13,148) |
| **Balance at the end of the financial year** | **813,903** | **923,513** |
| Right of Use Assets Accumulated Depreciation | | |
| Bought forward / On initial recognition at 1st July 2019 | (713,870) | (203,825) |
| Termination of contract | 591,035 | (74,380) |
| Depreciation expense | (295,376) | (452,343) |
| Exchange difference | 1,056 | 16,678 |
| Balance at the end of the financial year | (417,155) | (713,870) |
| **Balance of Right Of Use Assets at the end of the financial year** | **396,748** | **209,643** |
| **Total property, plant and equipment** | **4,767,423** | **2,993,180** |

## 8. PLANT AND EQUIPMENT (Con't)

**Liabilities at the end of period in the relation to right of use assets are:**

| | 2021 $ | 2020 $ |
|---|---|---|
| Current Lease Liability | 279,816 | 207,419 |
| Non-Current Lease Liability | 115,221 | - |

**Amounts recognised in statement of profit or loss for the period in the relation to right of use assets and lease liabilities are:**

| | | |
|---|---|---|
| Depreciation Right of Use Assets | 295,376 | 452,343 |
| Interest Expense | 17,396 | 27,318 |

The lease payments totaling $319,288 (2020: $429,433) during the year are recorded in the statement of cashflow.

At initial recognition, the lease liability was measured as the present value of minimum lease payments using the Group's incremental borrowing rate of 4%. The incremental borrowing rates was based on the unsecured interest rate that would apply if finance was sought for an amount and time period equivalent to the lease requirements of the Group. Each lease payment is allocated between the liability and interest expense. The interest expense of $17,396 (2020: $27,318) was included in administration expenses in the consolidated statement of profit or loss and other comprehensive income. Lease payments during the year were $319,288 (2020: $429,433) including interest.

## 9. EXPLORATION AND EVALUATION EXPENDITURE

| | 2021 $ | 2020 $ |
|---|---|---|
| **Balance at the beginning of the financial year** | **288,037** | **284,013** |
| Exploration and evaluation expenditure | 7,160,950 | 5,293,410 |
| Written off as incurred (refer note 1(b)) | (7,160,950) | (5,293,410) |
| Purchase of tenements | - | 25,000 |
| Write off acquisition cost of disposed tenements | - | (30,613) |
| Foreign currency exchange movement in assets | (22,237) | 9,637 |
| **Balance at the end of the financial year** | **265,800** | **288,037** |

## 10. TRADE AND OTHER PAYABLES

| | 2021 $ | 2020 $ |
|---|---|---|
| **CURRENT PAYABLES** | | |
| Trade creditors | 2,232,050 | 748,998 |
| Accruals | 2,637,646 | 181,076 |
| Superannuation / PAYG payable | 98,235 | 56,986 |
| **Total trade and other payables** | **4,967,931** | **987,060** |

Trade liabilities are non-interest bearing and normally settled on 30-day terms.

## 11. PROVISIONS

| | 2021 $ | 2020 $ |
|---|---|---|
| Provision for annual leave | 386,737 | 307,995 |
| Provision for long service leave | 119,719 | 69,699 |
| **Total Provisions** | **506,456** | **377,694** |

## 12. ISSUED CAPITAL

| | 2021 $ | 2020 $ |
|---|---|---|
| Issued and fully paid | 130,184,218 | 64,567,257 |
| | **130,184,218** | **64,567,257** |

**(a) Issued and fully paid**

| | 2021 Number | 2021 $ | 2020 Number | 2020 $ |
|---|---|---|---|---|
| **Fully Paid Ordinary Shares** | **303,229,906** | **130,184,218** | **243,718,495** | **64,567,257** |

Movement Reconciliation

| ORDINARY SHARES | Date | Quantity | Issued Price | $ |
|---|---|---|---|---|
| **Balance 30 June 2019** | | **218,756,450** | | **54,109,311** |
| Exercise of unlisted options | 8/07/2019 | 23,810 | 0.42 | 10,000 |
| Exercise of unlisted options | 4/07/2019 | 476,190 | 0.42 | 200,000 |
| Exercise of unlisted options | 4/07/2019 | 250,000 | 0.35 | 87,500 |
| Exercise of unlisted options | 4/07/2019 | 476,190 | 0.42 | 200,000 |
| Exercise of unlisted options | 5/07/2019 | 23,810 | 0.42 | 10,000 |
| Exercise of unlisted options | 24/07/2019 | 150,000 | 0.35 | 52,500 |
| Exercise of unlisted options | 24/07/2019 | 250,000 | 0.35 | 87,500 |
| Exercise of unlisted options | 29/07/2019 | 140,000 | 0.35 | 49,000 |
| Exercise of unlisted options | 25/07/2019 | 100,000 | 0.35 | 35,000 |
| Exercise of unlisted options | 25/07/2019 | 100,000 | 0.35 | 35,000 |
| Exercise of unlisted options | 29/07/2019 | 200,000 | 0.35 | 70,000 |
| Exercise of unlisted options | 29/07/2019 | 100,000 | 0.35 | 35,000 |
| Exercise of unlisted options | 29/07/2019 | 250,000 | 0.35 | 87,500 |
| Exercise of unlisted options | 25/07/2019 | 110,000 | 0.35 | 38,500 |
| Exercise of unlisted options | 25/07/2019 | 100,000 | 0.35 | 35,000 |
| Exercise of unlisted options | 25/07/2019 | 300,000 | 0.35 | 105,000 |
| Exercise of unlisted options | 26/07/2019 | 50,000 | 0.35 | 17,500 |
| Exercise of unlisted options | 26/07/2019 | 100,000 | 0.35 | 35,000 |
| Exercise of unlisted options | 29/07/2019 | 50,000 | 0.35 | 17,500 |
| Exercise of unlisted options | 29/07/2019 | 100,000 | 0.35 | 35,000 |
| Exercise of unlisted options | 29/07/2019 | 50,000 | 0.35 | 17,500 |
| Placement | 21/11/2019 | 7,386,365 | 0.44 | 3,250,001 |
| Share Purchase Plan | 13/12/2019 | 14,106,318 | 0.44 | 6,206,780 |
| Landowner Sweden | 2/06/2020 | 69,362 | 0.34 | 23,583 |
| Less transaction costs | | | | (282,418) |
| **Balance 30 June 2020** | | **243,718,495** | | **64,567,257** |

## 12. ISSUED CAPITAL (Cont'd)

| ORDINARY SHARES | Date | Quantity | Issued Price | $ |
|---|---|---|---|---|
| Placement | 21/08/2020 | 20,000,000 | 0.50 | 10,000,000 |
| Placement for Consulting Fee | 21/08/2020 | 400,000 | 0.50 | 200,000 |
| Exercise of unlisted options | 10/11/2020 | 1,000,000 | 0.54 | 540,000 |
| Exercise of unlisted cashless options | 26/11/2020 | 147,959 | 1.96 | 289,999 |
| Placement | 21/12/2020 | 17,241,380 | 1.45 | 25,000,001 |
| Repayment of directors non-recourse loan | 13/01/2021 | - | - | 900,000 |
| Repayment of directors non-recourse loan | 18/01/2021 | - | - | 580,000 |
| Share Purchase Plan | 25/01/2021 | 20,722,072 | 1.45 | 30,047,004 |
| Less transaction costs | | | | (1,940,044) |
| **Balance 30 June 2021** | | **303,229,906** | | **130,184,218** |

(b) **Unlisted Share Options and Performance Rights**

At 30 June 2021, the Group had 12,900,000 ordinary shares under option or subject to performance rights (unlisted).

- 1,800,000 unlisted options with an exercise price of 51 cents expiring on 10 February 2022;
- 4,000,000 unlisted options with an exercise price of 71 cents expiring on 23 October 2022;
- 5,000,000 unlisted options with an exercise price of 1.12 dollars expiring on 31 December 2023;
- 2,100,000 performance rights with an exercise price of NIL dollars expiring on 31 December 2023.

### Capital Management

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital. There are no externally imposed capital requirements. The working capital position of the Group at 30 June 2021 is as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Cash and cash equivalents | 52,497,518 | 5,074,819 |
| Trade and other receivables | 2,723,793 | 328,934 |
| Financial assets | 585,000 | - |
| Prepayments | 37,570 | 57,524 |
| Trade and other payables | (4,967,931) | (987,060) |
| Lease liability | (279,816) | (207,419) |
| Provisions – employee entitlements | (506,456) | (377,694) |
| **Working capital position** | **50,089,678** | **3,889,104** |

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| (a) Unlisted option reserve | 10,333,866 | 8,207,645 |
| (b) Listed option reserve | 861,105 | 861,105 |
| (c) Foreign currency reserve | (143,283) | (113,706) |
| (d) Financial assets reserve | 35,000 | - |
| **Total reserves** | **11,086,686** | **8,955,044** |

## 13. RESERVES

### (a) UNLISTED OPTION RESERVE

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Balance at the start of the financial year** | **8,207,645** | **7,510,335** |
| Options and performance rights expense (note 26) | 2,126,220 | 697,310 |
| **Balance at the end of the financial year** | **10,333,866** | **8,207,645** |

The unlisted option reserve records funds received for options and performance rights issued and items recognised as expenses on valuation of share options and performance rights issued.

### (b) LISTED OPTION RESERVE

| | 2021<br>$ | 2021<br>$ |
|---|---|---|
| **Balance at the start of the financial year** | **861,105** | **861,105** |
| **Balance at the end of the financial year** | **861,105** | **861,105** |

### (c) FOREIGN CURRENCY RESERVE

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Balance at the start of the financial year** | **(113,706)** | **(133,687)** |
| Movement during the year | (29,579) | 19,981 |
| **Balance at the end of the financial year** | **(143,285)** | **(113,706)** |

### (d) FINANCIAL ASSET RESERVE

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Balance at the start of the financial year** | **-** | **-** |
| Movement during the year | 35,000 | - |
| **Balance at the end of the financial year** | **35,000** | **-** |
| **Total Reserves** | **11,086,686** | **8,955,044** |

## 14. ACCUMULATED LOSSES

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Balance at the beginning of the financial year** | **(66,279,920)** | **(52,866,606)** |
| Impact of change in accounting policy | - | 2,978 |
| Loss for the year | (19,893,911) | (13,416,292) |
| **Balance at the end of the financial year** | **(86,173,831)** | **(66,279,920)** |

## 15. CASHFLOW INFORMATION

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| **Reconciliation of cash flows from operating activities with loss after income tax** | | |
| Loss after income tax | (19,893,911) | (13,416,292) |
| **Non-cash flows in loss for the year:** | | |
| -Capital and R & D grants | - | (80,695) |
| -Depreciation expense - office and field equipment and right of use assets | 694,448 | 862,784 |
| -Lease interest | 17,396 | 27,318 |
| -Non operating revenue - sale of royalties | (800,000) | - |
| - COVID-19 income on rent relief | - | (39,705) |
| - Write off of exploration acquisition costs | 40,570 | 30,613 |
| - Share based payments | 2,416,220 | 697,310 |
| - Foreign exchange loss / (gain) | 12,052 | (20,175) |
| - Other non-cash items | (85,008) | - |
| **Changes in assets and liabilities** | | |
| - (Increase) / decrease in trade and other receivables | (2,394,859) | 440,665 |
| - Increase / (decrease) in trade and other payables | 3,980,873 | (902,308) |
| - (Increase) / decrease prepayments | 19,954 | (6,375) |
| - (Increase) / decrease in inventory | 556 | (1,348) |
| - Increase / (decrease) in provisions | 128,762 | 106,126 |
| **Net cash outflows from Operating Activities** | **(15,862,947)** | **(12,302,082)** |

**Cash proceeds from capital grants**

During 2020 the German subsidiary received $80,695 in grants. These are cash incentives provided by the German Federal Ministry for Economic Affairs and Energy to businesses investing in production facilities.

**Non-Cash Financing and Investing Activities**

There have been non-cash financing and investing activities for the 2021 financial year where 400,000 shares were issued in consideration of consulting fees and cashless exercise of options amounting to $289,999. In 2020 non-cash financing and investing activities 69,362 shares were issued in consideration of landowner access.

## 16. LOSS PER SHARE

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Net loss used in calculating the basic loss per share | (19,893,911) | (13,416,292) |
| | **Number** | **Number** |
| Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share | 279,700,583 | 234,223,208 |
| Basic loss per share (cents per share) | (7.1) | (5.7) |
| Diluted loss per share (cents per share) | (7.1) | (5.7) |

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 year.

## 17. KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Directors and Specified Executives

The names and positions held by Key Management Personnel in office at any time during the year are:

| Key Management Personnel | Position | Duration of Appointment |
|---|---|---|
| Terry Stinson | Non-Executive Chair | Appointed 8th February 2017 |
| Mark Thompson | Managing Director | Appointed 21st July 2009 |
| Grant Mooney | Non-Executive Director | Appointed 20th February 2014 |
| Stephen Lowe | Non-Executive Director | Appointed 17th December 2015 |
| Ola Rinnan | Non-Executive Director | Appointed 7th August 2017 |
| Andrew Willis | Non-Executive Director | Appointed 1st July 2018, resigned 17 July 2020 |
| Martin Phillips | Chief Operating Officer | Appointed 1st July 2017 |

### (b) Remuneration of Director and Key Management Personnel

The aggregate compensation paid to directors and other KMP of the Group and recognised as an expense during the reporting period is set out below:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Short-term employee benefits | 1,156,740 | 1,198,160 |
| Post-employment benefits | 67,826 | 84,952 |
| Share-based payments | 2,026,486 | 556,021 |
| **Total** | **3,251,052** | **1,839,133** |

### (c) Remuneration Options and Performance Rights: Granted and Vested during the year

The total expense recognised in the 2021 financial year for the options and performance rights issued to Key Management Personnel was $2,026,486 (2020: $556,021).

The fair value of options expensed for the year ended 30 June 2021 issued to Mr Thompson in a financial yearamounted to $1,045,880. The fair value of options expensed for the year ended 30 June 2021 issued to Mr Phillips in the financial year amounted to $213,224. The fair value of performance rights expensed for the year ended 30 June 2021 issued to Mr Stinson in the financial year amounted to $219,252. The fair value of performance rights expensed for the year ended 30 June 2021 issued to Mr Mooney in the financial year amounted to $182,710. The fair value of performance rights expensed for the year ended 30 June 2021 issued to Mr Lowe in the financial year amounted to $182,710. The fair value of performance rights expensed for the year ended 30 June 2021 issued to Mr Rinnan in the financial year amounted to $182,710.

During the year ended 30 June 2021, the value of options and performance rights granted to directors and Key Management Personnel was calculated applying the following inputs:

| | Mark Thompson | Martin Phillips | Terry Stinson | Non-executive Directors* |
|---|---|---|---|---|
| Exercise Price | $1.12 | $1.12 | Nil | Nil |
| Valuation Date | 12/11/2021 | 25/09/2020 | 12/11/2020 | 12/11/2020 |
| Expiry Date | 31/12/2023 | 31/12/2023 | 31/12/2023 | 31/12/2023 |
| Share Market Price at Grant Date | $1.735 | $0.825 | $1.735 | $1.735 |
| Expected Share Price Volatility | 104% | 104% | NA | NA |
| Risk Free Interest Rate | 0.11% | 0.18% | NA | NA |
| Valuation per Option / Right | $1.239 | $0.50 | $1.735 | $1.735 |

*Non-executive directors are Grant Mooney, Steve Lowe and Ola Rinnan.

## 17. KEY MANAGEMENT PERSONNEL COMPENSATION (Con't)

### (d) Related Party Transactions

No related party transactions occurred during the current or prior financial year.

## 18. AUDITOR'S REMUNERATION

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Amounts received or due and receivable by the auditors for: | | |
| Auditing and review of financial reports | 70,444 | 53,184 |
| Other services | - | - |
| **Total** | **70,444** | **53,184** |

## 19. COMMITMENTS

The Group does not have any minimum exploration or development commitments.

## 20. FINANCIAL INSTRUMENTS

**Financial Risk Management Policies**

The Group's financial instruments consist of deposits with banks, receivables, payables, and lease liabilities. No financial derivatives are held.

**Financial Risk Exposures and Management.**

The main risk the Group is exposed to through its financial instruments is interest rate risk.

**Interest Rate Risk**

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market by the major Australian Financial Institutions.

**Credit Risk Exposures**

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk to any single counterparty or any group of counterparties having similar characteristics. The credit risk on financial assets of the Group, which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

## 20. FINANCIAL INSTRUMENTS (Cont'd)

The credit quality of financial assets that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Trade and other current receivables** | | |
| Group 1 | 2,723,793 | - |
| Group 2 | - | 328,934 |
| Group 3 | - | - |
| **Total trade and other current receivables** | **2,723,793** | **328,934** |
| Cash at bank and short-term deposits | 52,497,518 | 5,074,819 |
| **Total cash at bank and short-term deposits** | **52,497,518** | **5,074,819** |

Group 1 – new customers (less than 6 months).
Group 2 – existing customers (more than 6 months) with no defaults in the past.
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short term deposits are held in financial institutions which must have a minimum AA2 rating.

i. Liquidity Risk

Liquidity risk is the risk that the Group might be unable to meet its financial liability obligations. The Group manages liquidity risk by monitoring forecast cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

ii. Net Fair Values

The net fair values of:
- Other financial assets and other financial liabilities approximate their carrying value.

iii. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

### Interest Rate Sensitivity Analysis

At 30 June 2021, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Change in loss | | |
| - Increase in interest rate by 100 basis points | 524,975 | 50,748 |
| - Decrease in interest rate by 100 basis points | (524,975) | (50,748) |
| Change in equity | | |
| - Increase in interest rate by 100 basis points | 524,975 | 50,748 |
| - Decrease in interest rate by 100 basis points | (524,975) | (50,748) |

## 20. FINANCIAL INSTRUMENTS (Cont'd)

| | Floating Interest Rate $ | Fixed Interest Rate $ | Non interest bearing $ | Total $ | Weighted average interest rate % |
|---|---|---|---|---|---|
| **2021** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 3,356,364 | 48,016,977 | 1,124,177 | **52,497,518** | 0.14 |
| Trade and other receivables | - | 20,900 | 2,702,893 | **2,723,793** | 0.06 |
| Security Deposit | | | 73,126 | **73,126** | - |
| Other financial assets | - | - | 585,000 | **585,000** | - |
| **Total financial assets** | **3,356,364** | **48,037,877** | **4,485,196** | **55,879,437** | - |
| **Financial Liabilities** | | | | | |
| Trade and other payables | - | - | 4,967,931 | **4,967,931** | |
| Lease Liability | - | 395,037 | - | **395,037** | |
| **Total financial liabilities** | **-** | **395,037** | **4,967,931** | **5,362,968** | |
| **2020** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 1,309,852 | 3,100,154 | 664,813 | **5,074,819** | 0.26 |
| Trade and other receivables | - | 20,900 | 363,270 | **384,170** | 1.20 |
| Other financial assets | - | - | - | **-** | - |
| **Total financial assets** | **1,309,852** | **3,121,054** | **1,028,083** | **5,458,989** | - |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | 987,060 | **987,060** | |
| Lease liabilities | - | - | 207,419 | **207,419** | |
| **Total financial liabilities** | **-** | **-** | **1,194,479** | **1,194,479** | |

iv. Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group conducts exploration and mining development activities in Sweden (transaction currency is SEK), product development in the United Kingdom (transaction currency is GBP) as well as Germany where the Group is developing a graphite/graphene pilot plant facility (transaction currency is EUR). The Group is subject to foreign currency value fluctuations in the course of its operations. To mitigate the Group's exposure currency rates are monitored regularly and funds are transferred to the foreign operations when rates are more favourable and also plans to curtail this impact by paying foreign currency invoices in a timely fashion.

At 30 June 2020 the parent has a loan receivable from Talga Mining Pty Ltd of SEK 67,275,948 (AUD 10,484,182), a loan receivable from Talga AB of SEK 49,776,854 (AUD 7,757,150), a loan receivable from Talga Battery Metals AB of SEK 3,590,902 (AUD 559,491), a loan receivable from Talga Technologies Limited of GBP 3,321,834 (AUD 5,946,714) and a loan receivable from Talga Advanced Materials GmbH of EUR 8,618,160 (AUD 14,102,670). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately $1,942,512.

At 30 June 2021 the parent has a loan receivable from Talga Mining Pty Ltd of SEK 67,328,733 (AUD 10,513,872), a loan receivable from Talga AB of SEK 95,618,898 (AUD 14,931,587), a loan receivable from Talga Battery Metals AB of SEK 3,922,272 (AUD 612,491), a loan receivable from Talga Technologies Limited of GBP 3,769,277 (AUD 6,942,858), a loan receivable from Talga Anode UK Limited of GBP 2,309,300 (AUD 4,253,638), and a loan receivable from Talga Advanced Materials GmbH of EUR 1,630,733 (AUD 2,580,274). A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately $1,991,736.

As at 30 June 2021, the Group had cash and cash equivalents denominated in foreign currencies amounting to AUD 1,103,277 (2020: AUD 643,914)

## 21. SEGMENT NOTE

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 three operating and four geographical segments, being graphite exploration and development in Sweden, graphite/graphene 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.

| 2021 | Sweden | Germany | United Kingdom | Australia | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **SEGMENT PERFORMANCE** | | | | | |
| Revenues from ordinary activities | 54,576 | 4,955 | 49,438 | - | **108,969** |
| Other Income | - | - | 2,411,030 | 1,025,846 | **3,409,091** |
| **Total segment revenue** | **54,576** | **4,955** | **2,460,468** | **1,025,846** | **3,518,060** |
| **Segment expense (including write offs)** | **(7,642,714)** | **(2,227,544)** | **(5,502,814)** | **(8,056,897)** | **(23,411,971)** |
| Reconciliation of segment result to net loss before tax | | | | | |
| Segment Result | | | | | (19,893,911) |
| Unallocated items | | | | | - |
| **Net loss before tax from continuing operations** | | | | | **(19,893,911)** |
| **SEGMENT ASSETS** | | | | | |
| **As at 30 June 2021** | | | | | |
| Segment assets as at July 2020 | 336,879 | 2,648,642 | 591,596 | 5,237,437 | **8,814,554** |
| Movement | | | | | |
| - Cash and cash equivalents | 627,224 | (46,124) | (121,737) | 46,963,336 | **47,422,699** |
| - Grant funding receivable | - | - | 1,660,874 | - | **1,660,874** |
| - Plant and equipment | 1,569,063 | 256,959 | (86,373) | 34,594 | **1,774,243** |
| - Exploration and evaluation expenditure | (22,237) | - | - | - | **(22,237)** |
| - Other | 78,845 | 20,542 | 620,699 | 596,279 | **1,316,365** |
| | **2,589,774** | **2,880,019** | **2,665,059** | **52,831,646** | **60,966,498** |
| Reconciliation of segment assets to total assets | | | | | |
| Other assets | | | | | - |
| **Total assets from continuing operations** | | | | | **60,966,498** |
| **SEGMENT LIABILITIES** | | | | | |
| Segment liabilities as at 30 June 2021 | 2,372,183 | 743,707 | - | 2,753,534 | **5,869,424** |
| Reconciliation of segment liabilities to total liabilities | | | | | |
| Unallocated items: | | | | | |
| - Provision | | | | | - |
| **Total liabilities from continuing operations** | | | | | **5,869,424** |

## 21. SEGMENT NOTE (Con't)

| 2020 | Sweden | Germany | United Kingdom | Australia | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **SEGMENT PERFORMANCE** | | | | | |
| Revenues from ordinary activities | - | - | 9,349 | - | **9,349** |
| Other Income | - | 80,695 | 861,405 | 240,781 | **1,182,881** |
| **Total segment revenue** | **-** | **80,695** | **870,754** | **240,781** | **1,192,230** |
| **Segment expense (including write offs)** | **(5,624,007)** | **(2,623,646)** | **(2,285,926)** | **(4,074,943)** | **(14,608,522)** |
| Segment Result | | | | | (13,416,292) |
| Unallocated items | | | | | - |
| **Net loss before tax from continuing operations** | | | | | **(13,416,292)** |
| **SEGMENT ASSETS** | | | | | |
| **As at 30 June 2020** | | | | | |
| Segment assets as at 1 July 2019 | 659,495 | 2,561,186 | 925,230 | 7,505,483 | **11,651,394** |
| Segment asset increases/(decreases)for the year: | | | | | |
| - Cash and cash equivalents | 30,389 | 67,312 | 291,324 | (2,981,069) | **(2,592,044)** |
| - Assets held for sale | - | 1,349 | - | - | **1,349** |
| - Inventory | 17,055 | 247,745 | 132,296 | 1,008 | **398,104** |
| - Plant and equipment | | | | | |
| - Exploration and evaluation expenditure | 4,023 | - | - | - | **4,023** |
| - Other | (374,083) | (228,950) | (757,254) | 712,015 | **(648,272)** |
| | **336,879** | **2,648,642** | **591,596** | **5,237,437** | **8,814,554** |
| Reconciliation of segment assets to total assets | | | | | |
| Other assets | | | | | - |
| **Total assets from continuing operations** | | | | | **8,814,554** |
| **SEGMENT LIABILITIES** | | | | | |
| Segment liabilities as at 30 June 2020 | 629,090 | 178,152 | 292,254 | 472,677 | **1,572,173** |
| Reconciliation of segment liabilities to total liabilities | | | | | |
| Unallocated items: | | | | | |
| - Other liabilities | | | | | - |
| **Total liabilities from continuing operations** | | | | | **1,572,173** |

## 22. SUBSEQUENT EVENTS

Other than as disclosed below, there has not been any other matter or circumstance occurring subsequent to the end of the financial year 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 years;

- 500,000 unquoted employee share options were issued with an exercise price of $1.93 expiring 4 July 2024
- 2,000,000 unquoted employee share options were issued with an exercise price of $2.16 expiring 14 September 2024; and
- Appointment of global Chief Financial Officer.

## 23. RELATED PARTIES

Related party transactions with management personnel are disclosed in Note 17.

## 24. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| **STATEMENT OF FINANCIAL POSITION** | **2021 $** | **2020 $** |
|---|---|---|
| **ASSETS** | | |
| Current assets | 52,036,900 | 5,413,659 |
| Non-Current assets | 118,851 | 18,032,410 |
| **TOTAL ASSETS** | 52,155,751 | 23,446,069 |
| **LIABILITIES** | | |
| Current liabilities | 2,803,506 | 472,679 |
| **TOTAL LIABILITIES** | **2,803,506** | **472,679** |
| **NET ASSETS** | **49,352,245** | **22,973,390** |
| **EQUITY** | | |
| Issued capital | 130,184,218 | 64,567,257 |
| Accumulated losses | (92,061,946) | (50,662,621) |
| Option Reserve | 11,229,973 | 9,068,754 |
| **TOTAL EQUITY** | **49,352,245** | **22,973,390** |

| **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | **2021 $** | **2020 $** |
|---|---|---|
| Net (loss) for the year | (41,399,325) | (12,692,367) |
| **Total comprehensive (loss) for the year** | **(41,399,325)** | **(12,692,367)** |

Talga Group Ltd has not entered into cross guarantees in relation to the debts of its wholly owned subsidiaries. There are no guarantee contingencies and subsequent events other than mentioned elsewhere in this report.

## 25. CONTROLLED ENTITIES

Talga Group Ltd has a 100% direct and indirect interest in the following subsidiaries:

| Name of Entity | Country of Incorporation | Percentage Owned (%) * | |
|---|---|---|---|
| | | 30 June 2021 | 30 June 2020 |
| Talga Mining Pty Ltd | Australia | 100% | 100% |
| Talga Advanced Materials GmbH | Germany | 100% | 100% |
| Talga Technologies Limited | United Kingdom | 100% | 100% |
| Talga Anode UK Limited** | United Kingdom | 100% | 0% |
| Talga Graphene AB | Sweden | 100% | 100% |

* Percentage of voting power is in proportion to ownership.
** Talga Anode UK Limited was incorporated from 21/10/20.

## 26. SHARE BASED PAYMENTS

The expense recognised for the financial year, including what is disclosed on note 17c for options and performance rights granted in previous and the current year was $2,416,220 (2020: $697,310). Share based payments for the financial year have been determined by allocating the grant date value on a straight line basis over the period from grant date to vesting date with the relevant proportion expensed for this financial year.

The following share based payment options and performance rights were granted during the year:

- Series 1– 4,000,000 options granted 12/11/20 & Series 2– 1,000,000 options granted 25/09/20
- Series 3 – 600,000 performance rights granted 12/11/20 & Series 4 – 1,500,000 performance rights granted 12/11/20

| | Series 1 | Series 2 | Series 3 | Series 4 |
|---|---|---|---|---|
| Grant date share price | $1.735 | $0.825 | $1.735 | $1.735 |
| Exercise price | $1.12 | $1.12 | N/A | N/A |
| Expected share price volatility | 104% | 104% | N/A | N/A |
| Option life | 3 years | 3 years | 3 years | 3 years |
| Risk free interest rate | 0.11% | 0.18% | N/A | N/A |
| Valuation per option/right | $1.239 | $0.50 | $1.735 | $1.735 |

All the above options and performance rights were granted and not vested during the financial year.

The following reconciles the outstanding share based payment options and performance rights granted at the beginning and end of the financial year:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number of options /rights | Weighted average exercise price $ | Number of options / rights | Weighted average exercise price $ |
| **Balance at beginning of financial year** | **9,800,000** | **0.56** | **15,362,983** | **0.53** |
| Options granted during the financial year | 5,000,000 | 1.12 | 4,000,000 | 0.71 |
| Rights granted during the financial year | 2,100,000 | - | - | - |
| Expired during the financial year | (2,800,000) | 1.02 | (6,162,983) | 0.70 |
| Exercised during the financial year | (1,200,000) | 0.55 | (3,400,000) | 0.37 |
| **Balance at end of the financial year** | **12,900,000** | **0.69** | **9,800,000** | **0.56** |
| **Exercisable at end of the financial year** | **1,800,000** | **0.51** | **4,700,000** | **0.54** |

The share based payment options and performance rights outstanding at the end of the financial year had a weighted average exercise price of $0.69 (2020: $0.56) and a weighted average remaining contractual life of 1.87 years (2020: 1.16 years).

## 27. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2021.

# DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 25 to 55, are in accordance with the Corporations Act 2001:

    (a) comply with Accounting Standards;

    (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

    (c) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Group.

2. The Chief Executive Officer and Chief Financial Officer have each declared that:

    (a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as andwhen they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Mark Thompson**
Managing Director

Perth, Western Australia
17 September 2021

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TALGA GROUP LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Talga Group Limited ("the Company") and its subsidiaries ("Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

We have defined the matter described below to be the key audit matter to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Stantons

| Key Audit Matters | How the matter was addressed in the audit |
| --- | --- |
| ***Valuation of Share Options and share based payment expense*** **(Refer to Note 26)**<br><br>The Company issued a number of share options and performance rights to directors and employees of the Group. In addition, the share-based payment expense includes the expense recognised for options granted in prior periods which had not fully vested in prior years.<br><br>The share-based payment expense for the year amounting to $2,416,220 includes $2,126,221 which relates to the amortisation of these options and performance rights which have not fully vested. In addition, share based payments expense includes $289,999 which relates to cashless options that were exercised during the year.<br><br>Option valuations and accounting for share-based payments was identified as a key audit matter because the expense recognised incorporates judgements in the valuation and expensing of the options over their vesting periods. The Group valued options using the Black-Scholes Option valuation model, where inputs such as volatility and risk-free rate require judgement. | Inter alia, our audit procedures included the following:<br><br>i. Comparing the terms of the options and performance rights granted during the year to Board minutes and other relevant documentation.<br><br>ii. We reviewed the inputs used in the models, including agreeing the grant date to supporting documentation; the underlying assumptions used and discussed with management the justification for inputs;<br><br>iii. We assessed the accounting treatment and its application in accordance with AASB 2; and<br><br>iv. We assessed whether the Group's disclosures met the requirements of the relevant accounting standard. |

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Stantons

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report**.**

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Report on the Remuneration Report

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Talga Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(An Authorised Audit Company)**

Stantons International Audit and Consulting Pty Ltd

**Samir Tirodkar**
Director

West Perth, Western Australia
17 September 2021