

Quarterly Activities Review

For period ending 30 June 2023

Battery and advanced materials company Talga Group Ltd (“Talga” or “the Company”) (ASX:TLG) is pleased to report its activities for the quarter ending 30 June 2023.

Vittangi Anode Project development

- Environmental permit approved for commercial battery anode refinery in Luleå
- Luleå Refinery land acquired and preparations for construction underway subsequent to quarter
- Growth of natural graphite Mineral Resource, including 71% expansion of Niska deposits
- Strategic land acquired at Vittangi mine site subsequent to quarter
- Nunasvaara South mine permit update

Commercial development

- European Investment Bank approves €150m debt funding to cornerstone project finance
- Continued due diligence and site visits towards finalising balance of debt finance consortium

Corporate and finance

- Battery anode products advance in customer qualification programs
- Market update
- Talga presenting and exhibiting at globally significant industry events
- Cash balance of A\$38.6 million as at 30 June 2023

Talga Managing Director, Mark Thompson, commented: *“This quarter saw Talga continue to deliver major accomplishments including environmental approval of the Luleå refinery as well as cornerstone financial support from the European Investment Bank. I, along with the entire Talga team, am excited to start the next stages of project development and breaking ground for the refinery. The European green transition is taking shape and Talga continues to prove it is a crucial part of making it a reality.”*

Commercial and project development

Environmental permit approved and in force for Luleå battery anode refinery

On 21 June 2023 the Swedish Land and Environment Court (“Court”) granted the environmental permit, including an execution order, for Talga’s 19,500 tonne per annum (“tpa”) commercial battery anode plant (“Refinery”) in Luleå, Sweden (ASX:TLG 22 June 2023).

The environmental permit included conditions consistent with Talga’s Vittangi Anode Project (“Project”) Detailed Feasibility Study (ASX:TLG 1 July 2021) and Refinery permit application.

Figure 1 Artist render of Talga’s battery anode refinery.



The decision was subject to a three-week appeals period, which ended after the quarter, in accordance with the Court’s statutory process. There were no appeals to the decision and the Refinery environmental permit is now in full legal force (ASX:TLG 17 July 2023). The building permits were granted by Luleå Municipality and went into force on 24 March 2023 after no appeals were filed.

Talga is targeting commencement of groundworks during the September 2023 quarter. Other early works, including anode equipment procurement and early detailed engineering, are underway.

Key land acquired in preparation for anode refinery construction, subsequent to quarter

Following the quarter, Talga announced the purchase of ~10 hectares of freehold land in the Luleå Industrial Park for construction of the anode refinery (ASX:TLG 17 July 2023). The land was acquired by the Company’s wholly owned subsidiary, Talga AB, from Luleå Municipality for 16.5 million Swedish krona (approximately A\$2.2 million).

The Company has also secured an agreement with regional grid operator Luleå Energi for the allocation and connection of 40 MW of electricity to the Refinery. This is sufficient power to support the initial 19,500tpa battery anode production. Talga is currently commencing related price negotiations for electricity supply with local green energy providers utilising the area’s sustainable hydropower and wind resources. An existing 8MW allocation and connection is available for construction activities and early commissioning of the Refinery.

Figure 2 Land cleared at Refinery site at Luleå Industrial Park (L); electrical substation under construction (R).



European Investment Bank approves €150m debt funding for Vittangi Anode Project

The European Investment Bank (“EIB”) board of directors approved €150 million in senior loan financing to underpin funding of Talga’s Vittangi Anode Project (ASX:TLG 20 June 2023). As the European Union’s financing arm, the EIB is one of the world’s largest providers of climate finance. The EIB’s approval follows extensive project due diligence, including market, technical, environmental and social due diligence.

The EIB and Talga are now advancing loan documentation which includes customary terms and conditions for a financing facility of this type. The signature and disbursement of the loan by the EIB will be subject to final negotiations and fulfilment of EIB conditions.

Talga is targeting Project debt gearing of up to 60% and the EIB’s funding forms part of the debt financing package being finalised with a number of leading commercial banks, export credit agencies and international financial institutions.

Proposed financiers attended a two-day site visit in June with Talga and BurnVoir Corporate Finance (Talga’s financial adviser) to further progress their due diligence. The site visit included a tour of the EVA plant, Refinery site and infrastructure in Luleå, as well as graphite ore stockpiles and mining project at Vittangi. Talga aims to finalise the composition of the financing syndicate and obtain credit approved commitments in the coming months. Indications of credit appetite from proposed financiers exceeds Talga’s target debt requirement.

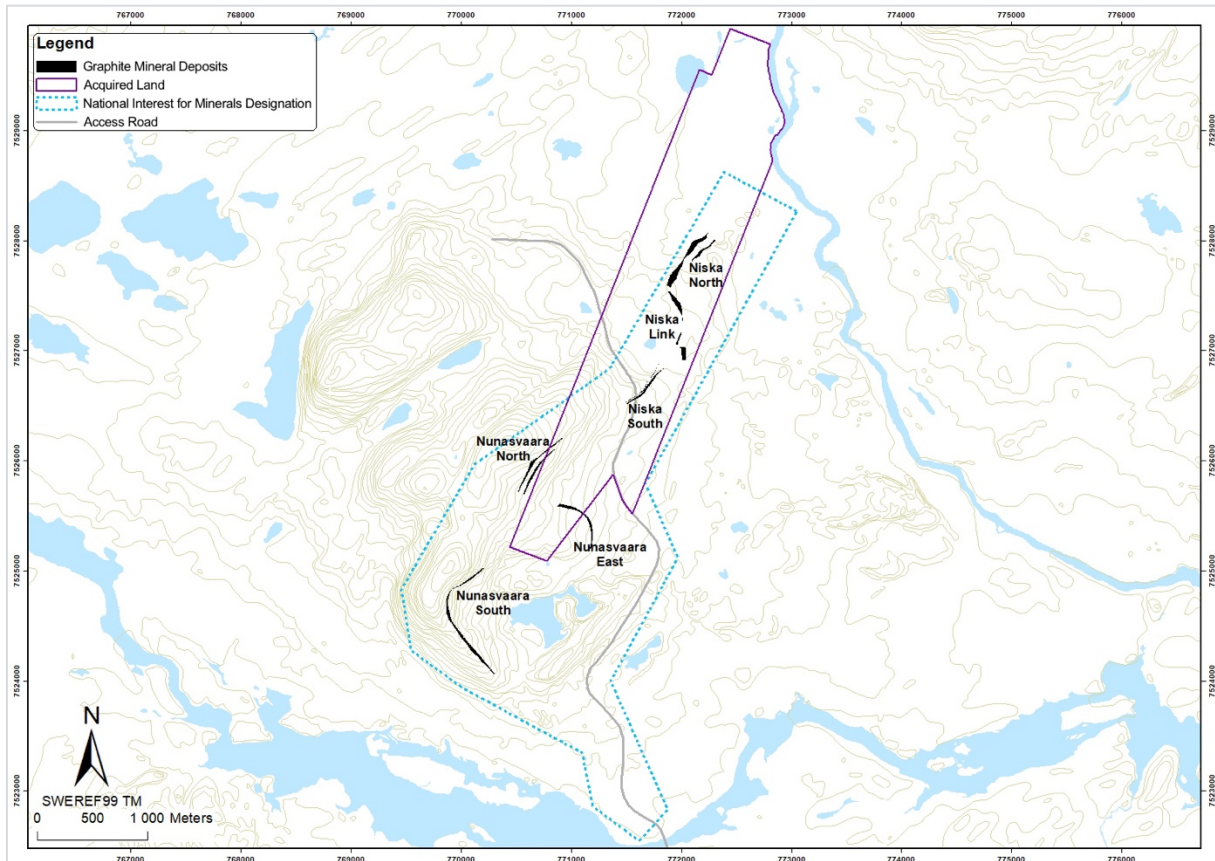
Figure 3 Financier site visits to Vittangi graphite ore storage at Svappavaara (L); and EVA Plant in Luleå (R).



Vittangi land acquisition and Nunasvaara South mine permit update

Subsequent to the quarter, Talga completed a strategic freehold land acquisition agreement over a substantial portion of the Vittangi Graphite Project in Sweden. The land title resides 100% in Talga’s wholly owned subsidiary, Talga AB. Completion of the acquisition included the issue of 120,000 fully paid ordinary shares pursuant to the Company’s 15% placement capacity under ASX Listing Rule 7.1.

Figure 4 Map showing acquired land in relation to Talga’s graphite deposits within the Vittangi Project and the area designated as National Interest for Minerals.



The statutory permitting process is ongoing for the Company’s Nunasvaara South natural graphite mine environmental and Natura 2000 permit, which was granted by the Swedish Land and Environment Court on 5 April 2023 (ASX:TLG 6 April 2023).

The Swedish Land and Environment Court of Appeal ("Court of Appeal") was expected to provide a decision on 14 June 2023 whether any parties have been granted or denied leave to appeal. However, the Court of Appeal has not yet notified the Company of its decision and Talga will update the market once the Court of Appeal has completed and announced its decision.

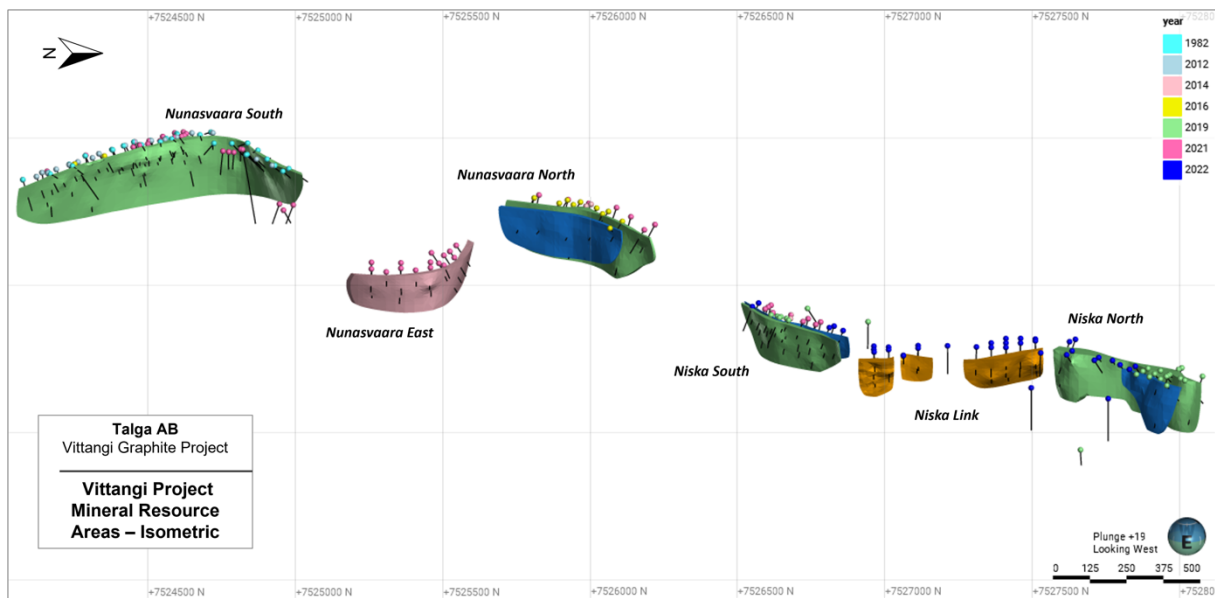
Talga grows Vittangi Graphite Mineral Resource

Talga drilling in 2022 enabled the Vittangi Graphite Project Global Mineral Resource to be expanded in a new estimate to 36.9 million tonnes ("Mt") of graphite ore at 23.1% graphite ("Cg") at an 11% Cg cut-off grade (ASX:TLG 3 April 2023). The resource upgrade included a 71% increase in tonnage of the Niska graphite Mineral Resource.

Vittangi remains the largest and highest-grade graphite deposit in Europe, and its resources all remain open along strike and depth.

The growth in the Company’s graphite mineral resources will underpin potential expansion pathways to anode production beyond the 100,000tpa outlined under the Vittangi Anode Project (ASX:TLG 1 July 2021) and Niska expansion (ASX:TLG 7 December 2020).

Figure 5 Vittangi Graphite Project resources defined to date.



The Company staked three new tenements during the quarter to consolidate graphite at the Raitajärvi and Jalkunen projects, and to cover potential extensions of lithium-bearing pegmatites at Aitik East. These acquisitions relate to Talga’s value-accretive exploration strategy and advancement of its graphite and critical mineral battery metal projects.

Corporate and finance

Battery anode products advance in customer qualification programs

During the period, Talga successfully advanced its main anode products through battery cell and OEM customer qualification programs. This includes detailed negotiations for binding offtakes as part of project development, financing, and ongoing progress with additional Talnode®-C customers.

Talnode®-Si, the Company’s silicon anode product, has been performing well with customers and generating interest as a genuinely scalable, commercially compelling form of silicon anode technology. The pilot plant in Talga’s German facilities is operating successfully and providing invaluable data for scale-up engineering and commercial plant design. The Company is seeking state and customer funding support to underwrite any potential development decision.

Market update

Global EV sales in Q1 2023 increased by 27% year-on-year, to nearly 2.6 million units, despite a decline compared to Q4 2022. The 2023 full year forecast is 13.9 million units¹. Natural graphite feedstock and anode prices decreased during the quarter due to current inventory levels of anode manufacturers and subsidy-impacted Chinese EV demand, as well as a decrease in synthetic prices

¹ Rho Motion Q2 2023 Battery Outlook

out of China due to reduced feedstock and production costs. This represents a short-term softness in the market with indications that -100 mesh natural graphite (the preferred small flake size for anode production) is expected to enter a supply shortage in the near future. Talga’s coated anode pricing is negotiated under longer term contracts that are not impacted by the current short term raw material markets.

The European Council adopted new battery regulations in July, including a requirement that manufacturers disclose the carbon footprint of their products. During the quarter, additional progress was made on the Green Deal Industrial Plan, which includes the key Critical Raw Materials Act, the Net-Zero Industry Act and the reform of the electricity market.

Talga believes that with increasing emission regulations, disclosures and potential tariffs on imported synthetic graphite, natural graphite remains on track for substantial demand growth in batteries. As a leading low-emission anode manufacturer, the Company is receiving increased interest from battery anode suppliers seeking to blend or co-develop natural graphite anodes for greener batteries.

Talga presenting and exhibiting at globally significant industry events

- RIU Sydney Resources Round Up, 9 to 11 May 2023, Sydney, Australia
- The Battery Show, 23 to 25 May 2023, Stuttgart, Germany
- Talga Investor Webinar, 30 May 2023, online
- EU-US Trade and Technology meeting, 30 to 31 May 2023, Luleå, Sweden
- Macquarie Critical Minerals Forum, 28 June 2023, Perth, Australia
- European Australian Business Council Mission, 29 to 30 June 2023, Stockholm, Sweden
- Kirunafestivalen, 29 June to 1 July 2023, Kiruna, Sweden

Figure 6 Talga staff with EU Commissioners and Swedish Ministers, at EU-US Trade and Technology Council, Sweden (top); and RIU Resources Roundup, Australia (bottom L); and Battery Show Stuttgart (bottom R).



Tenement Interests

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

Financial

Talga ended the June quarter with A\$38.6 million cash-in-bank and was capitalised at ~A\$535.7 million based on closing price on 30 June 2023. The Company has 360.8 million quoted ordinary shares and 12.4 million unlisted options/performance rights on issue.

ASX Appendix 5B, Section 6

Payments to related parties of the entity and their associates: during the quarter \$232,000 was paid to Directors and associates for salaries, superannuation and consulting fees.

Authorised for release by the Board of Directors of Talga Group Ltd.

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About Talga

Talga Group Ltd (ASX:TLG) is building a European battery materials supply chain to offer products critical to the green transition. Talga's innovative technology and vertical integration of 100% owned Swedish graphite resources provides security of supply and creates additional value for stakeholders. Website: www.talgagroup.com

No New Information

To the extent that announcement contains references to prior technical information, exploration results and mineral resources; these have been cross referenced to previous market announcements made by the Company. These had been disclosed to JORC 2012 standard. Unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements that assumptions and technical parameters underpinning the relevant market announcement continue to apply and have not materially changed.

Forward-Looking Statements & Disclaimer

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

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

Appendix 1: Tenement Holdings

| Project/location | Tenements | Interest at end of quarter | Acquired during quarter | Disposed during quarter |
|---|--------------------|----------------------------|-------------------------|-------------------------|
| Aitik East Project Norrbotten County, Sweden | Suorravaara nr 3 | 100% | | |
| | Sourravaara nr 5 | 100% | 100% | |
| Jalkunen Project Norrbotten County, Sweden | Jalkunen nr 1 | 100% | | |
| | Jalkunen nr 4 | 100% | 100% | |
| Kiskama Project Norrbotten County, Sweden | Kiskama nr 1 | 100% | | |
| Masugnsbyn Project Norrbotten County, Sweden | Masugnsbyn nr 102 | 100% | | |
| Raitajärvi Project Norrbotten County, Sweden | Raitajärvi nr 5 | 100% | | |
| | Raitajärvi nr 7 | 100% | 100% | |
| Vittangi Project Norrbotten County, Sweden | Nunasvaara nr 2 | 100% | | |
| | Nunasvaara nr 3 | 100% | | |
| | Vathanvaara nr 102 | 100% | | |
| | Vittangi nr 2 | 100% | | |
| | Vittangi nr 6 | 100% | | |
| Pajala Project Norrbotten County, Sweden | Lautakoski nr 5 | 100% | | |

Appendix 5B

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

Name of entity

Talga Group Ltd

ABN

32 138 405 419

Quarter ended ("current quarter")

30 June 2023

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|---|----------------------------|--|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | 5 | 225 |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation ⁽ⁱ⁾ | (3,466) | (15,614) |
| | (b) development ⁽ⁱⁱ⁾ | (2,889) | (6,484) |
| | (c) qualification plant production ⁽ⁱⁱⁱ⁾ | (1,035) | (6,818) |
| | (d) staff costs - corporate | (949) | (3,783) |
| | (e) administration and corporate costs | (1,709) | (5,806) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 372 | 584 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government R&D grants and tax incentives | 96 | 771 |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (10,220) | (36,925) |

| | | | |
|-----------|---|---------|---------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | (2,828) | (6,395) |
| | (d) exploration & evaluation | - | - |
| | (e) investments | - | - |
| | (f) other non-current assets | - | - |

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

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|---|----------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (2,829) | (6,395) |

| | | | |
|-------------|---|-----------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 72,110 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | 65 | (3,206) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 65 | 68,904 |

| | | | |
|-----------|--|----------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 51,581 | 13,013 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (10,220) | (36,925) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (2,829) | (6,395) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 65 | 68,904 |

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

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|---|------------------------------------|---|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 38,597 | 38,597 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 880 | 1,046 |
| 5.2 | Call deposits | 37,717 | 50,535 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 38,597 | 51,581 |

Notes

- (i) Exploration and evaluation includes Sweden trial mining, technical & FEED studies, and exploitation permitting costs.
- (ii) Development includes UK product development and German test facility operations.
- (iii) EVA plant anode sample production costs.

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|-----------|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 232 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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

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

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |
| 7.5 Unused financing facilities available at quarter end | | - |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (10,294) |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | - |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2) | (10,294) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 38,597 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 Total available funding (item 8.4 + item 8.5) | 38,597 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 3.75 |
| <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | |
| 8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| 8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| Answer: | |
| 8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: | |
| 8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? | |
| Answer: | |
| <i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i> | |

Compliance statement

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

Date: 25 July 2023

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

Notes

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