

QUARTERLY ACTIVITIES REVIEW

FOR THE PERIOD ENDING 31 DECEMBER 2019

Talga Resources Ltd

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Corporate Information

ASX Codes **TLG**

Shares on issue **243.6m**

Options (unlisted) **14.8m**

Company Directors

Terry Stinson

Non-Executive Chairman

Mark Thompson

Managing Director

Grant Mooney

Non-Executive Director

Stephen Lowe

Non-Executive Director

Ola Mørkved Rinnan

Non-Executive Director

Andrew Willis

Non-Executive Director

Battery anode and graphene additives provider Talga Resources Ltd (**ASX:TLG**) (“**Talga**” or “**the Company**”) is pleased to report its activities for the quarter ending 31 December 2019.

Highlights of the December 2019 quarter activities included:

COMMERCIAL & PRODUCT DEVELOPMENT

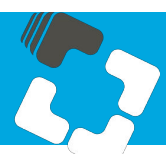
- Initiated development of graphite-based anode for solid state batteries, Talnode®-E, under Innovate UK co-funded Faraday Challenge consortium
- Memorandum of Understanding signed with Swiss battery specialist Leclanché SA
- Progress in the scale-up of Talnode®-C market sample production to support anode customer programs and product qualification
- Joint Development Agreement executed with Swedish multinational paper and paperboard company BillerudKorsnäs for Talphene™ graphene in large-scale packaging application
- Completed world’s largest single application of graphene as part of commercial scale trials of Talcoat™ on two 33,000 tonne ocean going cargo vessels
- Receipt of European Union REACH approval for graphene manufacture

MINERAL PROJECT DEVELOPMENT & EXPLORATION

- Maiden JORC Mineral Resource Estimate for the Company’s 100% owned Niska graphite deposit expands Vittangi project scale and development options in north Sweden
- Vittangi Graphite Anode Project Permitting and DFS continued to progress

CORPORATE & INVESTOR RELATIONS

- Macquarie Capital Europe appointed as financial adviser for project financing and strategic investment processes in relation to Talga’s Swedish Anode Project
- Completion of an oversubscribed Institutional Placement and a Share Purchase Plan
- Cash balance of A\$11.0 million as at 31 December 2019



COMMERCIAL AND PRODUCT DEVELOPMENT

Solid State battery anode

During the period under review Talga confirmed it will develop an anode for solid-state batteries with consortia partners Johnson Matthey and Sheffield University under a new Faraday Battery Challenge project where approximately 70% of Talga's development costs will be co-funded by Innovate UK (ASX:TLG 2 Oct 2019).

The new anode, Talnode®-E, will use cutting edge graphite material to provide a viable alternative to using metallic lithium as the anode in solid state batteries.

This aims to lower costs, solve a variety of chemical and lifetime issues and increase manufacturing safety to enable faster commercialisation of these next generation batteries which are in growing demand from transport markets.

Anode MoU signed with Swiss Battery maker Leclanché

Switzerland-based Leclanché SA, a leading provider of high-quality energy storage solutions, signed a Memorandum of Understanding during the quarter under which Leclanché will evaluate Talga's Talnode® products (ASX:TLG 8 Oct 2019).

The intent of the co-operation is to develop commercial products for the lithium-ion battery industry. Leclanché is currently supplying a variety of electric public transport sectors with battery power including ferries and has a joint venture with Exide corporation regarding starting battery production in India.

Trials under the MoU are expected to run into Q2 2020 and the agreement includes indicative pricing for various volumes of Talnode supply, both during the trials and over the following three years

Managing Director, Mr Mark Thompson: *"We see 2020 as a step-change year for Talga. We are focused on delivering the necessary project milestones to make the transition from project developer to integrated anode producer, and the customer and finance relationships emerging to accomplish this goal.*

Strategically, our anode product will be arriving at market just as battery demand accelerates and matures in Europe. As we then scale-up to the larger Stage 2 operation, with significant and sustainable revenues, we plan to emerge as a cornerstone supplier into global markets.

The December quarter achievements have progressed this plan to deliver the vertically integrated graphite mining, processing and refining capability outlined in the PFS."

Figure 1. Talnode® battery anodes undergoing in-house development at Talga UK, Cambridge.

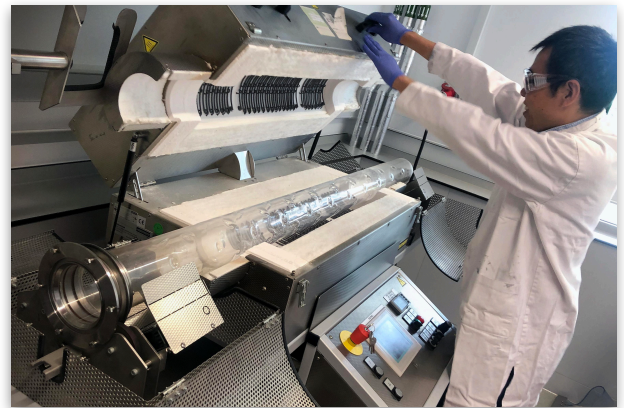


Figure 2. Talga's Lithium-ion battery anode product Talnode®-C during processing.



Scale-up of Talnode®-C market sample production progressing

Talga's well established test process facility, favourably located in Rudolstadt Industrial Estate in Germany's Thuringia region, is central to Talga's current stage of project and product development. It enables the development and protection of proprietary process technology and know-how as well as produce graphene additives and anode samples for evaluation.

Part proceeds from the highly successful capital raising completed during the period are going towards the scale-up of the Rudolstadt facility to add Talnode®-C process capacity and coating capability, debottlenecking the production of samples for delivery into customer qualification programs. Some key equipment has been procured and installed during the quarter, and longer lead time items have been ordered.

The addition of several new and large automotive electric vehicle (EV) customers to Talga's commercial register has driven the requirement to provide more advanced samples for testing, increased industry quality standards (high ISO standards and Six Sigma type quality operations) and most importantly, the need for samples to be sourced from larger production scale equipment. The Company is reviewing its options to more rapidly service the particular demands of the automotive customers.

Figure 3. Talga's test processing facility in Rudolstadt, Germany.



Figure 4. Flotation concentrate of Vittangi graphite ore during 60 tonne pilot process program.



Graphene JDA executed with Swedish multinational BillerudKorsnäs

Talga executed a Joint Development Agreement (“JDA”) with Swedish multinational paper and paperboard company BillerudKorsnäs as a framework to continue development of Talga’s functionalised graphene additive product, Talphene®, for BillerudKorsnäs fibre and board packaging products.

Mark Thompson: “We are excited to successfully continue this development with Billerudkorsnäs. The global paper and board markets consume over 400 million tonnes annually with over half that being in packaging products. The application of graphene in this market is a worthy investment towards better performing and more sustainable products required in the world today.”

Terms of the JDA include ongoing co-development and validation of improved packaging technology incorporating Talphene, potential commercialisation terms, intellectual property ownership and facilitation of commercialisation through BillerudKorsnäs’ global industrial clients (ASX:TLG 24 Oct 2019). BillerudKorsnäs has an annual turnover of approximately USD\$2.5 billion with production units in Sweden, Finland and the UK supplying 2 000 customers, including packaging manufacturers, brand owners and large retail and supermarket chains, across more than 100 countries.

World’s largest single graphene application

During the period Talga successfully delivered on scaling up its graphene additives development, with the commencement of two commercial scale trials of Talga’s graphene enhanced maritime primer coating, Talcoat™, on 33,000t container ships.

This followed completion of highly successful in-house development and is believed to be the world’s largest single application of graphene.(ASX:TLG 4 Nov 2019).

The large-scale application is part of the commercialisation process and demonstrates the advanced and large scale nature of Talga’s graphene products and technology. Furthermore, the creation of a site dispersible additive as a performance booster for existing coatings can be considered a game-changer for enabling the adoption of graphene into retail consumer products (ASX:TLG 17 Dec 2019).

Talga Graphene REACH Registration

During the quarter, Talga received approval from the European Chemicals Agency (ECHA), under the European Union’s Registration, Evaluation, Authorisation and Restriction of Chemicals (“REACH”) regulations to manufacture the current legislated maximum of up to 10 tonnes of graphene (EC number 801-282-5) per annum.

Figure 6. Commercial scale application of Talcoat™ graphene enhanced marine primer.



Figure 5. Paper packaging products of Swedish multinational BillerudKorsnäs.



MINERAL PROJECT DEVELOPMENT AND EXPLORATION

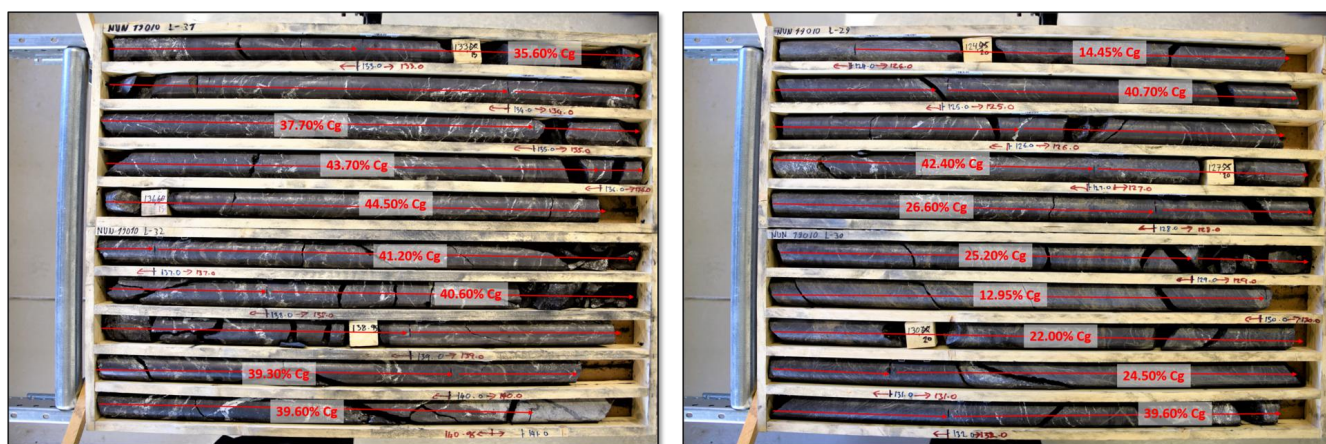
Maiden JORC Mineral Resource Estimate for Niska graphite deposits – Vittangi Project

The completion of a maiden Niska JORC (2012) Indicated resource of 4.6Mt @ 25.8% Cg (10% cut-off) expanded the Vittangi Project's total resource base to 16.9Mt @ 25.6% Cg. The newly defined deposits remain open and are characterised by grades slightly higher than Nunasvaara South across greater widths, exceeding 80m width at Niska North.

The new resources take Talga's total high grade global JORC graphite resource inventory in Sweden to 9.3Mt contained graphite (ASX:TLG 15 Oct 2019), further strengthening Talga's position as the largest European source of natural graphite for Li-ion battery anode material and graphene additives.

Metallurgical and anode product testwork are underway, as steps to complete a preliminary economic study ("scoping study") for Niska in the second quarter 2020 and towards development permitting.

Figure 7. Drillcore from NUN19010 annotated with graphitic carbon assays from 124-140m downhole.



Permitting and DFS Progress

The application for Stage 1 mining at Vittangi, submitted to Swedish authorities during the September 2019 quarter, is currently undergoing the approvals process and is on track for decision in the first quarter of the 2020 calendar year - in line with the outlined development timeline for the Vittangi graphite anode project.

The permitting process for Talga's Stage 1 anode refinery at Luleå commenced during the previous period and is progressing, with confirmation received from the Municipality that the requested land allocation in the planned smart industrial park has been approved. Re-zoning of the site is being undertaken by the Municipality, a necessary step required before permitting of industrial activities can be processed.

The Luleå site, located within the smart industrial park being developed near the city's port, is favourably located to take advantage of north Sweden's sustainable low cost, low CO2 energy. Talga intends to harness the same 'green energy' which has attracted multinationals such as Microsoft and Facebook, who have built large energy intensive data-centres in Luleå, to produce the market's most sustainable Li-ion anode products.

Simultaneously the Stage 1 definitive feasibility study is progressing, with testwork including a successful scale up of processing flowsheet with a pilot scale program of 60 tonnes graphite ore being completed subsequent to the period (ASX:TLG 30 Jan 2020).

Tenement Interests

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

CORPORATE AND INVESTOR RELATIONS

Macquarie appointed corporate advisor

During the quarter Talga appointed Macquarie Capital (Europe) as its financial adviser focusing on engaging strategic partners and investors in regard to financing for the Vittangi Graphite Anode Project (ASX:TLG 10 Oct 2019).

Institutional Placement and Shareholder Purchase Plan

During the quarter Talga completed an oversubscribed capital raising comprising a A\$3.25 million placement to targeted institutional and sophisticated investors at a price of A\$0.44 per share (ASX:TLG 15 Nov 2019 and 21 Nov 2019).

Parallel to the placement the Company offered eligible Talga shareholders the opportunity to participate in a Share Purchase Plan ("SPP"). Upon completion of the SPP the Company had received valid applications totaling approximately A\$6.2 million, well exceeding the discretionary target of A\$3.0 million, and in acknowledgement of the strong shareholder support the Talga Board elected to accept all oversubscriptions (ASX:TLG 15 Nov 2019 and 10 Dec 2019).

The successful completion of the SPP and the institutional placement raised a combined total of approximately A\$9.45 million (before costs) towards funding the Company's development preceding planned initial project financing for the Vittangi Graphite Anode Project (ASX:TLG 13 Dec 2019).

Outreach

As part of the Company's ongoing marketing program Talga's senior personnel participated in a number of global industry events including: The Benchmark Minerals Week Graphite & Anodes event and the IDTechEx Show in California, US, the Fennoscandian Exploration and Mining conference in Levi, Finland and the Graphene Marketplace in Modena, Italy. Presentations delivered at Benchmark Minerals Week and the IDTechEx Show are available on Talga's website.

Talga's Managing Director, Mark Thompson, provided a company update via a podcast interview on the 23 October 2019. The podcast can be accessed via the Company's website.

On 25 November 2019 Talga delivered a live video webinar for investors. A recording of the webinar is available on the Company's website.

Figure 8. Swedish GM Anna Utsi presenting at the FEM conference in Finland.

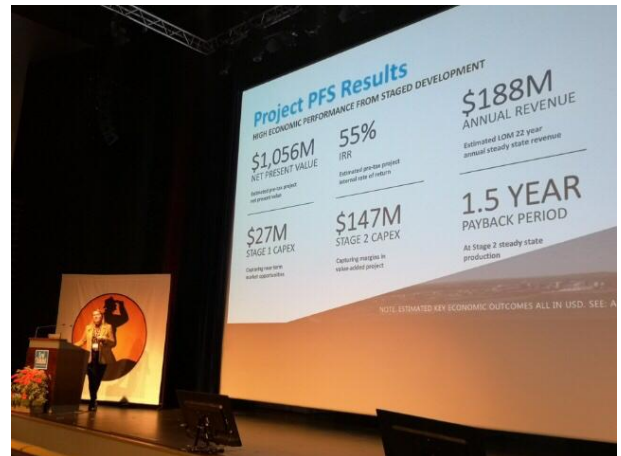


Figure 9. Talga Senior Material Scientist Dr Aneja with Professor Sir Kostya Novoselov.



During the period under review Talga became a member of several key working groups of the BatteRies Europe forum, financed by the European Commission, that connects relevant stakeholders in the European batteries research and innovation ecosystem to develop and support a competitive battery value chain in Europe. BatteRies also acts as coordinator of several other battery-related initiatives including the European Battery Alliance, EIT Raw Materials and EARPA (European Automotive Research Partners Association).

Talga's group 'WG2 Raw Materials & Recycling' is addressing raw materials supply including recycling to support the growing European Battery industry and the 'WG3 Advanced Materials' group supports research and innovation in material development deployable in the short to medium term between materials producers and battery cell manufacturers.

During the quarter Talga also became a member of the Swedish metals research institute – Swerim and the Swedish industry association of mines, mineral and metal producers - Svemin.

Upcoming investor outreach activities include: The Paydirt Battery Minerals event on 4-5 March in Perth, Australia, the NACE Corrosion Conference on 15-19 March in Houston, US, the Graphene2020 event on 25-27 March in Seoul, Korea and the Battery Megafactories 2020 Europe event on 17-18 June in Berlin, Germany.

Financial

Talga closed out the 2019 December quarter with A\$11.0 million cash-in-bank and at the close of the ASX on 31 December 2019, the Company was capitalised at ~A\$123 million. Currently the Company has 243,649,133 quoted ordinary shares and 14,800,000 unlisted options on issue.

For further information, visit www.talgaresources.com or contact:

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About Talga

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

