

QUARTERLY ACTIVITIES REVIEW

FOR THE PERIOD ENDING 30 JUNE 2020

Talga Resources Ltd

ABN 32 138 405 419

1st Floor, 2 Richardson St,
West Perth 6005
Australia

T: +61 8 9481 6667

F: +61 8 9322 1935

www.talgagroup.com

Corporate Information

ASX Codes **TLG**

Shares on issue **243.7m**

Options (unlisted) **9.8m**

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 company Talga Resources Ltd (**ASX:TLG**) (“**Talga**” or “**the Company**”) is pleased to report its activities for the quarter ending 30 June 2020.

June 2020 quarter activities included:

COMMERCIAL & PRODUCT DEVELOPMENT

- Battery anode agreement with Farasis Energy
- Talnode®-C customer interest exceed 300% of planned annual production
- Forecast demand drive consideration of significant anode capacity expansion in Niska Scoping Study
- Talga in Bentley Motors electric drive project

MINERAL PROJECT DEVELOPMENT & EXPLORATION

- Swedish National Interest supports Vittangi Graphite Project development
- Full scale (Stage 2) mining applications submitted for Vittangi Anode Project
- Stage 1 feasibility studies set for completion

CORPORATE & INVESTOR RELATIONS

- Talga graphene and battery anode webinar participation
- COVID-19 measures continue
- Cash balance of A\$5.1 million as at 30 June 2020

Managing Director, Mr Mark Thompson: *“We are delighted to advance our commercial relationship with Li-ion battery manufacturer Farasis, who are in a strategic partnership as supplier to Mercedes-Benz, and continue to deepen Talga’s engagement with battery producers and end users attracted to our EU-local and low CO₂ anode production potential.*”

While the period was marked by the impact of COVID-19, our dedicated team never stopped performing and continued to deliver commercial progress across all our product lines. Most notable is the significant expressions of interest in our Li-ion battery anode products and the solid progress we have made towards becoming Europe’s largest anode producer, perfectly positioned on the doorstep of the world’s fastest growing EV market.

In the next quarter we will continue to advance partnerships to support the development and financing of the Vittangi project, and complete a range of studies to map out its larger scale production potential in step with our customer demands.”



COMMERCIAL AND PRODUCT DEVELOPMENT

Battery anode agreement with Farasis Energy

Farasis Energy Europe GmbH, a subsidiary of lithium-ion battery manufacturing group Farasis Energy (“Farasis”), and Talga executed an agreement during the quarter ([ASX:TLG 27 May 2020](#)). Under the agreement Farasis will evaluate Talga anode products in their lithium-ion (“Li-ion”) batteries and the parties will assess potential business development opportunities, primarily in Europe.

With global electric vehicle (“EV”) battery demand set to grow 14-fold by 2030¹, there is an increasing number of manufacturers and automotive OEMs establishing partnerships to lock down Li-ion battery supply chains. In a recent press release², Mercedes-Benz announced a strategic partnership with Farasis to secure Li-ion battery cells for its automotive electrification strategy. The announcement outlined Farasis’ plans to build a Li-ion battery production plant in Germany, designed to be CO₂-neutral, to meet the increasing demand from Mercedes-Benz.

The unprecedented growth in demand for Li-ion batteries in Europe, largely driven by the expanding EV fleets of local automotive manufacturers, has increased the demand for sustainable and locally sourced battery materials. According to Benchmark Minerals, Talga is currently the only announced anode production planned in Europe over the next 10 years³.

Talga looks to expand battery anode capacity

Talga continues to engage directly with Li-ion battery manufacturers and OEMs towards purchase agreements for its planned Talnode[®]-C production in northern Sweden.

As reported during the quarter, commercial samples of Talnode are progressing through qualification processes under 36 active customer engagements. These engagements include the majority of announced Li-ion battery manufacturers in Europe (see Figure 1) and six of the world’s major automotive OEMs ([ASX:TLG 24 June 2020](#)). Expressions of interest received exceed 300% of the annual 2023 production capacity proposed in the Company’s Pre-feasibility Study (“PFS”)⁴.

In response to this strong interest, Talga will expand the current scoping study on its three Vittangi graphite resources not included in the PFS; Nunasvaara North, Niska South and Niska North (“Niska Scoping Study”). The Niska Scoping Study will assess significantly larger anode production options, in addition to Talga’s current production plan of 19,000 tonnes per annum (“tpa”)*, and is expected to be completed later this year.

Figure 1. Lithium-ion battery ‘megafactories’ announced for Europe. Source: R. Zenn, Farasis, June 2020





Talga supporting Bentley Motors electric drive project under Innovate UK co-funding

During the quarter Talga announced its participation in the development of a Bentley Motors e-axle under the Innovate UK co-funded “OCTOPUS” project ([ASX:TLG 13 May 2020](#)).

This project aims to deliver the ultimate single unit e-axle designed specifically to meet Bentley Motors’ performance specifications. Under the consortium agreement Talga has been requested to develop and supply graphene materials for an aluminium-based high performance electric motor windings solution.

The new product will aim to outperform, and ultimately replace, the copper windings currently used in electric motors, which could significantly reduce vehicle weight and increase performance, safety and driving range while retaining sustainability and economics. The final components are to be tested at sub-system and system level for an integration route into future e-axle designs.

The development of graphene-enhanced lightweight, high-performance components for automotive manufacturers fits with Talga’s product strategy, focused on Li-ion battery anode materials and graphene additives for high volume, high value applications. Should the project succeed it could open additional opportunities to replace copper wire in multiple global large-scale applications.

MINERAL PROJECT DEVELOPMENT AND EXPLORATION

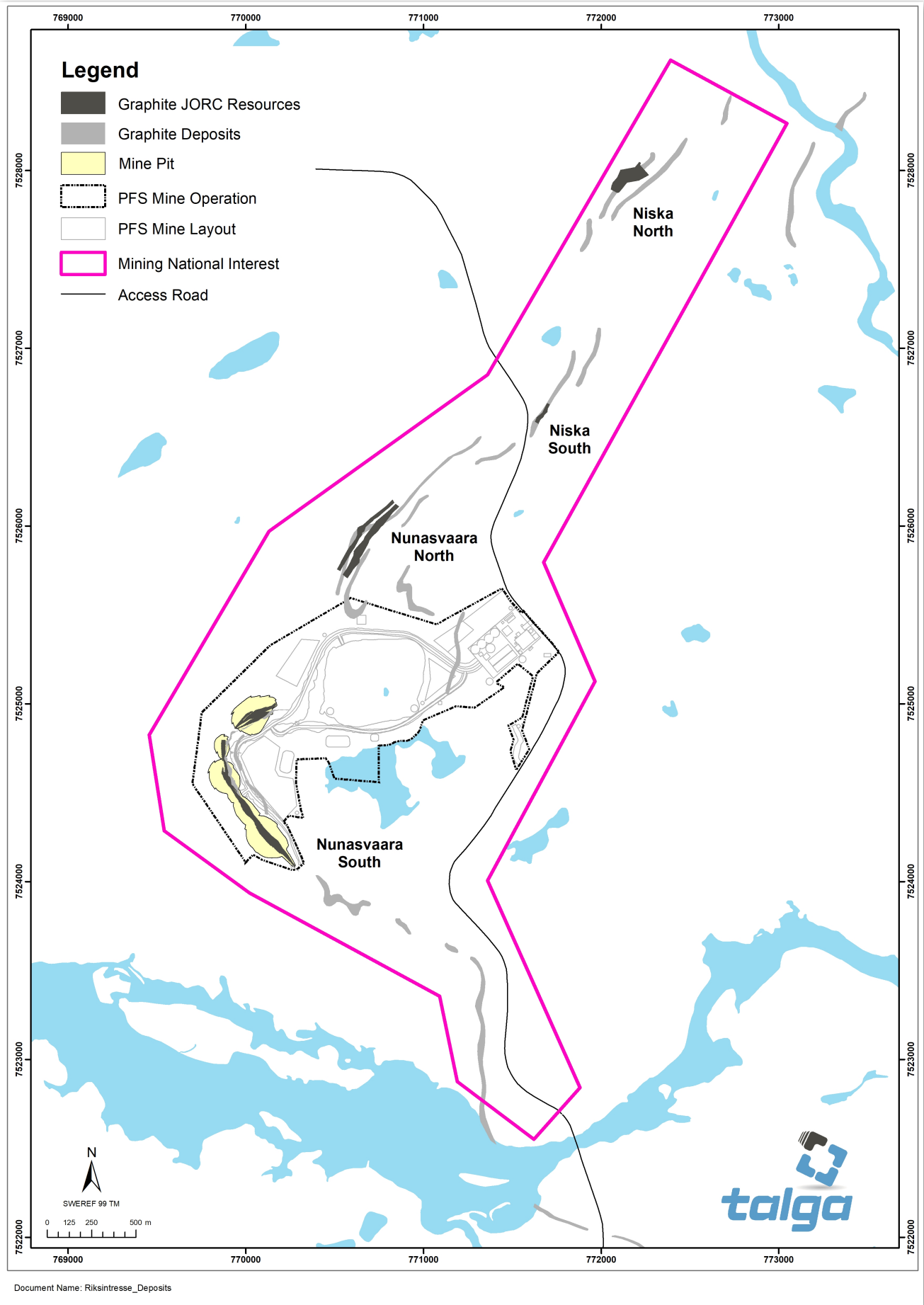
Full scale mining permit applications submitted for Vittangi Anode Project

The exploitation concession application and Environmental Impact Assessment (“EIA”) for full scale mining (Stage 2) at the Vittangi Graphite Project (“Vittangi”) were submitted to relevant Swedish authorities during the quarter. The concession application covers the right to mine Vittangi for an initial 25 years (with additional 25-year extension option).

The submissions follow extensive exploration, surveys, product and processing testwork along with completion of multiple baseline and detailed studies including mining, socio-economic and environmental assessments. The simultaneous submission of the exploitation concession application and the EIA is an innovative approach to facilitate concurrent assessments by both authorities, and expedite the approval process.

The Company has been informed by its Swedish advisors that the standard processing time for exploitation concession applications is 12-20 months. The Vittangi Anode Project Stage 1 mining environmental plan was approved earlier this year ([ASX:TLG 3 March 2020](#)).

Figure 2. Demarcation of national interest on Talga's Vittangi Graphite Project. Note: Mine layout subject to change and based on Company's PFS (ASX:TLG 23 May 2019).



Vittangi project development supported by National Interest demarcation

A decision delivered by the Swedish Geological Survey (SGU) during the quarter completed the demarcation of Vittangi as a Mineral Deposit of National Interest ([ASX:TLG 18 June 2020](#)), meaning municipalities and central government agencies may not authorise activities that might prevent or significantly hinder exploitation of the mineral deposit.

This positive development follows the submission of full scale mining permit applications, with the demarcation supporting consideration of the exploitation of Vittangi as a mineral deposit in governmental review of development plans and any potential competing land uses.

The National Interest area covers the entirety of Talga's currently defined Vittangi graphite resources and undrilled extensional deposits (see Figure 2).

Other Project Updates

The PFS⁴ on the Vittangi Anode Project outlined a two-staged approach with an initial 5,000 tonnes of Talnode-C, for customer qualification and early market entry, produced over two years under Stage 1 followed by full scale 19,000 tpa production of Talnode-C under a Stage 2 vertically integrated operation.*

During the period the Company advanced feasibility work on the trial-mine based Stage 1 however, due to COVID-19 impact on staff and contractors, including travel restrictions, some work packages were delayed and completion is expected in the current period. The 2021 Stage 2 DFS timeline remains unaffected at present.

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 however, Talga rationalised a number of non-core tenements with the aim of decreasing costs and improving administrative efficiency.

CORPORATE AND INVESTOR RELATIONS

Outreach

Talga participated in various graphene and battery anode related virtual events during the quarter, including the WCX™ Digital Summit technical expert panel discussion, *Graphene for Automotive Applications - Lighter, Stronger, Better*, where the Company delivered a technical presentation:

www.talgagroup.com/irm/PDF/TalgaPresentationatWCXDigitalSummit

The Company's Managing Director, Mark Thompson, also featured in the Benchmark Mineral Intelligence ("Benchmark") webinar, *Graphite Anodes: Building a 21st Century Supply chain in Europe*, where he delivered the following presentation:

www.talgagroup.com/irm/PDF/TalgaPresentationatBenchmarkAnodeWebinar

The Benchmark webinar was a deep dive into the scale, speed and quality control needed to build a graphite anode supply chain to meet the demands of Europe's battery megafactories. Participating in the discussion alongside Talga's Managing Director, Mark Thompson, was Adam Panayi, Head of Consultancy and Caspar Rawles, Head of Price Assessments, both Benchmark Mineral Intelligence.

Benchmark subscribers can watch the full graphite anode webinar, including the Q&A session, by visiting www.benchmarkminerals.com/video-library.

A shorter video of the Talga presentation only can be viewed here:

www.benchmarkminerals.com/stream-highlights-from-graphite-anode-benchmark-briefing

Update on Talga's measures to manage COVID-19 impact

During the period under review, Talga proactively implemented a range of measures to manage the effect of COVID-19 on its operations ([ASX:TLG 2 April 2020](#)). As at the end of the quarter these measures were still in place and Talga continues to operate under local precautions to protect its people, partners and customers.

Financial

The group-wide cost reduction programme to reduce fixed and variable costs yielded a successful outcome in reducing the Company's cash outflow during the period under review. Cash-in-bank at the end of the 2020 June quarter was A\$5.1 million.

At the end of the period under review the Company's market capitalisation was A\$141 million, with 243,718,495 quoted ordinary shares and 9,800,000 unlisted options on issue.

This announcement has been authorised by the Board of Directors of Talga Resources Ltd.

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

Mark Thompson
Managing Director
[Talga Resources Ltd](#)
T: + 61 (08) 9481 6667

Dean Scarparolo
Company Secretary
[Talga Resources Ltd](#)
T: + 61 (08) 9481 6667

¹ <https://about.bnef.com/electric-vehicle-outlook/>

² www.daimler.com/innovation/drive-systems/electric/mercedes-benz-and-farasis.html

³ www.benchmarkminerals.com/video-library/

⁴ Talga Vittangi Anode Project Pre-feasibility Study: [ASX:TLG 23 May 2019](#)

* Talga confirms all material assumptions underpinning the production target and corresponding financial information continue to apply and have not materially changed as per Listing Rule 5.19.2

About Talga

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

Company website: www.talgagroup.com

No New Information

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

APPENDIX 1

Tenement Holdings

Project/Location	Tenements	Interest at end of quarter	Acquired during quarter	Disposed during quarter
Ahmavuoma Project Norrbotten County, Sweden	Ahmavuoma nr 3 Ahmavuoma nr 4 Ahmavuoma nr 5	0% 0% 100%		100% 100%
Aitik East Project Norrbotten County, Sweden	Suorravaara 2 Suorravaara 3 Suorravaara 4	100% 100% 100%		
Jalkunen Project Norrbotten County, Sweden	Jalkunen nr 1 Kursuvaara Nybrännan nr 2	100% 100% 0%		100%
Kiskama Project Norrbotten County, Sweden	Kiskama nr 1 Airivaara nr 100	100% 0%		100%
Lautakoski Project Norrbotten County, Sweden	Lautakoski nr 2 Suinavaara nr 2	0% 0%		100% 100%
Masugnsbyn Project Norrbotten County, Sweden	Masugnsbyn nr 101 Masugnsbyn nr 102	100% 100%		
Piteå Project Norrbotten County, Sweden	Gråliden nr 2	100%		
Raitajärvi Project Norrbotten County, Sweden	Raitajärvi nr 5	100%		
Vittangi Project Norrbotten County, Sweden	Maltosrova nr 3 Nunasvaara nr 2 Vathanvaara nr 101 Vathanvaara nr 102 Vittangi nr 2 Vittangi nr 3 Vittangi nr 4	100% 100% 100% 100% 100% 0% 100%		100%

Appendix 5B

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

Name of entity

Talga Resources Ltd

ABN

32 138 405 419

Quarter ended ("current quarter")

30 June 2020

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
1.2 Payments for		
(a) exploration & evaluation (if expensed) ⁽ⁱ⁾	(544)	(2,594)
(b) development ⁽ⁱⁱ⁾	(1,006)	(7,302)
(c) production	-	-
(d) staff costs	(372)	(1,916)
(e) administration and corporate costs ⁽ⁱⁱⁱ⁾	(373)	(2,131)
1.3 Dividends received (see note 3)	-	
1.4 Interest received	4	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	591	928
1.8 Other (provide details if material)	160	452
1.9 Net cash from / (used in) operating activities	(1,540)	(12,532)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	(25)
(c) property, plant and equipment	-	(462)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (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)	-	(8)
2.6	Net cash from / (used in) investing activities	-	(495)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,457
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	1,250
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(272)
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	-	10,435
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,615	7,667
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,540)	(12,532)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(495)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	10,435

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	5,075	5,075

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	688	666
5.2	Call deposits	4,387	5,949
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)	5,075	6,615

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	130
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 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.

Notes

- (i) Exploration and evaluation includes Sweden tenement renewal and exploitation permitting costs
(ii) Development includes feasibility studies, UK product development and German test facility operations and (iii) Administration includes Sweden

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	1,540
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	1,540
8.4 Cash and cash equivalents at quarter end (Item 4.6)	5,075
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	5,075
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.30

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: NA

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: NA

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

Answer: NA

Compliance statement

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

Date: 16 July 2020
.....

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

Notes

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