

# QUARTERLY ACTIVITIES REVIEW

## FOR THE PERIOD ENDING 30 SEPTEMBER 2021

### Talga Group Ltd

ABN 32 138 405 419

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

T: +61 8 9481 6667

www.talgagroup.com

### Corporate Information

ASX Code **TLG**

Shares on issue **303.2m**

Options (unlisted) **13.3m**

Performance rights **2.1m**

### Company Directors

#### Terry Stinson

Non-Executive Chairman

#### Mark Thompson

Managing Director

#### Grant Mooney

Non-Executive Director

#### Stephen Lowe

Non-Executive Director

#### Ola Mørkved Rinnan

Non-Executive Director

Battery anode and advanced materials company Talga Group Ltd (**ASX:TLG**) (“Talga” or “the Company”) is pleased to report its activities for the quarter ending 30 September 2021.

### PRODUCT AND TECHNOLOGY DEVELOPMENT

- Hitachi Life Cycle Assessment defines Talga’s world-leading green anode credentials
- Swedish Electric Vehicle Anode (“EVA”) plant construction update
- Talnode® and Talphene® products advance with customers

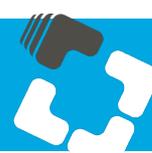
### COMMERCIAL AND PROJECT DEVELOPMENT

- ABB MoU expanded to include mine electrification for expansions of Talga’s Swedish battery anode operation
- Trial Mine at Vittangi Graphite Project underway
- Mining applications submitted for Niska development under Talga’s expansion plans
- Drilling program commenced at Vittangi as part of Talga’s graphite resource growth initiatives
- SkyTEM results from ongoing exploration activities received subsequent to the quarter

### CORPORATE AND FINANCE

- Appointment of global CFO and Chair of Swedish Board
- Discussions with potential Vittangi financing and JV partners on track
- Talga joins RECHARGE, Europe’s leading industry body of the advanced rechargeable and lithium-ion battery value chain
- Cash balance of A\$46.0 million as at 30 September 2021

**Commenting on the developments over the September 2021 quarter, Talga Managing Director Mark Thompson said:** “During the quarter we made strides in achieving key long term strategic goals, focusing on financing our first commercial anode project and toward future expansions to become the largest anode producer outside of Asia. We have also been successful in our exploration and trial mining of what is already Europe’s largest natural graphite resource, towards securing the critical raw material needed to produce the world’s greenest anode for more sustainable batteries.”



## PRODUCT AND TECHNOLOGY DEVELOPMENT

### Life Cycle Assessment Highlights Talga's World-Leading Green Battery Anode

An independent Life Cycle Assessment (LCA) completed by Hitachi ABB Power Grids showed Talga's flagship battery anode product, Talnode®-C, is the world's greenest graphite anode, producing 96% less greenhouse gas than incumbent EV battery anode produced in China ([ASX:TLG 12 August 2021](#)). This is equivalent to a reduction of ~2,900,000 tonnes of CO<sub>2</sub> per million EVs produced<sup>1</sup>.

The global warming potential of the production of 1 kilogram of Talnode®-C is 1.477 kilogram CO<sub>2</sub> equivalent, driven by Talga's high-yield graphite ore, innovative anode process and use of renewable energy. Of this total, only 14% is directly related to Talga's processes (Scope 1 emissions), while the remaining 86% of emissions are related to external suppliers (Scope 2 and 3 emissions).

Talga foresees significant opportunities to further reduce the environmental impact of Talnode®-C through strategic sustainable procurement. Talga's northern Swedish location has proximity to customers and availability of low-carbon transport options, such as electric trains, providing further mine-to-customer environmental advantages past the factory gate.

The LCA accords to ISO 14040 - 14044 standards and the German Association of Automotive Industry principles for data collection.

### EVA Plant Construction Update

Construction of Talga's Electric Vehicle Anode ("EVA") qualification plant in northern Sweden continues with key anode production equipment in transit to site or nearing completion by European and Japanese manufacturers.

Global container handling delays have impacted the delivery date of the EVA's kiln, pushing back delivery by 2 to 4 weeks. Shipping is projected to continue to experience significant disruption, however the Company expects to still meet its original timeline to start EVA commissioning in Q4 2021 with full commissioning completed in Q1 2022.

The fully funded and permitted qualification plant is being constructed within the facilities of metals research institute Swerim in Luleå, Sweden, near Talga's proposed commercial anode refinery site and adjacent to the existing Port/Steel Mill complex. The EVA plant, which will be the first coated anode production facility in Europe, will utilise Talga's proprietary production process and coating technology to produce Talnode®-C for automotive customer qualification requirements.

### Talnode® and Talphene® Product Development

The development of Talga's main range of anode and graphene products continues as planned from the Company's existing facilities in Germany, UK and Japan. Talnode® programs with customers continue to expand in full cell testing and pilot programs for automotive applications, including successful blends of Talnode®-C and synthetic graphite to customer anode requirements.

**Figure 1** Talga Electric Vehicle Anode Plant site at Swerim in Luleå, Sweden



<sup>1</sup> Assumes 76.5KWh battery pack being average of VW ID.4 1st and Tesla Model 3 Performance. Note 1KWh = 1.2Kg anode per Benchmark Mineral Intelligence report.

## COMMERCIAL AND PROJECT DEVELOPMENT

### ABB and Talga Expand Agreement

Following successful completion of the Vittangi Anode Project DFS ([ASX:TLG 1 July 2021](#)), Talga and global technology leader ABB has extended and expanded its Memorandum of Understanding ("MoU"). Talga aims to electrify its underground mining operations when it reaches the expansion phase of its Swedish battery anode operations. This electrification strategy will be explored by ABB and Talga under the expanded MoU, focusing on the ABB Ability™ eMine portfolio of solutions.

Under the MoU, ABB will also extend its industrial automation and electrification expertise to include next-level production and process control solutions for Talga's initial operation. In addition, ABB will work with Talga on front-end engineering and design ("FEED") for the development and construction of commercial 100,000tpa graphite concentrator operations at Vittangi, a 19,500tpa anode production plant at Luleå and earlier ramp-up stages/production qualification modules. The commercial FEED stages are due for completion in June 2022, with the intent to execute binding agreements with ABB for subsequent construction and operations.

### Trial Mine Underway

During the quarter, Talga commenced trial mining at its Vittangi Graphite Project ("Vittangi") to provide feed ore for expanded testing of the Company's flagship Li-ion battery anode product Talnode®-C. This coated high-performance anode product has been developed over several years by Talga to provide a green European source of anode for battery manufacturers and automotive OEMs.

The trial mine, operating under a three-year permit issued by the Environmental Review Commission within the Norrbotten County Administration Board, covers the extraction of 25,000 tonnes graphite ore from the Niska South deposit.

In this first phase of the campaign which is nearing completion, approximately 2,500 tonnes of graphite ore is being extracted before the site is rehabilitated for the northern hemisphere winter. Rehabilitation will implement the successful measures previously used in the Company's 2015-2016 trial mining campaign at its nearby Nunasvaara South deposit. The balance of the permitted 25,000 tonnes graphite ore is planned to be extracted in 2022.

**Figure 2** First phase of Talga's trial mine campaign at Niska South deposit, Vittangi Graphite Project



## Commercial Mine Applications Submitted for Niska Development

Exploitation concession applications for the Niska expansion were submitted to Swedish authorities during the quarter. The applications pertain to plans defined in the Niska Scoping Study ([ASX:TLG 7 December 2020](#)) and have been submitted over the Niska North, Niska South and Nunasvaara North deposits of the Vittangi Graphite Project. The expansion plans form a pathway for Talga to produce a total of >100,000tpa anode for Li-ion batteries.

Talga will submit Niska's environmental permit application once an environmental permit has been granted for the nearby Nunasvaara South deposit, which is expected in mid-2022.

## Drilling Underway at Vittangi Graphite Project

Testing of resource depth and strike extensions to further explore the full potential of Vittangi, already Europe's largest graphite resource, commenced during the period.

This extension drilling is testing under and along strike of the existing Nunasvaara South, Nunasvaara North and Niska South graphite JORC 2012 Mineral Resources and has begun testing the JORC-compliant Vittangi Exploration Target estimate, which currently totals 170-200Mt at 20-30% Cg ([ASX:TLG 20 July 2021](#)). The extension drilling follows geotechnical and measured resource drilling programs completed earlier this year at Nunasvaara South in readiness for planned 2023 mining.

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

Assay results from the initial stages of the Vittangi drilling program are expected in November 2021. The program is planned to re-commence in Q1 2022 with the next stage of drilling targeting resource growth and upgrading at Talga's Jalkunen graphite project.

## SkyTEM Surveys Define New Targets at Vittangi and Aitik East

Subsequent to the quarter, Talga completed high resolution airborne "SkyTEM" geophysical surveys at Vittangi and the Aitik East Copper Project ("Aitik East"). Results show the greater Vittangi graphite-bearing units are more continuous than previously recognised and identified new zones for follow up drilling across both projects.

At Vittangi the SkyTEM identified a strong ~600m long conductor located adjacent to the planned DFS concentrator site and southeast of the existing Nunasvaara North resource. Historic rock samples of this zone returned up to 36% graphite ([ASX:TLG 15 November 2012](#)) and results from drilling the eastern 400m of this zone are expected in December 2021.

A weak, but discrete, conductive anomaly, modelled as approximately 200m long and starting 50m below surface, was identified at Talga's Aitik East Project. The conductor will undergo further modelling and interpretation for follow-up exploration activities including drilling, the timing of which will be determined in line with Talga's corporate strategies for its non-graphite battery metal projects in Sweden.

Figure 3 Vittangi trial mine, October 2021



Figure 4 Drill rig at Vittangi Graphite Project



## CORPORATE AND FINANCE

### Appointment of Global Chief Financial Officer and Chair of Swedish Board of Directors

During the quarter, Talga appointed Perth-based senior executive Melissa Roberts as the Group's Chief Financial Officer. Ms Roberts has over 20 years' experience in the global resources industry across corporate and commercial roles, most recently with global mineral producer Iluka Resources. Melissa joined Iluka in 2009 and held a range of senior roles within the business in Commercial, Investor Relations, Business Development and Information Technology.

In addition, the Company appointed Per-Erik Lindvall as Chair of its Swedish Board of Directors. Mr Lindvall is a well-known business leader in northern Sweden with a longstanding background in the Swedish mining industry including as former Vice President of LKAB.

### Project Finance

Discussions with potential Vittangi Anode Project financing partners, including under the tri-partite joint venture LOI first announced 2 November 2020 and later extended ([ASX:TLG 28 June 2021](#)), continued as planned during the period. Talga will provide an update in accordance with its disclosure obligations in due course.

### Talga joins RECHARGE

Talga has been accepted as a member of RECHARGE, a leading industry body advocating for the sustainable development of an innovative and competitive rechargeable and lithium-ion battery value chain in Europe.

In addition to RECHARGE, Talga is already an active participant in a range of industry bodies covering the lithium-ion battery industry space, graphene and other advanced materials. This includes the European Battery Alliance (which aims to ensure that all Europeans benefit from safer traffic, cleaner vehicles and more sustainable technological solutions), the Batteries European Partnership (an association driving research towards a more competitive, sustainable and circular European battery value-chain under Horizon Europe) and the Graphene Flagship (which aims to secure a major role for Europe in the ongoing technological revolution and help commercialise graphene).

Figure 5 Industrial members of RECHARGE prior to Talga joining. Source: [www.rechargebatteries.org](http://www.rechargebatteries.org)



## 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 2021 September quarter with A\$46 million cash-in-bank and was capitalised at ~A\$450 million based on closing price on 28 October 2021. The Company has 303.2 million quoted ordinary shares and 13.3 million unlisted options on issue.

## Notes 6 to Appendix 5B

Payments to related parties of the entity and their associates: during the quarter \$209,000 was paid to Directors and associates for salaries, superannuation and consulting fees.

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

For further information, visit [www.talgagroup.com](http://www.talgagroup.com) or contact:

### Mark Thompson

Managing Director

**Talga Group Ltd**

T: + 61 (08) 9481 6667

### Dean Scarparolo

Company Secretary

**Talga Group Ltd**

T: + 61 (08) 9481 6667

## **About Talga**

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

Company website: [www.talgagroup.com](http://www.talgagroup.com)

## **No New Information**

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

## **Forward-Looking Statements & Disclaimer**

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

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

## APPENDIX 1

### *Tenement Holdings*

<b>Project/Location</b>	<b>Tenements</b>	<b>Interest at end of quarter</b>	<b>Acquired during quarter</b>	<b>Disposed during quarter</b>
<b>Aitik East Project</b> Norrbotten County, Sweden	Suorravaara 3	100%		
<b>Jalkunen Project</b> Norrbotten County, Sweden	Jalkunen nr 1	100%		
<b>Kiskama Project</b> Norrbotten County, Sweden	Kiskama nr 1	100%		
<b>Masugnsbyn Project</b> Norrbotten County, Sweden	Masugnsbyn nr 102	100%		
<b>Raitajärvi Project</b> Norrbotten County, Sweden	Raitajärvi nr 5	100%		
<b>Vittangi Project</b> Norrbotten County, Sweden	Nunasvaara nr 2 Vathanvaara nr 102 Vittangi nr 2	100% 100% 100%		

## Appendix 5B

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

Name of entity

Talga Group Ltd

ABN

32 138 405 419

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11	11
1.2 Payments for		
(a) exploration & evaluation <sup>(i)</sup>	(3,397)	(3,397)
(b) development <sup>(ii)</sup>	(195)	(195)
(c) production	-	-
(d) staff costs - corporate	(677)	(677)
(e) administration and corporate costs <sup>(iii)</sup>	(2,519)	(2,519)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	36	36
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,727	1,727
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,014)</b>	<b>(5,014)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,118)	(1,118)
(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 (3months) \$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 Environmental Bond	(345)	(345)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,463)</b>	<b>(1,463)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) <sup>(iv)</sup>	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

-

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	52,476	52,476
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,014)	(5,014)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,463)	(1,463)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>45,999</b>	<b>45,999</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,240	1,278
5.2	Call deposits	41,759	51,198
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>45,999</b>	<b>52,476</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	209
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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)	-	-
<b>7.4 Total financing facilities</b>	-	-
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Notes</p> <p>(i) Exploration and evaluation include Sweden tenement renewal and exploitation permitting costs.</p> <p>(ii) Development includes feasibility studies, UK product development and German test facility operations and for the Sept 2021 quarter is net of significant VAT refund receipts.</p> <p>(iii) Corporate administration costs for the Sept 2021 quarter includes a significant portion of financial adviser fees.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(5,015)
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)	(5,015)
8.4 Cash and cash equivalents at quarter end (item 4.6)	45,999
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	45,999
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	9.17
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

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

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

Answer:

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

### Compliance statement

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

Date:

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.