

Quarterly Activities Review

For period ending 31 December 2021

Battery anode and advanced materials company Talga Group Ltd (“Talga” or “the Company”) (ASX:TLG) is pleased to report its activities for the quarter ending 31 December 2021.

Commercial and project development

- EVA plant on target for Q1 2022 completion with commissioning commenced after the period
- Exceptional high grade graphite results from Vittangi drilling include:
 - 90m @ 30.8% Cg (from 155m) NUN21008 incl. 25m @ 40.0% Cg
 - 50m @ 29.2% Cg (from 4m) NUN21001 incl. 21m @ 41.9% Cg
 - 26m @ 37.6% Cg (from 159m) NUS21012 incl. 19m @ 42.5% Cg
- Successful first phase trial mining of Niska South deposit at Vittangi

Product and technology development

- Customer engagement and testing programs advance across Talga’s product portfolio
- Technology development continues on graphene products and next-gen battery materials
- Talga patents and trademarks advance in line with Intellectual Property strategy

Corporate and finance

- Anode material MOU executed with Long Time Technology
- Mitsui and Talga extend and expand Swedish Anode Project MOU
- Commitment to EU Principles for Sustainable Raw Materials
- Cash balance of A\$31.5 million as at 31 December 2021

Talga Managing Director, Mark Thompson, commented: *“This was an exciting quarter across our operations with a focus on executing the EVA plant build and advancing anode commercialisation with battery customers and automotive procurement teams. The demand outlook couldn’t be stronger and we saw customers move to lock up future supplies, both in automotive and 3C markets as anode product prices start to rise.*

We also delivered exceptional exploration results as we look to future growth of our graphite sources in Sweden to match market demand. And we were happy to extend our relationship with Mitsui amid better conditions for financing our green battery material projects than were available previously. The investments and assets we have built are now set to be realised to generate a most exciting 2022.”

Commercial and project development

Electric Vehicle Anode qualification plant nears completion

During the period on-site construction activities advanced at Talga's Electric Vehicle Anode ("EVA") qualification plant within the metals research institute Swerim in Luleå, northern Sweden. Structural, mechanical, piping and electrical works are in the process of finalisation and the integrated laboratory and production quality control modules are nearing completion. Installation of major anode production equipment commenced following milestone installation of the coating pyrolysis kiln, and recruitment of multiple operators to run and maintain the EVA plant was successfully concluded after the period.

Figure 1 Part of Talga's Electric Vehicle Anode plant in Sweden; coating kiln (L) and electrical controls (R).



The wholly owned EVA plant will produce large scale commercial samples of Talga's flagship lithium-ion (Li-ion) battery anode material, Talnode[®]-C, for qualification by the Company's automotive battery customers. All battery customers require assurance of product consistency and continuity of supply, however automotive customers have exceptionally rigorous quality approval processes that require semi-production process level materials to finalise purchase agreements.

Talga is already 'plugged in' to this process following earlier successful validation tests and will now provide production-design intent anode materials to automotive battery manufacturers via its EVA facility, giving the Company a unique advantage in this multi-year qualification process.

The EVA is understood to be the first Li-ion battery anode plant in Europe and puts Talga in a lead position in the race to supply customers looking for new, sustainable and local sources of Li-ion battery materials. EVA commissioning commenced subsequent to the quarter, with completion on track for late Q1 2022.

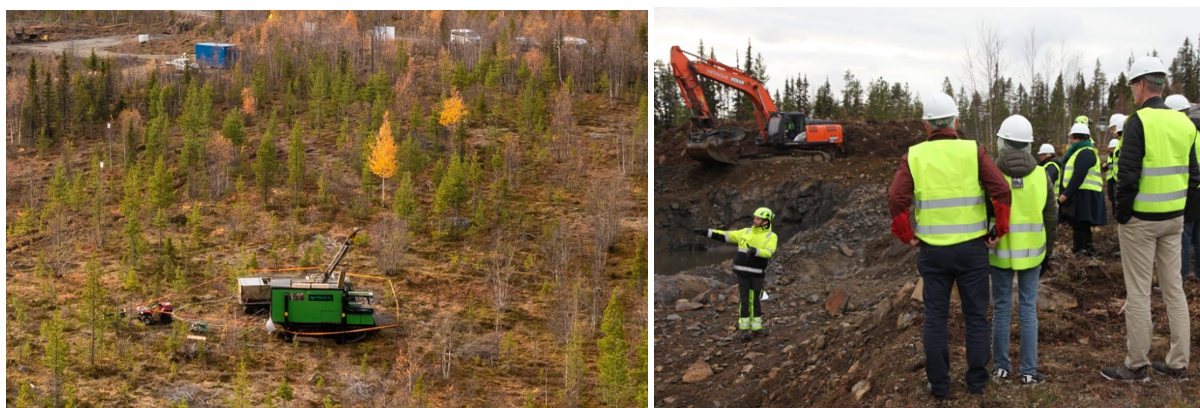
Outstanding high grade graphite results from Vittangi drilling

During the quarter, Talga reported the first assay results received from the 2021 drilling completed at the Company's Vittangi graphite project in Sweden ("Vittangi" or "the Project"). Vittangi contains Europe's largest and the world's highest grade JORC graphite resource; an EU defined 'critical mineral' and Talga's main source of raw material for its integrated Li-ion battery anode business.

In total, 56 diamond drillholes for 6,790 metres were completed across multiple strategically important development and growth targets (see Figure 3) at Vittangi in 2021. The initial graphite assay results reported during November and December 2021 came from twelve holes drilled at the Nunasvaara South deposit.

These holes were designed to infill and upgrade the status of ore blocks in the 'Pit 4' starter pit of the DFS mine plan (ASX:TLG 1 July 2021), infill and upgrade the 'Pit 5' area of the DFS mine plan, and test resource depth extensions.

Figure 2 Drilling at Vittangi project (L) and Niska trial mining open day for community and stakeholders (R).



All twelve holes (see ASX:TLG 24 November 2021 and 9 December 2021) successfully intersected the targeted graphite units and returned significant high-grade graphite ("Cg") results including:

- **90m @ 30.8% Cg** (from 155m) NUN21008 incl. **25m @ 40.0% Cg**
- **50m @ 29.2% Cg** (from 4m) NUN21001 incl. **21m @ 41.9% Cg**
- **26m @ 37.6% Cg** (from 159m) NUS21012 incl. **19m @ 42.5% Cg**
- **43m @ 30.9% Cg** (from 154m) NUS21007
- **40m @ 26.0% Cg** (from 19m) NUS21005
- **34m @ 27.7% Cg** (from 26m) NUS21002

Talga expects remaining assay results to be received over February 2022, with drilling at Vittangi planned to re-commence by April 2022. Winter drilling scheduled at the Jalkunen graphite project is being deferred to Vittangi to prioritise growth targets.

Successful first trial mine at Niska deposit, Vittangi

In parallel to the Vittangi drilling, Talga also undertook the first stage of its permitted trial mining campaign at the Niska South deposit where approximately 2,500 tonnes of graphite ore was scheduled for extraction in this phase. The trial mine was successfully completed during the quarter and the graphite ore is being stored in preparation for Talnode®-C production at Talga's EVA plant.

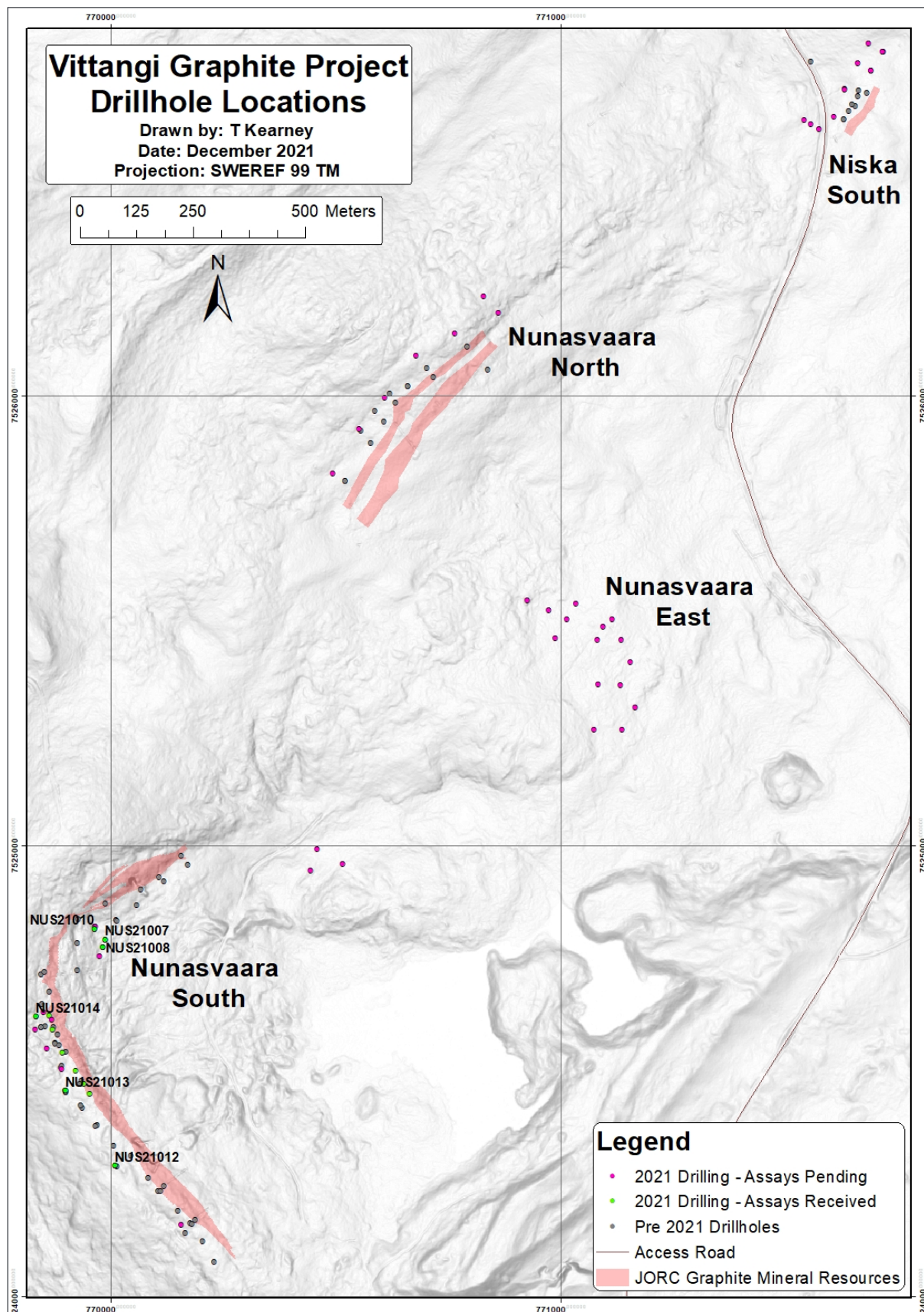
The activities were completed safely and on schedule, and the excavation confirmed the very shallow high grade and homogenous nature of the Niska South graphite deposit similar to the Nunasvaara South deposit (ASX:TLG 7 December 2020). Additionally, the trial mine presented an opportunity for stakeholders to visit the site to learn more about Talga's proposed operations and for several significant potential project partners and customers to complete planned diligence visits. The balance of 22,500 tonnes graphite ore is planned to be extracted in Q2-Q3 2022.

Commercial Mine Permits Progress

The pending permitting for commercial mining (100,000tpa ore) at Vittangi is progressing for the Nunasvaara South deposit, and exploitation permitting is progressing for the Niska Expansion project at 400,000tpa rate.

The Company notes positive statements from new members of government and stakeholders supporting green mineral projects generally in Sweden and the improved outlook for future developments related to localised clean battery production.

Figure 3 Vittangi graphite project drillhole and deposit locations.



Product and technology development

Intellectual Property

The securing of key patents and trademarks forms part of Talga’s Intellectual Property (“IP”) strategy to protect the Company’s expanding product, technology and processing portfolio in support of its integrated battery anode and graphene additives business. During the period the Company identified, applied for and was granted various forms of IP including a Japanese trademark for Talcoat®, the Company’s graphene ship coating, and provisional patents over key battery technology.

In addition, the Talga manufacturing and engineering team are utilising the EVA plant to develop and prove several new anode material processing technologies. These new processing technologies will add to the IP portfolio and enhance Talga’s competitive position in the market for material/technical performance and commercial advantages through potentially lower costs.

The Company’s current IP portfolio includes multiple international patents pending on battery products, production processes and graphene related materials, with a suite of other patents in progress. Talga currently holds granted United States and Australian Patents for its integrated mining method and electrochemical exfoliation process for graphene production. In addition, Talga has successfully secured and registered trademarks across significant global markets for its Talnode®, Talphite®, Talphene®, Talcoat® and Talcrete® products.

Battery Materials and Graphene

During the quarter Talga continued development and commercialisation of its major next-gen battery products including Talnode®-Si for silicon anodes, Talnode®-E for solid state batteries and a new cathode additive, which has undergone successful initial testing with major EV customers.

Talga continues to produce graphene-enhanced additives and products for ongoing projects with a large and diverse range of customers. These customer and partner programs include advanced field trials of anti-corrosion and anti-foul coatings, plastics for home appliances, automotive rubber, paper and fibre packaging, concrete, and batteries. Most test results are generated under commercial-in-confidence conditions as customer data under NDA or pending patent applications, but updates will be published when possible to do so.

While battery customers are expected to underpin development of Talga’s Swedish business in the near term, the opportunity for the Company to produce a broader range of graphene and graphite products from its integrated mine-to-product development remains part of its expansion planning considerations.

Figure 4 Talnode being used in Li-ion battery cell trials for global performance automotive customer.



Corporate and finance

Long Time Technology and Talga sign battery anode agreement

Talga Group entered a non-binding Memorandum of Understanding (“MOU”) with Long Time Technology Co., Ltd (“LT Tech”), a leading manufacturer of anode materials used in Li-ion batteries.

Headquartered in Taiwan, LT Tech serves global battery customers from four production centres utilising natural and synthetic graphite (the latter manufactured with hydropower). LT Tech is a publicly traded company, co-owned by Foxconn Technology Group (“Foxconn”), a Tier 1 contract manufacturer of electronic devices and, more recently, electric vehicles.

The MOU follows successful joint tests of Talga’s natural graphite Talnode[®]-C product and LT Tech’s synthetic battery anode products, and contains the criteria for scaled up supply and evaluation of joint materials and blends for each company’s respective customers (ASX:TLG 17 November 2021).

Commenting on the agreement Mark Thompson, Talga Managing Director, said: *“As an anode manufacturer we interface directly with battery makers and end users, who have a multitude of applications. The relationship with LT Tech is an opportunity to expand our offerings for EV battery customers who have specific battery anode needs of blended natural and synthetic graphite for particular vehicle models. We look forward to accelerating our joint scale and customer opportunities with LT Tech and their partners.”*

Mitsui and Talga extend and expand Swedish battery anode project MOU

Talga extended and expanded its MOU with Mitsui & Co. Europe Plc (“Mitsui”), a subsidiary of Mitsui & Co., Ltd., one of the largest global trading and investment companies based in Japan. The extension of the MOU to 31 August 2022 builds on discussions to date under the MOU agreement executed between the parties in 2020 (ASX:TLG 20 March 2020).

The extended MOU between Talga and Mitsui continues the intent to advance potential co-development of Talga’s Vittangi Anode Project in Sweden through Joint Venture, and is expanded to include marketing, sales and partnership opportunities across Talga’s portfolio of Li-ion battery products. Mitsui, at their discretion, will have the non-exclusive right to negotiate and enter into relevant binding agreements prior to the MOU expiry date on 31 August 2022. This expansion follows the 30 November 2021 expiry of a tri-partite LOI signed with Mitsui and Luossavaara-Kiirunavaraa Aktiebolag (LKAB).

Talga commits to EU Principles for Sustainable Raw Materials

Talga announced it will implement the European Union’s Principles for Sustainable Raw Materials as part of its Vittangi natural graphite mining and anode production project in northern Sweden. The announcement was made alongside European Commission representatives during a virtual event on 23 November 2021.

The principles, which were launched in July 2021, build upon current EU legislation and international initiatives in the field, and seek to align European Green Deal goals to the development and processing of raw materials in Europe. Their scope includes social, economic and governance, and environment principles. More specifically the principles address the need for extraction and development of raw materials to constitute an essential building block for sustainable European value chains, apply sound environmental management processes and support climate change mitigation.

Non-core mineral projects in Sweden

The Company has continued positive discussion with parties regarding its iron ore and cobalt mineral projects in Sweden, however no decisions have been made amid the volatility of both commodities and markets. The sentiment around battery and strategic metals continues to grow strongly and Talga is confident of compelling opportunities arising from these projects in the near-term.

Sale of Trident shares

During the quarter, Talga divested its 848,059 shares held in AIM-listed Trident Royalties Plc for a total net consideration of A\$566,342. The shares in Trident Royalties Plc were received as part of the consideration for the divestment of Talga's Australian gold royalty assets in August 2020.

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 December quarter with A\$31.5 million cash-in-bank and was capitalised at ~A\$496 million based on closing price on 31 December 2021. The Company has 304.7 million quoted ordinary shares, 11.3 million unlisted options and 2.1 million performance rights on issue.

Notes 6 to Appendix 5B

Payments to related parties of the entity and their associates: during the quarter A\$359,000 was paid to Directors and associates for salaries, superannuation and consulting fees.

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

For further information please contact:

Mark Thompson
Managing Director
Talga Group Ltd
+61 (0) 8 9481 6667

Dean Scarparolo
Company Secretary
Talga Group Ltd
+61 (0) 8 9481 6667

About Talga

Talga Group Ltd (ASX:TLG) is building a European battery anode and graphene additives supply chain to offer advanced materials 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. 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.

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.

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Tenement Holdings

Project/location	Tenements	Interest at end of quarter	Acquired during quarter	Disposed during quarter
Aitik East Project				
Norrbottn County, Sweden	Suorravaara nr 3	100%		
Jalkunen Project				
Norrbottn County, Sweden	Jalkunen nr 1	100%		
Kiskama Project				
Norrbottn County, Sweden	Kiskama nr 1	100%		
Masugnsbyn Project				
Norrbottn County, Sweden	Masugnsbyn nr 102	100%		
Raitajärvi Project				
Norrbottn County, Sweden	Raitajärvi nr 5	100%		
Vittangi Project				
Norrbottn County, Sweden	Nunasvaara nr 2	100%		
	Vathanvaara nr 102	100%		
	Vittangi nr 2	100%		
Pajala Project				
Norrbottn County, Sweden	Lautakoski nr 5	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")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	52	63
1.2 Payments for		
(a) exploration & evaluation ⁽ⁱ⁾	(5,752)	(9,149)
(b) development ⁽ⁱⁱ⁾	(1,234)	(1,429)
(c) production	-	-
(d) staff costs - corporate	(1,133)	(1,810)
(e) administration and corporate costs ⁽ⁱⁱⁱ⁾	(1,120)	(3,638)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	43
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	82	1,809
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(9,097)	(14,111)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(5,966)	(7,084)
(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 (6months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	566	566
	(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	(54)	(399)
2.6	Net cash from / (used in) investing activities	(5,454)	(6,917)
3.	Cash flows from financing activities		
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) ^(iv)	-	-
3.10	Net cash from / (used in) financing activities	-	-
	-		
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	45,999	52,476
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,097)	(14,111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,454)	(6,917)
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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	31,448	31,448

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	4,068	4,240
5.2	Call deposits	27,380	41,759
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)	31,448	45,999

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	359
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

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.		
<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.</p> <p>(iii) Year to date Corporate Administration costs includes a significant portion of financial adviser fees.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(9,097)
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)	(9,097)
8.4 Cash and cash equivalents at quarter end (item 4.6)	31,448
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	31,448
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.46
<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: 28th January 2022

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.