

# QUARTERLY ACTIVITIES REVIEW

## FOR THE PERIOD ENDING 31 MARCH 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 **243.6m**

Options (unlisted) **11.8m**

### 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 31 March 2020.

March 2020 quarter activities included:

### COMMERCIAL & PRODUCT DEVELOPMENT

- MOU agreement signed with Mitsui for joint project development
- Successful 60 tonne pilot graphite concentrate program supports anode market development
- Talga in Bentley Motors electric drive project (subsequent to the period)
- 33,000 tonne ship trials push graphene-coating demand

### MINERAL PROJECT DEVELOPMENT & EXPLORATION

- Environmental approval received for Vittangi Stage 1 Mining Operation, Sweden

### CORPORATE & INVESTOR RELATIONS

- COVID-19 operational update and cost reduction measures
- Cash balance of A\$6.6 million as at 31 March 2020

**Managing Director, Mr Mark Thompson:** *“Amid the challenge of the COVID-19 outbreak, the Talga team achieved significant milestones this quarter, advancing our goal of becoming Europe’s next commercial scale Li-ion battery anode producer.*”

*During this period we partnered with Mitsui, one of the largest global investment and trading companies, and gained approval of our Stage 1 mining permit in Sweden, while responding rapidly to the pandemic in line with government directives across all our countries of operation.*

*I am heartened by the positive way our team has adopted the measures we have had to take, and thank everyone involved in responding so well to the unfolding situation.”*



## COMMERCIAL AND PRODUCT DEVELOPMENT

### Joint Anode Project Development MOU Agreement executed with Mitsui

Mitsui & Co. Europe Plc, the subsidiary of Mitsui & Co., Ltd., one of the largest global trading and investment companies based in Japan, and Talga executed a Memorandum of Understanding (“MoU”) during the quarter to evaluate joint development of the Vittangi Anode Project in northern Sweden.

The MoU outlines the intention to negotiate and enter into definitive agreements to form a joint venture with respect to the financing, construction and operation of the Vittangi Anode Project, subject to a series of technical and commercial evaluation stages.

The execution of the MoU follows the completion of a Pre-Feasibility Study ([ASX:TLG 23 May 2019](#)) outlining the strong economics of the Vittangi Anode Project and a period of undertaken due diligence. The potential joint development offers substantial synergies in establishing a European anode supply chain, securing a strategic source of anode products for Mitsui customers ([ASX:TLG 20 March 2020](#)) and growth in the battery materials business.

### Completed 60 tonne pilot flotation program supports Talga anode development

A Talga pilot-scale processing program of 60 tonne Vittangi graphite ore, forming part of the Stage 1 DFS for the Vittangi Anode Project, was successfully completed during the period under review ([ASX:TLG 30 January 2020](#)).

The pilot processing program employed continuous test conditions for numerous key processing steps using advanced, industrial scale equipment at a Scandinavian toll milling and testing facility.

The program achieved the desired product targets using equipment up to 20x larger than that of previous programs. The successful scale-up demonstrates the suitability of the Pre-Feasibility Study process flowsheet for planned commercial production ([ASX:TLG 23 May 2019](#)).

The graphite concentrate produced has progressed to next stage refining into Talga’s flagship anode product (Talnode®-C) for on-going anode market development and customer qualification programs.

*A lithium-ion battery ‘pouch’ cell with 100% Talnode®-C anode being tested at Talga’s lab in Cambridge, UK.*



*Copper windings of electric motors used in passenger vehicles.*



### **Talga engage in Bentley Motors e-axle development co-funded by Innovate UK**

Subsequent to the quarter, Talga announced its participation in the Innovate UK co-funded “OCTOPUS” project, aiming to deliver the ultimate single unit e-axle solution designed specifically to meet Bentley Motors performance specifications ([ASX:TLG 27 April 2020](#)).

Under the project Talga will develop and provide graphene materials for the high performance electric motor windings to deliver an aluminium-based solution aimed at outperforming, and ultimately replacing, the copper windings currently used. For automotive manufacturers this could reduce vehicle weight and increase performance, safety and driving range while retaining sustainability and economics.

The improved motor windings form part of the project’s aim of developing next generation lightweight high performance component systems that integrate the latest advanced materials and manufacturing techniques. The components are to be tested at sub-system and system level for an integration route into future e-axle designs.

Lightweight and high performance automotive components complement Talga’s range of Li-ion battery anode products, and success in this program would open opportunities to replace copper wire in many large-scale applications globally.

### **Commercial-scale ship coating trials push demand for Talcoat® samples**

In the previous quarter, Talga released details of a Talcoat® product, a graphene additive for maritime primer coatings, applied on two 33,000 tonne ocean going vessels at sea under large-scale trials ([ASX:TLG 4 November 2019](#) and [ASX:TLG 17 December 2019](#)).

Subsequent to the publication of the trials additional parties across several sectors of the global coating industry have engaged with Talga and received Talcoat product samples. These are now undergoing testing by manufacturers and applicators, varying in size and jurisdiction, with positive initial test results.

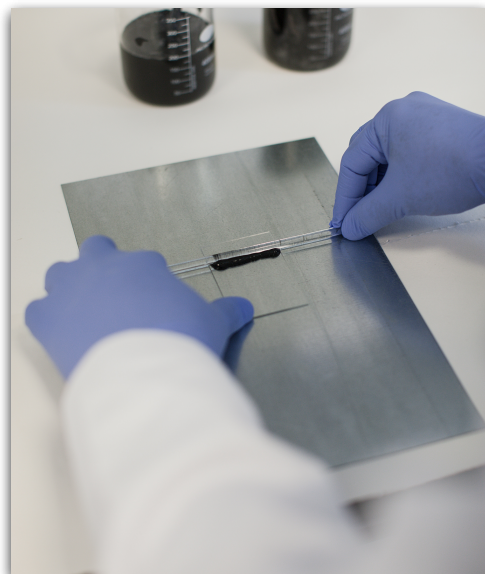
Negotiations towards purchase agreements are underway with some parties and details will be released as and when any definitive commercial agreements are reached.



The 33,000 tonne “Algarrobo” cargo ship after re-painting including 700m<sup>2</sup> section with Talphene® enhanced primer coating.



Development of Talphene® enhanced coating at Talga's lab in Cambridge, UK.



## MINERAL PROJECT DEVELOPMENT AND EXPLORATION

### Stage 1 Vittangi mining operation receives environmental approval

Environmental approval for Stage 1 mining operations at Talga's 100% owned Vittangi Graphite Project in northern Sweden was received during the period under review ([ASX:TLG 3 March 2020](#)).

The trial mine environmental permit was issued by the Environmental Review Committee within the Norrbotten County Administration Board and is valid for three years.

The permit allows for the extraction of up to 25,000 tonnes of graphite ore for planned processing into concentrate and refining at Talga's downstream anode refinery to produce Talnode®-C, the Company's flagship Li-ion battery anode product developed to provide a sustainable and cost competitive choice for battery manufacturers.

The permitting process included comprehensive test work and studies to minimise the environmental footprint of the operation and upon conclusion of Stage 1 mining the site will be rehabilitated using the successful measures from the Company's 2015-2016 trial mining campaign.

Preparations for site works and contractor selection is underway with operation planning to commence following completion of further statutory compliance, Stage 1 refinery permitting and financing activities.

Environmental and statutory permit applications for Stage 2 mining and concentration operations, with a processing capacity of 100,000 tonnes per annum of graphite ore, are nearly complete but now expected to be submitted in Q2 2020.

In full-scale production the graphite concentrate will feed Talga's planned downstream refinery in the coastal city of Luleå, 250km to the south, to produce 19,000 tonnes per annum of Talnode-C as per the design parameters detailed in Talga's May 2019 Pre-Feasibility Study ([ASX:TLG 23 May 2019](#)).

### 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. Some non-core project tenements were rationalised or relinquished during the period under review.

## **CORPORATE AND INVESTOR RELATIONS**

### **Share Registry Update**

During the quarter Talga's share registry changed to Automic Group. The change took effect from 20th January 2020 ([ASX:TLG 20 January 2020](#)).

### **Measures implemented to manage effect of COVID-19 on Talga operations**

Subsequent to the period under review, the Company proactively implemented a range of measures to manage the effect of COVID-19 on its operations ([ASX:TLG 2 April 2020](#)). The policies and procedures put into effect focuses on the well-being of Talga's people, partners and customers.

Where possible, Talga staff across the UK, Germany, Sweden and Australia continue working remotely to deliver corporate, operational and product marketing functions.

Dealings with customers are ongoing and development of the Vittangi Anode Project is proceeding with minor interruptions. The Stage 1 DFS finalisation and Stage 2 permit application submission are now targeting Q2 2020.

Activities at Talga's test facility in Rudolstadt continue, subject to government precautions and at a reduced rate, with priority placed on finalising samples and materials already in production. The Company's current stocks of Talphite® and Talnode® products are considered sufficient to meet demand in the short term.

Talga's participation across Innovate UK electric vehicle technology projects and customer graphene programs also continue subject to quarantine restrictions.

To maximise the Company's capital position, Talga has implemented a group-wide cost reduction programme to reduce fixed and variable costs. As part of the cost reduction programme, the executive team, senior management and the board will undertake significant salary reductions, ranging 20% - 50%, for the remainder of the financial year.

Cash outflow during the period included some major but temporary costs relating to accelerated development of the Vittangi Anode Project in Sweden. These development activities, although ongoing to an extent, have largely been completed and the Company expects to have materially lower cash outflow going forward.

### **Financial**

Talga closed out the 2020 March quarter with A\$6.6 million cash-in-bank and was capitalised at ~A\$76 million (based on closing price 29 April 2020). Currently the Company has 243.6 million quoted ordinary shares and 11.8 million 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](http://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

## 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](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.



## 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")

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	5
1.2 Payments for		
(a) exploration & evaluation (if expensed) <sup>(i)</sup>	(733)	(2,049)
(b) development <sup>(ii)</sup>	(2,573)	(6,296)
(c) production	-	-
(d) staff costs	(570)	(1,545)
(e) administration and corporate costs <sup>(iii)</sup>	(467)	(1,758)
1.3 Dividends received (see note 3)	-	
1.4 Interest received	8	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	337
1.8 Other (provide details if material)	7	292
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,328)</b>	<b>(10,992)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	(25)
(b) tenements	(63)	(462)
(c) property, plant and equipment	-	-
(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 (9 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)	(8)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(71)</b>	<b>(495)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(18)	(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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(18)</b>	<b>10,435</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	11,032	7,667
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,328)	(10,992)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(71)	(495)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(18)	10,435

## 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 (9 months) \$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>6,615</b>	<b>6,615</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	666	473
5.2	Call deposits	5,949	10,559
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>6,615</b>	<b>11,032</b>

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

<b>Current quarter \$A'000</b>
208
-

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

<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)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>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.		
<b>Notes</b>		
(i) Exploration and evaluation includes Sweden tenement renewal and exploitation permitting costs (ii) Development includes UK product development, German test facility operations and feasibility studies (iii) Administration includes Sweden		

<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)	4,328
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	4,328
8.4 Cash and cash equivalents at quarter end (Item 4.6)	6,615
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	6,615
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	1.53

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

- 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: The Company expects to have materially lower operating cash outflow in the short term. The previous quarter cashflows included some major but temporary project costs relating to accelerated development of the Vittangi Anode Project in Sweden. These development activities, although ongoing to an extent, have largely been completed. Furthermore, in response to the COVID-19 outbreak and resulting market conditions, the Company has implemented a group-wide cost reduction program to significantly reduce fixed and variable costs.

- 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: With the Group-wide activities scaled back and other cost saving measures in place, the Company does not have any immediate plans in place to raise further cash for on-going activities outside of any Vittangi Anode Project funding, however is engaged with potential project and equity funding partners on an ongoing basis and will review its needs as required.

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: Yes. The Company estimates it has cash reserves to continue its operations and cover on-going costs over the next ~3 quarters and expects its end of June cash balance to be in excess of \$4.1m. Development of the Vittangi Anode Project, including discussions with significant customers, financiers and project development partners is underway and apart from timing delays due to COVID-19 are expected to advance in the timeframe of the Company's capital needs.

### 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: 30 April 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.