

Quarterly Activities Review

For period ending 30 September 2022

Battery materials and technology company Talga Group Ltd ("Talga" or "the Company") (ASX:TLG) is pleased to report its activities for the quarter ending 30 September 2022.

Commercial and project development

- Automotive Cells Company ("ACC") signs non-binding offtake for 60,000 tonne anode supply
- Site visit due diligence completed by a number of significant European finance institutions for Vittangi Anode Project construction financing
- ISO 14001 accreditation attained for Talga EVA qualification plant subsequent to quarter
- Final drill results reveal further high-grade graphite between Niska North and South ("Niska link")
- 25,000 tonne trial mine program successfully completed subsequent to quarter
- Permitting process for 100,000 tonnes per annum Vittangi mine advanced

Product and technology development

- Talga receives funding to further Talnode[®]-Si commercialisation
- Talga membership of remote operations space consortium AROSE

Corporate and finance

- Oversubscribed A\$22 million institutional placement completed subsequent to quarter
- Oversubscribed A\$10 million Share Purchase Plan completed subsequent to quarter
- Talga and Mitsui extend Vittangi Anode Project MoU
- Talga presents at globally significant automotive and battery industry events

Talga Managing Director, Mark Thompson, commented: *"This quarter has shown Talga is at the forefront of establishing a European supply of sustainable battery materials. The signing of a non-binding offtake with battery maker ACC reflects the progress of our commercial engagements and the high market demand for green battery anodes. Progressing financial and permitting processes, alongside the continued implementation of our quality assurance program, sets the stage for commercial production. Successful graphite exploration activities and ongoing research and product development programs provide a pathway for future expansion and product diversification."*

Commercial and project development

ACC and Talga sign non-binding offtake for anode supply



Talga and European battery maker Automotive Cells Company SE (“ACC”) entered a nonbinding Offtake Term Sheet for supply of 60,000 tonnes of Talga’s anode product, Talnode®-C, over a 5-year term commencing in 2026 (ASX:TLG 27 September 2022).

The definitive agreement is expected to include supply of ramp up volumes over 2023 - 2025, in addition to the 60,000 tonne offtake supply.

ACC is co-owned by automotive brands Mercedes-Benz and Stellantis (global automotive manufacturer with brands including Alfa Romeo, Chrysler, Fiat, Jeep, Peugeot and Maserati); and battery company Saft (subsidiary of TotalEnergies). ACC is building its first Li-ion battery Gigafactory in France, with further Gigafactories planned to ramp-up total production capacity to 120GWh per annum in 2030.

The parties have a legally binding obligation to use commercially reasonable efforts to complete due diligence and finalise a binding definitive agreement by 30 November 2022.

Site visit from European institutions for Vittangi Anode Project financing

Talga hosted a two-day site visit to its integrated mine-to-anode project in northern Sweden for numerous financial institutions as part of their ongoing due diligence into the financing of the Vittangi Anode Project (ASX:TLG 21 September 2022).

Represented organisations included European Investment Bank (“EIB”), Swedish Export Credit Corporation (“SEK”), and Nordic Investment Bank (“NIB”), together with representatives from a number of Europe’s most active green development financing banks. The site visit follows positive discussions and Letters of Interest received from project lenders earlier in the year (ASX:TLG 14 June 2022 and 21 July 2022).

Talga's project financing strategy targets a mix of project equity and debt, with a focus on European institutional and government-backed funding instruments.

Figure 1 Representatives from project financiers at Talga's Electric Vehicle Anode plant in Luleå (L) and trial mine at Vittangi Graphite Project, Sweden (R).



Talga attains ISO 14001 Environmental Accreditation

Subsequent to the quarter, Talga was awarded the globally recognised ISO 14001:2015 certification for the Company's environmental management systems at the Electric Vehicle Anode ("EVA") plant, including onsite battery labs, and office in Luleå, northern Sweden (ASX:TLG 19 October 2022).

The ISO 14001:2015 certification is an independent, third-party assurance of Talga's Environmental and Social Management System ("ESMS") which covers safe use, management and transport of chemicals, waste and dust; safety procedures for emergencies; ongoing monitoring and auditing; and commitment and active support from leadership.

The certification forms part of a broader quality assurance program being implemented across Talga's operations in preparation for commercial battery anode and graphene additive production.

Figure 2 Main hall and battery laboratory Talga's Electric Vehicle Anode plant in Luleå, Sweden.



Final Niska Link drill results reveal high-grade graphite

Balance of results from a 36-hole drill program returned further high grade graphite zones from the ~2km long "Niska Link" target at the Vittangi Graphite Project in Sweden, with assay results showing maximum grades reaching 50.3% Cg (at 43m, NIS22007) (ASX:TLG 20 September 2022). Significant downhole intercepts include:

- 25m @ 28.4% Cg (from 39m) NIS22007 incl. 6m @ 45.5% Cg
- 85m @ 23.0% Cg (from 87m) NIS22020 incl. 46m @ 30.4% Cg
- 15m @ 31.7% Cg (from 2m) NIS22033 incl. 7m @ 42.0% Cg (from bedrock surface)

The Company has commenced an update of the Vittangi graphite resource, and this is expected to be complete in Q4 2022. Talga's exploration programs are designed to continue building on what is Europe's largest deposit of contained natural graphite (ASX:TLG 27 May 2022) to support potential future expansions of anode production capacity for the electric vehicle battery market.

Niska South trial mine completed

Subsequent to the period, Talga completed the Niska South trial mine (ASX:TLG 29 July 2022) extracting the remaining balance of 25,000 tonnes of graphite ore. Backfilling of the mine is nearing completion, and the area is being rehabilitated in line with the Company's permit obligations.

The graphite ore from the trial mine will provide feed for large scale battery anode sample production, including at Talga's EVA plant which produces Talnode®-C for ongoing EV Li-ion battery qualification and customer procurement processes.

Figure 3 Talga's Vittangi Graphite Project trial mine 2022. Crushed ore is stored and processed offsite, and the open pit is being backfilled and rehabilitated to natural surface conditions. Environmental management includes 'smart' monitor bores with 24/7 live data transmission of groundwater conditions.



Vittangi Anode Project permitting process progressed with Court site visit completed

The environmental permit application for mining operations at Talga's Nunasvaara South deposit, within the Vittangi Graphite Project, is currently progressing through the standard permitting process with the Swedish Land and Environment Court in Umeå. During the quarter the Court completed its scheduled project site visit, with the formal hearing planned to follow in Q1 2023.

The project environmental, Natura 2000 and exploitation permits were submitted jointly, and the environmental matters are expected to be decided together, followed by the exploitation decision.

Relatedly, the environmental permit for the 19,500 tonne per annum ("tpa") anode production facility at Hertsöfältet, part of the Luleå Industrial Park, is progressing through the permitting process.

Product and technology development

Talga receives funding to further Talnode[®]-Si commercialisation

During the period, Talga was successful in its UK Government, Innovate UK funding application for the A4I program (approx. £110,000 collaboration) to conduct multiple studies on the technical advantages of Talnode[®]-Si. Talga aims to use the A4I program to work with National Physical Laboratory (UK) scientists and their state-of-the-art facilities to support a study into the chemical changes and swelling that occur in batteries based on silicon anodes.

The study will assist Talga in the scale up and commercialisation of its next-generation silicon anode product to further diversify the Company's battery materials portfolio and provide additional opportunities to capitalise on its unique high-grade graphite deposit in northern Sweden.

Talga is currently validating its Gen-1 Talnode[®]-Si product with Tier 1 battery manufacturers worldwide.

Figure 4 Talnode[®] product development at Talga's Cambridge, UK laboratory.



Talga joins remote operations space consortium AROSE

Talga joined AROSE, the Western Australia-based remote operations accelerator whose impressive list of members includes leading companies from the resources, space and research sectors.

AROSE seeks to strengthen Australia's position as a premier remote operations provider to the international space sector while benefitting industry at home. In addition to advancing technology innovation, AROSE seeks to improve workforce skills and diversity, and inspire new generations to pursue careers in space.

Corporate and finance

Successful A\$22 million institutional placement and A\$10m Share Purchase Plan

A strongly supported institutional placement to raise A\$22 million at A\$1.10 per share (“Placement”) was successfully completed subsequent to the quarter (ASX:TLG 7 October 2022).

The Placement, jointly managed by Morgan Stanley Australia Securities Limited and Euroz Hartleys Limited, and supported by UK placing agent Longspur Capital Limited, resulted in the issue of 20.1 million shares. This represents approximately 6.6% of Talga’s existing fully paid ordinary shares on issue immediately prior to the issue of the New Shares.

Parallel to the placement the Company offered eligible Talga shareholders the opportunity to participate in a Share Purchase Plan (“SPP”) seeking to raise A\$10 million. The SPP was opened on 14 October 2022 and closed early, on 24 October 2022, having reached the targeted raising amount (ASX:TLG 24 October 2022).

Proceeds from the Placement and the SPP will be used to fund Talga’s advancement of the Vittangi Anode Project, expanded operation of the Electric Vehicle Anode qualification plant, Niska expansion workstreams and resource drilling, next generation anode development (including Talnode®-Si commercialisation), and for general working capital (including costs of the Placement).

The Placement and SPP proceeds, totalling A\$32 million (before costs), were received subsequent to the quarter as noted in the attached 5B.

Talga presenting and exhibiting at globally significant industry events

- Oslo Battery Days, 22 to 23 August 2022, Oslo, Norway
- Net Zero Markets at ONS 2022, 29 August to 1 September 2022, Stavanger, Norway
- Benchmark APAC, 27 to 29 September 2022, Perth, Australia
- Svemin’s Environmental Summit, 4 to 5 October 2022, Kiruna, Sweden
- IZB Wolfsburg, 11 to 13 October 2022, Wolfsburg, Germany
- #Batteries4EU, 27 October 2022, Brussels, Belgium

Figure 5 Talga’s booth at the automotive focussed International Suppliers Fair (IZB Wolfsburg, Germany).



Talga and Mitsui extend MoU

During the quarter, Talga further extended the Memorandum of Understanding (“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 (ASX:TLG 31 August 2022).

The MoU, extended until 31 March 2023, builds on discussions to date under an agreement first signed in 2020 and expanded in 2021 (ASX:TLG 20 March 2020 and 13 December 2021). The extended MoU between Talga and Mitsui continues the intent to advance co-development of Talga's Vittangi Anode Project in Sweden through Joint Venture. The extension date is aligned with expected finalisation of execution plans as well as required permitting and approvals.

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 March 2023. Should binding agreements be entered into, the Company will release details in accordance with its disclosure obligations at that time.

Talga is also engaged in advanced discussions and due diligence processes with other parties under NDA regarding project financing and partnerships. Further details of the MoU can be found in Talga's ASX release dated 20 March 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 September quarter with A\$4.7 million cash-in-bank. Subsequent to the quarter, the Company completed an institutional placement (ASX:TLG 7 October 2022) and Share Purchase Plan (ASX:TLG 24 October 2022) to raise a total of A\$32 million (before costs).

Talga was capitalised at ~A\$413 million based on closing price on 28 October 2022. The Company has 325.2 million quoted ordinary shares (post the completed institutional placement and Share Purchase Plan) and 7.5 million unlisted options and 2.1 million performance rights on issue.

ASX Appendix 5B, Section 6

Payments to related parties of the entity and their associates: during the quarter \$203,000 was paid to Directors and associates for salaries and superannuation.

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

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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 and that in the case of mineral resource estimates, that all material assumptions and technical parameters underpinning the estimates in 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 persons.

Appendix 1: 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%		
	Nunasvaara nr 3	100%		
	Vathanvaara nr 102	100%		
	Vittangi nr 2	100%		
	Vittangi nr 6	100%		
Pajala Project				
Norrbottn County, Sweden	Lautakoski nr 5	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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19	19
1.2 Payments for		
(a) exploration & evaluation ⁽ⁱ⁾	(3,307)	(3,307)
(b) development ⁽ⁱⁱ⁾	(1,339)	(1,339)
(c) qualification plant production ⁽ⁱⁱⁱ⁾	(932)	(932)
(d) staff costs - corporate	(809)	(809)
(e) administration and corporate costs	(815)	(815)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government R&D grants and tax incentives	239	239
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(6,937)	(6,937)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,354)	(1,354)
(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 (3 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)	-	-
2.6	Net cash from / (used in) investing activities	(1,354)	(1,354)
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)	-	-
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	13,013	13,013
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,937)	(6,937)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,354)	(1,354)
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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,722	4,722

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	1,062	1,922
5.2 Call deposits	3,660	11,091
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)	4,722	13,013

Notes

- (i) Exploration and evaluation includes Sweden trial mining, technical & FEED studies, and exploitation permitting costs.
- (ii) Development includes UK product development and German test facility operations.
- (iii) EVA plant anode sample production costs.

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	203
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

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	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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(6,937)
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)	(6,937)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,722
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	4,722
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.68
<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: Yes	
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: Yes. Subsequent to the September quarter, Talga successfully raised \$32m via an oversubscribed share placement (\$22m, see ASX:TLG 7 October 2022) and a Share Purchase Plan (\$10m see ASX:TLG 24 October 2022).	
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: Yes	
<i>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.</i>	

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: 31 October 2022

Authorised 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.