

Quarterly Activities Review

For period ending 31 March 2023

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 March 2023.

Commercial and project development

- Environmental permit approved for Nunasvaara South graphite mine, subsequent to quarter
- Successful exploration grows Talga’s Vittangi natural graphite resource
- Luleå Refinery Building permit granted and environmental permit hearing scheduled

Product and technology development

- Talnode®-Si silicon anode expanded pilot line commissioning completed
- Talga intellectual property strategy update

Corporate and finance

- Update on customer offtake negotiations
- A\$40 million raised via institutional placement
- Talga enters S&P/ASX 300 index
- Swedish operations team expanded in preparation for operational readiness
- Talga presenting and exhibiting at globally significant industry events
- Cash balance of A\$51.6 million as at 31 March 2023

Talga Managing Director, Mark Thompson, commented: *“In being granted environmental permit approval for the Nunasvaara South mining operation, this quarter Talga has achieved a monumental milestone in the history of the Company and a major step in the establishment of our Swedish natural graphite anode production.*”

This achievement is complemented by successful growth of our critical mineral resource and progression of the downstream commercial and technology pillars of our operation. We look forward to further advances over the coming months arising from our progressing customer and financing strategies.”

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Commercial and project development

Environmental permit approved for Nunasvaara South graphite mine, subsequent to quarter

Subsequent to the quarter, the Swedish Land and Environment Court granted Talga an environmental permit and Natura 2000 permit for its Nunasvaara South natural graphite mine, part of its vertically integrated Vittangi Anode Project in northern Sweden (ASX:TLG 6 April 2023).

Remaining approvals, including the Swedish Mining Inspectorate's decision on the Nunasvaara South exploitation concession application and other local approvals, are progressing.

The environmental permit was granted with conditions in line with Talga's permit application and Detailed Feasibility Study (ASX:TLG 1 July 2021). The decision is subject to a three-week period when appeals can be lodged.

Successful exploration grows Talga's Swedish natural graphite resource

Based on its 2022 Niska drilling campaign, Talga increased the Vittangi Graphite Project Global Mineral Resource estimate by 23% to 36.9 million tonnes ("Mt") of graphite ore at 23.1% graphite ("Cg") using an 11% Cg cut-off grade (ASX:TLG 3 April 2023). The resource upgrade included a 71% increase to the total Niska graphite Mineral Resource.

To support the Company's business strategy, Talga continues to develop the project through technical and economic feasibility studies and has completed further exploration activities at its Niska deposit.

The Mineral Resources, which remain open along strike and depth, will underpin potential expansion pathways to anode production beyond the 100,000 tonnes per annum ("tpa") outlined under the Vittangi Anode Project (ASX:TLG 1 July 2021) and Niska expansion (ASX:TLG 7 December 2020).

Luleå Refinery permitting update

The Land and Environment Court has scheduled a three-day environmental permit hearing for Talga's downstream commercial Luleå anode Refinery ("Refinery"), commencing 3 May 2023. This includes a one-day site visit. A positive decision, and approval of an execution order, would allow the Company to commence early works at the Refinery site, potentially at the start of H2 2023.

The Refinery building permits have already been granted by Luleå Municipality and entered into force on 24 March 2023.

Figure 1 Talga's vertically integrated Vittangi Anode Project: the planned mining operation near Kiruna, Sweden (L); and the planned 19,500tpa anode refinery in Luleå, Sweden (R).



Market update

Global electric vehicle (“EV”) sales in the last quarter of 2022 were the highest to date, with over 3.4 million units sold, bringing the 2022 full year total to 10.5 million units. This is forecast to increase to 14.5 million units in 2023, an increase of 39%.¹

Natural graphite anode prices fell during Q1 2023 as a result of sluggish demand from the EV market, with prices expected to rise in coming months as demand from EV producers increases, driven by the strong EV sales noted above. The graphite market is on track to undergo a deficit in the -100 mesh market, the preferred flake size for anode production.

The Green Deal Industrial Plan (“Plan”), announced by the European Commission on 1 February 2023, supports the green transition by enhancing the competitiveness of Europe's net-zero industry. In March, its three key proposals were presented: the Critical Raw Materials Act, the Net-Zero Industry Act and the reform of the electricity market design. These will create a simpler and more predictable regulatory environment for clean technologies to both find and secure their home in the EU.

Product and technology development

Silicon anode pilot line commissioned in Germany

During the reporting period, Talga completed on budget commissioning of its expanded Talnode[®]-Si pilot line at its facilities in Rudolstadt, Germany. This pilot line will be used to produce larger samples for battery customer qualifications, as well as provide significantly upscaled operational information for commercial scale plant design and engineering.

Talnode[®]-Si is a composite anode material comprising 50% silicon with graphite/graphene, designed as an energy boosting additive for blending into existing commercial anode materials. In an unblended state, Talnode[®]-Si has ~5x the energy capacity of graphite-only anodes (1,800mAh/g vs 360mAh/g) and is being tested by global auto OEM's and battery makers.

In recent Li-ion battery customer tests, a blend of 9% Talnode[®]-Si boosted energy capacity by ~40% and exceeded customer targets for efficiency and cycle life (ASX:TLG 14 December 2022).

In a commercialisation process similar to Talnode[®]-C, Talnode[®]-Si's accelerating production scale-up is underpinned by Talga battery material technology, practical engineering and process metallurgy, industrial equipment partners, feasibility work and rigorous qualification testwork. Negotiations with leading global EV manufacturers regarding supply volumes have commenced and several European production sites which fit the appropriate criteria for commercial developments have been shortlisted.

Figure 2 Talga's German facility housing Talnode[®]-Si pilot plant and commercial sample production.



¹ Rho Motion Q1 2023 EV Battery Outlook

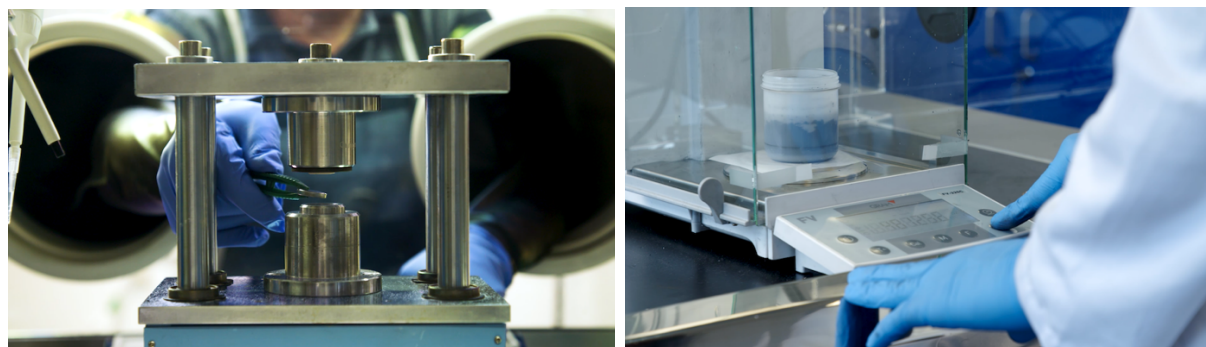
Talga patents and trademarks advance in line with intellectual property strategy

Talga provides the following update on its Intellectual Property (“IP”) strategy, which protects the Company’s expanding product, technology and processing portfolio.

Talga has more than 60 individual applications filed in 14 active patent families (groups of individual patent applications filed in more than one country) covering batteries and energy, coatings, composites, formulations, and ore processing. The Company’s IP portfolio currently covers 10 key jurisdictions, including Australia, Canada, China, Germany, Europe, Great Britain, Japan, South Korea, Sweden, and the United States.

As Talga grows its downstream anode business, the IP strategy formally captures and codifies the Company’s significant know-how and trade secret knowledge. In addition, the Company has a portfolio of 40 individual trade mark applications in six active trademark families, across multiple jurisdictions and technology areas.

Figure 3 Making and testing proprietary next-generation battery materials at Talga’s new Centre of Excellence in Cambridge, United Kingdom.



Corporate and finance

Customer update

Talga is currently in advanced negotiations with a range of European and global battery makers, including, as previously announced, French battery makers ACC and Verkor.

Talga and ACC are in final stages of negotiations and completion of documentation for a binding offtake agreement for supply of Talnode[®]-C anode from Talga’s Vittangi Anode Project in Sweden. The Company notes there can be no guarantee the documentation will be finalised. ACC is co-owned by automotive brands Mercedes-Benz and Stellantis (a major global automotive manufacturer with brands including Chrysler, Citroën, Fiat, Jeep, Peugeot and Maserati); and battery company Saft.

Separate negotiations are progressing with Verkor for supply of Talnode[®]-C. Verkor is backed by multiple prominent partners including Renault Group, EQT Ventures and Sibanye-Stillwater. Verkor’s goal is to open its first Li-ion battery Gigafactory in 2024 in Dunkirk, France, with a 16 GWh/annum capacity, followed by long-term expansion to 50 GWh/annum by 2030.

Successful A\$40 million institutional placement

During the reporting period Talga raised a total of A\$40 million through a strongly supported institutional placement resulting in the issue of 25.8 million new fully paid ordinary Talga shares. The proceeds will be used to fund commencement of silicon anode scale-up including securing commercial site, Vittangi Anode Project early works including earthworks and site infrastructure at the Luleå anode refinery site, procurement of anode equipment and detailed engineering, scaled up EVA production, and general working capital (including costs of the Placement).

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Talga presenting and exhibiting at globally significant industry events

- Visit of the European Commission, 13 January 2023, Kiruna, Sweden
- Swedish Business Innovation Safari, 6 February 2023, Stockholm, Sweden
- Rho Motion Seminar Series, 7 February 2023, Singapore
- Euroz Hartley's Rottneast Island Institutional Conference, 7 March 2023, Perth
- Euroz Hartley's Critical Raw Materials webinar, 17 March 2023, online
- Swedish Innovation Day, 21 March 2023, online
- UBS Resources Conference, 29 to 30 March 2023, Sydney
- Benchmark Gigafactories Europe, 29 March 2023, Budapest, Hungary
- Euromines tour of north Sweden, 29 March 2023, Luleå, Sweden
- RIU Sydney Resources Round Up, 9 to 11 May 2023, Sydney
- The Battery Show, 23 to 25 May 2023, Stuttgart, Germany

Figure 4 Euromines visit to Talga's EVA Plant (top); Martin Phillips, CEO Europe, at Benchmark Gigafactories Europe, Budapest (bottom L); Martin Phillips and Per-Erik Lindvall, Chair of Talga Swedish Board, at Swedish Business Innovation Safari, Stockholm (bottom R).



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Talga enters ASX 300 Index

On 20 March 2023, a rebalancing of the S&P/ASX 300 Index added Talga Group for the first time.

Talga expands Swedish team in preparation for operational readiness

In a key appointment for its Swedish operations team, Talga has hired Peder Enoksson as Project Director for the Vittangi Project construction. Peder is based in Luleå and will manage the engineering, procurement and construction contracting of Talga's major engineering projects.

In addition, the Company has made further administrative appointments. These appointments will support an increased Swedish operational and corporate presence as the Company scales up to commercial production.

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 March quarter with A\$51.6 million cash-in-bank and was capitalised at ~A\$617 million based on closing price on 31 March 2023. The Company has 360.6 million quoted ordinary shares and 11.6 million unlisted options/performance rights on issue.

ASX Appendix 5B, Section 6

Payments to related parties of the entity and their associates: during the quarter \$305,000 was paid to Directors and associates for salaries, superannuation and consulting fees.

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

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About Talga

Talga Group Ltd (ASX:TLG) is building a European battery materials supply chain to offer products critical to the green transition. Talga's innovative technology and vertical integration of 100% owned Swedish graphite resources provides security of supply and creates additional value for stakeholders. 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.

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")

31 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	174	220
1.2	Payments for		
	(a) exploration & evaluation ⁽ⁱ⁾	(4,154)	(12,150)
	(b) development ⁽ⁱⁱ⁾	(1,740)	(4,890)
	(c) qualification plant production ⁽ⁱⁱⁱ⁾	(1,373)	(3,929)
	(d) staff costs - corporate	(949)	(2,748)
	(e) administration and corporate costs	(1,274)	(4,097)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	100	212
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government R&D grants and tax incentives	288	675
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(8,928)	(26,707)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(717)	(3,566)
	(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 (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)	-	-
2.6	Net cash from / (used in) investing activities	(717)	(3,566)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	40,000	72,110
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	(2,046)	(3,270)
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	37,954	68,840
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,271	13,013
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,928)	(26,707)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(717)	(3,566)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	37,954	68,840

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
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	51,580	51,580

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	1,046	1,681
5.2	Call deposits	50,534	21,590
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)	51,580	23,271

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	305
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)	(8,928)
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)	(8,928)
8.4 Cash and cash equivalents at quarter end (item 4.6)	51,580
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	51,580
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	5.78
<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:	
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:	
<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>	

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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: 26 April 2023

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.