Half Year Financial Report

31 December 2023

Talga Group Ltd and Controlled Entities

ABN: 32 138 405 419

TABLE OF CONTENTS

For personal use only

CORPORATE DIRECTORY

Directors

Terry Stinson (Non-executive Chair)

Mark Thompson (Managing Director)

Grant Mooney (Non-Executive Director)

Stephen Lowe (Non-Executive Director)

Ola Rinnan (Non-Executive Director)

Company Secretary

Dean Scarparolo

Registered Office and Principal Place of Business

Suite 3.03, Level 3

46 Colin Street

West Perth WA 6005

Phone: 08 9481 6667

Email and website

Email: info@talgagroup.com

Website: www.talgagroup.com

ABN

32 138 405 419

Securities Exchange Listing

Talga Group Ltd is listed on the Australian Securities Exchange Limited

Home Exchange: Perth

ASX Code: TLG (Shares)

Share Registry

Automic Registry Services

GPO Box 5193

Sydney NSW 2001

Phone: 1300 288 664

Auditors

Ernst & Young

11 Mounts Bay Rd,

Perth WA

DIRECTORS' REPORT

The Directors present their report, together with the half-year financial report of Talga Group Ltd ("Talga" or "the Company") and its controlled entities ("the Group"), for the half-year financial period ended 31 December 2023.

1. BOARD OF DIRECTORS

The following persons were Directors of Talga Group Ltd during the half-year financial period and up to the date of this report:

Directors	Position	Date of Appointment
Terry Stinson	Non-Executive Chairman	Appointed 8th February 2017
Mark Thompson	Managing Director	Appointed 21st July 2009
Grant Mooney	Non-Executive Director	Appointed 20th February 2014
Stephen Lowe	Non-Executive Director	Appointed 17th December 2015
Ola Rinnan	Non-Executive Director	Appointed 7th August 2017

2. REVIEW OF OPERATIONS

During the period the Group continued to progress its vertically integrated Vittangi Anode Project; silicon anode commercialisation; in-house product and technology development; and mineral resource development towards establishing commercial production of sustainable battery materials.

Highlights of the period included:

Vittangi Anode Project - Sweden

Achievement of key milestones including:

- Environmental permit for Talga's Luleå Anode Refinery ("Refinery") entering into legal force;
- Early works commenced in preparation for Refinery construction. Groundbreaking attended by local, regional and national Swedish government representatives;
- Acquisition of Refinery site from Luleå Municipality;
- Mine permitting advanced with Court of Appeal decision to uphold Talga's approved Nunasvaara South mine environmental and Natura 2000 permit. Final stage of appeals process commenced with Supreme Court;
- Consortium of commercial banks and credit agencies selected to provide all targeted debt funding, complementing European Investment Bank;
- Advanced Talnode-C offtake discussions with battery customers and automotive Original Equipment Manufacturers (OEMs);
- Discussions progressed with potential project equity partners, including automotive OEMs and lithium-ion battery supply chain actors; and
- Secured $31 million environmental bond facility.

Product and technology development

Positive developments across the Group's battery and advanced materials product and technology portfolio including:

- Updated Life Cycle Assessment demonstrating global warming potential of Talnode-C manufacture is 92% less than existing synthetic EV anodes imported into Europe;

- Advanced commercialisation of Talga's silicon anode, Talnode-Si, with successful operation of pilot line at the Company's German processing facilities;

- Joined Polestar 0 project to collaborate on conducting research on new anode material; and

- Advanced processing and use of recycled graphite anode at Talga's Battery Centre of Excellence in Cambridge, UK.

Mineral resource development

Mineral project development and exploration activities completed to support expansion pathways to meet increased battery anode demand and extract value from non-core assets:

- Increased the Vittangi Graphite Project Global Mineral Resource cut-off grade, with Vittangi Graphite Mineral Resource Estimate updated to total 35.0 million tonnes at 23.8% graphite;

- Completed Nunasvaara South geophysical survey to inform potential expansion options;

- Discovered multiple large lithium-bearing pegmatites at Aero Project in northern Sweden with grades up to 1.95% Li_2O have been returned from surface sampling to date. Follow-up exploration activities were completed and negotiations commenced with potential project partners; and

- Discovered substantial zones of graphite in maiden drilling of Vittangi nr. 6 tenement.

Competent Persons statement

The Exploration Results referred to in this report were first announced in the Company's announcement of 29 August 2023 titled "Talga Lithium-Pegmatite Discovery in Sweden". The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement.

Corporate

Strategic corporate development activities to establish a vertically integrated sustainable battery and advanced materials business including:

- Strengthened European leadership with appointment of key executive roles and expansion of Swedish Board; and

- Completed upsized and oversubscribed A$19 million Share Purchase Plan.

Planned activities post the period

Planned 2024 key activities include:

- Progress Vittangi Anode Project key milestones and operational readiness in preparation of FID and project execution;

- Advance feasibility studies, funding options and customer/partners for silicon anode commercialisation;

- Further development and commercialisation of Talga's next generation battery materials technology and product portfolio;

- Progress work and studies towards Vittangi Anode Project expansion options; and

- Progress project partnerships and JVs for development of non-core battery mineral projects.

3. RESULTS OF OPERATIONS

At 31 December 2023, the Company's cash balance was A$32.9 million. On 22 November 2023, the Company secured a SEK210 million (~A$31 million) environmental bond facility for its Vittangi Anode Project in Sweden.

The Group had net assets of $56.3 million (30 June 2023: $57.0 million) and an excess of current assets over current liabilities of $27.3 million (30 June 2023: $34.8 million).

The Group reported a net loss before tax for the half year of $18.4 million (31 December 2022 net loss before tax: $22.2 million) which included interest revenue of $0.4 million and corporate costs of $12.9 million, share based payments $3.0 million, exploration and evaluation and exploitation expenditure of $4.4 million, trial mine and anode production expenses of $1.6 million, test facility, research and product development expenses of $0.7 million and FX realised and unrealised gains of $3.8 million.

On 24 November 2023, the Company issued a total of 19,000,000 new fully-paid ordinary shares at $1.00 to raise $19 million via a Share Purchase Plan to eligible shareholders (less transaction costs of $0.1 million).

4. ROUNDING

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in this Directors' report are rounded off to the nearest million dollars, unless otherwise indicated.

5. DIVIDENDS

No dividend has been paid during or is recommended for the half-year financial period ended 31 December 2023.

6. SUBSEQUENT EVENTS

Other than as disclosed below, there has not been any other matter or circumstance occurring subsequent to the end of the half-year financial period that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Subsequent to the period, Talga appointed Mr Martin Phillips as Talga Group CEO, bolstering the Company's leadership as it executes the Vittangi Anode Project and expansions in Sweden.

7. AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration for the period ended 31 December 2023 has been received and immediately follows the Directors’ Report. On 6 July 2023, Stantons International resigned as auditor of the Company, and Ernst and Young was appointed as auditor of the Company. There were $138,480 fees paid to Ernst and Young for non-audit services (Stantons International $nil) provided during the period ended 31 December 2023. The Directors are satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed did not compromise the external auditor’s independence.

Managing Director
Perth, Western Australia
14 March 2024

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the directors of Talga Group Ltd

As lead auditor for the review of the half-year financial report of Talga Group Ltd for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Talga Group Ltd and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

T S Hammond
Partner
14 March 2024

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2023

		HALF-YEAR	
		Consolidated	
		31 December 2023	31 December 2022
	Note	$	$
Revenues from ordinary activities	3.	101,320	100,937
Other Income	3.	405,572	345,479
Expenses			
Administration, compliance and regulatory expenses		(5,050,415)	(3,984,698)
Depreciation expense		(1,597,247)	(1,223,379)
Employee benefits expenses and Directors fees		(5,639,724)	(4,146,828)
Exploration, evaluation and exploitation expenditure		(1,637,520)	(1,476,174)
Trial mine and anode production expenses		(4,411,596)	(6,833,548)
Operations – test facility, research and product development		(1,463,692)	(1,886,193)
Foreign exchange gain / (loss)		3,822,936	(230,397)
Share based payments expense	8.	(2,922,938)	(2,910,694)
Loss before income tax expense		**(18,393,304)**	**(22,245,495)**
Income tax expense		-	-
Net loss attributable to members of the parent entity		**(18,393,304)**	**(22,245,495)**
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(4,131,043)	220,222
Total other comprehensive (loss) income for the period		**(4,131,043)**	**220,222**
Total comprehensive loss for the period		**(22,524,347)**	**(22,025,273)**
Total comprehensive loss attributable to members of the parent entity		**(22,524,347)**	**(22,025,273)**
Basic loss per share (cents per share)	9.	(5.00)	(7.02)
Diluted loss per share (cents per share)	9.	(5.00)	(7.02)

The above interim consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	Consolidated 31 December 2023 $	 30 June 2023 $
Current Assets			
Cash and cash equivalents	4.	32,867,115	38,226,375
Trade and other receivables		1,489,249	2,516,243
Prepayments		521,115	687,970
Total Current Assets		**34,877,479**	**41,430,588**
Non-current Assets			
Other receivables		586,924	568,608
Property, plant and equipment	5.	27,375,946	20,714,979
Right-of-use assets	6.	1,706,823	2,303,006
Exploration and evaluation acquisition costs		259,729	132,022
Total Non-current Assets		**29,929,422**	**23,718,615**
TOTAL ASSETS		**64,806,901**	**65,149,203**
Current Liabilities			
Lease liability	6.	876,503	801,411
Trade and other payables		5,763,260	4,818,877
Provisions		976,411	978,791
Total Current Liabilities		**7,616,174**	**6,599,079**
Non-current Liabilities			
Lease liability	6.	892,747	1,565,762
Total Non-current Liabilities		**892,747**	**1,565,762**
TOTAL LIABILITIES		**8,508,921**	**8,164,841**
NET ASSETS		**56,297,980**	**56,984,362**
Equity			
Issued capital	7.	222,349,525	203,434,497
Reserves	8.	18,670,976	19,879,082
Accumulated losses		(184,722,521)	(166,329,217)
TOTAL EQUITY		**56,297,980**	**56,984,362**

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2023

	Note	Issued Capital $	Accumulated Losses $	Reserves $	Total $
At 1 July 2022		**133,472,526**	**(122,973,151)**	**16,148,202**	**26,647,577**
Comprehensive income:					
Loss after income tax for the period		-	(22,245,495)	-	**(22,245,495)**
Exchange differences on translation of foreign operations		-	-	220,222	**220,222**
Total comprehensive income (loss) for the period		-	(22,245,495)	220,222	**(22,025,273)**
Transactions with owners in their capacity as owners:					
Issue of share capital	**7.**	32,110,000	-	**-**	**32,110,000**
Capital raising costs		(1,261,578)	-	-	**(1,261,578)**
Share based compensation		194,000	-	2,910,694	**3,104,694**
At 31 December 2022		**164,514,948**	**(145,218,646)**	**19,279,118**	**38,575,420**

	Note	Issued Capital $	Accumulated Losses $	Reserves $	Total $
At 1 July 2023		**203,434,497**	**(166,329,217)**	**19,879,082**	**56,984,362**
Comprehensive income:					
Loss after income tax for the period		-	(18,393,304)	-	**(18,393,304)**
Exchange differences on translation of foreign operations		-	-	(4,131,044)	**(4,131,044)**
Total comprehensive income (loss) for the period		-	(18,393,304)	(4,131,044)	**(22,524,348)**
Transactions with owners in their capacity as owners:					
Issue of share capital	**7.**	19,000,000	-	-	19,000,000
Capital raising costs		(84,972)	**-**	**-**	(84,972)
Share based compensation		-	-	2,922,938	2,922,938
At 31 December 2023		**222,349,525**	**(184,722,521)**	**18,670,976**	**56,297,980**

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying note

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2023

	Note	HALF-YEAR Consolidated 31 December 2023 $	31 December 2022 $
Cash Flows from Operating Activities			
Receipts from customers		103,656	46,324
Payments for exploration, evaluation and exploitation		(4,745,818)	(5,350,060)
Payments for trial mine and anode production		(4,629,728)	(5,093,875)
Payments to suppliers, contractors and employees		(6,965,868)	(5,772,466)
German and UK Operations including R&D		(1,274,307)	(1,693,858)
Interest received		382,911	111,563
Interest paid on leases		(45,872)	(41,076)
Other income – grants		211,085	387,761
Net cash flows (used in) operating activities		**(16,963,941)**	**(17,405,687)**
Cash Flows from Investing Activities			
Purchase of plant and equipment		(6,705,000)	(2,848,169)
Proceeds from security bonds returned		2,478	20,900
Net cash (used in) investing activities		**(6,702,522)**	**(2,827,269)**
Cash Flows from Financing Activities			
Proceeds from issue of securities		19,000,000	32,109,678
Payment for costs of issue of securities		(39,000)	(1,223,809)
Lease principal payments		(618,067)	(409,165)
Net cash flows from financing activities		**18,342,933**	**30,476,704**
Net (decrease) increase in cash and cash equivalents		**(5,323,530)**	**10,243,748**
Cash and cash equivalents at the beginning of the period		38,226,375	13,012,565
Net foreign exchange differences		(35,730)	9,239
Cash and cash equivalents at the end of the financial period	4.	**32,867,115**	**23,265,552**

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED HALF-YEAR FINANCIAL REPORT

1. CORPORATE INFORMATION

The half-year financial report for the parent Talga Group Ltd and its Controlled Entities (The "Group" or "Consolidated Entity") for the half-year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 14 March 2024. Talga Group Ltd is a limited company incorporated and domiciled in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described on page 4 to 6 of the Directors' Report.

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance and basis of accounting

The half-year financial report for the six months ended 31 December 2023 has been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 "Interim Financial Reporting" reporting requirements.

The half-year financial report does not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual financial statements of Talga Group Ltd as at 30 June 2023.

It is also recommended that the half-year financial report be considered together with any public announcements made by Talga Group Ltd during the half-year ended 31 December 2023 in accordance with the continuous disclosure obligations arising under the Australian Securities Exchange.

Going Concern

The Directors have prepared the half-year financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

As at 31 December 2023, the Group has cash and cash equivalents of $32.9 million (30 June 2023: $38.2 million) and net current assets of $27.2 million (30 June 2023: $34.8 million). For the 6-month period ended 31 December 2023, the Group made a net loss of $18.4 million (31 December 2022: $22.2 million) and has incurred net operating and investing cash outflows of $23.7 million (31 December 2022: $20.2 million) and net financing cash inflows of $18.3 million (31 December 2022: $30.5 million).

The Directors acknowledge that further funding in the form of debt and/or equity raisings will be required within the next 12 months in order to progress the Group's planned objectives, including the development of the Vittangi Anode Project.

On 12 September 2023 the Group completed selection of the banking consortium to provide the debt funding for the Vittangi Anode Project. In addition to the European Investment Bank (ASX:TLG 20 June 2023), the consortium comprises multiple government-owned export credit agencies and European commercial banks with strong credentials in the energy transition and mining sectors. Finalisation of Project debt facilities with the selected banking consortium remains subject to finalisation of approvals, completion of remaining due diligence and execution of definitive debt facility documentation, which are expected to include customary project financing terms and conditions. Drawdowns under the facility would be subject to customary conditions precedent. Customer negotiations to allocate supply and underpin debt financing agreements are progressing.

As at the date of this report, the Directors are satisfied that there is a reasonable basis that the Group will be able to obtain further funding as and when required, including the securing of funding for the Vittangi Anode Project, and thus it is appropriate to prepare the half-year financial report on a going concern basis.

If, however the Group is unable to obtain further funding as and when required, then there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

The half-year financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(b) Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2023 annual financial report for the financial year ended 30 June 2023, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Application of new and revised Accounting Standards

New and Amended Accounting Policies Adopted by the Group

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. New and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Group include:

- *Definition of Accounting Estimates - Amendments to IAS 8*

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s interim condensed consolidated half-year financial report.

- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group’s interim condensed consolidated half-year financial report but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial report.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

The amendment amends the initial recognition exemption in AASB 112: *Income Taxes* such that it is not applicable to leases and decommissioning obligations – transactions for which companies recognise both an asset and liability and that give rise to equal taxable and deductible temporary differences. The impact of the initial application of the new standard in the interim half-year financial report for leases are not material, and the Group has no decommissioning obligations.

(d) Changes in comparative presentation

During the current period, the Group made certain classification adjustments as a result of refining cost classifications in its accounting system. The primary impact of the adjustments is that expenses have been reclassified to employee costs from other cost categories. Comparative amounts have also been reclassified to be consistent with the current period. The net impact of these reclassification adjustments on the Group's net profit after tax is nil.

Impact on statement of profit or loss	**31 December 2022 $**
Expenses – (increase)/decrease	
Exploration, evaluation and exploitation expenditure	1,017,277
Operations – test facility, research and product development	1,203,653
Employee benefit expenses and Director fees	(2,220,930)
Net impact on profit or loss	**-**

Impact on statement of cash flows	**31 December 2022 $**
Cash flows – (increase)/decrease	
German and UK Operations including R&D	1,203,653
Payments to suppliers, contractors and employees	(1,203,653)
Net impact on cash flows (used in) operating activities	**-**

3. REVENUE AND OTHER INCOME

	31 December 2023 $	**31 December 2022 $**
Product sales	**101,320**	**100,937**
Interest revenue	387,984	111,917
Grants	17,588	233,562
	405,572	**345,479**

4. CASH AND CASH EQUIVALENTS

	31 December 2023 $	30 June 2023 $
Cash at bank	**32,867,115**	**38,226,375**

5. PROPERTY, PLANT & EQUIPMENT

	Plant and Equipment	Land & Buildings	Construction in progress	Total
Net book value, as at 1 July 2023	14,022,958	5,397,224	1,294,797	20,714,979
Additions	1,902,693	229,310	6,384,877	8,516,880
Depreciation charge	(808,388)	(178,138)	-	(986,526)
Effect of foreign currency exchange differences	(854,612)	(14,775)	-	(869,387)
Net book value, as at 31 December 2023	14,262,651	5,433,621	7,679,674	27,375,946
Cost	18,222,349	6,039,724	7,679,674	31,941,747
Accumulated depreciation	(3,959,698)	(606,103)	-	(4,565,801)

	Plant and Equipment	Land & Buildings	Construction in progress	Total
Net book value, as at 1 July 2022	2,268,983	197,320	12,711,280	15,177,583
Additions	1,019,273	5,553,509	1,623,425	8,196,207
Acquisitions	-	-	-	-
Disposals	-	-	-	-
Transfer between categories	13,090,986	-	(13,090,986)	-
Depreciation charge	(1,567,756)	(355,125)	-	(1,922,881)
Effect of foreign currency exchange differences	(788,528)	1,520	51,078	(735,930)
Net book value, as at 30 June 2023	14,022,958	5,397,224	1,294,797	20,714,979
Cost	16,319,656	5,810,415	1,294,797	23,424,868
Accumulated depreciation	(2,296,698)	(413,191)	-	(2,709,889)

6. LEASES

	Right of use assets
Net book value, as at 1 July 2023	2,303,006
Additions	-
Depreciation charge	(610,720)
Effect of foreign currency exchange differences	14,537
Net book value, as at 31 December 2023	1,706,823
Cost	3,797,476
Accumulated depreciation	(2,090,653)

	Right of use assets
Net book value, as at 1 July 2022	1,743,181
Additions	1,317,992
Depreciation charge	(758,167)
Net book value, as at 30 June 2023	2,303,006
Cost	3,752,869
Accumulated depreciation	(1,449,863)

Liabilities at the end of period in the relation to right of use assets are:	**31 December 2023**	**30 June 2023**
	$	**$**
Current Lease Liability	876,503	801,411
Non-current Lease Liability	892,747	1,565,762

Amounts recognised in statement of profit or loss for the period in relation to right of use assets and lease liabilities are:	**31 December 2023**	**31 December 2022**
	$	**$**
Depreciation right-of-use assets	610,720	392,383
Interest expense	45,426	33,509

The lease principal payments totaling $618,067 (2022: $409,165) during the period are recorded in the statement of cashflows.

At initial recognition, the lease liability was measured as the present value of minimum lease payments using the Group’s incremental borrowing rate of 4% - 6.9%. The incremental borrowing rates were based on the unsecured interest rate that would apply if finance was sought for an amount and time period equivalent to the lease requirements of the Group. Each lease payment is allocated between the liability and interest expense. The interest expense of $45,426 (2022: $33,509) is included in administration expenses in the consolidated statement of profit or loss and other comprehensive income.

7. ISSUED CAPITAL

	31 December 2023	30 June 2023
	$	$
Issued and fully paid	**222,349,525**	**203,434,497**
	222,349,525	**203,434,497**

Issued and fully paid

	31 December 2023	31 December 2023	30 June 2023	30 June 2023
	Number	$	Number	$
Fully Paid Ordinary Shares	**379,754,172**	**222,349,525**	**360,754,172**	**203,434,497**

Movement Reconciliation

ORDINARY SHARES	Date	Quantity	Issued Price	$
Balance 30 June 2022		**304,974,519**		**133,472,526**
Placement	13/10/2022	20,100,000	1.10	22,110,000
Exercise of unlisted options	21/10/2022	162,343	1.20	194,000
Share Purchase Plan	28/10/2022	9,090,858	1.10	10,000,000
Placement	23/02/2023	25,806,452	1.55	40,000,001
Exercise of performance rights	9/03/2023	500,000	1.41	705,000
Placement for land purchase	30/06/2023	120,000	1.49	178,200
Less transaction costs				(3,225,230)
Balance 30 June 2023		**360,754,172**		**203,434,497**

ORDINARY SHARES	Date	Quantity	Issued Price	$
Balance 30 June 2023		**360,754,172**		**203,434,497**
Share Purchase Plan	24/11/2023	19,000,000	1.00	19,000,000
Less transaction costs				(84,972)
Balance 31 December 2023		**379,754,172**		**222,349,525**

<u>Share Purchase Plan ("SPP")</u>

On 6 November 2023, Talga announced a non-underwritten SPP, giving eligible shareholders the opportunity to apply for up to $30,000 worth of Shares ("New Shares"). The issue price of the New Shares under the SPP was $1.00 per New Share ("Issue Price"). Proceeds from the SPP will be used to progress critical path development activities for the Vittangi Anode Project, including Refinery site establishment costs, and general working capital. On 24 November 2023, the Company issued a total of 19,000,000 new fully-paid ordinary shares at $1.00 less transaction costs of $84,972.

8. RESERVES

	31 December 2023 $	30 June 2023 $
(a) Unlisted option reserve	20,582,115	17,659,177
(b) Listed option reserve	843,939	843,939
(c) Foreign currency reserve	(2,736,421)	1,394,623
(d) Financial assets reserve	(18,657)	(18,657)
Total reserves	**18,670,976**	**19,879,082**

(a) UNLISTED OPTION AND PERFORMANCE RIGHTS RESERVE	**31 December 2023 $**	**30 June 2023 $**
Balance at the start of the financial period	**17,659,177**	**14,483,975**
Share based payment options issued	2,922,938	3,175,202
Balance at the end of the financial period	**20,582,115**	**17,659,177**

The unlisted options and performance rights reserve is to record the value of equity benefits provided to employees and Directors as part of their remuneration.

(b) LISTED OPTION RESERVE	**31 December 2023 $**	**30 June 2023 $**
Balance at the start of the financial period	**843,939**	**843,939**
Movement	-	-
Balance at the end of the financial period	**843,939**	**843,939**

The listed option reserve represents the value of 45.5million options issued to shareholders in December 2018 for $0.02 which were exercisable at $0.45 and expired in December 2018.

(c) FOREIGN CURRENCY RESERVE	**31 December 2023 $**	**30 June 2023 $**
Balance at the beginning of the financial period	**1,394,623**	**838,945**
Movement during the period	(4,131,044)	555,678
Balance at the end of the financial period	**(2,736,421)**	**1,394,623**

The foreign currency translation reserve represents exchange differences arising from the translation of non-AU dollar functional currency operations within the Group into Australian dollars.

(d) FINANCIAL ASSET RESERVE	**31 December 2023 $**	**30 June 2023 $**
Balance at the start of the financial period	**(18,657)**	**(18,657)**
Movement during the period	-	-
Balance at the end of the financial period	**(18,657)**	**(18,657)**
Total reserves	**18,670,976**	**19,879,082**

The financial asset reserve represents the revaluation of investments in shares recognised through other comprehensive income.

9. LOSS PER SHARE

	31 December 2023 $	**31 December 2022 $**
Net loss used in calculating the basic loss per share	(18,393,304)	(22,245,495)
	Number	**Number**
Weighted average number of shares on issue during the period used in the calculation of basic loss per share	379,754,172	316,784,034
Basic loss per share (cents per share)	(5.0)	(7.02)
Diluted loss per share (cents per share)	(5.0)	(7.02)

This calculation does not include shares under option that could potentially dilute basic earnings per share in the future as the Group has incurred a loss for the period, and therefore those options are anti-dilutive. See Note 8 (a) for unlisted options and performance rights that could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share.

10. SHARE BASED PAYMENTS

During the period, the following unquoted share performance rights were issued under the Employee Securities Incentive Scheme (ESIS):

	Granted	**Share Market Price at grant date**	**Valuation per Option / Right**	**Grant Date**	**Vesting Date**	**Expiry Date**
Key management personnel	333,000	$1.12	$1.12	13/10/2023	30/06/2024	31/12/2024
Key management personnel	333,000	$1.12	$1.12	13/10/2023	30/06/2025	31/12/2025
Key management personnel	334,000	$1.12	$1.12	13/10/2023	30/06/2026	31/12/2026
Other employees	172,500	$0.85	$0.85	7/12/2023	31/03/2025	30/09/2025

Further, at the Talga Group Ltd Annual General Meeting on 30 November 2023, shareholders approved a variation to the terms and conditions of 7,000,000 Options and 2,100,000 Performance Rights currently on issue. There was no impact to the financial statements as a result of these changes.

11. COMMITMENTS

The Group does not have any minimum exploration or development commitments as at 31 December 2023. (30 June 2023: nil).

12. SEGMENT NOTE

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess itsperformance. The term 'chief operating decision maker' identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess its performance of the operating segments of an entity. The Company's Board is the chief operating decision maker as it relates to segment reporting.

The Group operates in three operating segments being graphite exploration, graphite development; and research and development in four geographical locations, being graphite exploration and development in Sweden, graphite/graphene research and development in Germany and research and development in the United Kingdom, with Australia as unallocated corporate. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

31 December 2023	**Sweden $**	**Germany $**	**United Kingdom $**	**Australia unallocated corporate $**	**Total $**
SEGMENT PERFORMANCE - for the half-year					
Revenues from ordinary activities	24,635	76,685	-	-	**101,320**
Other income	5,077	17,588	26	382,881	**405,572**
Total segment revenue and income	**29,712**	**94,273**	**26**	**382,881**	**506,892**
Segment expense (including write offs)	**(7,178,730)**	**(1,823,918)**	**(1,789,398)**	**(8,108,151)**	**(18,900,196)**
Major segment expense breakdown					
Trial mine and anode production	(4,411,596)	-	-	-	
Research and product development	-	(738,838)	(724,854)	-	
Exploration, evaluation and exploitation expenditure	(1,637,520)	-	-	-	
Employee benefits and Director fees	-	-	-	(5,639,724)	
Administration, compliance and regulatory	(1,864,329)	(73,058)	(47,688)	(3,065,340)	
Share based payments	-	-	-	(2,922,938)	
Reconciliation of segment result to net loss before tax					
Segment result					(20,618,993)
Unallocated items					2,225,689
Net loss before tax from continuing operations					**(18,393,304)**

SEGMENT ASSETS

As at 31 December 2023	Sweden $	Germany $	United Kingdom $	Australia unallocated corporate $	Total $
Segment assets as at July 2023	17,365,805	3,064,783	4,627,603	40,091,010	**65,149,201**
Movement					
- Cash and cash equivalents	901,899	392,928	148,564	(6,802,651)	**(5,359,260)**
- Grant funding receivable	286,509	113,828	(58,803)	(1,350,213)	**(1,008,679)**
- Financial assets	-	-	-	-	**-**
- Plant and equipment	6,755,077	(233,522)	(209,763)	(247,009)	**6,064,783**
- Exploration and evaluation expenditure	127,707	-	-	-	**127,707**
- Other	(69,825)	38,733	(418,804)	283,044	**(166,851)**
	25,367,172	**3,376,750**	**4,088,797**	**31,974,182**	**64,806,901**
Reconciliation of segment assets to total assets					
Other assets					-
Total assets from continuing operations					**64,806,901**
SEGMENT LIABILITIES					
Segment liabilities as at 31 December 2023	5,069,735	754,187	1,180,830	1,504,169	8,508,921
Reconciliation of segment liabilities to total liabilities					
Unallocated items					-
Total liabilities from continuing operations					**8,508,921**

31 December 2022	Sweden $	Germany $	United Kingdom $	Australia unallocated corporate $	Total $
SEGMENT PERFORMANCE - for the half-year					
Revenues from ordinary activities	99,757	-	-	1,180	**100,937**
Other Income	125,357	51,176	57,383	111,563	**345,479**
Total segment revenue and income	**225,114**	**51,176**	**57,383**	**112,743**	**446,416**
Segment expense (including write offs)	**(11,945,736)**	**(1,386,126)**	**(1,761,198)**	**(7,598,851)**	**(22,691,911)**
Major segment expense breakdown					
Trial mine and anode production	(6,833,548)	-	-	-	
Research and product development	-	(830,706)	(1,055,487)	-	
Exploration, evaluation and exploitation expenditure	(1,476,174)	-	-	-	
Employee benefits and Director fees	-	-	-	(4,146,828)	
Administration, compliance and regulatory	-	(211,399)	(211,399)	(3,561,900)	
Share based payments	-	-	-	(2,910,694)	
Reconciliation of segment result to net loss before tax					
Segment Result					(20,791,719)
Unallocated items					(1,453,776)
Net loss before tax from continuing operations					**(22,245,495)**

SEGMENT ASSETS

As at 30 June 2023	Sweden $	Germany $	United Kingdom $	Australia unallocated corporate $	Total $
Segment assets as at July 2022	12,678,643	2,206,937	5,946,185	12,319,577	**33,151,342**
Movement					
- Cash and cash equivalents	(752,503)	(275,779)	(532,107)	26,774,198	**25,213,809**

SEGMENT ASSETS - continued	Sweden $	Germany $	United Kingdom $	Australia unallocated corporate $	Total $
- Grant funding receivable	1,041,630	289,374	(1,258,361)	1,495,134	**1,567,777**
- Financial assets	-	-	-	-	**-**
- Plant and equipment	4,899,517	880,356	481,894	(164,546)	**6,097,221**
- Exploration and evaluation expenditure	(265,948)	-	-	-	**(265,948)**
- Other	(235,534)	(36,105)	(10,007)	(333,352)	**(615,000)**
	17,365,805	**3,064,783**	**4,627,604**	**40,091,011**	**65,149,203**
Reconciliation of segment assets to total assets					
Other assets					-
Total assets from continuing operations					**65,149,203**
SEGMENT LIABILITIES					
Segment liabilities as at 30 June 2023	4,359,314	764,256	1,359,691	1,681,580	8,164,841
Reconciliation of segment liabilities to total liabilities					
Unallocated items					-
Total liabilities from continuing operations					**8,164,841**

13. SUBSEQUENT EVENTS

Other than as disclosed below, there has not been any other matter or circumstance occurring subsequent to the end of the financial period that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Subsequent to the period, Talga appointed Mr Martin Phillips as Talga Group CEO, bolstering the Company's leadership as it executes the Vittangi Anode Project and expansions in Sweden.

14. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liabilities as at 31 December 2023 (30 June 2023: nil).

15. ENVIRONMENTAL BOND FACILITY

On 24 November 2023, the Company secured a SEK210 million (~AU$31 million) environmental bond facility for its Vittangi Anode Project in Sweden. The terms of the bond facility does not require the Company to provide or procure any security for the facility unless otherwise agreed by the parties. At reporting date, the facility was unutilsed with a premium payable quarterly in advance on the outstanding exposure at a commercial rate of 1.5% p.a. The Company is also responsible for all reasonable costs associated with the issuance of guarantees under the facility.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Talga Group Ltd, I state that:

In the opinion of the Directors:

(a) the half-year financial report and notes as set out on pages 9 to 23 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position as at 31 December 2023 and of the performance for the half-year ended on that date of the Consolidated Entity; and

(ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) Subject to the matters disclosed in note 2(a), in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

Mark Thompson
Managing Director

Perth, Western Australia
14 March 2024

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's review report to the members of Talga Group Ltd

Conclusion

We have reviewed the accompanying half-year financial report of Talga Group Ltd (the Company) and its controlled entities (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2023, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Building a better
working world

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
14 March 2024