talga

ASX Release
30 April 2024

ASX:TLG

Quarterly Activities Review

For period ending 31 March 2024

Battery materials and technology company Talga Group Ltd ("Talga" or "the Company") (ASX:TLG) is pleased to report its activities for the quarter ending 31 March 2024.

Commercial and project development

- Letter of Intent signed for expansion of property for Luleå Anode Refinery
- Vittangi Anode Project funding update
- Nunasvaara South natural graphite mine permitting update

Product and technology development

- Anode recycling JDA signed with Altilium Metals
- Commercial graphene product for rubber market developed

Corporate and finance

- Martin Phillips appointed Talga Group CEO
- Talga present at globally significant industry events
- Cash balance of A$21.2 million as at 31 March 2024

Subsequent to the quarter

- Vittangi Anode Project FEED study completed with strong results, including 23% reduction in energy requirements across Project
- Studies highlight potential for increased Stage 1 output beyond 19,500tpa

Talga Managing Director, Mark Thompson, commented: *"The start of the calendar year has seen us achieve further milestones towards both our initial graphite anode production and our expansion plans. Through the completion of the Vittangi Anode Project FEED study and our LOI for the refinery land expansion, together with the success in developing new graphene products and recycled graphite anode materials, we are building a company that can deliver in the near term and provide broader growth for the global market in future."*

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Commercial and project development

Vittangi Anode Project FEED study completed with strong results

Subsequent to the end of the quarter, the Company delivered a major Vittangi Anode Project ("Project") milestone with the completion of front-end engineering and design ("FEED") and value engineering (ASX:TLG 15 April 2024). The finalised work has delivered multiple significant optimisations and capital cost refinements across the Project including equipment design, customer production process configuration, building footprints and energy use. Highlights include:

- Reduction of production lines in purification and anode plants, resulting in a reduction of the Luleå Anode Refinery building footprint and a 23% decrease in energy requirements across the Project.
- Refinements and designs secured according to customer needs, supporting offtake negotiations.
- Positive update to capital expenditure to a total of €560m (excluding €39m contingency).

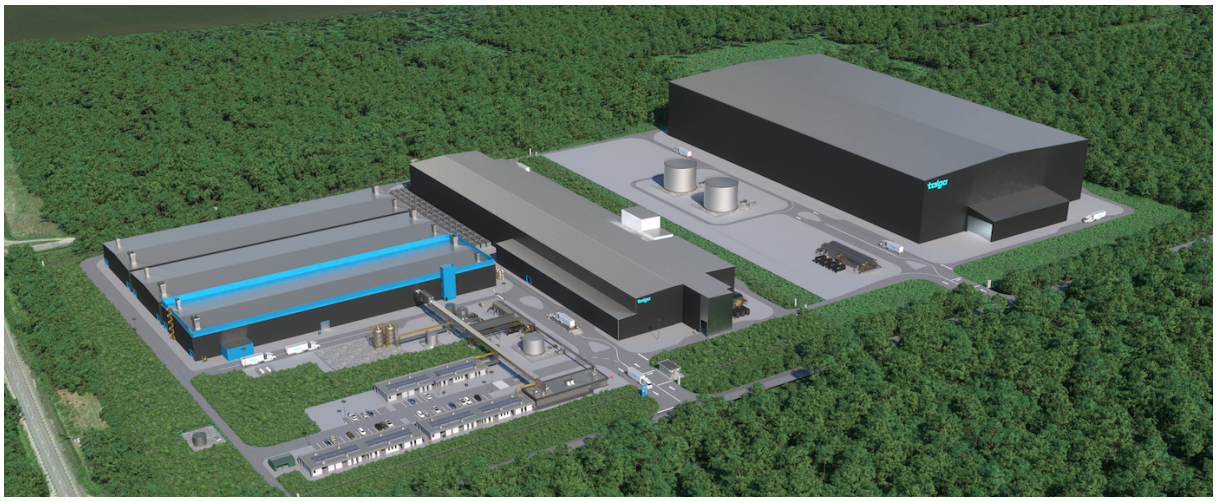
Talga views the outcomes as highly positive considering the inflationary macro environment since the Detailed Feasibility Study in 2021 (ASX:TLG 1 July 2021). With the FEED study delivered, and the initial phase of Luleå Anode Refinery site groundworks complete in January 2024, the Refinery is now 'shovel ready' and the mine awaits completion of permitting processes. These achievements enable Talga's board to be in a position to approve a Financial Investment Decision ("FID") following finalisation of key mine permit approvals and completion of customer offtake agreements.

Furthermore, the FEED study work identified potential to expand the Stage 1 Luleå Anode Refinery capacity. This expansion would aim to maximise near term Talnode®-C production or produce additional Talphite® feedstock for separate Talnode®-Si production. The Company notes that further technical and commercial work is underway including potential capital costs and any other impact on the Project.

In parallel, Talga continues to progress Stage 2 expansion plans beyond the initial project towards 100,000tpa Talnode®-C production, as supported by the Niska Scoping Study (ASX:TLG 7 December 2020) with a view to potential earlier and larger scale outputs.

The Company continues to tender and assess major Engineering and Procurement and Construction Management ("PCM") contracts, equipment and operational packages in readiness to award these and support the detailed design phase leading up to FID. The estimated Project construction timeline, including commissioning, is 18-24 months to first production from FID.

Figure 1 *Artist's impression of a potential expanded anode production operation, incorporating the 19,500tpa Luleå Anode Refinery (L) and an additional facility on adjacent land (R).*



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Vittangi Anode Project funding update

The Vittangi Anode Project's banking consortium, comprising multiple government-owned export credit agencies and European commercial banks, continues to progress towards credit approved term sheets for the Project debt funding. The debt package, which is underpinned by approval of €150 million from the European Investment Bank, is anticipated to cover all the Project debt target (up to 60%) of the updated capital expenditure along with associated debt financing and project completion costs.

In parallel, Talga is advancing a range of prospective equity funding options in line with its financing strategy. This includes application under consideration for ~€70m in EU grant funding and potential strategic investors. The Company notes that while it is confident in potential available funding sources there can be no assurance that such funding, including the grant funding, will be obtained or approved.

Nunasvaara South graphite mine permitting update

Talga is awaiting a decision from the Swedish Supreme Court regarding appeals of the Nunasvaara South natural graphite mine Environmental and Natura 2000 permit which was granted in April 2023 (ASX:TLG 29 September 2023). The Company will communicate the outcome of the review process as soon as it has been notified of the Supreme Court's decision.

To date, Talga has undertaken all reasonable steps available to it at the various stages of this process to seek updated information and expedite the matter, including submission of a written request to the Court for expediency. In view of the extensive time now passed, the Company is reviewing any further options that may now be available for escalation of the matter.

Separately to the key mine permits, other local approvals for the Vittangi Anode Project are progressing. These include Kiruna Municipality's detailed plan, which concerns land zoning of the Nunasvaara South natural graphite mine site. In March 2024, Talga submitted a planning injunction to the Swedish Ministry of Agriculture and Infrastructure. Under this planning injunction, the work required to progress the detailed plan will now be directed by the national Swedish government. Talga took this action to proactively mitigate against delays as a result of Kiruna Municipality's process.

Agreement for potential Anode Refinery land expansion

Following customer feedback from ongoing advanced offtake negotiations indicating strong growth in demand, Talga and Luleå Municipality signed a non-binding Letter of Intent ("LOI") regarding a strategically located land package adjacent to its Luleå Anode Refinery site. The purchase of the site, if executed, would enable Talga to expand to its planned anode production operations.

Figure 2 *Aerial photo overview of Luleå port and Luleå Industrial Park including Talga's existing site and adjacent potential expansion land. Photo Credit: Luleå Hamn.*

Unless mutually extended, the LOI remains in effect until the execution of a relevant Land Assignment Agreement or 31 December 2025, whichever occurs first. Under the LOI, the parties agree to use commercially reasonable efforts to enter into a land assignment agreement for suitable land however no purchase/lease agreement, land assignment agreement, or other binding agreement shall be deemed to exist until the Parties enter into such a binding agreement.

Aero Lithium Project expanded

During the period Talga identified further lithium-prospective pegmatites over ~ 50km total strike and expanded the Aero Project area from 134km^2 to 271km^2. Discussions with potential strategic partners have advanced over the quarter and outcomes will decide the nature of next steps, including the scale of European summer 2024 field campaigns to work up initial drill targets.

Product and technology development

EV anode recycling JDA with Altilium Metals

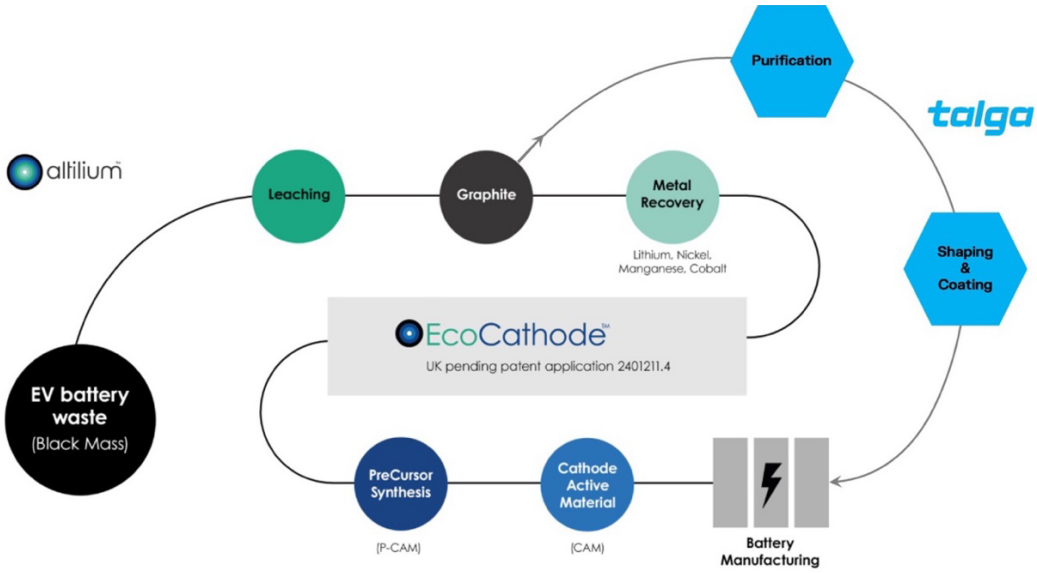
Talga and UK clean technology group Altilium Metals ("Altilium") entered into a joint development agreement ("JDA") to recycle graphite from used electric vehicle batteries (ASX:TLG 28 March 2024). Under the JDA, Altilium will supply Talga with graphite concentrate from the black mass of spent batteries collected under a separate APC project between Altilium and Nissan.

Talga will use its patent pending purification process technology, modified from the Vittangi Anode Project, to repurpose black mass graphite powder into battery anode material. The process is one of several recycling streams Talga is investigating as part of its new Talnode®-C Recycled Series of anode products.

The Company is seeing strong demand for a recycled graphite anode product from customers, and the EU has legislated recycling targets for industry rising to 70% in 2030. If commercially scalable, Talnode®-C Recycled Series can blend with other anode feedstocks to increase European self-reliance, reduce landfilling of black mass waste and decrease greenhouse gas emissions associated with synthetic graphite's fossil fuel precursors.

The technology has synergies with Talga's graphite and silicon anode plant designs but could also potentially be located as stand-alone plants close to black mass production centres around the world.

Figure 3 *Overview of Talga and Altilium process flowsheet.*



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Commercial graphene developments

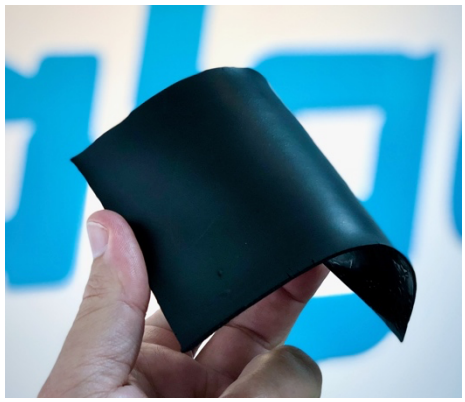
Talga has developed a pipeline of advanced materials, technology and innovations aiming to reduce negative environmental impacts of end-user applications, while delivering improved performance.

Utilisation of these assets continued during the period, with the Company successfully completing development of a graphene additive utilised in the mass production of high-volume rubber products.

The product incorporates Talga's graphene Talphene® in a functionalised paste, which has been collaboratively developed with a sector-leading global customer following extensive multi-year testing.

Sales to the customer have begun, and although the revenues are not material at present, they pave the way for potential wider adoption of Talga graphene into the global rubber market, particularly as a replacement for carbon black.

Figure 4 *Talphene® graphene enhanced rubber during development.*



Carbon black is widely used as a pigment and reinforcement in the production of rubber tires, as well as belts, hoses and other rubber products. It is also used as an additive to lithium-ion battery anodes and cathodes. The market is seeing opportunities for graphene due to increased demand for low CO_2 rubber products, growing concerns regarding harmful particulate matter emissions and high prices of oil-derived feedstocks used for carbon black manufacturing.

Corporate and financing

Talga strengthens global leadership

Talga appointed Martin Phillips as Talga Group CEO, bolstering the Company's leadership as it executes on its initial project and advances expansion plans (ASX:TLG 7 February 2024). Mr Phillips, the Company's previous CEO Europe and Group COO, will lead the Vittangi Anode Project execution phase and growth across the Company's operations.

Mr Phillips will be based at Talga's Stockholm office, reporting to the Talga Group Board, and he will remain a Director of the Talga AB Board. Mark Thompson, Talga's founder, continues to serve as Managing Director and a Director of the Talga Group and Talga AB Boards.

This appointment follows the recent bolstering of Talga's Swedish board and European executive team with the appointment of former Swedish Minister of Employment and Gender Equality, Eva Nordmark, as a Director of the Talga AB Board; the appointment of Per-Inge Kruse as Group Director of BD & Strategic Alliances; and the appointment of Dr Anna Motta as Group CTO.

Figure 5 *Martin Phillips, Talga Group CEO.*

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Market update

Graphite anode markets in 2023 were marked by short term price distortions in response to overcapacity in China and implementation of new battery anode material export restrictions from 1 December 2023.

Since then and following the annual winter season downturn in Q1 2024, reports suggest an improvement in anode market metrics. Chinese anode producer capacity utilisation rates have jumped to 74%, up from 50% in January, with reports of the four largest producers being close to 90% utilisation, suggesting a supply deficit and higher prices may be expected to develop.

Global EV sales (and related lithium-ion battery demand) showed continued growth across all vehicle classes. Full 2023 sales reached an all-time high of 13.9 million units, up from 10.5 million units in 2022. The sales in Q4 2023 were 4.2 million units, making it the highest selling quarter ever, and 2024 full year sales are forecast to reach 17.6 million units, a significant growth of 27%[1].

The aforementioned factors have led to an increased level of engagement with the Company from automotive companies (OEMs) in addition to cell makers. Customer negotiations have progressed, encompassing offtakes, technology ventures and strategic investments.

Talga is ideally placed to supply the European market, and potentially US market, with its products and technology from its vertically integrated mine-to-anode production developments.

Talga present at globally significant industry events

- Future Mine and Mineral Conference 2024, 29 to 30 January 2024, Stockholm, Sweden
- Talga Investor Webinar, 1 February 2024, Online
- RIU Explorers Conference, 14 to 16 February 2024, Fremantle, Australia
- Benchmark Mineral Intelligence Giga Europe 2024, 12 to 13 March 2024, Stockholm, Sweden
- Nordic EV Summit, 4 to 5 April 2024, Oslo, Norway
- European NEV Industry Chain Conference 2024, 6 to 7 May 2024, Munich, Germany
- Raw Materials Summit, 14 to 16 May 2024, Brussels, Belgium
- Demo North Summit, 14 to 16 May 2024, Luleå, Sweden
- The Battery Show Europe, 18 to 20 June 2024, Stuttgart, Germany
- Almedalen, 25 to 28 June 2024, Visby, Sweden

Figure 6 *Martin Phillips, Talga Group CEO, speaking at Benchmark Mineral Intelligence Giga Europe 2024 (L); Mark Thompson, Talga Group MD, speaking at RIU Explorers Conference (R).*

[1] Rho Motion Q1 2024 Battery Outlook

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. Talga applied for and acquired new tenements within the Aero Lithium Project.

No new joint ventures or farm-in/farm-out activity occurred during the quarter.

Financial

Talga ended the March 2024 quarter with A$21.2 million cash-in-bank and was capitalised at ~A$277.2 million based on closing price on 28 March 2024. Following the completion of phase one groundworks at the Luleå Anode Refinery site and the Vittangi Anode Project FEED study, the Company anticipates lower expenditure to support conservative cash management in current environment.

The Company has 379.7 million quoted ordinary shares and 13.4 million unlisted options on issue.

ASX Appendix 5B, Section 6

Payments to related parties of the entity and their associates: during the quarter $216,000 was paid to Directors and associates for salaries, superannuation and consulting fees.

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

For further information please contact:

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About Talga

Talga Group Ltd (ASX:TLG) is a global leader in the development and production of sustainable battery materials. Its flagship product, Talnode®-C, is a natural graphite anode material made in Sweden with an ultra-low carbon footprint.

Talga's range of battery materials under development include an advanced silicon anode product and conductive additives for cathodes. 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.

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Appendix 1: Tenement Holdings

Project/location	Tenements	Interest at end of quarter	Acquired during quarter	Disposed during quarter
Aero Project Norrbotten County, Sweden	Nilivaara nr 1	100%	100%	
	Suorravaara nr 6	100%	100%	
	Suorravaara nr 7	100%	100%	
	Suorravaara nr 3	100%		
	Sourravaara nr 5	100%		
Jalkunen Project Norrbotten County, Sweden	Jalkunen nr 1	100%		
	Jalkunen nr 4	100%		
Kiskama Project Norrbotten County, Sweden	Kiskama nr 1	100%		
Raitajärvi Project Norrbotten County, Sweden	Raitajärvi nr 5	100%		
	Raitajärvi nr 7	100%		
Vittangi Project Norrbotten County, Sweden	Nunasvaara nr 2	100%		
	Nunasvaara nr 3	100%		
	Vittangi nr 2	100%		
	Vittangi nr 6	100%		
Pajala Project Norrbotten County, Sweden	Lautakoski nr 5	100%		

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Talga Group Ltd

ABN	Quarter ended ("current quarter")
32 138 405 419	31 March 2024

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	7	111
1.2	Payments for		
	(a) exploration & evaluation[(i)]	(3,080)	(8,032)
	(b) development[(ii)]	(1,857)	(4,918)
	(c) qualification plant production[(iii)]	(1,990)	(6,785)
	(d) staff costs - corporate	(1,026)	(3,240)
	(e) administration and corporate costs	(1,159)	(4,669)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	163	546
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government R&D grants and tax incentives	-	211
1.8	Other - R&D tax credits	-	253
1.9	**Net cash from / (used in) operating activities**	**(8,942)**	**(26,523)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(2,962)	(9,667)
	(e) investments	-	-
	(f) Other - Receipt upon return of Environmental & Security Bond	294	294

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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**	**(2,668)**	**(9,373)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	19,000
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	(10)	(49)
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**	**(10)**	**18,951**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	32,868	38,226
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,942)	(26,523)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,668)	(9,373)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	18,951

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	(1)	(34)
4.6	**Cash and cash equivalents at end of period**	**21,247**	**21,247**

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	1,109	1,897
5.2	Call deposits	20,138	30,969
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)**	**21,247**	**32,866**

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	216
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.

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
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)	(8,942)
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)	(8,942)
8.4	Cash and cash equivalents at quarter end (item 4.6)	21,247
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	21,247
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	2.38

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.

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:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2024

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.

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