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**TALGA GROUP LTD  
AND CONTROLLED ENTITIES  
ABN 32 138 405 419**

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**INTERIM REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

**TALGA GROUP LTD**  
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**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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**TALGA GROUP LTD  
CORPORATE DIRECTORY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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**DIRECTORS**

Terry Stinson (Chairman)  
Mark Thompson (Managing Director)  
Grant Mooney (Non-Executive Director)  
Stephen Lowe (Non-Executive Director)  
Ola Morkved Rinnan (Non-Executive Director)

**COMPANY SECRETARY**

Dean Scarparolo

**REGISTERED OFFICE &  
PRINCIPAL PLACE OF BUSINESS**

Suite 3, First Floor  
2 Richardson Street  
WEST PERTH Western Australia 6005  
Phone: +618 9481 6667  
Facsimile: +618 9322 1935

**EMAIL & WEBSITE**

Email: [admin@talgagroup.com](mailto:admin@talgagroup.com)  
Website: [www.talgagroup.com](http://www.talgagroup.com)

**ABN**

32 138 405 419

**SECURITIES EXCHANGE LISTING**

The Company is listed on Australian Securities Exchange Limited

Home Exchange: Perth  
ASX Code: TLG (Shares)

**SHARE REGISTRY**

Automatic Group  
GPO Box 5193  
Sydney NSW 2001  
Telephone: 1300 288 664

**AUDITORS**

Stantons International  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

# TALGA GROUP LTD

## DIRECTORS' REPORT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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The Directors present their report on the consolidated entity comprising Talga Group Ltd ("Company") and its controlled entities ("Group" or "Consolidated Entity") for the half-year ended 31 December 2020.

#### BOARD OF DIRECTORS

The names of the Talga Group Ltd directors in office during or since the end of the half-year period are as follows. Directors were in office for this entire period unless otherwise noted.

Directors	Position
Terry Stinson	Non-Executive Chairman
Mark Thompson	Managing Director
Grant Mooney	Non-Executive Director
Stephen Lowe	Non-Executive Director
Ola Morkved Rinnan	Non-Executive Director
Andrew Willis*	Non-Executive Director

\*Appointed 1<sup>st</sup> July 2019, resigned 17<sup>th</sup> July 2020.

#### REVIEW OF OPERATIONS

During the period the Group continued to progress development of its Vittangi Anode Project, planned to enter production in 2023, towards establishing a European source of sustainable battery anode and graphene additives. Highlights of the period included:

##### Product and Processing Development

Positive developments across the Group's battery anode and graphene additive products, technology and processing steps;

- Talga's silicon anode for lithium-ion batteries, Talnode<sup>®</sup>-Si, fast-tracked following positive customer feedback and expressions of interest;
- US patent granted for Talga's integrated mining method and graphene production process; and
- Talphene<sup>®</sup> products successfully produced using purified graphite from Talnode<sup>®</sup>-C process with outcomes incorporated into the Niska Scoping Study.

##### Mineral Project Development

Mineral project development and exploration activities to accelerate and support growth strategies in response to increased forecast graphite anode demand for emerging battery and EV markets;

- Vittangi graphite project development supported by National Interest demarcation in decision delivered by the Swedish Geological Survey (SGU);
- 15% increase in total natural graphite resources at Vittangi as a result of an updated Mineral Resource Estimate for Talga's Nunasvaara deposit; and
- Positive Niska Scoping Study highlighting expansion potential towards Talga becoming the largest natural graphite anode producer in the world.

##### Corporate and Commercial Development

Strategic corporate and commercial development activities to advance the establishment of a vertically integrated sustainable battery anode and graphene additives business;

- Tripartite Letter of Intent signed with state owned mineral and technology group Luossavaara-Kiirunavaara AB ("LKAB") and Mitsui & Co. Europe Plc ("Mitsui") towards joint development of the Vittangi Anode Project;
- Global technology leader ABB to support development and construction of Talga's Vittangi Anode Project under executed Memorandum of Understanding;

# **TALGA GROUP LTD**

## **DIRECTORS' REPORT**

### **FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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- Morgan Stanley appointed as Talga's Financial & Transaction Advisor to assist in evaluating financing opportunities emerging from ongoing partner, customer and financing discussions;
- Group COO, Mr Martin Phillips, appointed as CEO – Europe to support Talga's progress in building a low emission anode supply chain in Europe for greener lithium-ion batteries;
- Strongly supported institutional placements totalling A\$35 million completed during the period, and Share Purchase Plan commenced that closed subsequent to the period raising ~A\$30 million;
- Sale of the Group's Western Australian gold royalties to Trident Royalties Plc; and
- Cash on hand of \$32.4 million at the end of the period (with proceeds of \$30 million from Share Purchase Plan received subsequent to the period end).

#### **POST THE PERIOD**

Planned 2021 key activities as follows:

- Delivery of detailed feasibility study and partnerships/funding for the Vittangi Anode Project;
- Commencement of early stage infrastructure works and securing long lead items for the Vittangi Anode Project with planned 2023 production start;
- Completion of 25,000 tonne trial mine at Niska South and subsequent production of up to 5,000 tonnes of commercial Talnode® product samples;
- Construction of EV Anode plant ("EVA") for increased Talnode®-C sample production and qualification processing capacity for automotive customer procurement processes;
- Completion and submission of permitting applications for the Niska expansion towards taking Talga's total Talnode®-C production to >100,000tpa by 2025-26;
- Increased drilling to expand Talga's Swedish graphite resources and upgrade/deepen resources across the Vittangi Graphite Project;
- Delivery of UK feasibility studies into potential Talnode®-C and Talnode®-Si production for the emerging UK lithium-ion battery value chain; and
- Accelerate the development and commercialisation of next generation Talnode® products including solid state battery anodes.

#### **SUBSEQUENT EVENTS**

Subsequent to the period Talga offered eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP) seeking to raise A\$10 million. The SPP closed heavily oversubscribed, with applications received for A\$53.5 million, subsequent to the period. In acknowledgement of the strong shareholder support the Talga Board elected to increase the size of the Share Purchase Plan offer to ~A\$30 million, with the additional proceeds being used to bring forward and ramp-up multiple project and product developments. The SPP proceeds were received after the end of the period.

On 15 January 2021, Mr Thompson paid A\$1.48 million to Talga to complete settlement of a non-recourse loan regarding 4 million loan shares due to expire 19 January 2021. The loan shares formed part of Mr Thompson's current shareholding and were acquired under a loan pursuant to the Talga Management Incentive Equity Plan as approved by shareholders at a General Meeting held in June 2014.

There has not been any other matter or circumstance occurring subsequent to the end of the 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.

**TALGA GROUP LTD  
DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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**FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

The financial results of the Group for the half-year ended 31 December 2020 are:

	<b>31 December 2020</b>	<b>30 June 2020</b>
Cash and cash equivalents (\$)	32,421,732	5,074,819
Net assets (\$)	33,546,381	7,242,381

	<b>31 December 2020</b>	<b>31 December 2019</b>
Income(\$)	764,625	342,838
Loss for the period	(8,789,537)	(7,759,691)
Loss per share (cents per share)	(3.4)	(3.5)
Dividend (\$)	-	-

**DIVIDENDS**

No dividend has been paid during or is recommended for the half-year ended 31 December 2020.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the half-year ended 31 December 2020 has been received and immediately follows the Directors' Report.

This report has been made in accordance with a resolution of the Board of Directors.



Mark Thompson  
Managing Director  
Perth, Western Australia  
12 March 2021

12 March 2021

Board of Directors  
Talga Group Ltd  
Suite 3, First Floor  
2 Richardson Street  
West Perth WA 6005

Dear Sirs

**RE: TALGA GROUP LTD**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Talga Group Ltd.

As Audit Director for the review of the financial statements of Talga Group Ltd for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Samir Tirodkar**  
**Director**

**TALGA GROUP LTD**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	31 December 2020 \$	31 December 2019 \$
Revenues from ordinary activities	3	134,894	9,059
Other Income	3	629,731	333,779
<b>Expenses</b>			
Exploration and evaluation expenditure		(159,333)	(1,968,827)
Operations - test facility & product development		(3,210,474)	(2,433,766)
Employee benefits expenses and directors fees		(1,098,157)	(1,101,353)
Exploitation and development costs Sweden		(2,283,921)	(1,096,094)
Administration expenses		(780,077)	(532,425)
Compliance and regulatory expenses		(372,152)	(316,722)
Depreciation expense	6	(332,816)	(408,779)
Share based payments	4	(1,257,206)	(239,095)
FX gain / (loss) realised		(6,483)	(5,468)
Acquisition costs write off		(53,543)	-
<b>(Loss) before income tax expense</b>		<b>(8,789,537)</b>	<b>(7,759,691)</b>
Income tax expense		-	-
<b>Net (loss) attributable to members of the parent entity</b>		<b>(8,789,537)</b>	<b>(7,759,691)</b>
<b>Other comprehensive income / (loss):</b>			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Exchange differences on translating foreign operations	4	(23,211)	(61,294)
<b>Total other comprehensive (loss)/income</b>		<b>(23,211)</b>	<b>(61,294)</b>
<b>Total comprehensive (loss) for the period</b>		<b>(8,812,748)</b>	<b>(7,820,985)</b>
<b>Total comprehensive (loss) attributable to members of the parent entity</b>		<b>(8,812,748)</b>	<b>(7,820,985)</b>
Basic loss per share (cents per share)	5	(3.4)	(3.5)
Diluted loss per share (cents per share)	5	(3.4)	(3.5)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



**TALGA GROUP LTD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

		31 December 2020	30 June 2020
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		32,421,732	5,074,819
Trade and other receivables		1,050,917	328,934
Prepayments		75,349	57,524
<b>Total Current Assets</b>		<b>33,547,998</b>	<b>5,461,277</b>
<b>Non-Current Assets</b>			
Other receivables		66,547	55,236
Property, plant and equipment	6	2,915,907	2,993,180
Inventory		16,400	16,824
Exploration and evaluation expenditure		316,633	288,037
<b>Total Non-Current Assets</b>		<b>3,315,487</b>	<b>3,353,277</b>
<b>TOTAL ASSETS</b>		<b>36,863,485</b>	<b>8,814,554</b>
<b>Current Liabilities</b>			
Lease liabilities	6	105,131	207,419
Trade and other payables		2,622,432	987,060
Deferred revenue	12	125,000	-
Provisions		412,380	377,694
<b>Total Current Liabilities</b>		<b>3,264,943</b>	<b>1,572,173</b>
<b>Non-Current Liabilities</b>			
Lease liabilities	6	52,161	-
<b>Total Non-Current Liabilities</b>		<b>52,161</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>3,317,104</b>	<b>1,572,173</b>
<b>NET ASSETS</b>		<b>33,546,381</b>	<b>7,242,381</b>
<b>Equity</b>			
Issued capital	7	98,716,798	64,567,257
Reserves	4	9,899,040	8,955,044
Accumulated losses		(75,069,457)	(66,279,920)
<b>TOTAL EQUITY</b>		<b>33,546,381</b>	<b>7,242,381</b>

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

**TALGA GROUP LTD**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance as at 1 July 2019, as previously reported	54,119,311	(52,866,606)	8,237,753	9,490,458
Impact of change in accounting policy		3,015		3,015
<b>Adjusted balances at 1 July 2019</b>	<b>54,119,311</b>	<b>(52,863,591)</b>	<b>8,237,753</b>	<b>9,493,473</b>
<b>Comprehensive income:</b>				
Loss after income tax for the period	-	(7,759,691)	-	(7,759,691)
Other comprehensive loss for the period	-	-	(61,294)	(61,294)
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(7,759,691)</b>	<b>(61,294)</b>	<b>(7,820,985)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares	10,706,781	-	-	10,706,781
Capital raising costs	(282,418)	-	-	(282,418)
Share based compensation	-	-	239,095	239,095
<b>At 31 December 2019</b>	<b>64,543,674</b>	<b>(60,623,282)</b>	<b>8,415,554</b>	<b>12,335,946</b>
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>Balances at 1 July 2020</b>	<b>64,567,257</b>	<b>(66,279,920)</b>	<b>8,955,044</b>	<b>7,242,381</b>
<b>Comprehensive income:</b>				
Loss after income tax for the period	-	(8,789,537)	-	(8,789,537)
Other comprehensive loss for the period	-	-	(23,211)	(23,211)
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(8,789,537)</b>	<b>(23,211)</b>	<b>(8,812,748)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares	35,740,002	-	-	35,740,002
Capital raising costs	(1,880,460)	-	-	(1,880,460)
Share based compensation	289,999	-	967,207	1,257,206
<b>At 31 December 2020</b>	<b>98,716,798</b>	<b>(75,069,457)</b>	<b>9,899,040</b>	<b>33,546,381</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**TALGA GROUP LTD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	60,851	5,225
Payments for exploration evaluation and exploitation	(1,058,037)	(1,812,543)
Payments for development and DFS	(910,730)	-
Payment for mining	-	(120,389)
Payments to suppliers, contractors and employees	(1,791,860)	(3,407,857)
German & UK operations including R&D	(2,921,097)	(1,726,201)
Interest received	8,360	14,277
R&D refunds	-	336,588
Proceeds other - grants	425,096	285,160
Other - tenements	-	(12,400)
<b>Net cash outflows from operating activities</b>	<b>(6,187,418)</b>	<b>(6,438,140)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of plant and equipment	(261,625)	(424,420)
Proceeds other - sale of investments	125,000	-
<b>Net cash outflows from investing activities</b>	<b>(136,625)</b>	<b>(424,420)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of securities	7 35,000,001	9,457,001
Proceeds from exercise of share options	540,000	1,250,000
Payment for costs of issue of securities	7 (1,710,748)	(253,120)
Lease Payments	6 (158,297)	(225,224)
<b>Net cash outflows from financing activities</b>	<b>33,670,956</b>	<b>10,228,657</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,346,912</b>	<b>3,366,097</b>
Cash and cash equivalents at the beginning of the financial period	5,074,819	7,666,863
<b>Cash and cash equivalents at the end of the financial period</b>	<b>32,421,732</b>	<b>11,032,960</b>

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

**TALGA GROUP LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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**1. CORPORATE INFORMATION**

The financial report for the parent Talga Group Ltd and its Controlled Entities, (The “Group” or Consolidated Entity) for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 12 March 2021. Talga Group Ltd is a limited company incorporated 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 5 of the Directors Report.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance and basis of accounting**

The half-year financial report is a general purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. All amounts are presented in Australian dollars.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Talga Group Ltd as at 30 June 2020.

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 2020 in accordance with the continuous disclosure obligations arising under the Australian Securities Exchange.

**(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 2020 annual financial report for the financial year ended 30 June 2020, 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) New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period**

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period. The application of the new and revised Accounting Standards and Interpretation does not have a material impact on the Group Financial Statements.

**(d) New and Amended Standards for Application in Future Periods**

Certain new Accounting Standards and interpretations have been issued by the Australian Accounting Standards Board (AASB) that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the Group. These Standards are not expected to have a material impact on the Group in the current or future reporting period.

**TALGA GROUP LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

**3. REVENUE AND OTHER INCOME**

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Revenue from ordinary activities	134,894	9,059
<b>Other Income</b>		
Interest revenue	8,360	16,393
Rental income - sub lease	-	19,676
Government Grants	621,371	297,710
<b>Subtotal for Other income</b>	<b>629,731</b>	<b>333,779</b>
<b>Total revenue and other income</b>	<b>764,625</b>	<b>342,838</b>

During the period the parent company received a \$50,000 cash boost from the government due to COVID 19. This has been netted off against employee benefit expenses.

**4. RESERVES**

	<b>6 months ended 31 December 2020</b>	<b>12 months ended 30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<b>(a) LISTED OPTION RESERVE</b>		
<b>Balance 30 June 2020</b>	<b>861,105</b>	<b>861,105</b>
Movement during the period	-	-
<b>Balance at the end of the period</b>	<b>861,105</b>	<b>861,105</b>
<b>(b) UNLISTED OPTION and PERFORMANCE RIGHTS RESERVE</b>		
<b>Balance at the start of the financial year</b>	<b>8,207,645</b>	<b>7,510,335</b>
Share based payment for options and performance rights	967,207	697,310
<b>Balance at the end of the period</b>	<b>9,174,852</b>	<b>8,207,645</b>

The option reserve records funds received for options issued and items recognised as expenses on valuation of share options issued. The option reserve is also used to recognise the fair value of Management Incentive Plan Shares issued with an attaching limited recourse employee loan which for accounting purposes are treated as options. The Option Reserve also records the share based payment expense relating to the performance rights issued to employees, directors and consultants. The share based payments in the Statement of Profit and Loss of \$1,257,206 is comprised of expenses related to share options and performance rights of \$967,207 and the cashless exercise of options \$289,999.

At the date of this report the Group had 10,800,000 unlisted options and 2,100,000 performance rights outstanding.

**TALGA GROUP LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	6 months ended 31 December 2020 \$	12 months ended 30 June 2020 \$
<b>(c) FOREIGN CURRENCY RESERVE</b>		
<b>Balance at the beginning of the period</b>	<b>(113,706)</b>	<b>(133,687)</b>
Movement during the period	(23,211)	19,981
<b>Balance at the end of the period</b>	<b>(136,917)</b>	<b>(113,706)</b>
<b>Total Reserves</b>	<b>9,899,040</b>	<b>8,955,044</b>

**5. LOSS PER SHARE**

	31 December 2020 \$	31 December 2019 \$
Net loss after income tax attributable to members of the Group	(8,789,537)	(7,759,691)
	Number	Number
Weighted average number of shares on issue during the financial period used in the calculation of basic loss per share	259,617,802	224,805,253

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.

**6. PROPERTY, PLANT AND EQUIPMENT**

	31 December 2020 \$	30 June 2020 \$
<b>(a) Plant and equipment</b>		
Plant and equipment at cost	3,354,129	3,973,267
Less: accumulated depreciation	(595,305)	(1,189,730)
<b>Total plant and equipment</b>	<b>2,758,824</b>	<b>2,783,537</b>
<b>Balance at the beginning of the financial year</b>	<b>2,783,537</b>	<b>2,595,077</b>
Additions	106,417	583,920
Capital work in progress	155,208	-
Depreciation expense	(187,813)	(410,441)
Effect of foreign currency exchange differences	(98,525)	14,981
<b>Balance at the end of the period</b>	<b>2,758,824</b>	<b>2,783,537</b>
<b>(b) Right of use assets</b>		
<b>Balance at the beginning of the financial year</b>		
Right of Use Assets at Cost	836,371	923,513
Less accumulated depreciation	(679,288)	(713,870)
<b>Balance at the end of the period</b>	<b>157,083</b>	<b>209,643</b>
Right of Use Assets at Cost		
<b>On initial recognition</b>		
Initial recognition / opening balance	923,513	936,661
Additions	137,867	-
Termination of contract	(168,100)	-
Exchange difference	(25,252)	(13,148)
<b>Balance at the end of the period</b>	<b>836,371</b>	<b>923,513</b>

**TALGA GROUP LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Right of Use Assets Accumulated Depreciation		
On initial recognition at 1st July 2019	(713,870)	(203,825)
Termination of contract	212,904	(74,380)
Depreciation expense	(145,003)	(452,343)
Exchange difference	(33,319)	16,678
<b>Balance at the end of the period</b>	<b>(754,326)</b>	<b>(713,870)</b>
<b>Balance of Right Of Use Assets at the end of the period</b>	<b>157,083</b>	<b>209,643</b>
<b>Total property, plant and equipment</b>	<b>2,915,907</b>	<b>2,993,180</b>

**Liabilities at the end of period in the relation to right of use assets are:**

Current Lease Liability	105,131	207,419
Non-Current Lease Liability	52,161	-

**Amounts recognised in statement of profit or loss for the period in the relation to right of use assets and lease liabilities are:**

Depreciation Right of Use Assets	145,003	452,343
Interest Expenses	17,416	27,318

The lease payments totalling \$158,297 during the period are recorded in the statement of cashflow.

**7. ISSUED CAPITAL**

**Issued and Fully Paid**

	<b>31 December 2020 Number</b>	<b>31 December 2020 \$</b>	<b>30 June 2020 Number</b>	<b>30 June 2020 \$</b>
Fully Paid Ordinary Shares	<b>282,439,875</b>	<b>98,716,798</b>	<b>243,718,495</b>	<b>64,567,257</b>

**Movement Reconciliation**

<b>ORDINARY SHARES</b>	<b>Date</b>	<b>Quantity</b>	<b>Issue Price \$</b>	<b>\$</b>
<b>Balance 30 June 2020</b>		<b>243,718,495</b>		<b>64,567,257</b>
Placement of shares	26/08/2020	20,000,000	0.50	10,000,000
Issue of shares - placement fees	26/08/2020	400,000	0.50	200,000
Option exercise and share issue	10/11/2020	1,000,000	0.54	540,000
Issue of Shares	26/11/2020	147,959	1.96	289,999
Placement of shares	21/12/2020	17,241,380	1.45	25,000,002
Less transaction costs				(1,880,460)
<b>Balance 31 December 2020</b>		<b>282,507,834</b>		<b>98,716,798</b>

**8. SEGMENT INFORMATION**

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 its performance. 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 the 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 has three operating and four geographical segments, being exploration and development (battery anode materials) in Sweden and graphite/graphene research and development in Germany and the United Kingdom as well as Group corporate activities in Australia. This is the basis on which

**TALGA GROUP LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

**(i) SEGMENT PERFORMANCE**

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
<b>Half-year ended</b>					
<b>31 December 2020</b>					
Revenues from ordinary activities	53,604	58,250	23,040	-	134,894
Other income	-	(28,407)	649,778	8,360	629,731
<b>Total segment revenue</b>	<b>53,604</b>	<b>29,843</b>	<b>672,818</b>	<b>8,360</b>	<b>764,625</b>
<b>Segment expense (including write offs)</b>	<b>(2,598,665)</b>	<b>(968,004)</b>	<b>(2,574,187)</b>	<b>(3,413,306)</b>	<b>(9,554,162)</b>
Reconciliation of segment result to net loss before tax					
Segment Result					(8,789,537)
Unallocated items:					-
<b>Net loss before tax from continuing operations</b>					<b>(8,789,537)</b>

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
<b>Half-year ended</b>					
<b>31 December 2019</b>					
Revenues from ordinary activities	-	-	9,059	-	9,059
Other income	-	99,284	218,117	16,378	333,779
<b>Total segment revenue</b>	<b>-</b>	<b>99,284</b>	<b>227,176</b>	<b>16,378</b>	<b>342,838</b>
<b>Segment expense (including write offs)</b>	<b>(3,188,997)</b>	<b>(1,524,924)</b>	<b>(1,154,040)</b>	<b>(2,234,568)</b>	<b>(8,102,529)</b>
Reconciliation of segment result to net loss before tax					(7,759,691)
Unallocated items:					-
<b>Net loss before tax from continuing operations</b>					<b>(7,759,691)</b>

**(ii) SEGMENT ASSETS**

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
<b>As At 31 Dec 2020</b>					
Segment assets as at 1 July 2020	336,879	2,648,642	591,596	5,237,437	8,814,554
Segment asset period increases/(decreases):					
- Cash and cash equivalents	308,340	90,301	633,704	26,314,567	27,346,912
- Inventory	-	(424)	-	-	(424)
- Property, plant and equipment	55,085	(121,004)	(54,551)	43,197	(77,273)
- Exploration and evaluation expenditure	28,596	-	-	-	28,596
- Other (Grants & VAT)	11,158	14,770	645,510	79,682	751,120
	<b>740,058</b>	<b>2,632,285</b>	<b>1,816,259</b>	<b>31,674,883</b>	<b>36,863,485</b>
Reconciliation of segment assets to total assets					-
<b>Total assets from continuing operations</b>					<b>36,863,485</b>



**TALGA GROUP LTD**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
<b>As at 30 June 2020</b>					
Segment assets as at 1 July 2019	659,495	2,561,186	925,230	7,505,483	<b>11,651,394</b>
Segment asset increases/(decreases) for the year:					
- Cash and cash equivalents	30,389	67,312	291,324	(2,981,069)	<b>(2,592,044)</b>
- Inventory	-	1,349	-	-	<b>1,349</b>
- Plant and equipment	17,055	247,745	132,296	1,008	<b>398,104</b>
- Exploration and evaluation expenditure	4,023	-	-	-	<b>4,023</b>
- Other	(374,083)	(228,950)	(757,254)	712,015	<b>(648,272)</b>
	<b>336,879</b>	<b>2,648,642</b>	<b>591,596</b>	<b>5,237,437</b>	<b>8,814,554</b>
Reconciliation of segment assets to total assets					-
<b>Total assets from continuing operations</b>					<b>8,814,554</b>

(iii) SEGMENT LIABILITIES	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
<b>As At 31 December 2020</b>					
Segment liabilities as at 31 December 2020	1,105,894	286,823	710,791	1,213,596	3,317,104
Reconciliation of segment liabilities to total liabilities					-
<b>Total liabilities from continuing operations</b>					<b>3,317,104</b>

	Sweden	Germany	UK	Australia	Total
	\$	\$	\$	\$	\$
<b>As At 30 June 2020</b>					
Segment liabilities as at 30 June 2020	629,090	178,152	292,254	472,677	1,572,173
Reconciliation of segment liabilities to total liabilities					-
<b>Total liabilities from continuing operations</b>					<b>1,572,173</b>

**TALGA GROUP LTD  
CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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**9. SUBSEQUENT EVENTS**

Subsequent to the period Talga offered eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP) seeking to raise A\$10 million. The SPP closed heavily oversubscribed, with applications received for A\$53.5 million, subsequent to the period. In acknowledgement of the strong shareholder support the Talga Board elected to increase the size of the Share Purchase Plan offer to ~A\$30 million, with the additional proceeds being used to bring forward and ramp-up multiple project and product developments. The SPP proceeds were received after the end of the period.

On 15 January 2021, Mr Thompson paid A\$1.48 million to Talga to complete settlement of a non-recourse loan regarding 4 million loan shares due to expire 19 January 2021. The loan shares formed part of Mr Thompson's current shareholding and were acquired under a loan pursuant to the Talga Management Incentive Equity Plan as approved by shareholders at a General Meeting held in June 2014.

There has not been any other matter or circumstance occurring subsequent to the end of the 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.

**10. CONTINGENT ASSETS AND LIABILITIES**

There were no contingent assets or contingent liabilities as at 31 December 2020.

The Board has assessed the operations and is satisfied there is no environmental liability or rehabilitation bond requirement in relation to the environmental permit.

**11. COMMITMENTS**

The Group does not have any minimum exploration or development commitments.

**12. DEFERRED REVENUE**

The Group has executed a binding sale and purchase agreement with TRR Services Australia Pty Ltd, a 100% owned subsidiary of Trident Royalties Plc. The Group received \$125,000 for tranche 1 recognised as deferred revenue. This will be revenue upon completion of performance conditions.

**TALGA GROUP LTD  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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

In the opinion of the directors:

- (a) the financial statements and notes as set out on pages 8 to 18 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2020 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) 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  
12 March 2021

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
TALGA GROUP LTD**

**Report on the Half-Year Financial Report**

*Conclusion*

We have reviewed the half-year financial report of Talga Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 accompanying half-year financial report of Talga Group Ltd does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its 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*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 12 March 2021.

*Responsibility of the Directors for the Financial Report*

The directors of Talga Group Ltd 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 Responsibility for the Review of the 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 Company's financial position as at 31 December 2020 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*.

## Stantons International

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.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  
*Samir*

**Samir Tirodkar**  
Director

West Perth, Western Australia  
12 March 2021