

EIT InnoEnergy and Infinity Lithium Agreement

Questions and Answers

This is a sustainable project that complies with the strictest environmental legislation and the best practices in the sector and the project does not pose any risk to health or the environment.

1. What does the agreement with Infinity Lithium consist of?

There is an agreement where EIT InnoEnergy participates in two ways in the San José Valdeflórez project, led by Infinity Lithium:

- On the one hand, from EIT InnoEnergy as coordinators of the European Battery Alliance (EBA), we offer Infinity Lithium our services through the Business Investment Platform (BIP) to help make the project financially viable. This means that we will support Infinity Lithium to position itself within the European battery value chain and will help the company to obtain new funds, both public and private. Furthermore, we will try to connect Infinity with other similar European projects and identify possible synergies between them.
- On the other hand, through the innovation funds managed by EIT InnoEnergy under its main activity as the innovation engine in sustainable energy, we offer partial financing to the lithium refining pilot project where the process for the planned plant in San José Valdeflórez will be adjusted. The objective of this initial investment is to demonstrate the feasibility of an environmentally sustainable and more efficient lithium refining process than current ones. This process that would be applied in this plant could be exportable to other projects that have a geological composition like that of San José Valdeflórez.

2. What role does InnoEnergy play in the San José Valdeflórez lithium project?

EIT InnoEnergy, as coordinator of the [European Battery Alliance](#) (EBA), has the mandate from the European Commission to promote industrial development throughout the entire battery value chain; from extraction and refining of raw materials, to cell manufacturing, modules and batteries and, even recycling. For this reason, a fundamental part of our activity is to look for projects that go along this line and contribute to local sources of supply and their derivatives within the EU, thus avoiding dependence from other far away markets and making Europe a key player of this energy transformation. In this sense, San José Valdeflórez may be one of the pioneering initiatives within the EU.

3. Why lithium?

Lithium is a key mineral to facilitate the energy transition and sustainable mobility. It is one of the key, irreplaceable ingredients for manufacturing batteries, both for electronic devices (computers, mobile phones, etc.) and for energy storage in addition to electric

vehicle batteries. It is expected that in the next 10 years the global lithium demand will multiply by a factor of 10.

Today, lithium is not mined or refined in Europe, which causes dependence from other geographic regions increasing CO2 emissions as a result of transportation from supply points, which sometimes implies that lithium has to travel up to 25,000 kilometres from the site to the battery factory.

In this sense, the San José Valdeflórez mining industrial project lead by Infinity Lithium could be an opportunity for Europe to reduce CO2 emissions. In addition to San José Valdeflórez, EIT InnoEnergy will support three additional European lithium extraction and conversion projects with agreements similar to those reached with Infinity Lithium.

Cars are a huge exporter for Europe and with batteries making up about half the cost of the electric vehicles (EV's), the greater the pool of lithium suppliers and reduction of transportation costs, the economics of EVs can become bigger, helping to deliver further clean technology solutions.

The European Commission is about to release its updated Critical Raw Materials (CRM) list, where lithium is likely to be included. This strategic recognition is intended to boost the value chain of the production of lithium-ion batteries and the whole automotive industry, as well as reducing the dependence from third countries in access to this key supply.

4. Why does InnoEnergy support an initiative that means the exploitation of a lithium mine in Spain?

In addition to the reasons mentioned above, San José Valdeflórez is much more than extraction, San José Valdeflórez is a mining industrial project for the conversion of the extracted mineral into lithium hydroxide with the degree of purity required for the manufacture of batteries. Therefore, it is not only intended to support a mining project but the entire value chain that will require significant technological innovation and that can make this initiative a benchmark for renewable energy in Europe. Furthermore, this initiative will place the region in as a self-sufficient international benchmark in sustainable lithium extraction and conversion, with economic and social benefits.

The project, in figures

- San José Valdeflórez is a mining industrial project, backed by solid Economics:
 - 30 years of life of the project.
 - Total initial investment: €280M
 - Qualified, stable jobs:
 - Direct jobs: up to 310 during the construction phase, plus another 200 permanent jobs during the operation phase.

- Indirect jobs: up to 750.
- Average salary of 48,000€/year, way higher than the average in the region.
 - In order to ensure these positions remain in the hands of local workers, an ambitious formation plan is intended to be drafted, along with the administration and the academic institutions in Cáceres.
- €330M in salaries throughout the life of the project.
- €900M will be paid in taxes
- Potential to attract other industrial actors in the value chain of the lithium-ion batteries, as well as the whole automotive industry.
- The lithium hydroxide that will be processed in Cáceres will allow to supply 10M fully electric vehicles.

5. How does this support or collaboration materialize concretely?

Same as answer as question 1 above

6. What is the current situation of the project?

Infinity Lithium published the prefeasibility study for the production of lithium hydroxide in San José Valdeflores and declared the reserves using the JORC code, an international standard for valuing reservoir reserves, in the third quarter of 2019 (announcement in ASX, the Australian Stock Exchange, dated 22 August, 2019). This study highlights the exceptional economic figures of a project that foresees 30 years of industrial production of lithium hydroxide, using what is, according to the JORC classification, the second largest lithium resource in the EU of hard rock type, the type of resource present in Cáceres.

As the permitting processes move forward, the company will complete the definitive feasibility study, that will incorporate any potential improvement in the economic, technical and environmental sides.

7. Do they have the permits to start activities or are they still being managed?

Regarding the administrative process, the project is moving forward to obtain the necessary permits from the administrations, in this case the Regional Government of Extremadura and the City Council of Cáceres. The company has constant dialogues with the administrations to follow up with these processes and to ensure all the procedures strictly comply with the law.

8. When could this open-pit mining operation be in operation by?

The administrative process will determine the calendar for the project to reach its operational stage. Once all the permits are granted, the construction phase will last for two years and then San José Valdeflórez will start both the extraction and the industrial conversion.

9. How many jobs would be created in the area?

According to data that Infinity has already made public, during the construction phase, between 80 and 285 direct jobs will be created, reaching a maximum of up to 310 simultaneous jobs needed.

For its part, the operational phase will need more than 195 permanent, highly qualified jobs, being more than 150 of them in the industrial part of the project. In addition, San José Valdeflórez will generate up to 750 indirect jobs from activities such as maintenance, construction, logistics, consulting and security.

10. What economic investment are we talking about?

According to the data that Infinity has already made public, San José Valdeflórez will involve an initial investment of 280 million euros. Of these, 83% will go to the construction of the industrial plant dedicated to processing the material to obtain lithium hydroxide.

11. How do you respond to the political groups, to the environmentalists and to the citizens who have shown their dissatisfaction?

- All the information of San José Valdeflórez is publicly available for the general public and the administrations. Infinity Lithium has open a website where all the figures of the project are disclosed, emphasizing the commitment to go even beyond the legislation, applying the best practices in the industry when it comes to sustainability, respect for the environment, and no risk to health, among other aspects.
- Many anonymous citizens have contacted the company through the contact form on the site to share their questions, and to express their support to the project.
- Infinity Lithium has made an important effort to convey the reality of the project to all the social, economic, and political representatives of the city, the region and the country. Communication channels have been open to maintain fluid, constant dialogues with all the institutions, political parties, and other relevant societal, and industrial stakeholders.
- These communications have resulted in an in-depth understanding of all the aspects of the project, its strategic relevance at every level, and the contribution it can make to the citizens and the country as a whole, generating a new axis of industrial development linked to energy transition and electric mobility.
- In order to convey the reality of the project, Infinity Lithium has recently made public the document [‘San José Valdeflórez: Foundations and Clarifications’](#), that has also

been shared with the European institutions and the most relevant stakeholders in Cáceres, Extremadura, and Spain.

- The document is produced in response to incorrect information spread about the project. The document is completed with a series of clarifications on the technical and environmental aspects, among which the real dimensions and strict compliance with environmental legislation stand out.
- To be kept informed about the project and the forecasts for the battery and electric vehicle market in the coming years. To do this reliable and proven sources of information should be used.
- Technicians of the administration to assess the environmental impact and the mitigation and recovery measures proposed for the project.
- That they are demanding with the project to ensure and going beyond regulation, to reach the highest standards of environmental protection and sustainability be implemented and that the socioeconomic benefits for the city and the region is maximized.
- That the different interest groups of the city and the region participate in the process of defining the project, providing suggestions and areas for improvement.
- That beyond this project, they think about the opportunity to make Extremadura a benchmark for the battery sector, creating a local ecosystem, connected to the rest of Europe, supporting the energy transition and sustainability.
- That leaving aside prejudices or ideologies, conclusions are drawn once and for all of the above has been rigorously analysed and debated, balancing the potential benefits and possible effects of the project for the city and the region.

12. Why are you financially supporting a project that has not yet obtained the necessary permits to get started and that may not be a reality?

The definitive permits for these types of projects are not obtained until they are in a very advanced phase and there is practically no room for modifications. When these stages of development are reached, they probably no longer need the support of the BIP.

These kinds of projects need long administrative processes, in which many technical aspects must be reviewed, in order to ensure all the criteria are met and the best practices are implemented. San José Valdeflórez is moving forward to obtain the necessary permits from the competent administrations, in this case the Regional Government of Extremadura and the City Council of Cáceres. The company has constant dialogues with the administrations to follow up with these processes and to ensure all the procedures strictly comply with the law.

It is important to note that the project for at the San José site arises from a public tender launched by the Extremadura Regional Government itself in 2016 and of which the company Tecnología Extremeña de Litio (75% owned by Infinity Lithium) was awarded.

Regardless of the issue of permits, the BIP supports the Infinity Lithium project because it is aligned with the mandate and strategy of the European Union to develop the entire value chain in the field of batteries, as a key piece for the transition to a sustainable energy system and mobility.

13. With so many other storage technologies being developed, do we even need new lithium mines?

First of all, we would like to highlight that this is not just a mine, San José Valdeflópez is a mining industrial project that offers an opportunity for growth and development linked to the strategic new axis around electric mobility and sustainability.

Under this scenario, lithium-ion batteries look set to be the leader in EVs, even if different chemical make-ups become more apparent for other uses like grid-scale, static storage. At present, we think supply and demand will continue to be met for about five years, after that it becomes more tricky so developing domestic access to lithium and lithium chemicals will be key, alongside greater battery recycling which is a key pillar of the EBA.

It also helps reduce Europe's reliance on imports, crucial for the sustainable recovery from Covid 19 and beyond.

14. It has been reported that the mine contradicts planning laws, what is your response?

This is a heavily regulated industry with the safety of its people and the protection of the environment at its core. Infinity Lithium is working closely with the government, local planning authorities and other stakeholders to ensure the project will meet all planning and regulation requirements.

It is also worth noting that this project is based on an *existing* mining site which was operational until the 1980s.