

Keliber Oy

Progress Report Q2 2021

April–June 2021



22 July 2021



Table of Contents

Q2 in Brief	3
CEO's Summary	4–5
Health and Safety	6–7
Working at Keliber	8
Market Development and Outlook	9–10
Financial Information	11–12
Administration and Management	13
Progress of the Project	14–18
Key Activities in Q3 2021	19–20
Disclaimer	21

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Q2 in Brief

- **No accidents**, number of sick leaves decreased
- **Active recruitment** continued
- The combined Measured and Indicated **Mineral Resources** of Rapasaari **increased** by more than 30 percent
- The Vaasa Administrative Court **rejected the appeals** that challenged Keliber's environmental and water permits for the Syväjärvi mining area and obliged Keliber to further intensify water monitoring
- The ELY* Centre for South Ostrobothnia issued a reasoned conclusion on the **updated EIA** report** of the Kokkola chemical plant
- The **directed share issue** to the current shareholders of the company was **fully subscribed**
- The Annual General Meeting on 26 May 2021 elected **seven members to the Board of Directors**
- Business Finland granted **additional funding** for developing a **sustainable battery value chain**

*Centre for Economic Development, Transport and the Environment

**Environmental Impact Assessment

CEO's Summary

“We are on our way from a start-up company towards a medium-sized battery chemical company.”

Hannu Hautala, CEO

During the second quarter of 2021, Keliber reported increased mineral resources, proceeded with the execution of the work programme of the investment project, and continued to develop the company from a start-up towards a medium-size battery chemical company. We have succeeded very well in many areas, thanks to the excellent work of our personnel. I am also happy to see how we have implemented the safety activities we agreed upon and created a good company culture in our growing organisation.

The increase of approximately 2 million tonnes of mineral resources is a result of a long-term exploration and resource drilling programme. In May this year, we were able to announce that the total Measured and Indicated Mineral Resources of Keliber now amount to 13.69 million tonnes. The previous number from 2019 was 11.77 million tonnes. In the autumn, Keliber's geologists and independent external experts will estimate how much of the new mineral resources is lithium reserves, i.e. valuable ore for economically viable extraction. Based on our experience during 2016–2019, one million tonnes of mineral resources (in categories Measured and Indicated) has yielded approximately 0.7 million tonnes of ore, which is equivalent to one year's production once the plants are up and running. While the experts are working on the ore reserve update, the drilling programme will continue in a highly promising area located between the Rapasaari and Syväjärvi mining areas. There's a good reason to expect excellent drill core samples from this location over the next autumn and winter period.



CEO's Summary

When it comes **to executing the work programme of the investment project**, the focus has been on permit issues, planning and engineering, and preparing procurement decisions. The environmental permit applications for the Päiväneva concentrator and the Rapasaari mine have generated thousands of pages of documentation. During the preparation, we also received a positive decision from the Vaasa Administrative Court, which rejected the appeals challenging Keliber's environmental and water permits for the Syväjärvi mining area. The court obliged Keliber to further intensify its water monitoring, by increasing the continuous measuring of the water's electrical conductivity, for example. This is an obligation that is easy and practical to implement. Several suppliers have worked on the technical engineering of the chemical plant, concentrator and water storage facilities, guided by Keliber's project team. Regarding procurement, detailed requests for quotes are sent to chosen technology providers and contractors.

During spring 2021, Keliber's **development from a start-up company towards a medium-sized battery chemical company** has meant recruitments in about 10 key positions, improving the IT services and moving to a bigger office in Kokkola.

In the second half of 2021, Keliber will continue to update the DFS (Definite Feasibility Study) to represent the annual production of 15,000 tonnes and the increasing ore reserves. At the same time, we will continue to prepare the execution of the investment project in a sustainable way. We are committed to applying the best available technologies, prioritising environmental issues and demanding an uncompromising approach to occupational safety from ourselves as well as from our partners.

I wish all vacationers relaxing days off. To all other readers of this report, I wish you a pleasant read over the next few pages and send along our summer greetings from Keliber.

Hannu Hautala

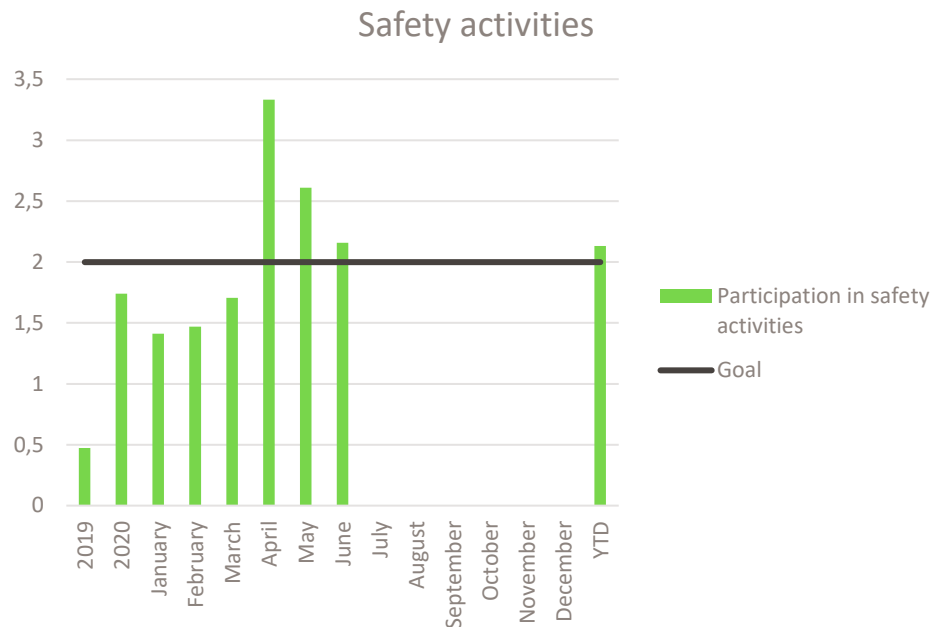


Health and Safety Working at Keliber

Health and Safety

Uncompromising safety culture is required from all who work for Keliber

Safety Activities



Safety activity: participation in a risk assessment or safety improvement project, reporting a safety observation / deviation.

Key Performance Indicators (KPIs)

KPI	Q2 2021	2021	2020
Significant environmental incidents	0	0	0
Number of employees (in average)	18	18	16
Sickness absence %	0.6	0.7	3.6
LTI*	0	0	0
TRI**	0	0	0
High potential work-related incidents	0	0	0

*LTI (lost-time injury) defined according to ICMM (International Council for Mining and Metals) criteria

**TRI (total recordable injuries) defined according to ICCM criteria

Working at Keliber

Keliber seen as an Employer of Choice

At the end of Q2 2021, Keliber had 19 own employees, and seven people worked as direct consultants to Keliber, typically through their own companies. In addition, several professionals are working for the project through Keliber's partner companies. During construction in 2022–2024, the project is estimated to employ as many as **500 people**, and in the production phase Keliber will employ **150–200 people**. Recruitment accelerated in the spring since the financing package was secured. Based on the high level of interest towards the open positions, Keliber is seen as an employer of choice.

Recruitments in Q2:

- Senior Project Engineer
- Construction Manager
- Electrical and Automation Manager

New consultancy agreements during spring 2021:

- Engineering Manager
- Mine Manager
- Installation and Mechanics Manager
- Human Resources Director
- Communications Consultant



Four geology students were hired as summer trainees in exploration for the summer of 2021.

Other HR activities:

- Safety card and first aid **training**
- Anti-bribery and anti-corruption training
- Updating HR policies and practices
- **Development** of collaboration; occupational safety committee acting as the collaboration committee
- New office facilities in the centre of Kokkola



Market Development and Outlook

Market Development and Outlook

Keliber advancing on offtake agreement negotiations

- New potential offtakers declaring interest to source from Keliber.
- Secured bridge financing and advancing in permitting processes have **strengthened** customers' **confidence** in the Keliber project.
- Keliber's advantage is **a European location**, providing a secure supply chain with quick transports.

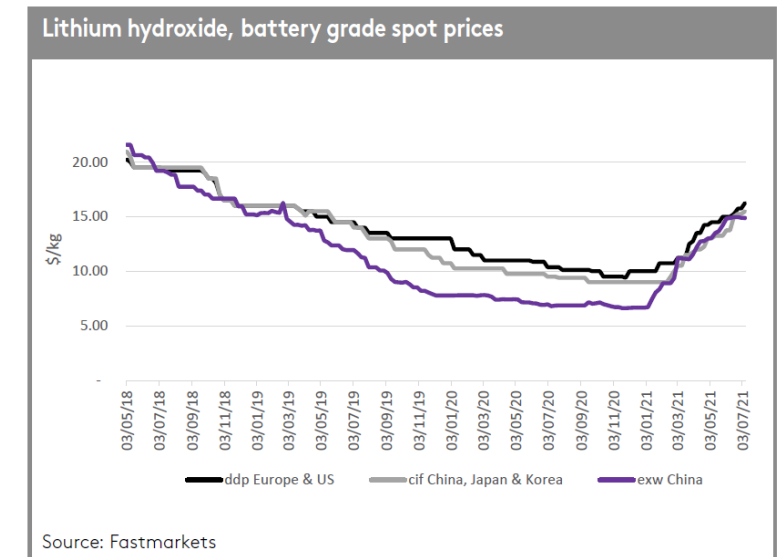
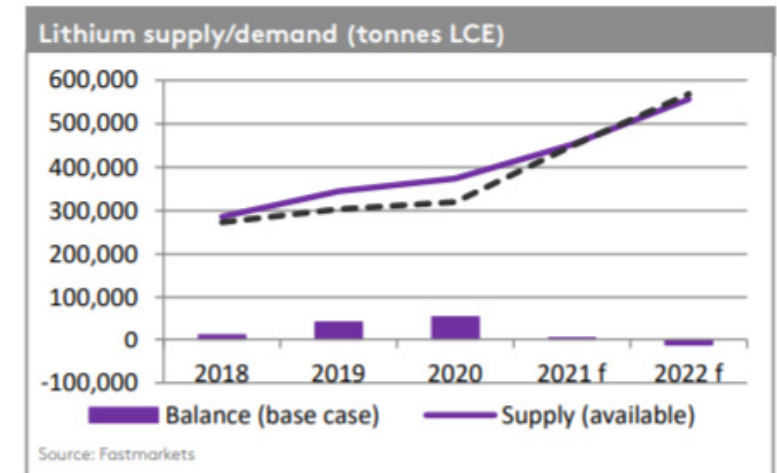
Industry development supporting Keliber's project

- Global Electric Vehicle markets remain strong.
- Increasing number of automotive companies declaring exit on combustion engine production prior to 2035.
- More battery factories for Europe announced, in e.g. France, Germany, Hungary, Italy and the U.K.
- **Demand for lithium** is forecast to **grow faster than the supply**, which could lead to shortage of lithium.

Charts: on top lithium supply/demand 2018–2022 (forecast),
below spot price development of battery-grade lithium hydroxide 2018–3 July 2021.

Source: Fastmarkets – Battery Raw Materials Market Tracker, 13 July 2021

LCE: Lithium Carbonate Equivalent



A hand in a blue shirt points at a tablet. The tablet screen shows a 3D bar chart with seven bars of varying heights. The background is a blurred image of the same hand and tablet.

Financial Information Administration and Management

Financial Information

Outcome in line with the forecast

Keliber Oy's directed share issue to the existing shareholders was finalised in April 2021. The share issues were approved by the Trade Register Authorities on 31 May 2021.

EUR million	Q2 2021	Q1 2021	FY 2020
Cash balance at the end of period	18.1	21.2	1.3
Change in cash	-3.1	19.9	-1.3
Investments	2.5	1.6	3.8
Profit (loss) of the period	-1.5	-1.6	-4.2
Total Assets	38.3	38.8	15.4
Equity	31.0	22.5	11.2
Interest bearing debt	4.0	4.0	2.2
Average staff on the period	18	17	16

- Cash on hand at the end of June 2021 was EUR 18.1 million (Q1 2021: EUR 21.2 million).
- Share issues accounted in equity (temporarily accounted partly as debt at the end of March 2021).
- Interest bearing debt includes EUR 1.9 million leasing debt (IFRS 16), mostly consisting of the lease for the Kokkola chemical plant site.

- Business Finland granted Keliber a EUR 550,000 grant for the Autumn IPCEI project, approved by the European Commission, and EUR 708,000 for the joint project BATCircle 2.0.
- Investments in Q2 were EUR 2.5 million. The largest investments were:
 - drilling and exploration costs in Q2 were EUR 0.3 million
 - basic engineering and preliminary construction management EUR 1.8 million
 - environmental permitting activities EUR 0.3 million

Administration and Management

The Annual General Meeting of Keliber Oy was held on 26 May 2021

- The Annual General Meeting adopted the Financial Statements and the Auditor's Report for the financial year 2020.
- The meeting resolved that the number of members of the Board of Directors will be seven. Current board members Mika Seitovirta (chairperson), Timo Kärkkäinen (deputy chairperson), Harri Natunen, Karin Tynelius, Richard Stewart (member from 16 March 2021), and Robert Van Niekerk (member from 16 March 2021) were re-elected as board members. **Ivar S. Fossum** was elected as a new board member.



Mika
Seitovirta



Timo
Kärkkäinen



Harri
Naturen



Karin
Tynelius



Richard
Stewart



Robert
Van Niekerk



Ivar
Fossum

Progress of the Project



Progress of the Project

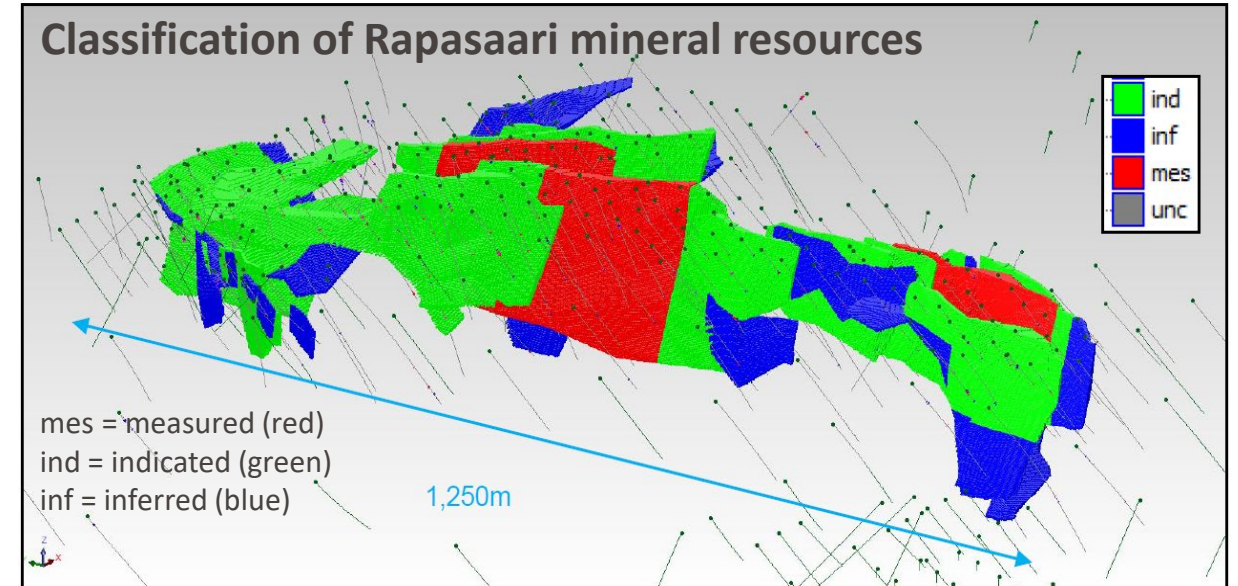
Exploration drilling at Tuoreetsaaret, close to Rapasaari deposit

Exploration drilling Q2 2021

- Drilling has been carried out in Tuoreetsaaret, close to the Rapasaari deposit.
- A total of **3,214** metres and 13 holes have been drilled in Q2.
- The drilling results have been positive.
- Drilling is planned to continue in the Tuoreetsaaret area in Q3.

Mine planning

- Rapasaari open pit optimisation has been updated.
- The new mine design is now under preparation.



Mineral resource update

- The mineral resource update of Rapasaari deposit has been reported in May 2021.
- Rapasaari deposit totals **9.64** million tonnes with an average grade of 0.98% Li₂O.
- The combined Measured and Indicated resources of Rapasaari increased by more than **30%**.
- The total Measured and Indicated Mineral Resources of Keliber now total **13.69** million tonnes (previously 11.77).

Progress of the Project

Basic engineering phase finalised soon

Sweco Industry Oy was chosen in March as the EPCM partner, with responsibility for the engineering, procurement and construction management of the project. During Q2, co-operation has been organised and common ways of working implemented, while the Balance of Plant engineering has been initiated.

Päiväneva mining area

- Basic engineering for the concentrator and process water treatment continues with **Metso Outotec** and will be finalised in Q3, according to plan.
- Process engineering for the concentrator will be delivered by **FLSmidth** during Q4.
- Basic engineering for tailings storage facilities (TSF) has been accomplished, and it was done by **AFRY**.
- Sweco is conducting Balance of Plant engineering of the mining area, including infrastructure and general planning.

Kokkola chemical plant

- Basic engineering for the high temperature conversion in a rotary kiln continues with FLSmidth and for the hydrometallurgical process with Metso Outotec. Both will be finalised in Q3, as expected.
- Sweco is conducting Balance of Plant engineering of the chemical plant, including infrastructure and general planning.

Progress of the Project

Environmental permit applications for all main activities have been submitted

Päiväneva concentrator site and main mining operations

- On 16 June 2021, the Vaasa Administrative Court gave a decision on the appeals challenging Keliber's environmental and water permits for the Syväjärvi mining area. **The court rejected the appeals** and obliged Keliber to include a continuous measuring of electrical conductivity of the effluent in its water monitoring programme.
- Keliber **submitted applications for environmental and water management permits** for the Rapasaari mine and the Päiväneva concentrator to AVI on 30 June 2021, according to plan.

Kokkola chemical plant

- The ELY Centre for South Ostrobothnia issued on 30 June 2021 **a reasoned conclusion** on the updated (EIA) report that had been submitted on 31 March 2021. The ELY Centre states that, on the basis of the assessment, and despite some uncertainties in it, **the project does not have a significant environmental impact**. Keliber updated the EIA report, because improvements were made in the treatment of effluent and analcime sand, which is a by-product created in the process. The changes further decrease the environmental impact, which were already estimated to be minor in the original EIA report.

Länttä mine

- A partial **local master plan for the Länttä mine site was approved** by Kokkola City Council on 25 March 2021. The decision was challenged by one appeal to the Administrative Court of Vaasa. In its response to the court, the City Executive Council demands the appeal to be rejected as unsubstantiated.

AVI: Regional State Administrative Agency of Western and Inland Finland, **ELY:** The Centres for Economic Development, Transport and the Environment, **EIA:** Environmental Impact Assessment

Progress of the Project

Work continues with focus on sustainable development

Execution plan for a full-scale pilot with Rapasaari ore finalised

- Q3 2021: Ore sampling by reverse circulation (RC) drilling, which allows sufficient sampling without excavation
- Q4 2021: Mineral processing and heat treatment pilot
- Q1 2022: lithium hydroxide production pilot



Circular economy and joint projects

Keliber made a decision to participate in a new project involving side streams, and in a European project promoting battery minerals production. Business Finland granted Keliber project financing of more than one million euros for the **development of a sustainable battery value chain**:

- **Autumn IPCEI** (Important Project of Common European Interest), in which Keliber develops mining activities, focusing on **reducing the environmental impact** on mine water, among others
- **BatCircle 2.0** consortium, studying the **use of recycled lithium as a raw material**, among others

Resource & Development (R&D)

- Keliber has further defined R&D activities and aims to update the R&D guidelines during Q3 2021.

Key Activities in Q3 2021

Key Activities in Q3 2021

General

- Recruitment of key personnel continues
- Updating the Definitive Feasibility Study (DFS) with the objective of publishing it at the beginning of 2022
- Developing the company's sustainability work and reporting

Environment

- Review of water management in the Päiväneva area in order to align it with the new mining plan
- Updating the appendices of the environmental and water management permit applications for the Päiväneva concentrator and Rapasaari mine

Engineering and Construction

- Completing Basic Engineering for the Chemical plant and Päiväneva mining area
- Continuing with Balance of Plant basic engineering for the Chemical plant and Päiväneva mining area

R&D and Geology

- Advancing the process pilot with Rapasaari ore
- Completing R&D Guidelines
- Continuing circular economy projects
- Continuing exploration drilling in the area between Syväjärvi and Rapasaari mines
- Ore reserve update

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Sustainable Lithium from Europe