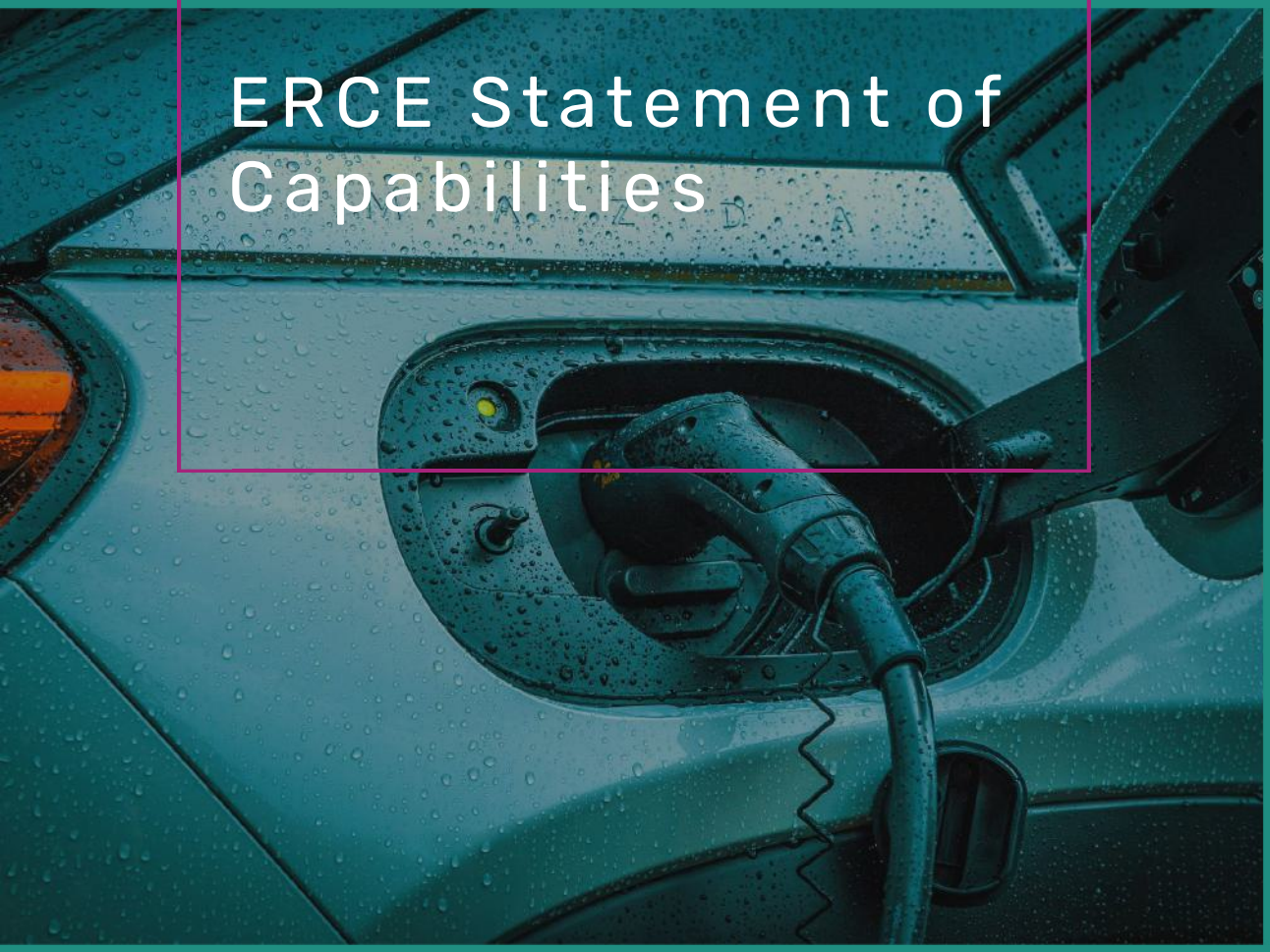
Direct Lithium Extraction

2024

ERCE Statement of Capabilities



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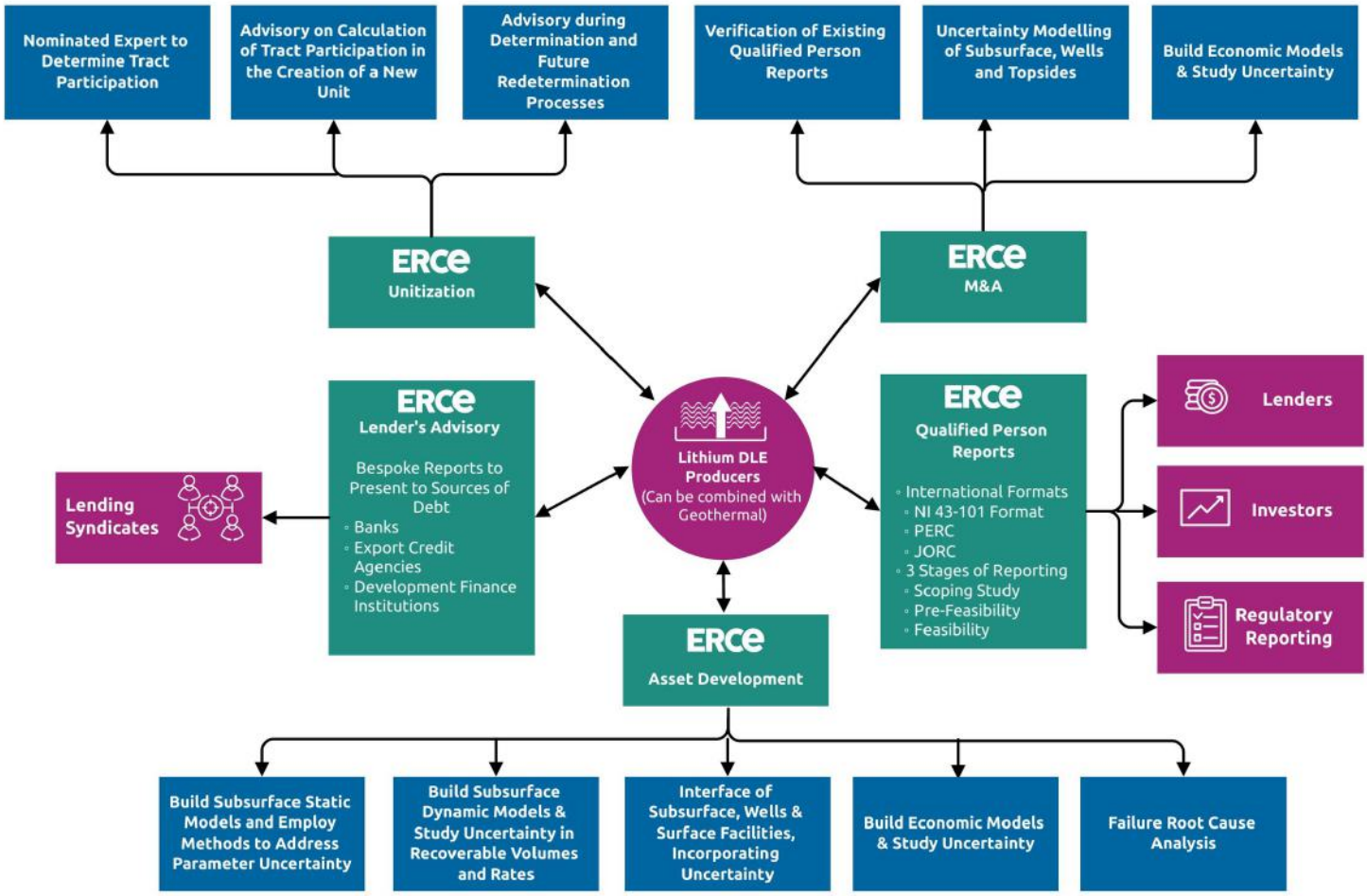


Supporting Effective Decision Making & Communication

Five Main Service Offerings

ERCE supports Lithium and Lithium + Geothermal projects through five major services, as shown above. Whether it's Asset Development, Lender's Advisory, Qualified Person Reporting, Unitization, or M&A, our objectives are as follows:

1. Conducting fit-for-purpose studies, considering the newness of the DLE industry.
2. Assisting stakeholders in understanding risk and uncertainty, leveraging our experience in other sub-surface industries.
3. Communicating complex concepts in a manner suitable for making informed business decisions.

ERCE
The expertise tomorrow needs

> *The QP plays a critical role in ensuring industry standards and best practices are followed, and data is verified and suitable for public disclosure. In other words, it is the QP's responsibility to determine what is reasonable, appropriate and ethical for a particular situation and circumstance.*

Craig Waldie & Jim Whyte
CIM

July 2012

Regulated Disclosure to Gain Stakeholder Confidence

ERCE has produced Qualified Person Reports (QPRs) and Competent Person Reports (CPRs) since the 1980s. In DLE we draw upon our experience regarding subsurface, wells, facilities, and financial challenges. This experience has been gained in the Oil & Gas, Carbon Capture and Storage, Geothermal, Helium, and Climate Disclosure industries.

Our in-house team of Geoscientists, Engineers, and Economists work together to evaluate all aspects of projects.

As evolving standards require, we integrate technical and commercial data, alongside permitting and ESG information, to take a holistic view of assets. We also commonly include climate disclosure in our evaluations.

Our team includes Chartered/Professional Engineers and Geoscientists, which allows us to comply with global reporting standards*.

Our Qualified Person experience comes from significant developments in South America and Europe and our products used during capital raises and corporate decisions gate processes.

We have also helped clients select between reporting systems and standards, including JORC and PERC.**

*ERCE associate partners are experts in Induced Seismicity and Geothermal Operations and complement our in-house skillset.

**ERCE's 2-hour power course facilitates clients understanding of the requirements of DLE disclosure.

Uncertainty Exists in the Subsurface

A successful development starts with understanding what you know and don't know about the subsurface.

ERCE's Geoscience Team consists of specialists with a wide range of skills to understand the size of the prize and the complications of getting the lithium out of the ground.

Our in-house Engineering Team then builds upon the geoscience work, to understand the challenges to producing the lithium at the rates needed, and to find solutions to the problems encountered.

Due to our global reach and our work in various industries, we have experience across a wide range of geological systems. Our experience lets us quickly understand the subsurface challenges that govern your project.

As part of any study, we always ensure we understand the uncertainty in the data and are practiced in conveying that uncertainty and building tools to understand its potential impacts.

Subsurface Knowledge can Support Commercial Decisions

Are you signing a fixed-mass contract?

What kind of flexibility have you included in the contract to address the uncertainty of lithium rates? How will the uncertainty of capital expenditure (CAPEX) and operating expenditure (OPEX) affect your project? What if you need to drill more wells than initially planned? Will the planned operations affect your ability to meet the demands of the contract?

ERCE's team is experienced at collaborating with clients, economists and advisors to help them incorporate uncertainty into their commercial and legal agreements. When necessary, our in-house economists can also develop tools to quantify the impacts of uncertainty.

Opportunities Exist to Maximize Economic Recovery

In this emerging sector, there are many opportunities for innovation.

What type of wells will you drill and where will you place them? How will your choice of pump impact rates? Will you take advantage of injected water to improve recovery? What challenges do you anticipate in maintaining system pressure?

All these questions can be addressed during the concept-select phase. They are crucial for assessing the likelihood of maintaining a consistent mass of lithium production over time. This, in turn, will help in structuring your sales contracts and evaluating commercial viability.

Here at ERCE, our team of reservoir engineers is adept at addressing such questions. We have been actively involved in R&D for Lithium Brine to provide answers in this emerging industry.

An Integrated Design is Essential

The mass of lithium that will flow through the facilities over time is uncertain.

Causes include:

- Changing produced lithium concentration in time. Can be caused by natural lithium gradients or interaction with reinjected depleted brine.
- Changing well uptime as equipment ages.
- Changing well performance due to scaling or fines migration.

As the production from the reservoir changes, this places new demands on DLE reactors and facilities, leading to bottlenecks.

Our team of facilities engineers and well engineers are skilled at working with our subsurface team to study where bottlenecks in initial designs are, accounting for uncertainty.

When you are ready to go for Project Financing...

DLE is an industry with unique challenges:

- Many of the DLE reactors are at the pilot stage.
- Production, especially reinjection, of brine at the scale proposed by many projects exceeds regional experience.
- Some assets are located in countries where it is challenging to access financing.

Despite these challenges, Banks, Development Finance Institutions, and Export Credit Agencies are all working to find ways to finance large-scale DLE projects.

ERCE has been supporting these financial institutions as the Lender's Advisor. We conducted project finance due diligence for what we believe was the first DLE project to go for syndicate debt financing.

ERCE has collaborated with the Banks to create a customized Due Diligence Report that accounts for the unique characteristics of DLE projects.

ERCE can work with you and your preferred financiers to execute a DD process to evaluate your project. We appreciate that each field is different, and a tailored approach is required to understand your chosen project design.

Trusted by the finance community, ERCE provides an honest and transparent view of the risks and uncertainties, enabling informed decision-making.

The global climate change imperative presents a particular challenge because of the scale and nature of the investment needed in developing countries, coupled with the difficulty of raising long term debt in many of them.

Project finance can help to address this challenge because it enables separation and allocation of different risks to different parties, which can help to attract different funders with different risk appetites. In particular, it is a vehicle to segregate green assets for funding and could assist in incorporating targeted credit enhancement products, such as those offered by the World Bank and other governmental agencies looking to promote clean energy investments.

Robin Baker, Philippe Benoit
Oxford Institute for Energy Studies

Aquifers extend over large areas and likely cross license boundaries. Unitization or competitive drainage will be DLE realities.

Unitization Procedures Will Need to be Negotiated

Unitization processes in the oil and gas industry involve various technical procedures to determine tract participation in the Unit Agreement. The DLE industry needs to identify the appropriate procedures for this purpose.

ERCE specializes in equity determination and unitization processes, having worked on numerous oil and gas industry processes as both Advisor and Nominated Expert. Don Scott, one of the founders, played a crucial role in determination and redetermination processes across Europe from the 1980s to the 2000s

When creating the Unit Agreement, will tract participation be based on Gross Rock Volume, Estimated Ultimate Recovery, or porosity calculations using Pe or Sy? What will constitute a valid concentration sample?

Negotiating the correct technical procedures is crucial for the long-term success of unitization. We offer expertise in implementing these procedures and handling legal processes when partners challenge them.

Dispute Resolution Mechanisms Will Need to be Defined

Pendulum or Independent Expert Determination?

The method of resolving Unit agreement disputes is negotiable. ERCE has extensive experience in various dispute resolution techniques and understands the advantages and disadvantages of each. Which method will you advocate for, and why? What are the advantages to your position, and what risks are you willing to assume?

Maximizing your Equity is the Objective

In Unitization, there is no uncertainty. There is only a single determination of tract participation.

However, uncertainty is inherent in subsurface data analysis, and subsurface teams use probabilistic and multi-deterministic methods to account for it.

Establishing a single best technical case requires a different skill set and mindset, to maximize tract participation. It involves validating why your interpretation is the best and effectively presenting your position. As Nominated Experts, we have extensive experience in companies' various strategies to present information advantageously.

As Advisors, we have assisted companies in establishing their technical position and presenting it to maximize the likelihood of an Expert considering our client's perspective.

Equity Fights Happen

The stakes are high. Are you prepared for the strategic maneuvering and tactics involved in the process?

During determinations or redeterminations, there are moments of information asymmetry, legal risks to be mindful of, and opportunities for missteps in adhering to the process.

Some companies even incorporate game theory into their preparations. Is your team fully prepared? When getting ready to submit, are you considering the potential legal proceedings that may ensue?

> *A big lesson for me was where the Expert kicked out one party due to a technicality. Being able to eliminate on a clear-cut transgression means less work for the Expert.*
>
> Unitization Team, ERCE

> Prior to taking over another company potential buyers should complete a thorough examination of every aspect of the target's operations, for the long-term benefit of both parties.
>
> KPMG

Red Flag Review

The initial step in our M&A process is the Red Flag Review, which typically lasts 1-2 weeks. During this review, we carefully analyze the Information Memorandum and supporting information to understand the assumptions behind the seller's valuation statements. Our objective is to identify and prioritize the risks associated with the proposed production and cost profiles.

Full Due Diligence Study

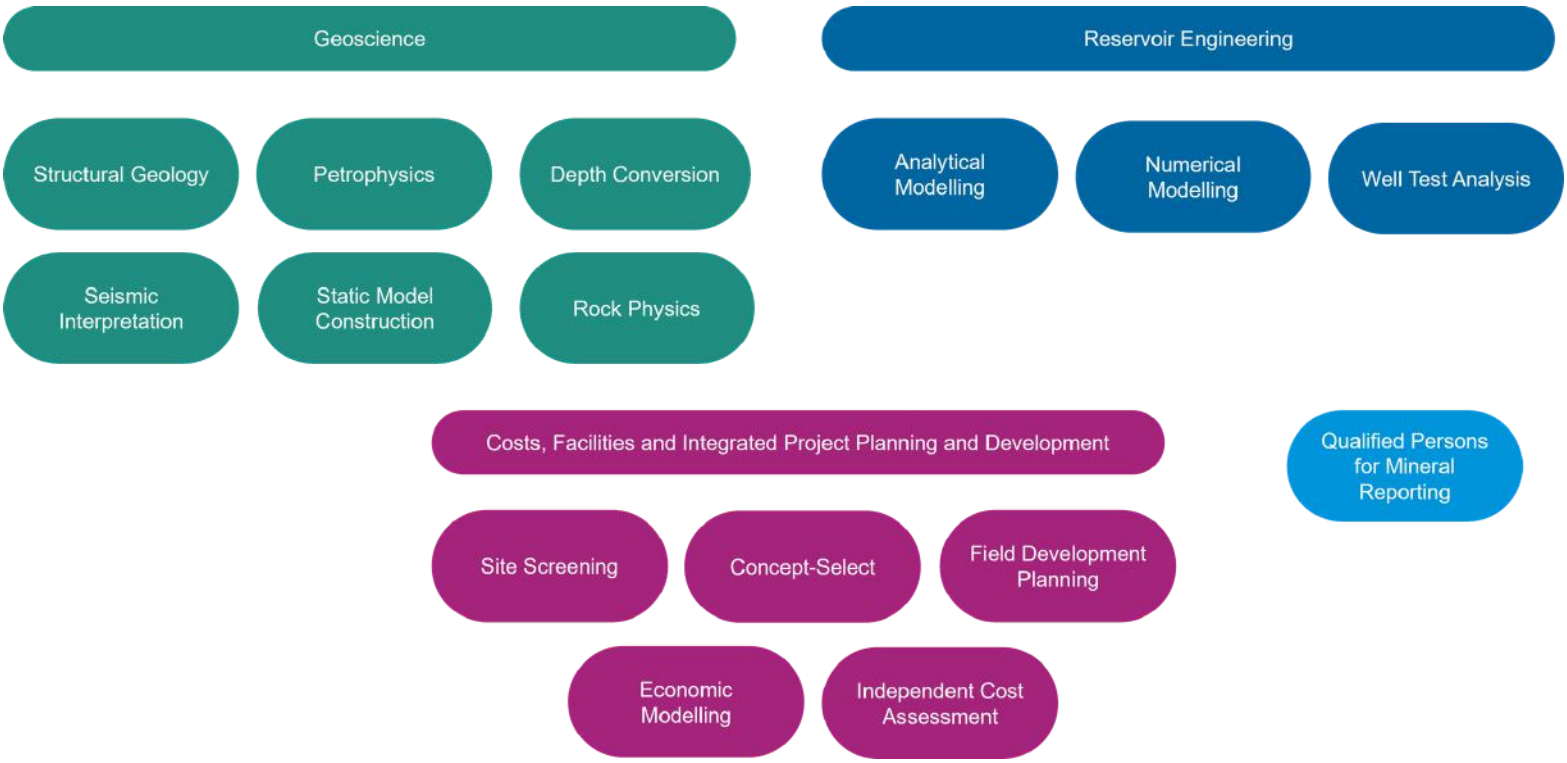
If requested, we proceed to a Full Due Diligence Study, where we evaluate both subsurface and topsides information. Depending on the circumstances, we may need to verify the existing QP report or create an independent QP report. Our overall aim is to provide our clients with an understanding of uncertainty, which can assist them in assessing bid values.

During Full Due Diligence, we offer evaluations and can be commissioned to provide uncertainty regarding the following:

- Static models and Lithium-In-Place estimates
- Recoverable lithium volumes for a given development concept
- Forecast lithium brine production rates
- Forecast lithium recovery rates from the DLE technology, accounting for facilities constraints
- Forecast depleted brine reinjection rates.
- Forecast costs (OPEX, CAPEX, and ABEX)
- Intrinsic Project Value

We can also assess geothermal considerations, such as whether it is an integrated geothermal/lithium project.

ERCE Technical & Commercial Capabilities



ERCE is passionate about the future of DLE and would love to help add value to your DLE portfolio. Reach out to our Future of Energy Team, to explore opportunities to work with us.

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ERCE
The expertise tomorrow needs