

Appendix: Extract from ASX Submission: Summary of Company Activities

A. Nature and/or Scale of Uley mines and Mikkira Resource

The Board considers that the concerns communicated to the Company regarding the nature and/or scale of the Company's business and assets are inconsistent given the release of the JORC 2012 Mining Study and the Reserves and Resources Statement (JORC 2012 Mining Study) released in December 2020 indicated a positive cash flow in excess of \$200 million or just the initial 8-year period of the Uley project and the company has spent in excess of \$2million since the release of the JORC 2012 Mining Study (ie. in the past twelve months).

The Board considers that the concerns communicated to the Company regarding the nature and/or scale of the Company's business and assets are diametrically opposed to:

- (a) The main industry that consumes natural flake graphite globally ex-China, ie. the European and North Asian refractory manufacturers. This group accounts for approximately 80% of the global consumption of natural coarse flake; and
- (b) Manufacturers in the thermal management industry which include those producing expandable and foil-based products, critical to a number of new and emerging technologies.

As suggested above, the concerns appear entirely inconsistent with that of the Australian Government, specifically:

- (a) The second stage of the Uley development is featured in the Federal Government's Critical Mineral Prospectus and is the only project described as being "development ready" project for the production of coarse flake. We also note that the ASX refused the Company's issue of an announcement on its platform informing the market of the Company's inclusion in the prospectus and a link which referred to the prospectus and the Federal Department of Industry, Science, Energy and Resources Critical Minerals website;
- (b) The South Australian Government includes the Uley 2 project in its Schedule of Major Operating and Approved Mines and Quarries. Further, the Uley area which contains the Uley mines, sits within the broader Mikkira Resource also owned by the Company. This resource covers the whole of the southern tip of the Eyre Peninsula and is considered a resource of state significance on South Australia's Department of Energy and Mining (SARIG) website; and
- (c) The mine was operational until November 2015 and commercial operations continued until the first quarter of 2016. But for the engineering issues described in Section B, the mine would still be operating.

The Mikkira resource was discovered by Rio Tinto (formerly CRA Explorations) and represents one of the largest coarse natural flake deposits in the world. It was an active mine from the early twentieth century. Importantly, it is one of the few deposits that is entirely free of deleterious elements thereby uniquely qualifying it for ultra-high temperature applications without the level of environmentally harmful processing (eg. hydrofluoric acid leaching) required for most other coarse flake graphite.

The Company seeks to take commercial advantage of the unique features of its graphite resources by adding a specialised manufacturing process to the existing design of the advanced processing circuit as set out in the Feasibility Study. This would enable the Company to supply significantly higher value-added products to the emerging industries in thermal management and energy technologies as well as continue to supply its traditional customer base.

The comments above are not intended to promote the Company's assets or their intrinsic value to you but rather demonstrate that Government and the market generally consider the Uley mine and associated processing, globally significant. This is no better demonstrated by the Company's consistent

pre-qualification of its products with the major global refractory manufacturers. No other graphite mine owned or controlled by an ASX listed company has prequalified its products and supplied commercial quantities to RHI Magnesita, Magnesita (prior to the merger of RHI Magnesita), Riva Group, Magnezite, Krosaki-AMR, Kelsen Refractories and the Magnezit Group (Slovmag).

The Board is particularly disappointed with the ASX's suggestion that the failure to restart operations is indicative of a failure to conduct operations in relation to the resource. Like many companies, our plans to resume operations were detrimentally impacted by COVID-19. Due to the Company's unique circumstances (ie. its historical reliance on European customer base and funding sourced from this region), this impact was far more severe and sustained. This is evidenced by the still subdued level of industrial activity across Europe compared with China and the rest of Asia.

The basis of the Company's plans remains the strategic exploitation of a globally recognised critical mineral. This strategy is founded on the two key elements:

- (a) The support of a supply chain and major customers seeking independence from Chinese controlled raw material suppliers and supply chains; and
- (b) A processing strategy that seeks to add value onshore, ie. in Australia, to the maximum extent practicable in Australia.

B. Company (Valence Industries Limited) Activities Prior to September 2018 Re-quotation

The assets of the Company were the subject of an initial public offering in January 2014. At the time, the Company's Board developed a strategy that consisted of the processing of Uley 1 stock piles and the utilisation of the cash flows from these processing activities and its capital raising to begin the Uley 2 development activities.

The Company raised approximately A\$30million to execute this plan which culminated in the prequalification of its products with major refractory and thermal management customers and the commencement of commercial supply.

The development activities encompassed the completion of substantially all diamond core drilling of Uley 2, the completion of geotechnical works associated with the construction of the tailings storage facility and the upgrade of much of the infrastructure required for Uley 2. In 2015, as a result of these development activities, the Company released a JORC 2012 Minerals Resource Estimate followed by its maiden JORC 2012 Reserves and Resources Statement together with a Definitive Feasibility Study.

The Company's refurbishment of the decades old plant suffered a number of setbacks, predominately arising from the engineering challenges associated with refurbishing the plant to achieve sustainable commercial production levels. The Company ceased production and substantially all commercial activities by the end of the first quarter of 2016. The Company's Board appointed administrators in July 2016. Following execution of a Deed of Company Arrangement and the appointment of a new Board and Management, the Company's securities were requoted in September 2018.

C. Company Activities from September 2018 to January 2020

The Company's new management made a strategic decision to undertake a new definitive feasibility study for Uley 2. Lycopodium Minerals was appointed to undertake the study and the brief for this study included certain key objectives not included in the feasibility undertaken by prior management. These objectives were:

- (a) Plant production must be designed to a commercially sustainable scale in Australia;

- (b) The design of the processing path would include certain optionality to ensure that further advanced processing could be added to the existing circuit without requiring any changes to the pre-existing circuit or interruptions in supply; and
- (c) The design of the new advanced processing facility would also accommodate periodical volatility in supply and demand through the reduction/increase in production by up to 20% without impacting the commercial sustainability of the operations.

The key activities undertaken by the Company as well as the relevant work streams are included in this section and Section D.

During this period, the Company made a number of announcements to the market. The critical announcements relating to Uley 2 project development and major commercial activities included:

- (a) The release of the detailed JORC 2012 metallurgical results;
- (b) The update to the JORC 2012 Mineral Resources Estimate;
- (c) The JORC 2012 Mining Study which included an update to the JORC 2012 Mineral Reserves and Resources (collectively, the Mining Study); and
- (d) The execution of the Memorandums of Understanding between the Company and The Sunlands Company Pty Ltd (Sunlands) and Iron Road respectively.

The Company's focus during this period was predominantly the definitive feasibility study, related matters such as commercial discussions and negotiations in respect of the renewal of supply arrangements and its exploration activities over its exploration licence EL6224 which attracts a significant expenditure commitment.

Further, following execution of the Sunlands MOU in November 2019, the Company began work on additional research and development activities that targeted the advanced processing of Uley 2 product for the production of thermal management and energy storage products including the specific products required by Sunlands for deployment within its thermal energy storage technologies.

The release of the JORC 2012 Mining Study in December 2019 culminated in the completion of all technical work for the definitive feasibility study and this is reflected in the results published by the Company. However, the final definitive feasibility study remains subject to the completion of additional design associated with the advanced processing pathways (currently the subject of extensive research and development) and the technical sales work (eg. product sample testing, pre-qualification work, etc.) necessary to conclude sales agreements.

D. Company Activities from January 2020 to date

Following the European investor and manufacturer briefing in December 2019 and January 2020, the Company resumed negotiations and arranged meetings with customers that had previously entered into supply arrangements with the Company. As announced at that time, by the end of the first quarter of 2020, the Company's planned European meetings had been deferred for a second time and were ultimately abandoned in the following quarter due to COVID-19.

Similarly, negotiations with prospective financiers were also suspended due to the significant interruption to the capital markets although the Company was able to continue to support financier due diligence investigations during this period.

The Company's continued work on the definitive feasibility study targeted the optimisation of certain parts of the processing path, especially the optimisation of the attrition mill design. This work was the subject of the arrangement with Lycopodium Minerals concluded in the prior year, and consequently, the Company did not directly incur any expenditure in respect of this work.

In addition, the Company, with the assistance of Lycopodium Minerals, continued to refine the design of the advanced processing and manufacturing pathways predominately as a result of its collaboration with Sunlands under the MOU. This work has been the subject of significant research and development for which the Company has made substantial claims under the Federal Government's Research and Development Concession.

During the second and third quarters of 2020, Sunlands' independent Commercialisation Study was made available to the Company. Certain key findings of this study were the subject of disclosure as part of the Company's Quarterly Activities Statements. On the basis of the Commercialisation Study, the Company's Uley 2 flake was acknowledged as an ideal coarse flake source for the manufacture of Sunlands' thermal energy storage media, the critical component for its thermal energy storage technologies.

The Company's research and development program continued during this period although certain elements, particularly the additional metallurgical testwork program agreed between the Company and Sunlands, was delayed due to COVID-19 restrictions on site access.

During substantially all of 2020, the Company was unable to undertake on-site exploration activities on EL6224 due to COVID-19 restrictions limiting on-site access to necessary maintenance of the Company's Tailings Storage Facilities. However, the Company's geology team commenced the next stage of exploration of EL6224 as well as the planning for the extension drilling of Uley 2 to increase mineral reserves. (This was the subject of the 7 May 2021 announcement in which the Company informed the market that the Board had now approved the exploration plan.)

Despite the impact of COVID-19, the 2020 exploration commitments (in excess of \$140,000) were satisfied and the Company did not need to rely on the South Australian Department of Energy and Mining's concession reducing expenditure commitments falling within the 2020 year due to the impact of COVID 19. By the end of the last quarter in 2020, conditions in the capital markets had improved and the Company had commenced the process of identifying the most suitable funding partner and structure for the financing of the Uley 2 project.

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