

Element 25 Ltd

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Element 25 secures offtake deal for all manganese from first stage of Butcherbird; raises \$9.75 million in placement

Element 25 Limited (ASX:E25) has agreed key commercial terms under a non-binding term sheet to sell 100% of the manganese ore produced - up to 365,000 tonnes per annum - from the first stage of the Butcherbird Project development in Western Australia.

The take-or-pay offtake arrangement is with OM Holdings Limited (ASX:OMH) wholly-owned subsidiary OM Materials (S) Pte Ltd.

This is the first step of a staged ramp-up for the Butcherbird project and will provide early cashflow to strengthen E25's balance sheet and fund the larger high purity manganese production hub, which is the subject of a parallel, complementary workstream.

E25 has also received firm commitments to raise up to a total of \$9.75 million before costs, through a placement of 12.5 million fully paid ordinary shares at \$0.78 per share, making it fully funded to the first production.

'Landmark development'

E25 managing director Justin Brown said: "This is a landmark moment for E25 as it pursues the development of the Butcherbird Project.

"OMH is ideally placed to partner with E25, given their extensive smelting infrastructure in Malaysia and their experience in the silico-manganese markets into which the E25 ore will be placed.

"E25 regard this as the start of a long term mutually beneficial arrangement and looks forward to building on the progress to date."

Talks for \$2 million funding

E25 and OM Materials are also negotiating the final terms of a \$2 million convertible funding agreement, which will be part of the overall project financing.

The term sheet provides for a 60-day exclusivity period during which the parties expect to finalise definitive documents in relation to the offtake terms.

Key terms of deal

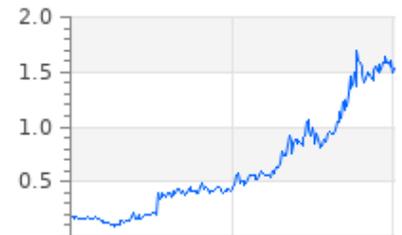
The key terms of the proposed agreement in the term sheet include:

? A pricing mechanism calculated as a discount against the Fast Markets published 44% manganese benchmark price (adjusted for FOB delivery terms);

Price: 1.49

Market Cap: \$197.63 m

1 Year Share Price Graph



January 2020 August 2020 January 2021

Share Information

Code: E25

Listing: ASX

52 week High Low
1.72 0.095

Sector: Rare earths & specialist minerals

Website: www.element25.com.au

Company Synopsis:

Element 25 Ltd's (ASX:E25) wholly-owned Butcherbird Project hosts a very large manganese resource which underpins the company's core strategy of producing high purity Electrolytic Manganese Metal (EMM) and Manganese Sulphate for use in specialty metals and lithium ion battery cathodes.

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- ? The specification and pricing formula for the delivered ore between a manganese grade of 28%-35%;
- ? A minimum and maximum levels/ratios of certain impurities including iron, silica, phosphorous and moisture;
- ? Any discounts or premia for ore that is delivered outside these agreed ranges, will be included in the offtake agreement;
- ? The term of the offtake agreement will be five years, with provision for an extension, subject to satisfactory performance by OMS measured against KPI's to be agreed;
- ? Trade terms will include a provision in the first six months for payment to be made on delivery of parcel sizes as small as 1,000 tonnes to port, significantly reducing E25's working capital requirements;
- ? The ore will be delivered on an FOB basis;
- ? Certain premia may be available to E25 for ore with particularly low levels of certain impurities and the framework for calculating these premia, where established, will be documented in the offtake agreement; and
- ? The offtake agreement will include conditions precedent in relation to due diligence, board approvals, shareholder approvals, and any other regulatory approvals that may be required.

Financing update

The placement includes subscriptions from potential offtake partners, including sophisticated, professional and institutional investors.

In addition, E25 has approved subscriptions for a total of \$309,000 from senior executives of the company.

Funds raised under the placement will go towards the development of Butcherbird - paving the way for the finalisation of equipment purchase, mobilisation and construction to establish the first stage of ore production as detailed in the pre-feasibility study.

On completion of this financing, and based on currently budgeted cashflows, the company is now fully funded to first production.

The placement will be completed in two tranches:

? Tranche 1 is not subject to shareholder approval and will be completed pursuant to its existing capacity under ASX Listing Rules 7.1 and LR7.1A for a total of 8.8 million shares; and

? Tranche 2, comprising 3.7 million shares, is subject to available capacity at the conclusion of its annual general meeting.

Completion of the OMH convertible note is also subject to available capacity at the conclusion of the AGM, currently scheduled for November 4, 2020.

E25 shares have been as much as 6.5% higher intra-day to A\$0.905.

OM Holdings has over 25-years history

OM Holdings Limited is an integrated manganese and silicon company, involved in the mining and trading of raw ores, as well as the smelting and marketing of processed ferroalloys.

With an established history of over 25 years in the industry, OMH captures value across the entire process chain through operations in Australia, China, Japan, Malaysia, Singapore and South Africa.

World-class manganese resource

Butcherbird Project is a world-class manganese resource with current JORC resources in excess of 263 million tonnes of manganese ore.

E25 recently completed a pre-feasibility study with respect to developing the deposit to produce manganese concentrate for export to generate early cash flow with a modest capital requirement.

The outstanding economics and low capital hurdle of less than A\$15 million will allow the company to develop the project in a relatively short timeframe.

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