

## Stage 2 Offtake and Finance Terms Agreed

### Highlights

- Stage 2 partial offtake and debt financing terms agreed.
- Semeru to take 50% of the production from the planned stage 2 expansion up to a maximum of 200Kt per annum.
- Transaction is subject to the execution of definitive agreements.
- Financing commitment of USD\$5M secured as part of the offtake terms.
- Offtake financing, coupled with operating cashflows to fully fund Stage 2 expansion case based on current forecasts.

Element 25 Limited (E25 or Company) (ASX:E25) is pleased to advise that key commercial terms have been agreed under a non-binding term sheet (**Term Sheet**) to sell 50% of the manganese ore produced from the second stage of the Butcherbird Project development (**Project**) to Semeru Energy Limited (**Semeru**), a company headquartered in Singapore. The Term Sheet provides for a minimum allocation of 175Kt per annum and a maximum allocation of 200Kt per annum. The Term Sheet contemplates a 5 year term with provisions for renewal subject to the satisfactory performance by Semeru against agreed KPIs the details of which will be negotiated and documented in definitive agreements, still to be drafted (**Definitive Agreements**).

As part of the offtake arrangements, Semeru will provide USD\$5M in project finance to fund the Company's expansion plans as detailed in the expansion Pre-Feasibility Study announced to the ASX on 3 December 2020. Once drawn down, the loan will be secured over agreed mechanical equipment and other Project assets to be documented in the Definitive Agreements. Importantly the Company is not required to provide security over its mining tenure or over other assets not specifically related to the Project operations. The funds may only be applied to the expansion of manganese production at the Project to fulfil the Company's obligations to meet its commitments under the agreed offtake terms.



### Company Snapshot

ASX Code:	E25	Board of Directors:	Element 25 Limited is developing the world class
Shares on Issue:	132M	Seamus Cornelius	Butcherbird Manganese Project in Western Australia to
Share Price:	\$1.37	Justin Brown	produce high quality manganese concentrate and high
Market Capitalisation:	\$181M	John Ribbons	purity manganese products for traditional and new
			energy markets.

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The debt will attract a coupon rate of 6.5%. Additionally, a royalty is payable of 1.5% on the sale of up to 175,000 tonnes of product while the debt is outstanding and then for 15 years after the debt is repaid.

The offtake terms include obligations on Semeru to achieve the highest price for E25 manganese concentrate and for E25 to direct that concentrate be placed with certain clients in order to achieve the optimal pricing. Semeru will have the right to purchase ore from E25 at a price such that it can book a net margin of 2.4% of the CFR price achieved.

The Term Sheet provides an exclusivity period (**Exclusivity Period**) until June 30 2021 during which the parties expect to finalise the Definitive Agreements. The Definitive Agreements will include conditions precedent in relation to due diligence, board approvals, shareholder approvals (including any applicable ASX Listing Rules, Chapter 10 or other requirements) and any other regulatory approvals that may be required (including FIRB).

Semeru's recent participation in the Company's capital raising<sup>1</sup> by way of a USD\$1M investment was also a requirement, which Semeru has satisfied.

### About Semeru Energy

Semeru Energy is a private equity investment firm operating across the Asia-Pacific region with a focus on the natural resources sector. Semeru deploys its capital via equity and debt to both companies and directly into projects with a risk profile reflecting late stage exploration through to development.

Within the Semeru group of companies, Semeru Trading operates as an independent commodity trader with a focus on base metals and bulk commodities. Semeru Trading maintains a capacity to provide offtake facilities in concert with Semeru's investment funds on a case by case basis.

### About the Butcherbird Manganese Project

The Butcherbird Manganese Project is a world class manganese resource with current JORC resources in excess of 263 Mt of manganese ore<sup>2</sup>. The Company has recently completed a Pre-Feasibility Study with respect to developing the deposit to produce manganese concentrate for export to generate early cashflow with a modest capital requirement<sup>3</sup>. 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.

This is envisaged as the first stage of a staged ramp up for the project and has the advantage of potentially providing early cashflow to strengthen the Company's balance sheet and assist in funding of the larger high purity manganese production hub which is the subject of a parallel, complimentary work stream.

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<sup>1</sup> Reference: Company ASX release dated 13 November 2020.

<sup>2</sup> Reference: Company ASX release dated 17 April 2019.

<sup>3</sup> Reference: Company ASX release dated 19 May 2020

The Project straddles the Great Northern Highway and the Goldfields Gas Pipeline providing turnkey logistics and energy solutions. The Company is also intending to integrate renewable energy into the power solution to minimise the carbon intensity of the Project as well as reducing energy costs. A cleaner, lower carbon flowsheet and high penetration renewable energy will place Butcherbird at the forefront of sustainable metal production.

### Mineral Resources

Category	Tonnes (Mt)	Mn (%)	Si (%)	Fe (%)	Al (%)
Measured	16	11.6	20.6	11.7	5.7
Indicated	41	10.0	20.9	11.0	5.8
Inferred	206	9.8	20.8	11.4	5.9
<b>Total</b>	<b>263</b>	<b>10.0</b>	<b>20.8</b>	<b>11.4</b>	<b>5.9</b>

Notes:

- Reported at a 7% Mn cut-off for the Measured and Indicated categories and an 8% Mn cut-off for the Inferred categories.
- All figures rounded to reflect the appropriate level of confidence (apparent differences may occur due to rounding)

### Mining Reserve

Based on the results of the Pre-Feasibility Study completed in May 2020, E25 has published a Maiden Ore Reserve for the Project of 50.55Mt in the Proved and Probable categories<sup>4</sup>.

Classification	Tonnes (Mt)	Grade (Mn%)	Contained Mn (Mt)	Recovered Mn (Mt)
Proved	14.4	11.5	1.65	1.35
Probable	36.2	9.8	3.56	2.92
<b>Total</b>	<b>50.6</b>	<b>10.3</b>	<b>5.21</b>	<b>4.27</b>

Justin Brown

Managing Director

Company information, ASX announcements, investor presentations, corporate videos and other investor material in the Company's projects can be viewed at: <http://www.element25.com.au>.

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<sup>4</sup> Reference: Element 25 Limited Reserve Statement lodged with ASX 19 May 2020.

## Competent Persons Statement

The company confirms that in the case of estimates of Mineral Resource or Ore Reserves, all material assumptions and technical parameters underpinning the estimates in the market announcements dated 17 April 2019 and 19 May 2020 continue to apply and have not materially changed. The company confirms that the form and context in which the competent person's findings are presented has not been materially modified from the original market announcements.

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr Justin Brown who is a member of the Australasian Institute of Mining and Metallurgy. At the time that the Exploration Results and Exploration Targets were compiled, Mr Brown was an employee of Element 25 Limited. Mr Brown is a geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Brown consents to the inclusion of this information in the form and context in which it appears in this report.

This announcement is authorised for market release by Element 25 Limited's Board of Director.