

# Investor Q&A

July 2020

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## with Justin Brown

### Question:

### **What can shareholders expect for the order of the next few catalysts?**

We now have access agreements with all pastoral lease holders that covers the area that we are aiming to start production in. The mining lease has been granted, which opens the door for approval applications to be submitted.

In terms of work on the ground, we currently have a water bore rig drilling to test bores which will allow us to pump-test the aquifers and confirm water supply. We also have a small environmental survey to do on the bore field area as well.

You will of course also hear more about the progress on financing, there are good discussions going with both debt and equity investors. You have likely already seen the recent announcement about Acuity Capital and the selldown of the RareX position.

With regards to engineering, you will see that we are progressing well with various announcements going forward along with the offtake which is



Justin Brown, Managing Director – Element 25

important to underpin financing. We are in discussions with a number of trading houses, Chinese and non-Chinese, and we have recently signed an MOU with OM Holdings, a Singapore-based manganese business with smelters in Malaysia. We are progressing discussions towards formal offtake agreements.

**Question:**

## **What is your main concern at this point?**

We have planned out an aggressive development timeline, so we need to make sure everything happens the way it needs to happen. Long lead time items that we need to put down-payments on, permitting, etc. will chop and change the critical path as we progress. But in order for us to get to that Q1 production, we need to make sure everything goes right.

I do not think anything is going to stop us, it is just the case of transitioning well. Transforming the company from an explorer to a producer has a lot of challenges, and we need to get the right people in the right jobs. But I think we can.

**Question:**

## **How has COVID-19 impacted you and your operations?**

Not too badly, in Western Australia we have done quite well. We had an early flare-up of cases and a quick decline due to the self-imposed isolation that the government invoked.

They have not stopped us from moving around for business, so we have been able to do most of what we need. Labs and such have had much tighter restrictions on visitors so there has been some extra procedures to go through, but generally we have been able to continue to work on the project without much disruption.



**Question:**

## **What will financing be made of - debt or equity?**

In the model that we have for the PFS, it is a traditional 60/40 debt equity split. We are in discussion with lenders, and the cash that the project generates should make that quite doable.

Equity is likely to be a combination of shareholder participation potentially through a share purchase plan or a rights issue, and also may include an equity investment from offtake partners. It may also include traditional mainstreet equity through the brokers.

For debt, we are talking to the North Australian Infrastructure Facility and various traditional lenders.



**Question:**

**Are you still planning to release the second PFS for EMM this quarter or the next?**

The EMM PFS is well-advanced, but we do need to do a bit more metallurgical test work. The current focus is going to be on the ore concentrate export business. The extra work associated with the EMM PFS requires a budget, and at the moment we prefer not to divert financial resources away from the ore concentrate business.

**Question:**

**Your project is in a remote location, so will logistics be a significant part of OpEx? If it is, any options to reduce this?**

We have done what we can on that. There is a truck configuration called a super quad permitted for use on the highway which can haul 150 tonnes of ore per truck. That is the biggest configuration available in Western Australia for road haulage.

There is a railway from Newman which is about 130km north of us to the port, but that is owned by BHP. Some proponents have tried to get access to that in the past but have not been able to so far. That may change, but I am not banking on it.

**Question:**

**Is sufficient water available for future high purity manganese production?**

We believe so. We have done water exploration drilling and have identified 2 aquifers to the east of the mining area. We have a water bore rig currently drilling to test bores, and from that we can do pump testing to confirm the production potential of the aquifers. The water is very clean – the TDS is between 900 and 1200, which for Western Australia is incredibly fresh. As a result, we do not have any brine to deal with and therefore believe water will not be an issue for the concentrate business ore the EMM plant.



**Table 1. 2019 Butcherbird Manganese Project Mineral Resource Estimate<sup>1</sup>**

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

Notes:

<sup>1</sup>Reference: Company ASX Announcement dated 19 December 2019

- 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)

**Table 2. Butcherbird Ore Reserve Summary<sup>2</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>

Notes:

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

#### Question:

### How does your project compare to existing manganese producers in South Africa like Jupiter Mines?

The typical product that they ship out these days is a 36% or 37% manganese product. It is either a semi-carbonate or an oxide ore, and they have to travel about 1,000 kilometres to the port. Then, they have to ship it half way around the world to get it to the main consumers in China.

By comparison we give up a little bit on grade at 33%, but we think our mechanical and chemical properties of our ore are as good or better than the South African ones. Also quite importantly, we are a lot closer to the end users in China or perhaps Malaysia or Vietnam. This gives us an advantage on logistics cost.

#### Question:

### Are there chances of more manganese nearby and are there any others in Australia?

There are others looking for manganese. Bryah Resources to the south of us has shown some quite interesting drilling results.

There is, in our immediate area, definite room for extension of the resource. We stopped drilling because 260 million tonnes is a lot of manganese, we felt there was no point of drilling more until we establish a way to commercialize it. As the need arises, we can continue drilling and add to that resource.

There are other occurrences around, but there's not too many people exploring in the space at the moment.

**Question:**

**When is the decision to go to electrolytic manganese taken, and what assurance will you have in generating a sellable product?**

I do not think there is any problem in generating the product, we have done it multiple times. We have a very efficient leach process, we got our heads around the purification required and we have produced manganese metal. If you look back at previous announcements, you will see the photographs of the metal that we have produced. It is very high purity – 99.9% or so which is well above the 99.7% that the customers require.

The challenge with going to EMM is the short-term drop in manganese prices in China due to domestic factors, including COVID19, and the large capex. It is more capital intensive compared to ore concentrate, so a much easier proposition is to get the ore export up and running first. However, I do not think it is an issue with our flow sheet, more just about how we finance a larger project like that.

**Question:**

**What are the key sustainability goals and how are they being managed?**

Most of the sustainability work has been on the EMM side of things. What we want to become is the renewable energy-powered manganese production hub. We have done a lot of work in sustainable energy generation on-site: we have a gas pipeline that goes through the project area, which is a big

step forward from diesel which is what a lot of mines traditionally use in Western Australia.

We have also done a lot of work on the integration of wind and solar, and we have a base case at the moment of 50% renewable energy penetration. Moreover, we have work going on which is looking to push that to high as 90%. In conclusion, we are very keen to become a clean, green manganese producer over time.

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