Butcherbird takes flight

Stage 1 construction of the Butcherbird manganese project is on track to be completed this month

Element 25 Ltd (E25) managing director Justin Brown is taking all of the new-found attention on his manganese-focused company casually in his stride.

Since the onset of the pandemic, E25's share price has soared nearly 2,000% and last month hit an all-time high of $1.98/share.

The start of that run coincided with a change in thinking for development of the company's Butcherbird manganese project, about 130km south of Newman, Western Australia. Instead of tapping the market for a couple of hundred million to build a full-scale high-purity manganese plant straight off the bat, Brown and his team decided it was a much more feasible option to develop the project over a series of stages and use cash flow from initial production and sales to fund further expansion.

"For a fairly modest $18 million in capital, we'll get this thing cash flow positive and then off the back of a revenue stream we can grow the business more aggressively with a balance sheet, rather than having to go cap in hand to try and raise a big lick of capital to build a bigger plant," Brown told **Paydirt**.

"The market really got on board with that and I guess the share price today reflects that quite nicely. The shareholders are happy – I'm happy because I'm a shareholder – and hopefully there's a lot more good news to come."

Construction of Stage 1 at Butcherbird remains on track for completion this month, with Brown describing the activity on site as like a "100m sprint finish".

Last month the company's groundwater allocation was approved by the Department of Water and Environmental Regulation, completing the final permitting hurdle before production of a manganese concentrate grading 33% can begin.

Brown said the implementation of ore sorting technology as one of the beneficiation tools had been key to unlocking the optimal development path for Butcherbird, which hosts a global resource of 263mt @ 10% manganese and 20.8% silica.

"Previous beneficiation work showed that we can quite happily get the ore which sits in the ground at about 10-12% manganese up into the high 20s, but that's not a very attractive concentrate grade and so you end up marketing something that's not being shipped in the mainstream part of the market," he said.

"By getting it to about 33%, which is what our current flowsheet does, we actually put ourselves in very much the mainstream concentrate market globally…we're sort of in the biggest slice of the market which is that medium grade concentrate."

Bootu Creek operator OM Holdings Ltd has agreed to take 100% of the Stage 1 production from Butcherbird over an initial five-year agreement which includes a conditional provision for another five-year term.

According to the updated PFS released in December, Stage 1 throughput of 1.3 mtpa is forecast to deliver 335,000 tpa of manganese concentrate over a 41-year mine life. NPV and IRR for this initial production plan is estimated at $583 million and 387% respectively.

E25 has made remarkable progress at Butcherbird since resetting its development plans for the project almost 12 months ago

Stage 2 assumes a doubling of the throughput to 2.6 mtpa and is projected to return a NPV of $926 million and IRR of 342%, based on production of 637,000 tpa over 21 years.

Brown said his company had been "bowled over" by the rush of interest in the offtake from Butcherbird.

"We had quite a number of players in the tent looking to get their hands on the supply," he said.

"OM was a good fit for us because they obviously know manganese very well, they've got their smelting facilities in Sarawak, Malaysia, which is obviously very close to us so that makes it a nice fit. Also, our manganese ores are quite high in silica, which is one of the things they need to make an alloy called silica manganese, the dominant of all the manganese alloys that go into steel.

"The Bootu Creek mine they own is pretty well depleted, so this is in some ways the logical replacement for the ore that they are running out of."

The high level of interest in the Butcherbird offtake is hardly surprising given existing mines such as Bootu Creek, Woodie Woodie and Groote Eylandt are almost depleted and there is some concern over supply from South Africa, Brazil and parts of Eastern Europe.

While demand for manganese will remain high given steel production in China currently at record levels, Brown sees the rapidly growing battery sector as the "blue sky opportunity" for E25, especially if its growth ambitions can be realised over the next few years.

"It's definitely uplifting when you have guys like Elon Musk talking about a higher manganese cathode and the other OEMs talking about manganese being as high as two-thirds in some of their cathode chemistries," Brown said.

"Having a battery chemistry that relies on cobalt is high-risk. Having a battery chemistry which relies on nickel is slightly less risk, but there are still potential supply issues around actually just getting the right volume of nickel into the hands of these guys.

"Manganese is the lowest risk and I think you're seeing that reflected in strategic decision-making which is pushing people towards higher manganese chemistries in the long term."

– Michael Washbourne