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Electra Battery Materials Corp. (TSXV:ELBM)

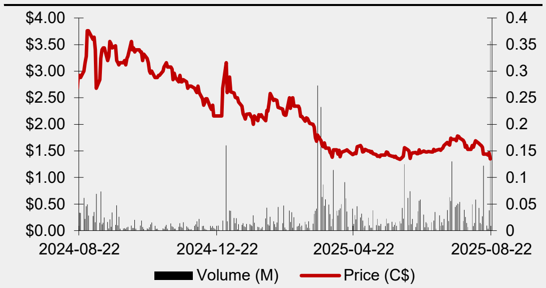
Development Update
August 25, 2025

Proposed Debt Equitization & US$30M Raise Set Stage for Finishing Construction

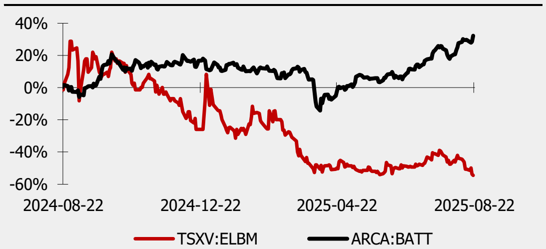
(Currency is C$ unless noted otherwise)

Closing Price (C$/sh)		$1.30
Target (C$/sh)		$1.60
Rating		BUY (S)
NAV (C$/sh)		$1.55
Return to Target		23%
52 Week Low / High (C$/sh)		$1.04 / $3.80
P/NAV		0.81
CAPITALIZATION	**Basic**	**Diluted**
Shares Outstanding (M)	17.96	30.81
Market Capitalization (C$M)		$23.35
Enterprise Value (C$M)		$90.98
Cash & Cash Equivalents (C$M)		$2.93
Total Debt (C$M)		$70.55

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	**(C$M)**	**(C$/Sh)**
Cobalt Refinery (100% Ownership)	$328.52	$2.50
Current Taxes	-$94.90	-$0.72
Iron Creek Cobalt Project (100% - Co-Cu)	$12.44	$0.09
Cobalt Camp Projects	$14.58	$0.11
Corporate adjustments	-$56.57	-$0.43
Total Post-Financing NAVPS	**$204.08**	**$1.55**

RELATIVE VALUATION	**US$EV/lb CoEq**
Explorer/Developer Peers	0.10
Electra Battery Materials Corporation	1.87

MAJOR SHAREHOLDERS
Management (1%), Whitebox Advisors LLC (1.7%), Cable Car Capital LLC (1.2%), UBS Asset Management AG (0.8%)

DISCLOSURE CODE: 1, 2, 3
(Please refer to the disclosures listed on the back page)

Source: RCS estimates, Company Information, Capital IQ

Company Description
Electra's core strategy is to produce low carbon, ethically sourced battery materials for the North American electric vehicle supply chain. Electra is specifically focused on creating the first integrated Battery Materials Park in North America, providing refined cobalt, nickel and recycled battery materials to North American battery precursor manufacturers. Electra also owns a 100% of the Iron Creek cobalt-copper project located in Lemhi County, Idaho, USA.

Impact: Neutral – major de-risking but dilutive

Electra Battery Materials has announced a partial equitization of its debt and a concurrent US$30M equity financing to advance its Co refinery at Temiskaming Shores in Northern Ontario. **This restructuring represents progress. It does significantly dilute existing shareholders and we project that the current holders of the convertible debt will end up owning ~2/3rds of the company. However, the planned US$30M equity raise makes a huge dent on the project's funding gap; management believes that with shareholder approval, lender participation and government support, it will be in position to complete construction of the Co refinery. The sooner it reaches cashflow generation, the better it will be for all investors. Secondly, the overhang of debt could be significantly eliminated, making the company more investable in the future and facilitating the full financing of the debt. Finally, the lenders have shown support and flexibility on multiple occasions (read here and here), signaling that they would be good shareholders to now have.**

- **Equitization of ~US$40M of debt,** representing 60% of the principal and accrued and unpaid interest of its convertible notes. The remaining 40% of the debt, expected to be ~US$27M, will be exchanged with an equivalent 3-year term loan bearing 8.99% interest (if paid in cash) or 11.125% (if paid in kind). Following the restructuring, plans are to expand the board to seven from five, with Lenders having right to appoint up to three Board members. The transaction is subject to various approvals. A share consolidation is planned for Q4/25 at a pending ratio.
- **Concurrent equity financing and bridge loan.** US$30M will be raised at US$0.75/unit, each consisting of one share and one warrant exercisable for US$1.25 for three years. Current shareholders will have the right to participate in the raise at the same terms as new investors in proportion to their existing Common Shares ownership. The Lenders made a contingent commitment to participate for US$10M in the raise. They are also providing a US$2M short-term 90-day bridge loan bearing 12% interest p.a. to cover working capital needs during the restructuring, which will give them the right to appoint one member to the board. The financing is to advance the refinery, repaying the 90-day bridge loan and general working capital purposes. If the gross proceeds are greater than US$34.5M, excess will be used to repay the notes.

We maintain our BUY (S) rating and reduce our target to C$1.60 (was C$3.30/sh). Our target is based on a DCF valuation of the Co refinery to which we add the value of resource projects and corporate adjustments. We apply a higher 1.0x multiple was (0.70x) to our C$1.55 NAVPS (was C$4.70x) The NAVPS fell primarily due to projected dilution from the debt equitization, and proposed equity raise. The higher multiple comes on the back of our recent reduction on the fear of debt covenants and delayed financing but now reflects the fact that ELBM is even closer to the key catalyst of starting refinery construction. **Catalysts:** 1) Decision to complete Ontario Co refinery construction (H2/25), and 2) Co sulphate production (Q1/27).

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- **Removes bankruptcy risk and makes project construction ready,** though later than we had previously modeled. We note that the existing convertible debt had been secured against the Iron Creek project in Idaho. We expect the remaining funds to come without dilution from the Gov't of Canada from the finalization of its C$20M LoI (**read note**) and not from the US$20M interest from a strategic investor (**read more**). Early site works had already commenced in anticipation of the funding to complete construction (**read note**).
- **Making changes to our model.** We now project a balance of US$27M in convertible debt bearing a 11.125% interest rate at the end of Q4/25; US$40M of debt is converted into ~66.7M shares. US$35M is raised in equity in Q4/25 by issuing ~113M shares at US$0.75/sh (we had previously assumed a US$35M raise in Q3/25 at C$3 or US$2.1/sh, so this results in greater dilution). Capex and production are all delayed by a quarter in our model so that production commences in Q1/27 and ramps up to ~4,900 tpa by Q4/27 and the full 6,500 tpa rate in Q3/28. These changes increased the ITM fully financed share count used for calculating the NAVPS to 131M (was 33.5M). This is because of dilution from conversion of debt to equity and from the issuance of new equity at a significantly lower price than we had previously modeled.
- **Cobalt's strategic importance being recognized in the USA.** The US DoD recently sought offers for sale of up to 7,500 tons (15M lbs) of alloy-grade Co over five years in a US$500M contract to establish a stockpile. The suppliers being considered are located in Canada, Sweden and Japan. This intervention has major implications for Electra. Firstly, it seeks supply from certain countries, including Canada and had Electra's Co refinery been up and running it could have been a viable contender, especially as its target of producing battery grade Co would have satisfied the purity requirements for alloy-grade Co. Secondly, this contract likely offers a significant premium price. US$500M for 15M lbs Co implies an acquisition price of US$33.3/lb Co. We saw something similar in the REE market in July 2025 when the US DoD guaranteed MP Materials (NYSE:MP, Not Rated) a floor price of US$110/kg of NdPr (double the prevailing market prices at the time) on its sales and stockpiles to incentivise its domestic production. Higher Co prices, either through government guarantees or through a premium for Canadian production would be very positive for Electra, as our valuation retains some sensitivity to the Co price.

Figure 1: Valuation summary

NAV Breakdown			
	Discount Rate	NAV (C$M)	NAV/Share
Cobalt Refinery (100% Ownership)	8.0%	$328.5	$2.50
Nickel Sulphate Refinery (100% ownership)			
Black Mass Operation (100% Ownership)	8.0%	$0.0	$0.00
Current Taxes	8.0%	($94.9)	($0.72)
Iron Creek Cobalt Project (100% - Co-Cu)	in-situ	$12.4	$0.09
Cobalt Camp Projects	est.	$14.6	$0.11
Corporate adjustments	8.0%	($56.6)	($0.43)
		$204.1	$1.55

Multiple	Target
1.00x	$1.60

Source: RCS Estimates

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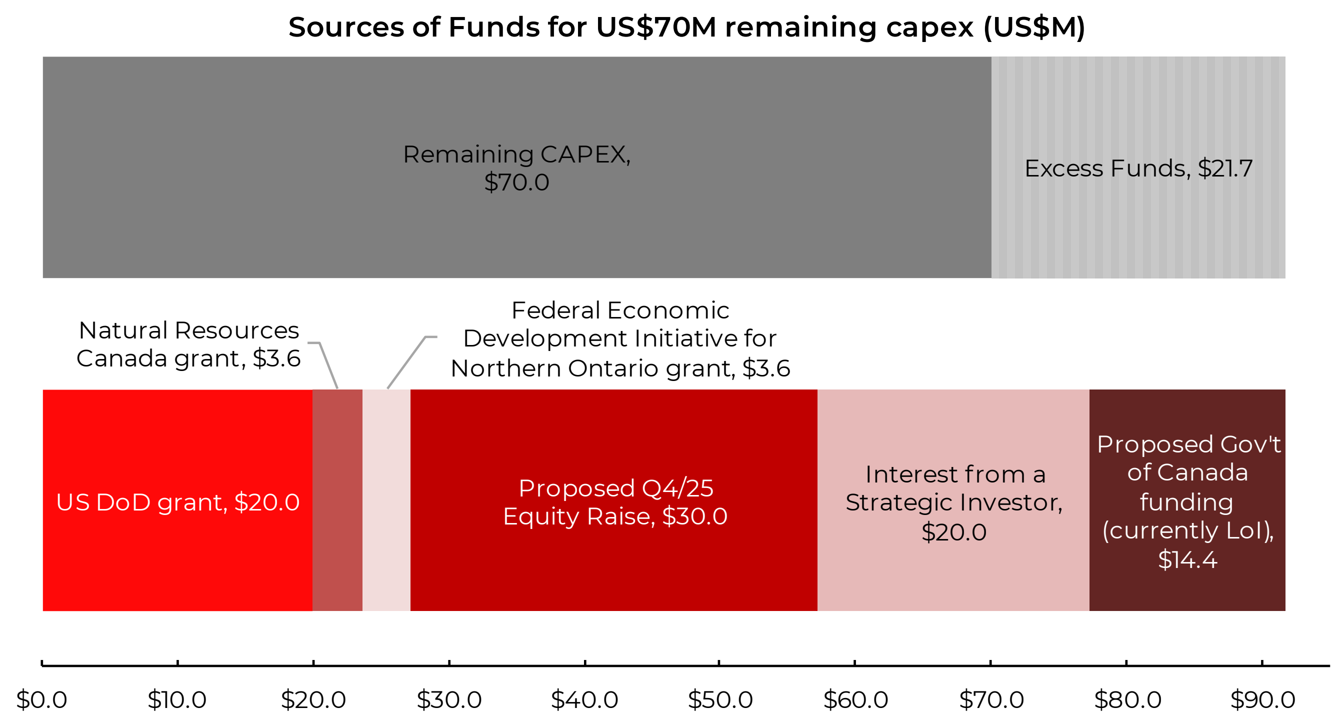
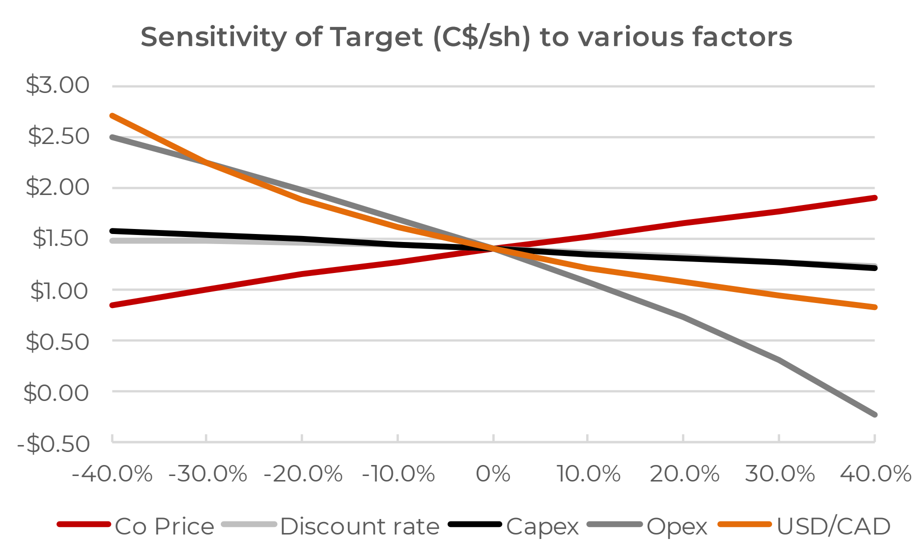
Figure 2: Source of funds for the est. US$70M in remaining capex



Source: RCS Estimates

Figure 3: Sensitivity of Target (C$/sh) to various factors



Source: RCS Estimates

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Disclosure Statement
Updated August 25, 2025

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	**Rating**	**Target**	**Status**	**%**
2020-06-04	BUY	0.30	BUY	35%
2023-08-21	BUY	9.00	BUY (S)	18%
2023-10-03	BUY	9.00	HOLD	1%
2023-11-10	BUY	9.00	TENDER/ SELL	0%
2023-11-20	BUY	5.50	NA	41%
2023-11-29	BUY	5.50	UNDER REVIEW	4%
2024-02-06	BUY	5.50		
2024-02-12	BUY	5.50		
2024-03-04	BUY	5.50		
2024-04-03	BUY	5.50		
2024-07-26	BUY	5.50		
2024-09-04	BUY	3.20		
2024-09-19	BUY	2.70		
2024-10-21	BUY	2.70		
2024-10-28	BUY	2.70		
2025-01-07	SELL	2.30		
2025-03-07	SELL	2.00		
2025-04-15	BUY	4.10		
2025-06-06	BUY	3.90		
2025-06-20	BUY	3.90		
2025-08-18	BUY (S)	3.30		
2025-08-25	BUY (S)	1.60		

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Company Name	Ticker Symbol	Disclosures
Electra Battery Materials Corp.	TSXV:ELBM	1,2,3

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- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

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