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OFFERING DOCUMENT UNDER THE LISTED ISSUER FINANCING EXEMPTION

New Issue

July 12, 2023

ELECTRA BATTERY MATERIALS CORPORATION



Up to \$4,999,999.40
Up to 4,545,454 Units

SUMMARY OF OFFERING

What are we offering?

- Offering:** Units (“Units”) of Electra Battery Materials Corporation (the “Company”, “Electra”, “we” or “our”), with each Unit being comprised of one common share in the capital of the Company (a “Share”) and one Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant will entitle the holder thereof to purchase one Share at an exercise price of \$1.74 per Share for 24 months following the completion of the offering (the “Offering”).
- Offering Price:** \$1.10 per Unit.
- Offering Amount:** Up to 4,545,454 Units for gross proceeds of up to \$4,999,999.40.
- Closing Date:** On or about July 25, 2023.
- Exchange:** The common shares of Electra (“Common Shares”) are listed and posted for trading, under the symbol “ELBM”, on the TSX Venture Exchange (the “TSXV”) and on the Nasdaq Capital Market (“Nasdaq”).
- Last Closing Price:** On July 11, 2023, the closing price of the Common Shares on the TSXV and the Nasdaq was C\$1.31 and US\$1.01, respectively.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this document. Any representation to the contrary is an offence. This Offering may not be suitable for you and you should only invest in it if you are willing to risk the loss of your entire investment. In making this investment decision, you should seek the advice of a registered dealer.

Electra is conducting a listed issuer financing under section 5A.2 of National Instrument 45-106 – Prospectus Exemptions. In connection with this Offering, Electra represents the following is true:

- **Electra has active operations and its principal asset is not cash, cash equivalents or its exchange listing.**
- **Electra has filed all periodic and timely disclosure documents that it is required to have filed.**
- **The total dollar amount of this Offering, in combination with the dollar amount of all other offerings made under the listed issuer financing exemption in the 12 months immediately before the date of this Offering Document, will not exceed \$5,000,000.**
- **Electra will not close this Offering unless the issuer reasonably believes it has raised sufficient funds to meet its business objectives and liquidity requirements for a period of 12 months following the distribution.**
- **Electra will not allocate the available funds from this Offering to an acquisition that is a significant acquisition or restructuring transaction under securities law or to any other transaction for which the issuer seeks security holder approval.**

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Document contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “anticipates”, “believes”, “estimates”, “expects” and similar expressions, or the negatives of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might”, or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this offering document speak only as of the date of this offering document or as of the date specified in such statement. Specifically, this offering document includes, but is not limited to, forward-looking statements regarding: the Company’s expectations with respect to the use of proceeds and the use of the available funds following completion of the Offering, the completion of the Offering, if it is to be completed at all; the expected Closing Date; sourcing of additional funding, including from the Federal Government of Canada, the Government of Ontario, and the Three Fires (as defined below) investment and completion of the Company’s business objectives, and the timing, costs, and benefits thereof.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Electra’s ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, the Refinery and general expectations with respect to the development of the Refinery (as defined below); risks associated with significant secured debt; general economic conditions in Canada, the United States, Australia and globally; industry conditions, including the state of the EV market; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in the mining industry; changes in tax laws and incentive programs relating to the mining industry and other risks involved in the minerals exploration and development industry. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in the offering document. Such statements are based on a number of assumptions about the following: the ability to extract valuable elements from black mass; general expectations with respect to the development of the Refinery, including commodity prices with respect to its development; the state of the electric vehicle (“EV”) market; the future price of cobalt; anticipated costs of, and the Company’s ability to fund, its operations; the Company’s ability to carry on exploration and development activities; the timing and results of drilling programs; the discovery of additional mineral resources on the Company’s mineral properties; the timely receipt of required approvals and permits, including those approvals and permits required for successful project permitting, construction and operation of projects; the costs of operating and exploration expenditures; the Company’s ability to operate in a safe, efficient and effective manner; the potential impact of natural disasters, the impact of the Russo-

Ukraine war; inflationary pressures; the Company's ability to obtain financing as and when required and on reasonable terms; market competition; and general business and economic conditions.

Forward-looking statements may be affected by known and unknown risks, uncertainties and other factors including without limitation, those referred to in this offering document that may cause Electra's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If Electra does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

SUMMARY DESCRIPTION OF BUSINESS

What is our business?

The Company is in the business of battery materials refining and the acquisition and exploration of resource properties. The Company is focused on building a diversified portfolio of assets that are highly leveraged to the cobalt market with assets located primarily in North America, with the intent of providing a North American supply of battery materials. The Common Shares are listed on the TSXV and Nasdaq and trade under the symbol "ELBM" in each case. The Company has two significant North American assets:

- (i) a hydrometallurgical refinery located in Ontario, Canada (the "**Refinery**"); and
- (ii) the Iron Creek Project in Idaho, the Company's flagship mineral project (the "**Iron Creek Project**").

On May 4, 2020, the Company announced positive results from an independent engineering study on the Refinery. The study, titled "First Cobalt Refinery Project – AACE Class 3 Feasibility Study" (the "**Refinery Study**"), was prepared by Ausenco Engineering Canada Inc. under the definitions of an Association for the Advancement of Cost Engineering (AACE) Class 3 Feasibility Study is dated July 9, 2020 and was filed on SEDAR under the Company's profile at www.sedar.com. The Refinery Study outlined the Refinery's ability to reach annual production of 25,000 tonnes of battery grade cobalt sulfate from third party feed, with strong operating cash flows and a globally competitive cost structure. Subsequent to the Refinery Study, additional metallurgical testing, engineering work, flow-sheet optimization and market analysis has been completed, certain equipment has been ordered and the Company has entered the full development phase of the refinery expansion project. As the project has progressed and changed from the Refinery Study, the original economic outputs should no longer be relied upon.

On March 10, 2023, the Company announced a new mineral resource estimate for the Iron Creek Project in Idaho, USA. The Company subsequently filed a technical report with respect to the new mineral resource estimate titled "NI 43-101 Technical Report and Mineral Resource Estimate for the Iron Creek Cobalt-Copper Property, Lemhi County, Idaho, USA" dated March 10, 2023 with an effective date of January 27, 2023. The report was prepared by Martin Perron, P.Eng. Marc R. Beauvais, P.Eng, Pierre Roy, P. Eng. and Eric Kinnan, P.Geo., each of whom is a qualified person and "independent" as such term is defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

Recent developments

Recycling of Black Mass

The Company launched its black mass demonstration plant at the end of December 2022, and has processed material in a batch mode, successfully extracting lithium, nickel, cobalt, copper, manganese and graphite. The recycling of black mass material is intended to recover critical metals needed for the electric vehicle battery supply chain using its proprietary hydrometallurgical process at the Refinery.

Black mass is the industry term used to describe the material remaining once expired lithium-ion batteries are shredded and all casings removed. Black mass contains high-value elements, including lithium, nickel, and cobalt, that once recovered, can be recycled to produce new lithium-ion batteries.

As a result of preliminary results achieved, the Company extended its black mass processing and recovering activities to July 2023. Following a desktop study, additional feasibility and engineering studies will be completed to assess capital costs for permanent recycling facility adjacent to the Company's cobalt refinery, leveraging existing infrastructure, buildings, equipment, permits and personnel. All of the Company's recovered material will be sold to third-party companies for additional processing and re-use in a number of applications. At this time, any decision to commercialize black mass recycling capabilities remains subject to the successful evaluation of samples from the demonstration plant, completion of feasibility and engineering studies and the availability of additional capital.

Pending completion of the black mass trial and evaluation of project economics expected in July 2023, success could pave the way towards commercialization. Using the existing Refinery footprint, infrastructure and plant equipment, the Company could expand throughput to 2,500 tonnes per year of black mass under a continuous operation scenario. A desktop study is underway, and results will be shared once available. A larger facility of 5,000 tonne or more per annum of black mass is another option the Company may consider with a commercial funding partner.

At this time, black mass recycling capabilities remain at the evaluation stage and the decision to commercialize these capabilities remains subject to financing and additional engineering work to incorporate process modifications arising from the demonstration plant and the successful evaluation of samples by customers. Subject to these two conditions, expansion to 2,500 tonnes per annum could occur in 2024 pending completion of feasibility and engineering studies and securing of financing for the project and installation of additional vessels and equipment within the existing footprint of the refinery complex being utilized for the black mass trial.

Refinery Project Update

On February 14, 2023, the Company announced continued progress on the commissioning and construction of the Refinery. As at the date of this Offering Document, the Company has made the following key developments at the project:

- Completed 98% of detailed engineering.
- Completed 85% of process equipment procurement (in fabrication or delivered).
- Completed 90% of site and civil infrastructure foundations.
- Completed commissioning of the analytical lab, feed material handling system, including the ball mill and mixing station, filter presses, and reagent handling systems.
- Completed the erection of the solvent extraction building.
- Completed the construction of the cobalt sulfate loadout facility.

The project has been de-risked through the delivery of most long lead equipment and by commissioning the legacy refinery operations for the black mass demonstration plant. There remains, however, a significant amount of construction work to complete and commission the solvent extraction plant and the crystallizer circuit.

While constructing its crystallization circuit, the final stage in the cobalt sulfate refining process, the Company took delivery of a falling film evaporator vessel that was damaged in transit. Custom-built for the Company, the vessel is used to vaporize water from the cobalt solution before it can be crystallized into cobalt sulfate. The evaporator vessel is valued at approximately US\$600,000, and measures approximately 60 feet in length and five feet in diameter. While the equipment was deemed suitable for installation, a third-party inspection has determined that onsite repairs will be required before it can be commissioned. The Company uses microchips throughout its refinery complex as part of the process control system to regulate equipment and integrate various circuits and systems together. Global supply shortages of microchips have resulted in delays to delivery of several process control system components. Although the Company has advanced the construction of its refinery project, it has been unable to progress fully on some work projects pending delivery of the process control components. As a result of the impact of critical equipment being damaged enroute to the Company's complex north of Toronto and ongoing supply chain disruptions, the Company has withdrawn its guidance issued on August 11, 2022, and November 9, 2022, for its fourth quarter ending December

31, 2022 along with any forward-looking statements previously made on the timing of the commissioning, capital spend and production of its cobalt sulfate refinery.

At this time, the Company continues development of the refinery, with focus shifting to completed detailed engineering and construction planning work necessary before final commissioning of the refinery can take place. As a result operational costs related to the development of the refinery are expected to be less during the next twelve months than in previous comparable periods, as planned activities do not involve the procurement of equipment or significant capital expenditures.

On May 11, 2023, the Company announced that the updated re-baseline engineering work, which has been undertaken by the Refinery's engineering, procurement, and construction management (EPCM) contractor, has now been completed and has been reviewed by an independent, third-party estimator.

The re-baseline engineering report has determined that the total capital costs is now estimated at US\$110 to \$121 million, of which approximately US\$48.6 million has been spent as of April 30, 2023. The increase in capital costs has been driven by changes in scope, including increasing production capacity from 5,000 to 6,500 tonne per annum of cobalt contained in cobalt sulfate, supply chain disruptions, and inflationary price pressures over the past 18 months that negatively impacted all aspects of the refinery project, including contractor labour rate, costs for concrete, steel, piping, and freight. The Company had disclosed previously that estimated capital costs for completing its refinery project would be between US\$76 and US\$80 million.

Selected additional capital costs for completing the refinery project include:

- US\$18.8 million for solvent extraction and crystallization mechanical equipment.
- US\$7.4 million for indirect construction costs.
- US\$7.3 million for equipment replacement and installation.
- US\$5.7 million for construction management and permit costs.
- US\$4.1 million for engineering and procurement.
- US\$3.7 million for higher freight rates.

The Company will require additional capital to complete construction and final commissioning. Discussions are underway with various commercial partners, government agencies and other parties to address the funding shortfall. Until such time as additional funding is secured, operational costs related to the development of the refinery are expected to be less during the next 12 months than in previous comparable periods.

Strategic Business Review

The Company has initiated a process to evaluate potential strategic alternatives to maximize shareholder value, and has retained BMO Capital Markets to assist with the process. The board of directors of the Company will evaluate a range of alternatives, including but not limited to a potential equity/debt investment from a strategic partner, sale of all or selected portions of the Company's assets, and merger opportunities with other entities. There can be no assurance that the strategic review process will culminate in any transaction or alternative.

Lithium-ion Battery Waste Recycling MOU

On May 2, 2023, the Company announced the signing of a memorandum of understanding (the "MOU") with Three Fires Group Inc. ("TFG") to form a joint venture focused on the recycling of lithium-ion battery waste in Ontario underpinned by Corporation's propriety black mass processing capabilities that recover high value elements, including lithium, nickel, cobalt, and graphite. Under the joint venture, Electra and the TFG will collaborate to source and process lithium-ion battery waste generated by manufacturers of current and future battery cells, electric vehicles, and energy storage systems. The waste will be processed at a facility to be located in southern Ontario to produce black mass material that will be further refined using the Company's proprietary hydrometallurgical process at the Refinery to recover high value elements, including lithium, nickel, copper, manganese, and graphite.

As part of the MOU, the Company and TFG have agreed to work together to secure a net-zero industrial facility that can be used to shred and separate lithium-ion batteries and produce black mass material. The joint-venture partners have also agreed to collaborate on the development of economic studies of sourcing of engineering, procurement, construction, and management requirements necessary to launch the battery waste recycling facility.

Chief Financial Officer

On June 9, 2023, the Company announced that Craig Cunningham would resign from his position as Chief Financial Officer. Peter Park, a senior finance professional with more than 20 years of experience and a current member of Electra’s finance team, assumed the responsibilities of Chief Financial Officer effective July 4, 2023.

Three Fires Strategic Investment

On June 26, 2023, the Company announced that it had received a commitment for a strategic investment from TFG in support of advancing the Company’s battery materials park north of Toronto and accelerating its battery recycling strategy in North America. The TFG investment is expected to form part of a larger financing by Electra totaling up to \$20 million, and is conditional on Electra securing additional financing of not less than \$10-million.

The final terms of TFG’s strategic investment is expected to be confirmed following review and approval from its shareholder First Nations and funding sources, and consultations with the federal and provincial governments.

It is expected that the investment will be facilitated by way of a non-brokered private placement on equivalent terms to the Offering. Under the terms of the proposed strategic investment, TFG would purchase units and the Company would grant TFG the right to nominate up to two members of Electra’s board of directors upon closing, and the right to participate in future equity offerings, including to maintain its pro rata percentage ownership in the Company.

Material facts

There are no material facts about the securities being distributed that have not been disclosed in this Offering Document or in any other document filed by the Company in the 12 months preceding the date of this Offering Document.

What are the business objectives that we expect to accomplish using the available funds?

The business objectives the Company expects to accomplish using the net proceeds of the Offering, together with existing cash and cash equivalents, are to fund ongoing work programs to advance the Refinery, including a recycling demonstration plant and for working capital and general corporate purposes. In order to achieve these objectives, the Company must complete the Offering.

USE OF AVAILABLE FUNDS

What will our available funds be upon the closing of the Offering?

The expected total available funds to the Company following completion of the Offering is estimated to be approximately \$8,500,000.

| | | Assuming 100% of Offering |
|---|---|----------------------------------|
| A | Amount to be raised by this Offering | \$5,000,000 |
| B | Selling commissions and fees | \$300,000 |
| C | Estimated offering costs (e.g., legal, accounting, audit) | \$175,000 |
| D | Net proceeds of Offering: $D = A - (B+C)$ | \$4,525,000 |

| | | Assuming 100% of Offering |
|----------|--|----------------------------------|
| E | Working capital as at most recent month end (deficiency) | \$(15,596,573) |
| F | Additional sources of funding | \$19,525,000 ⁽¹⁾ |
| G | Total available funds: G = D+E+F | \$8,453,427 |

Note:

- (1) A \$10,000,000 strategic investment by the Three Fires Group will be completed concurrent with this financing. The Company also expects to conduct a non-brokered private placement of units of the Company to raise an additional \$5,000,000 in aggregate gross proceeds (\$4,525,000 net of selling commissions and fees). The Company also anticipates receipt of \$5,000,000 in additional funding expected to be received from the Federal government of Canada. Receipt of the additional government funding is subject to completion of due diligence and final approvals.

How will we use the available funds?

| Description of intended use of available funds listed in order of priority | Assuming 100% of Offering⁽¹⁾ |
|--|--|
| Expenditures associated with the expansion of black mass recycling facility ⁽²⁾ | \$500,000 |
| Operating Expenses ⁽³⁾ | \$7,857,362 |
| Unallocated Working Capital | \$96,065 |
| Total: Equal to G in the available funds in item 8 | \$8,453,427 |

Notes:

- (1) In the event that the Offering is not fully subscribed, these amounts will be reduced accordingly based on available funds.
(2) Comprised of feasibility and engineering studies prior to construction. Further funding will be required to complete construction of the facility.
(3) Comprised of labour costs, G&A and Iron Creek Project costs.

The above noted allocation of capital and anticipated timing represents Electra's current intentions based upon its present plans and business condition, which could change in the future as its plans and business conditions evolve. Although Electra intends to spend the proceeds from the Offering as set forth above, there may be circumstances such as where the Offering is not fully subscribed in which case for sound business reasons, a reallocation of funds may be deemed prudent or necessary and may vary materially from that set forth above, as the amounts actually allocated and spent will depend on a number of factors, including Electra's ability to execute on its business plan. See the "Cautionary Statement Regarding Forward-Looking Information" section above.

The most recent audited annual financial statements and interim financial report of the Company included a going concern note. The Offering is intended to permit the Company to continue to achieve its business objectives, and is not expected to affect the decision to include a going concern note in the next annual financial statements of the Company.

How have we used the other funds we have raised in the past 12 months?

| Date of Financing | Funds Raised | Intended Use of Funds | Explanation of Variances and Impact on Business Objectives and Milestones |
|--------------------------|---------------------------------|---|--|
| November 15, 2022 | Gross proceeds of \$7.3 million | \$4.08 million for refinery equipment, infrastructure and direct costs \$2.19 million for engineering and project management | No variances to intended use of proceeds, which allowed the Company to advance the construction of its refinery capital project. |

| | | | |
|-------------------|---|--|--|
| February 13, 2023 | Cancellation of US\$36 million of secured convertible notes and issuance of US\$51 million of secured convertible notes for net proceeds of \$17.9 million (US\$14 million) | Net proceeds to be used for capital expenditures associated with the expansion and recommissioning of the Company's hydrometallurgical cobalt refinery, including buildings, equipment, infrastructure, and other direct costs, as well as engineering and project management costs. | No significant variances to intended use of proceeds. However, supply chain pressures and inflation have resulted in price escalation that increased to capital cost required to complete the cobalt refinery. |
|-------------------|---|--|--|

FEES AND COMMISSIONS

Who are the dealers or finders that we have engaged in connection with this Offering, if any, and what are their fees?

| | |
|------------------------------|--|
| Agents: | Red Cloud Securities Inc., on behalf of a syndicate of agents (collectively, the “Agents”) |
| Compensation Type: | Cash fee and compensation options |
| Cash Commission: | Cash commission equal to 6% of the gross proceeds of the Offering |
| Compensation Options: | Such number compensation options (“ Compensation Options ”) equal to 6% of the number of Units sold pursuant to the Offering, with each Compensation Option exercisable into one Common Share at the Offering Price for a period of 24 months following the completion of the Offering. |

Do the Agents have a conflict of interest?

To the knowledge of the Company, it is not a “related issuer” or “connected issuer” of or to the Agents, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*.

PURCHASERS’ RIGHTS

Rights of Action in the Event of a Misrepresentation

If there is a misrepresentation in this Offering Document, you have a right

- (a) to rescind your purchase of these securities with Electra, or
- (b) to damages against Electra and may, in certain jurisdictions, have a statutory right to damages from other persons.

These rights are available to you whether or not you relied on the misrepresentation. However, there are various circumstances that limit your rights. In particular, your rights might be limited if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in paragraph (a) or (b) above, you must do so within strict time limitations.

You should refer to any applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal adviser.

ADDITIONAL INFORMATION

Where you can find more information about us

Security holders can access Electra's continuous disclosure filings on SEDAR at www.sedar.com and may find additional information on our website at www.electrabmc.com.

Purchasers should read this Offering Document and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment in the Units.

CERTIFICATE OF THE COMPANY

July 12, 2023

This Offering Document, together with any document filed under Canadian securities legislation on or after July 12, 2023, contains disclosure of all material facts about the securities being distributed and does not contain a misrepresentation.

“Trent Mell”

Trent Mell
Chief Executive Officer

“Peter Park”

Peter Park
Chief Financial Officer