

# Electra Announces US\$51 Million Convertible Note Offering, Intention to Repurchase and Cancel Existing Convertible Notes and Discussions With Respect to Potential Additional Sources of Funding

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[Electra Battery Materials Corp.](#) (NASDAQ: ELBM; TSX-V: ELBM) ("Electra", or the "Company") announced today it has entered into subscription agreements with investors for the issuance (the "Note Offering") of US\$51 million principal amount of 8.99% senior secured convertible notes due February 2028 (the "Notes").

Electra is also in active discussions with the Government of Canada and Government of Ontario, seeking a commitment of up to US\$7.5 million (C\$10 million) in additional total funding to support the recommissioning of the Company's wholly-owned hydrometallurgical cobalt refinery (the "Refinery") located north of Toronto. The governments of Canada and Ontario have each previously provided US\$7.5 million toward the project. The terms and conditions for these potential sources of funding are under discussion and subject to final government approvals, therefore there is no guarantee this additional capital will be provided on terms the Company can satisfy, or at all.

The Company will purchase all of the outstanding approximately US\$36 million of existing 6.95% senior secured notes due 2026 (the "2026 Notes") for cancellation at par, plus accrued and unpaid interest. The net proceeds of the Note Offering of approximately US\$15 million will be used for capital expenditures associated with the expansion and recommissioning of the Refinery, including buildings, equipment, infrastructure, and other direct costs, as well as engineering and project management costs. Upon completion of the Note Offering, the Company will have US\$51 million principal amount of Notes outstanding, and no 2026 Notes outstanding.

The initial conversion rate of the Notes will be 403.2140 common shares of the Company ("Common Shares") per US\$1,000, (equivalent to an initial conversion price of approximately US\$2.48 per Common Share) subject to certain adjustments set forth in the indenture governing the Notes, reflecting a premium of approximately 17.5% to the 30-day volume weighted average price of the Common Shares prior to the date hereof.

Cantor Fitzgerald & Co. ("CF&Co") acted as sole placement agent for the Note Offering, which is being conducted on a private placement basis with holders of the 2026 Notes. A note indenture (the "Indenture") will be entered into between the Company and GLAS Trust Company LLC, ("GLAS"), as trustee for the Notes (the "Trustee"), as well as other customary associated security documentation, upon closing of the Note Offering.

The Notes will bear interest at 8.99% per annum, payable in cash semi-annually in arrears in February and August of each year and will mature in February, 2028. During the first 12 months of the term of the Notes, the Company may pay interest through the issuance of Common Shares at an increased annual interest rate of 11.125%. In the event the Company achieves a third-party green bond designation during the term of the Indenture, the interest rate on future cash interest payments shall be reduced to 8.75% per year and the interest rate of future interest paid through the issuance of Common Shares shall be reduced to 10.75% per year.

The Company will be the borrower under the Notes, and the obligations will be guaranteed by the

Company's Canadian, United States, and Australian subsidiaries, as well as any other subsidiary that guarantees the Company's obligations from time to time, subject to certain customary exclusions.

The Notes will be secured by a first priority security interest (subject to customary permitted liens) in substantially all of the Company's assets, and the assets and/or equity of the secured guarantors.

After the second anniversary of the issue date of the Notes, the Company may mandate the conversion of the Notes at its option in the event the trading price of the Common Shares exceeds 150% of the conversion price of the Notes at such time for at least 20 trading days, whether consecutive or not, during any consecutive 30 trading day period.

The Indenture will contain certain positive and negative covenants in favour of the Trustee for the benefit of the noteholders. The Company will be obligated to make an offer to repurchase a portion of the Notes at par, or in their entirety at a premium of 105% to par in certain circumstances.

The Notes will also be subject to customary events of default, dilution protection, limitations on beneficial ownership, and registration rights in substantially similar circumstances to those that apply to the 2026 Notes, as well as certain anti-dilution provisions customary for issuers listed on NASDAQ, provided that such anti-dilution provisions shall not be operable for as long as the Company maintains a listing on the TSX Venture Exchange.

Noteholders will receive an aggregate of 10,796,054 warrants to purchase Common Shares ("Warrants") exercisable for five years at an exercise price that is the same as the conversion price (the "Warrants") in connection with the Note Offering.

The initial noteholders will also receive a Royalty of (i) 0.6% on "Operating Revenue" from the sale of all cobalt produced from the Refinery payable in the first twelve months following a defined threshold of commercial production, where "Operating Revenue" consists of revenue from the Refinery less certain deductions; and (ii) 0.6% on all revenue from sales of cobalt generated from the Refinery in the second to fifth years following the commencement of commercial production, subject to a cumulative payment cap of US\$6 million.

The Note Offering is expected to close on or about February 13, 2023. Closing of the Note Offering is subject to customary closing conditions, including the approval of the Note Offering by, and the listing of the Common Shares underlying the Notes and Warrants on, the TSXV, and the notification to the Nasdaq Stock Market (the "Nasdaq") of the Note Offering and the issuance of the Warrants, and the listing of the underlying Common Shares on the Nasdaq.

The securities offered have not been registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any applicable U.S. state securities laws, and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

#### Cautionary Note Regarding Forward-Looking Statements

This news release may contain forward-looking statements and forward-looking information (together, "forward-looking statements") within the meaning of applicable securities laws and the United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, are forward-looking statements. Generally, forward-looking statements can be identified by the use of terminology such as "plans", "expects", "estimates", "intends", "anticipates", "believes" or variations of such

words, or statements that certain actions, events or results "may", "could", "would", "might", "occur" or "be achieved". Such forward-looking statements include, without limitation, statements regarding the potential for additional funding from the Federal government of Canada and the government of Ontario and the quantum and terms thereof, attributes of the Notes and the Warrants, including adjustments of interest rates on the occurrence of certain events which may not occur, including but not limited to a "green bond" designation, and the effective conversion rate of the Notes and Warrants, which is subject to adjustment in certain circumstances, the closing date of the Note Offering, the listing of the Common Shares underlying the Notes and the Warrants on TSXV and NASDAQ, and the expected use of proceeds of the Offering. Forward-looking statements are based on certain assumptions, and involve risks, uncertainties and other factors that could cause actual results, performance, and opportunities to differ materially from those implied by such forward-looking statements. Among the bases for assumptions with respect to the potential for additional government funding are discussions and indications of support from government actors based on certain milestones being achieved, including the Note Offering. Factors that could cause actual results to differ materially from these forward-looking statements are set forth in the management discussion and analysis and other disclosures of risk factors for [Electra Battery Materials Corp.](#), filed on SEDAR at [www.sedar.com](http://www.sedar.com) and with on EDGAR at [www.sec.gov](http://www.sec.gov). Other factors that could actual results to differ materially include changes with respect to government or investor expectations or actions as compared to communicated intentions, and general macroeconomic and other trends that can affect levels of government or private investment. Although the Company believes that the information and assumptions used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed times frames or at all. Except where required by applicable law, the Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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