

## Hawsons endorses modified 11 Mtpa BFS and Strategic Review action plan

### Strategic Review findings

- Evaluation of capital costs and production scenarios concluded that a modified Bankable Feasibility Study (BFS) should assess a project based on 11 million tonnes per annum (Mtpa)
- Slurry pipeline operating costs confirmed as significantly lower than rail – retaining ESG benefits
- Myponie Point confirmed as the superior port location for start-up and staged expansion
- Capital cost estimates still too high, requiring a deeper review of processing plant and project
- Access to higher grade ore at shallower depths from 30-150 metres would greatly enhance project economics and financing by accelerating cash flow generation

### Endorsed action plan

- Commission value-engineering analysis to further reduce processing plant and project costs
- Undertake a 3-stage resource analysis program targeting higher-grade ore at shallower depths – mitigating risk at lower cost before committing to final stage definitional drilling
- Raise working capital to fund recommended actions
- Foster collaboration between industry, government and communities to support development of projects using shared resources and infrastructure in South Australia

### Modified BFS timetable

- Achieve Project's targeted economic improvements by the end of June 2023
- Complete Stage 3 of reserve drilling as required by end of December 2023
- Restart work on the modified BFS targeting completion by end of June 2024

Hawsons Iron Ltd (**Hawsons** or the **Company**) has completed a comprehensive Strategic Review of its Hawsons Iron Project, including an evaluation of production scenarios and related capital costs, which concluded a modified BFS should assess an 11 Mtpa project.

The Strategic Review also recommended a two-pronged action plan to improve the Net Present Value (NPV) of the project by reducing processing plant capital costs further and accessing higher grade ore earlier to accelerate start-up cash flow.

Hawsons Chairman Mr Dave Woodall said the Strategic Review had delivered clear findings on production scale, transport and port options and an action plan to improve the project's mining and processing economics.

"The Board has endorsed this action plan and approved a \$7.8 million placement and a Share Purchase Plan (SPP) to raise a further \$1 million to fund additional value engineering and a three-stage resource definition program targeting higher grade ore from 30-to-150 metres," he said. (See separate ASX Announcement dated 1 February 2023: *Hawsons Institutional Placement and SPP to raise \$8.8 million*)

“The outcome of the Strategic Review is a coherent, viable plan to realise the full value of our globally-significant magnetite resource in response to challenging global economic conditions.”

The three-month reassessment of all available project data involved a team of highly-regarded partners including project management specialist JukesTodd, international engineering company Stantec, Flinders Ports, mining consultancy Australian Mine Design and Development and resource specialist H&S Consultants.

### **Processing plant design and cost reduction**

Global engineering firm Stantec has recognised expertise in magnetite processing and they have significantly reduced the total capital cost estimate for a processing plant that is scalable to a 20 Mtpa capacity.

However, the revised capital cost estimate was still considered excessive and Stantec has been engaged to conduct a deeper analysis of the processing plant design and liaise directly with manufacturers to identify further potential procurement cost savings.

This work is now underway and expected to take about two months to complete.

### **Improving mining economics and start-up cash flow**

The Strategic Review also found the project’s mining economics and start-up cash flows could be greatly enhanced by gaining earlier access to higher grade ore at shallower depths from 30-150 metres, requiring further drilling.

Previous drilling has established the presence of higher-grade ore within the project’s existing 481 million tonne Resource from a depth of 150 metres.

However, mining and processing the lower grade material before reaching the richer iron grades below, negatively impacts the project’s economics and financing by restricting capacity to generate positive cash flows during the first four years of operation.

Several largely undrilled target areas within Hawsons’ MLA460 are considered very prospective for higher grade ore at depths from 30-to-150 metres and will be the focus of a recommended three-stage resource analysis program. A staged approach relying initially on seismic and soil surveys (Stage 1) and a limited 10-hole drilling program (Stage 2), has been designed to mitigate risk and cost.

Stages 1 and 2 of the resource analysis program have been estimated to cost approximately \$2 million and take four months to complete. The scope and need for the additional Stage 3 drilling work will be determined once results from Stages 1 and 2 have been analysed.

The data captured could then deliver potential for a further upgrade in Measured and Indicated Resource estimates for conversion to Reserves.

### **Modified BFS Strategy**

Mr Woodall said the value-engineering activities and first two stages of the resource analysis program were expected to be completed during the June Quarter of 2023, subject to weather and rig availability.



“We are aiming to complete all this work and achieve the targeted mining and processing economic improvements by the end of the June Quarter of 2023 with the objective of then securing a strategic partner to jointly fund a modified BFS assessing an 11 Mtpa project,” Mr Woodall said.

“Work on this modified BFS could then restart, targeting completion by the end of June 2024.” (See proposed timeline below)

### Timeline to complete Strategic Review Action Plan and modified BFS

Activity	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Capital raising - \$8.8m <sup>1</sup>						
Three-stage resource analysis program targeting higher-grade ore at shallower depths	1	2				
Value engineering				3 <sup>2</sup>		
Project economic analysis						
Funds for revised BFS in place						
Restart revised BFS activity						

<sup>1</sup> See separate ASX Announcement dated 1 February 2023: (Hawsons Institutional Placement and SPP to raise \$8.8m)

<sup>2</sup> Requirement for Stage 3 Drilling subject to results from Stages 1 & 2

### Evaluation of port and transport options

The Strategic Review evaluated scale-up production options and associated capital and operating costs from 5-20 Mtpa (dry). With valued assistance from Flinders Ports, potential use of existing alternative port and rail infrastructure combinations and related costings were also considered. While Port Adelaide was identified as the best existing port option, its rail capacity was inadequate at 8-9 Mtpa.

The review also confirmed the operating cost of a direct-to-port underground slurry pipeline would be significantly lower than rail, thereby retaining targeted Environment, Social and Governance (ESG) benefits required to participate as part of the ‘Green Steel’ supply chain.

In line with these benefits, the proposed greenfield export facility at Myponie Point remains the superior port location for future scaling up options, initially using barge loading.

### Braemar Province development

Mr Woodall said a number of projects in South Australia including the resource-rich Braemar Province were likely to face similar infrastructure cost issues relating to energy, water and transport.

“Hawsons plans to step up advocacy efforts to foster greater collaboration between industry, governments, both State and Federal, and interested communities to support and help accelerate economic development of the Braemar Province,” he said.

Mr Woodall stressed that Hawsons held non-binding Letters of Intent (LOIs) for the offtake of up to 58 Mtpa of high-grade Hawsons Supergrade<sup>®</sup> concentrate from the global steel sector, confirming significant demand as pressure on the industry rises to decarbonise production.



“The LOIs we have in hand provide additional confidence that there is more than sufficient market demand to support the project, which offers options for a future modular expansion plan,” he said.

**Released by authority of the Board**

Hawsons Iron Limited

1 February 2023

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**About Hawsons Iron Ltd**

Hawsons Iron Ltd (ASX: HIO) is an iron ore developer and producer listed on the Australian Securities Exchange. The company is focused on developing its flagship Hawsons Iron Project near Broken Hill into a premium provider of high-quality iron ore products for the global steel industry.

**The Hawsons Iron Project** is situated 60km southwest of Broken Hill, New South Wales, Australia in the emerging Braemar Iron Province. Prefeasibility Study (PFS) results for the Project, which was completed in 2017, showed that it is capable of producing the world’s highest-grade iron product (70% Fe), making it among the world’s leading undeveloped high-quality iron ore concentrate and pellet feed projects. Leading research firm Wood Mackenzie in Q2 FY 2019 rated the project one of the world's best high-grade iron ore development projects, excluding replacement or expansion projects owned by the established miners.

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