

# Financing plan

## 1. Company Description

Maosen Australia Pty Ltd (Maosen) is an Australian resources company specializing in magnetite exploration, development, and engineering research. The company wholly owns two large-scale magnetite projects, Giffen Well and Braemar, located in South Australia.

Maosen acquired the Giffen Well exploration tenement in 2007 after it was relinquished by the South Australian Steel and Energy Initiative (SASE) project joint venture. In 2012, WPG Resources Limited, an ASX-listed company, entered into a Heads of Agreement (HOA) with Maosen, granting them the exclusive right to explore the tenement for twelve months. WPG conducted a drilling program in 2012, resulting in encouraging metallurgical results with high-quality concentrate grades of greater than 68% Fe. These drill results, combined with previous exploration work by SASE, led to a JORC compliant Mineral Resource for Giffen Well, totaling 689 Mt with an average grade of 31.4% Fe over three distinct mineral zones.

After WPG canceled its development plans for Giffen Well in 2013, the project returned to Maosen's control. Since then, Maosen has undertaken additional drilling and metallurgical test work, leading to an upgrade of the JORC Mineral Resource. External consultants, such as SRK Consulting and AMC Consultants, have been appointed to provide the Competent Person's Report and Mining Study Reports for the project, respectively. Furthermore, additional studies have been conducted related to the business plan model for the Project.

Overall, the Giffen Well project aims to develop a magnetite mine in South Australia with significant mineral resources and high-grade concentrate potential. It has undergone various assessments and studies to support its development and commercialization.

## 2. Market trends

World steel makers and iron ore importers are experiencing a structural change in the iron and steel industry. Consistently high-quality iron ore concentrates, pellets and HBI will be highly sought after by steel mills to meet the following inevitable requirements:

- Stricter environmental regulation and an aggressive target for air pollution reduction;
- Save energy and cut overcapacity of blast furnaces;
- Carbon emission trading which started in 2017;
- Imminent increase in scrap steel supply will lift steel production through the EAF (Electric Arching Furnace) route.

Australia is the largest iron ore producer and exporter in the world, accounting for 37% of

global production and 52% of global seaborne exports in 2015, thanks to the high grade of Australian iron ore and closer proximity to Asian steel mills. In response to growth in Global steel production over the past decade, Australia's iron ore sales rose from 243 million tonnes to 757 million tonnes between 2005-06 and 2015-16, at an annual average rate of 12%.

The two most common types of iron ore are:

- Hematite, which is often referred to as 'direct shipping ore (DSO)'. Over 94% of hematite is mined in the Pilbara region of Western Australia. After a simple crushing and screening process, the iron grade of hematite iron ores could reach 58-62% which is ready for export for use in steel mills.
- Magnetite, which has a lower iron content (20-30%) and must go through additional beneficiation processes to be upgraded to >68% iron grade to make it suitable for steelmaking.

Approximately 96% of Australia's iron ore exports are high-grade hematite. Australian magnetite iron ore resources, which were previously considered to be sub-economic, are also becoming increasingly more viable driven by the increasing market demand and premium price of high-grade iron ores. This has led to the development of a few large magnetite iron ore deposits in Australia over past a few years.

### 3. Project Description

#### 1) Location

The Giffen Well Project is located on the Bulgunnia Pastoral lease in central South Australia, 720 kms northwest of Adelaide, 190 kms southeast of Coober Pedy and 50 kms north of Tarcoola. The Project area is covered by a single exploration licence EL 6205 and is owned 100% by Maosen. It also lies within the traditional lands of the Antakarinja Matu-Yankunytjatjara people with whom Maosen has signed an exploration agreement with as the native title holders.



## 2) Mineral resources

In 2021 Maosen engaged SRK Consulting to determine an updated JORC Mineral Resource estimate for the BIF primary material taking into account results from recent drilling undertaken by Maosen and previous work performed by WPG and SASE.

A total of 62 drill holes (including 3 diamond drill holes (DD) and 59 reverse circulation (RC) drill holes) were used for Mineral Resource estimation purposes, with a total meterage of 8,075 m. The drill holes were spaced 200 m along strike and 100 m across strike. EBIF, WBIF1 and WBIF2 are the major magnetite domains at the Giffen Well deposit.

SRK has generally applied a more conservative methodology for the resource determination than WPG. Generally, blocks in EBIF in the drilling spacing area of 200 × 100 m were classified as Indicated Resources as SRK considered that the level of confidence was sufficient to allow appropriate application of technical and economic parameters to support mine planning and to allow evaluation of the economic viability of the deposit. Conversely, other blocks which were less well informed in the EBIF, and all blocks in WBIF1, were classified as Inferred Resources, as the level of confidence in the estimate was insufficient to allow for meaningful application of technical and economic parameters or to enable an evaluation of economic viability. No Mineral Resources were reported from WBIF2 due to the limited data support.

A result of this more conservative methodology applied has seen a modest 11.2% reduction in overall BIF material to 516.79 Mt along with a lower proportion classified as Indicated, but with an increase in the Fe grade. When the oxide material is added, the total Mineral Resource for Giffen Well currently stands at 623.98Mt classified as 318.0Mt Indicated and 305.98Mt Inferred categories.

## 3) The development value of the Giffen Well

Magnetite iron ore concentrates offer a significant advantage over Direct Shipping Ore (DSO) hematite iron ore in meeting the above requirements due to their consistently high iron ore grade. Further processing of magnetite concentrates into iron ore pellets and HBI will produce high-quality feed for both blast furnaces, which currently dominate steel production, and EAF production, which is quickly expanding. Premium iron ore pellets and HBI are in undersupply globally, and the supply-demand gap will become significantly larger in the years ahead.

Maosen Australia Pty Ltd (Maosen) owns 100% of two quality magnetite deposits in South Australia. It is currently looking to develop the first of these, the Giffen Well Magnetite Deposit, into a fully integrated mining, beneficiation, pelletizing, and HBI manufacturing operation to produce 5 million tonnes per annum of HBI product to supply steel manufacturers. The magnetite ore at Giffen Well is of premium grade (517Mt at an

average in situ Fe grade of 32.5%), which, when taking into account other lower-grade magnetite projects in South Australia and a lower mining royalty rate in South Australia compared to competitors in Western Australia, presents the Giffen Well Project with a unique advantage of lower operating costs, a longer mine life, a higher investment return, and lower investment risk than other magnetite competitors.

Financial modelling undertaken to date for a 5Mtpa HBI plant shows that the Giffen Well Project can provide an attractive return with a Net Present Value (NPV) of \$US2,230M over 20 years, using a discount rate of 10%, and Internal Rate of Return (IRR) of 9%. Total capital investment is estimated at \$US3,070M. Over the first 20 years of production, total revenue is estimated to be \$US49,500M and Net Profit after Tax of \$US13,902M.

#### 4) **The evaluation of the Giffen Well magnetite deposit by WPG was conducted in 2013.**

IRON-ORE

← BACK

## A\$1.58bn Giffen Well iron project deemed economically viable

8th March 2013

By: [Esmarie Iannucci](#)

Creamer Media Senior Deputy Editor: Australasia



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**P**ERTH (miningweekly.com) – A preliminary feasibility study (PFS) for iron-ore developer WPG Resources' Giffen Well project, in South Australia, has proven the project to be economically viable.

The base case scenario for the project included the construction of an openpit iron-ore mine and a magnetite concentrator at Giffen Well, as well as an openpit coal mine and power station at Penrhyn, which would supply low-cost energy to the iron-ore operation.

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The Giffen Well project would produce some five-million tons a year of high-grade magnetite concentrate, with low levels of impurities, and a further 400 000 t/y of low-cost hematite concentrate recovered from scavenging the magnetite tailings.

The magnetite deposit would be mined at a rate of 13-million tons a year, and the operation was expected to have a life-of-mine of some 30 years.

Concentrates would be railed to Port Pirie for shipment.

Meanwhile, the Penrhyn coal deposit would be mined at a rate of 480 000 t/y, which would be washed and fed to a small 90 MW power station. Over the 30-year project life, less than 5% of the currently identified resource at Penrhyn would be mined, WPG said.

The company reported on Friday that the initial capital cost for the integrated project, estimated at some A\$1.58-billion, with an additional A\$153-million set aside for working capital, was the lowest of any greenfield magnetite project in Australia.

Capital costs could be further reduced by off-balance-sheet funding of the energy supply, the company said.

“There is little doubt that the project is feasible,” said WPG executive chairperson Bob Duffin.

“The operating costs are in line with our previous estimates for Peculiar Knob, which we sold as part of a package of assets to OneSteel for around A\$320-million in 2011, and which is now in production.

“The capital cost is about \$300 per annual ton, a metric which is competitive with industry yardsticks,” he added.

Duffin noted that, to the extent possible, the scale of development had been set to align with the capacity of existing infrastructure.

“We do not need to build an enormous mine and treatment plant in order that the cash flow will support very expensive new port developments, or new slurry pipelines. To our knowledge, the capital required for the development of Giffen Well is the lowest of any greenfield magnetite project in Australia, and perhaps the world. Our project is affordable.”

Production has been slated to start in 2017 and Duffin said the company was now in the process of assessing funding alternatives for the project after receiving expressions of interest from institutions for the provision of off-balance-sheet power solutions.”

Source:<https://www.miningweekly.com/article/a158bn-giffen-well-iron-project-deemed-economically-viable-2013-03-08>

#### 4. Introduction of CEO

CEO: Max Wu

Founded Maosen company in 2002, and for the past 20 years, he has devoted all his passion to magnetite exploration and research in South Australia. With the support of the South Australian government, he has invested extensively in the Giffen Well project, firmly believing it possesses the highest-quality magnetite in South Australia and even throughout Australia. With the increasing global demand for high-quality steel and the rising requirements for carbon emissions and environmental protection, magnetite has entered a phase of development. Max Wu has always adhered to the principle of maximizing returns for shareholders, actively driving the company's growth while seeking greater capital gains to reward investors.

#### 5. Financing Plan

Currently, Maosen has a total of 16,752 shares. The financing plan for this project will mainly utilize equity financing, aiming to raise AUD 5 million. As part of this plan, the company intends to issue 1,500 new shares, increasing the total shares to 18,252 after the capital increase. The financing will account for 8.22% of the total shares.

#### 6. The use of Fund

The funds raised will be primarily used for the following purposes:

- RC Drilling: \$1,500,000
  - QAQC ore testing: \$200,000
  - PT semi-industrial pilot plant: \$1,000,000
  - Metso semi-industrial pilot plant: \$100,000
  - Additional feasibility study and progress on the Giffen Well project's mining license: \$800,000
  - Commissioning a valuation report from a globally recognized authority: \$500,000
  - Remaining funds to supplement the company's working capital: \$900,000
- Total: \$5,000,00

#### 7. Expected returns

Completion of drilling, testing, and permit processing within 12 months could lead to a conservative estimate of Giffen Well magnetite deposit's value reaching 300 million AUD, resulting in a substantial increase in the company's asset value.

With the current 8.22% equity value, it is anticipated that the equity value will increase by more than 5 times within 12-18 months if all plans proceed smoothly. This indicates significant potential for returns on the investment.



## **8. Exit Strategy**

The entire project can be acquired by potential buyers such as Rio Tinto, BHP, and Liberty Australia. Through a complete acquisition, investors have the opportunity to obtain returns on their investment capital.

Completion of ASX listing: The Australian Securities Exchange (ASX) actively encourages mining companies to go public through listing. Once the project successfully lists on the ASX, investors can gain returns through stock trading and have a flexible exit route.

**Maosen Australia Pty Ltd.**

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