

## ASX Announcement

12 May 2021

### Verbrec's OSD Pipelines business, facilitates major next stage in a Magnetite Mining Hub in WA's Midwest and undertakes pre-feasibility study.

- OSD Pipelines (OSD) develops innovative commercialisation approach to proposed Midwest magnetite mine projects:
  - Project progress since the May 2018 signing of MOU with Australian Gas Infrastructure Group (AGIG)
  - First stage project is 30 Million tonnes per annum
  - Significant infrastructure capital investment.
- A separate non-binding tripartite Heads of Agreement (HoA) was signed on 15<sup>th</sup> March 2021 between mining company Anglo American, Australian Gas Infrastructure Group (AGIG) and Cashmere Iron Ltd.
- Another separate non-binding HoA between AGIG and Cashmere to fund the pre-feasibility study (PFS) was executed in March 2020. The signing of the tripartite and the AGIG /Cashmere HoA underwrites the commencement of the AGIG/OSD PFS.
- Whilst not a party to the agreements between Anglo American, AGIG and Cashmere Iron, OSD participates in the project through the AGIG/OSD MOU.
- The PFS will investigate the infrastructure, which mining companies, such as Cashmere Iron Ltd, can utilise for supply of gas, water, power and hydro-transport export of magnetite via a small harbour transshipment port at Oakajee.
- The Gas pipeline development would extend beyond the Cashmere Iron tenements and could connect through to the Goldfield Gas pipeline.
- Subject to the outcome of the PFS, Anglo American would be a foundation offtaker for the project. Cashmere is the first customer to participate in the project, providing it with associated foundation rights.
- Upon successful completion of the PFS, the next stage is a Definitive Feasibility Study (DFS).

Anne Finlay, acting CEO of the Mid-West Development Commission commented that *"The Mid West Development Commission continues to support the Project and looks forward to working with the proponents on this next stage of the Project."*

**Verbrec Limited (ASX:VBC)** a leading mid-tier engineering service provider, is pleased to announce its wholly owned subsidiary OSD Pipelines ("**OSD**") has developed an innovative commercialisation strategy to facilitate and unlock the vast magnetite iron ore deposits in the Mid-West of Western Australia, which has resulted in the signing of a tripartite Heads of Agreement ("**HoA**") between Anglo American, Australian Gas Infrastructure Group (AGIG) and Cashmere Iron Ltd.

## **Tripartite agreement**

The non-binding tripartite Heads of Agreement, which has been signed between AGIG, Cashmere Iron Ltd and Anglo American provides for a period of exclusivity between the parties to negotiate investment, offtake and finance for the Cashmere Downs project.

Via the AGIG and Cashmere Iron Ltd non-binding HoA, the parties contemplate the \$3 million PFS to update previous studies, being funded by \$2 million from Cashmere and \$1 million from AGIG.

The PFS update will technically and commercially study the supply of natural gas, water, hydro-transport infrastructure as well as power, renewable energy, hydrogen and port facilities to the iron developer's Cashmere Downs Project.

This project would also include the development of a new 570km 20" diameter gas pipeline that would service the Midwest and extend to the Goldfields. The magnetite concentrate would be exported through a shallow water trans-shipping port located in the Oakajee Strategic Industrial Area, north of Geraldton.

Cashmere is one of a number of new magnetite-style iron ore mining proposals underpinning the Western Australia's Midwest Shared Infrastructure Project, with Cashmere being the first participant to the shared infrastructure.

The infrastructure would service mining companies to utilise the supply of gas, water, power and the hydro-transport export of magnetite ore via a transshipment port at Oakajee.

## **Background**

OSD established a hydro-transport capability in 2008 with a view to participating in a growing market using hydro-transport for transporting minerals. This led OSD to undertake project work in many global locations. The first observation of a potential opportunity for a shared infrastructure project was in Peru which was not pursued because of a range of difficulties in the country.

For OSD, the strategy of shared infrastructure was to gain a non-competitive position in the project by facilitating the major parties to agreement. This approach was for OSD to be in a position of preference to deliver the large engineering work, and also to undertake the operations and maintenance, and thus providing long term revenues for OSD.

In 2014, OSD identified an innovative development opportunity to build, own and operate a network of shared infrastructure engaging with small harbour transshipment technology to facilitate and unlock the vast magnetite iron ore reserves in the Mid-West of Western Australia.

The area known as the Yilgarn Mining Province, has previously been considered to be uneconomic to mine due to the prohibitive infrastructure costs involved due to distance from port and supply of water and energy.

The OSD plan was to have an infrastructure fund owning all the gas pipelines, water pipelines, power, export hydro-transport pipelines and shallow water transshipping port, which the mining companies could utilise, which could increase the economics of their mining project.

From 2014, OSD undertook an exhaustive in-house concept and PFS to validate the long-term commercial prospects of the project, which was followed by an extensive engagement period to attract infrastructure investors. In May 2018, OSD Pipelines signed an MOU with AGIG to jointly promote the project, which if developed provided OSD with an opportunity

for major project engineering work and possible long terms operations and maintenance contracts. The facilitation of the major parties was complete with the signing of the Anglo American, AGIG and Cashmere tripartite agreement on 15<sup>th</sup> March 2021.

The 2018 agreement between OSD and AGIG provides for engineering work to be granted to OSD subject to terms of the non-binding HOA between AGIG and Cashmere which contains provisions for OSD to submit a costs proposal, where award is subject to that cost proposal.

The project has been led by Verbrec's Non-Executive Director and the former Founder and Chairman of OSD Pipelines, Brian O'Sullivan AM, in conjunction with Verbrec's principal hydro transport consultant, Mr Ian Gooding.

### **Financial impact**

To commence the first 30 million tonne PFS phase, both AGIG and the miners will invest the required funds for the PFS. If the project passes future development hurdles to reach FID, OSD would be presented with a major opportunity in the engineering and project management of this major project, part of which could include long-term operating agreement opportunities.

This initial phase of the project, for completing the update of the PFS, is targeted to commence late Q4 FY2021.

**Brian O'Sullivan AM, Non-Executive Verbrec Director and Development Advisor to Verbrec commented:** "From a 2014 innovation concept sketch, I am delighted to have worked closely with Mr Ian Gooding, and the executives of AGIG, Cashmere Iron, and Anglo American. To be part of the team of people and their companies that have secured this innovative development which, if bought to final fruition, would be transformative for the people of the entire Mid-West region, the participating parties and Verbrec."

**AGIG's Chief Executive Officer, Mr Ben Wilson commented:** "While this is early days, the HoA is a welcome initiative that puts in play a likely series of detailed feasibility studies which will inform new gas, slurry and water pipeline investment decisions that will match new magnetite mine development schedules.

"Our focus will be to look at new facilities that can be developed on a common user basis for upstream magnetite resource owners across the Midwest.

"Cashmere Iron is an early front-runner for its first stage 30 million tonnes per annum magnetite mine. We also welcome strong WA Government support to assist this mining province realise its full potential."

**Also commenting on the project announcement today, Verbrec's Chairman, Phillip Campbell said:** "Our contractual arrangements with pipeline industry stalwarts such as Mr Brian O'Sullivan AM and Mr Ian Gooding demonstrate the project development capability within the company.

The pre-feasibility engineering work to be completed by AGIG/Verbrec will be a welcome addition to our revenue in FY 2022. We look forward to working on any additional stages of the project and other development projects over coming years."

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**Authorised for release by the Board of Directors of Verbrec Limited.**

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**About OSD Pipelines and Verbrec Ltd**

OSD Pipelines is a subsidiary of Verbrec Limited which is a leading mid-tier engineering and project services company that supports customers across Australia, New Zealand, PNG, and beyond. The Verbrec group of companies serve the energy, infrastructure, and mining industries through their six service lines; asset management, competency training, digital industry, pipelines, power, and process plant, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).

**About AGIG**

Australian Gas Infrastructure Group (AGIG) has more than 2 million customers across every mainland state and the Northern Territory, 34,600km of gas distribution networks, more than 4,400km of gas transmission pipelines, 60 petajoules of gas storage capacity and remote power generation. AGIG's vision is to be the leading gas infrastructure business in Australia - by delivering for customers, being a good employer, and being sustainably cost efficient.

In 2017, Australian Gas Networks (AGN), Dampier to Bunbury Pipeline (DBP) and Multinet Gas Networks (MGN) came together to form AGIG. The combined distribution, transmission and storage assets make AGIG one of the largest gas infrastructure businesses in Australia.

AGIG has a strong record of performance, delivering over \$2 billion worth of projects on time, on budget and with safety a priority. A recent example of major project success is the new Tanami natural gas pipeline built on budget in the Northern Territory for Newmont Goldcorp and commissioned in 2019 ahead of schedule.

**About Cashmere Iron Ltd**

Cashmere Iron is an unlisted public company that owns the mining and exploration tenements that support the Cashmere Downs Magnetite Project. The Cashmere Downs project substantial resource is reported to notionally support a mine with a production rate of 30mtpa for over 50 years.