

Aquirian to acquire Wubin Ammonium Nitrate Emulsion Production Facility from Hanwha

Highlights

- Binding agreements entered for the acquisition of 110ktpa Ammonium Nitrate Emulsion plant and land from Hanwha for \$9.6 million.
- Strategic location on the northern freight corridor, removing exposure to major population centres.
- Production-ready freehold facility, with access to up to 1.25Mt explosive demand in WAⁱ.
- 1,500t of Ammonium Nitrate Storage on-site with the intent to expand capacity to circa 10,000t.
- Target Revenue: \$40-\$60ⁱⁱ million p.a. EBITDA range: 12-16%ⁱⁱ.
- An exclusive licence to be granted to produce and use X-Load™ in Western Australia, Hanwha's patented low-density waterproof bulk energetic product.
- Acquisition to be fully debt funded via NABⁱⁱⁱ.
- Management has extensive knowledge and experience with this facility.

Specialist mining services provider Aquirian Limited ('Aquirian' or the 'Company') (ASX: AQN), via its wholly owned subsidiaries has entered into a binding agreement to acquire the assets and land comprising the Wubin Ammonium Nitrate Emulsion Plant (**Facility**) from Hanwha. Details of the transaction agreements and standard conditions precedent are set out in **Annexure A**.

The Facility was built and commissioned in 2020 and is production-ready, with licensing to produce 110kt of ammonium nitrate emulsion annually. The Facility was put into care and maintenance in 2021 as part of Hanwha's strategic decision to exit the bulk explosives market in Australia. Hanwha sold its other emulsion production assets in QLD and NSW to Orica earlier this year.

Aquirian will pay \$9.6 million for the Facility. The Company obtained independent valuations of Facility in March 2023, at circa \$15 million, and which indicated a replacement cost of the Facility of circa \$18 million.

Aquirian Managing Director David Kelly comments:

"This unique opportunity evolves Aquirian as a diversified mining service company, adding further value across the drill and blast value chain. Our management team has extensive industry knowledge, including with this Facility, and I am excited by this acquisition and the potential synergies and opportunities it offers. Our acquisition of a near new strategically located asset below likely replacement cost is anticipated to enable us to fast-track our growth plans and provide clients with a new range of services and products to achieve sustainable outcomes in their operations".



The Facility site comprises 142ha of freehold land in Wubin, WA, with the Company having also purchased an adjoining property of 9ha in September this year. This additional property provides accommodation options for staff, with airstrip access, and is expected to de-risk the investment in the Facility by allowing for future growth in capacity and storage.

The Facility is strategically located on the northern freight corridor, removing exposure to major population centres, and providing access to up to 1.25Mt¹ of potential explosive demand across WA. The Facility's location provides direct access to up to 75% of the potential explosives market across the Midwest and Pilbara¹.



Pic 1. Overview of Wubin Emulsion Plant

Hanwha has agreed to sell the Facility site and assets in good working order. The sales by HMSA of the Facility assets and by HAPH of the Facility site are interdependent. Aquirian employees have been conducting paid care and maintenance services for Hanwha over the last 4 months.

The transfer or securing of required licences in favour of Western Energetics is anticipated to take 3-5 months and is a condition precedent to completion of the sale transaction. Once the sale transaction is completed, it is expected to take between 8-12 weeks to bring the Facility back online and into production.

The Facility can produce a variety of nitrate-based emulsions. These emulsions are a class 5.1 dangerous good used as a precursor raw material that is blended with other materials to produce a variety of bulk explosives, which are used in mining operations across Western Australia.

The Facility site is also set up as a logistics and storage hub for Ammonium Nitrate with a storage capacity of 1,500t currently, with the objective to be expanded to circa 10,000t. A dedicated 2.5-ha logistics area has been established at the entrance to the Facility site. It is expected that it will allow the Company to work with major logistics providers and to also provide a more secure alternative to the public road train assembly area 2km away in Wubin.

The Company's management has extensive industry knowledge, particularly with the Facility site and assets. Aquirian Managing Director David Kelly was previously the Managing Director of Hanwha in Australia. In that former role he was responsible for locating and purchasing the Facility site, overseeing completion of the initial Facility design, and managing the Facility site's rezoning, compliance, and community engagement.

Technology and X-Load

The Company's technology portfolio is focused on optimising blast-hole quality to ensure better client outcomes. This acquisition will bring the Company's offerings closer to providing drilling technology alongside optimised energetics, to meet its clients' changing and challenging mine conditions.

As mines get deeper and more complex, generally they are also getting wetter. Emulsions are necessary to "waterproof" the downhole product from these wet conditions.

The acquisition of the Facility is conditional on Hanwha granting the Company an exclusive licence to manufacture and supply Hanwha's patented X-Load range of products in WA and a non-exclusive licence to use and sell other of Hanwha's products. X-Load is a low-density waterproof energetics solution for the challenging and wet mining conditions in the Pilbara mining region. This region traditionally utilises basic ANFO product which is not waterproof. X-Load provides an energy profile and density that mimics ANFO while being a waterproof solution. The Company is excited about securing exclusivity to offer the X-LOAD range of products to the WA market.

Revenue Drivers

The Facility is production-ready to produce a variety of nitrate-based emulsions that will be utilised in downstream energetics. The Company is in confidential discussions with several end-user customers regarding the potential supply of energetics and complete downstream services to load these materials into blast holes. When contracted, these offerings are typically 3-5 years, providing the Company with confidence in respect of its related revenues into the future.

The Company considers that the emulsion supply side in WA is tightening, as it understands that several supplier facilities are close to capacity. This situation presents opportunities for the Company to utilise the Facility to produce on a tolling manufacture basis. Similarly, with the Facility strategically located on the northern freight corridor, it is anticipated that the Ammonium Nitrate storage on site will be in demand, with the site currently having 1,500t of storage capacity and the Company's objective to increase this to circa 10,000t.

The Company is looking towards operating the Facility as the largest freehold, private common user facility, with storage and manufacturing opportunities available to end-user customers and industry participants.

On the assumption that the Company achieves circa 30-40% plant loading by year 3-4 and having a variety of site and downstream services in operation, the Company projects from the Facility revenues in the \$40-60ⁱ million range, EBITDA of between 12-16%ⁱ and NPV over the 10-year project life of greater than \$40ⁱ million.

This acquisition is expected to enable the Company to get closer to its customers, aligns with the Company's technology pathway to optimise blast hole and blast outcomes, and creates an opportunity to strategically position the Company's business for long-term growth and shape its future.





-ENDS-

This announcement has been approved for release by the Board.

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About Aquirian

Aquirian is an emerging specialist mining services company providing people, equipment, and innovative products that support mining clients across their operations.

The Company has a solid national and international presence with reputable, in-house capabilities and, through its extensive, in-depth relationships built up over many years of working in mining services locally and globally, it has attracted and maintained a long-term, tier-one client base. It provides specialised People Services (training, labour, recruitment) under the **Modular Training, TBS Workforce, and Primed Professionals** brands, and Mining Services (equipment leasing, maintenance and repair, engineering services, drill and blast products, and onsite field services) under the **Collar Keeper®, Cybem Services, TBS Mining Solutions, and MagLok** brands to the mining and resources, and civil and defence sectors in Australia and internationally.

Disclaimer

This announcement may include forward-looking statements, including forecasts. Forward-looking statements are not guarantees or predictions of future performance. They are subject to known and unknown risks and uncertainties which are outside the control of Aquirian and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Accordingly, actual values, results or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this announcement are based on information available to Aquirian as at the date of issue of this announcement. Subject to any continuing obligations under applicable law, Aquirian does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions, or circumstances on which any such forward looking statement is based.



ANNEXURE A: summary of sale agreements

Overview	<ul style="list-style-type: none"> • Assets Purchase Agreement: AQN through its wholly-owned subsidiary Western Energetics Pty Ltd (WEPL), has entered into a binding assets purchase agreement to acquire the assets comprising the Wubin Ammonium Nitrate Emulsion Facility (Facility) from Hanwha Mining Services Australia Pty Ltd (Hanwha) (Assets Purchase Agreement). • Land Sale Contract: Separately, AQN's wholly-owned subsidiary AQN Property Holdings #1 Pty Ltd (AQNPH) has entered into a binding land sale contract to acquire the land the Facility is situated on from HMS Australia Property Holdings Pty Ltd (HMSAP), HMSAP being a wholly-owned subsidiary of Hanwha (Land Sale Contract). <p>(HMSA and HMSAAPH together, Hanwha). Hanwha is a Korean chaebol with a market capitalisation of \$2.3 trillion KRW with a diversified business portfolio throughout the world, including in respect of green energy; materials; aerospace, ocean & mechatronics; finance; and retail & services.</p>
Purchase Price	<p>The total purchase price of the Facility and the land the Facility is situated on is \$9.6 million. Specifically:</p> <ul style="list-style-type: none"> • the purchase price for the Facility under the Assets Purchase Agreement is \$8.4 million (\$600,000 of which is payable on the 12 month anniversary of completion under the Assets Purchase Agreement, unless drawn against by WEPL where it has a claim under an indemnity obtained from Hanwha regarding the recommissioning of the Facility during that 12 month period); and • the purchase price under the Land Sale Contract is \$1.2 million.
Conditions precedent	<p>Completion under the Assets Purchase Agreement is conditional on the following conditions precedent:</p> <ol style="list-style-type: none"> 1. WEPL obtaining each authorisation necessary or reasonably desirable to be held to operate the Facility commercially from the land (including any environmental or dangerous goods licences). 2. AQN acquiring all approvals, regulatory or otherwise required pursuant to the Corporations Act or the ASX Listing Rules, including any applicable shareholder approvals. In this respect, AQN expects (as at the date of this announcement) that no such approvals are required to be obtained. 3. Hanwha providing all PPSR releases in respect of any encumbrance over any Facility assets. 4. Hanwha and WEPL executing a licence agreement under which Hanwha grants to WEPL the exclusive right to use and sell XLOAD™ in Western Australia and to use and sell certain other of Hanwha's products on a non-exclusive basis in Western Australia. 5. Execution of the Land Sale Contract by AQNPH and HMSAP and its contemporaneous and interdependent completion with completion under the Assets Purchase Agreement. 6. Prior to or not later than 10 Business Days after execution of the Assets Purchase Agreement, Hanwha delivering to WEPL all information and documentation relating to the operation of the Facility. 7. AQN successfully obtaining funding (including by way of a binding offer of debt) in the amount of not less than \$10 million by no later than 90 days after the parties have signed the Assets Purchase Agreement. In this respect, as at the date of this announcement, AQN has obtained debt funding approval from NAB in the amount of \$10M subject to normal conditions precedents and execution of final documentation. <p>Except for conditions precedent 6 and 7, the above conditions precedent must be satisfied by 30 March 2024.</p> <p>Settlement under the Land Sale Contract is subject to and conditional on and interdependent with Completion occurring under the Assets Purchase Agreement.</p>



Completion	<p>Completion under the Assets Purchase Agreement will occur 15 Business Days after the above condition's precedent are satisfied or waived (or on such other date agreed between the parties).</p> <p>Settlement under the Land Sale Contract will be on the same date as completion under the Assets Purchase Agreement (such settlement to be interdependent).</p> <p>Depending on various factors, as at the date of this announcement, AQN expects settlement and completion to occur under the Assets Purchase Agreement and Land Sale Contract in Q12024.</p>
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ⁱ This volume is based upon Aquirian's own analysis of the market demand for explosives in Western Australia.

ⁱⁱ Financial metrics indicated are based on Aquirian's own analysis of achieving a circa 30-40% plant loading by year 3-4 and with associated downstream services. Aquirian's own modelling of blended revenue streams includes toll manufacture, full mine site service offering, and product supply only offering. Aquirian's own analysis of plant volume ramp up assumes this to be ~7% end Yr1, ~20% end Yr2 ~ 30% end Yr. 3

ⁱⁱⁱ Subject to NAB's conditions precedent and executing final documentation.