



GULF MANGANESE CORPORATION LIMITED

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ASX Announcement
4 September 2015

Gulf Manganese Receives Research & Development Tax Incentive Claim

Gulf Manganese Corporation Limited (ASX:GMC) is pleased to advise shareholders the Company has been approved by AusIndustry (an Australian regulatory Government agency) for a Research and Development (R&D) Tax Incentive claim for the 2014 financial year for the design and construction of a 6 MVA pilot plant facility for the production of manganese alloy.

The estimated total capital cost of the project is \$12,442,790 with the company receiving the first year's claim from the Australian Taxation Office (ATO) of \$139,096.

Commenting on the proposed facility, Gulf's Non-executive Marketing Director, Michael Walters, said:

"This modular furnace philosophy is a game changer by taking the production facilities technology and capacity including power supply to the ore instead of the reverse thereby enjoying considerable benefits in logistics savings."

Approximately \$6,000,000 of the estimated total project cost is forecast to be spent on the construction of a pre-production trial pilot plant facility, subject to registration of eligible research and development activities by the AusIndustry.

If the subsequent R&D Tax Incentive claims are approved, the company will be entitled to potentially receive a 45% cash refund for eligible expenditure incurred. This equates to a possible cash refund of \$2,700,000 for the remainder of this research and development project.

The project incorporates the design and construction of a number of modern major sophisticated equipment components into a fully integrated comprehensive modular furnace pilot plant facility. This facility will test and evaluate the unique configuration of the manufacturing process, for the production of premium quality manganese alloys which the company intends to commercially exploit for the international market.

The 6 MVA semi-closed modular furnace includes furnace shell, crucible, roof, three Soderberg electrode columns, furnace transformer, raw materials feed system, furnace controller and control instrumentation.

Production from the pilot plant would be some 15,000 tonnes per year of premium high carbon ferro manganese alloy for the high grade steel production market.

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About Gulf Manganese Corporation Limited

Gulf Manganese Corporation Limited is an Australian registered company (ACN 059 954 317) listed on the Australian Securities Exchange (ASX: GMC) with its head office in Perth, Western Australia.

The company is developing an ASEAN focused manganese alloy producer. The facilities based in the West Timor capital Kupang will take advantage of the low cost of ore, labour and power being the majority of operating costs. Production will be a premium quality 78% ferromanganese alloy resulting from the unique qualities of the Indonesian high-grade low impurities manganese ore.

It is proposed to build 8 furnaces over a 5 year period for a total capital cost of US\$66m funded by an IPO on the Catalist board of the Singapore Stock Exchange raising \$US25m, modest project debt and operational cashflow.

The first furnace aims to come online July 2016, with a further two furnaces each year, 2017, 2018, 2019 and a final one in 2020. Each furnace has a capacity of 20,000 tonnes alloy production per year and on today's alloy prices producing US \$22m revenue.

The financial analysis of the redrafted Study shows that the project has the potential to return an **EBITDA of US \$374.7 million** over a 10 year period supporting an estimated **Net Present Value of US \$160.6 million** using an 8% discount factor.

The project requires a modest start up **capital investment of US \$66 million**, which is staged over 5 years and provides estimated returns supporting an **internal rate of return of 55.6%**.

Value adding ores is strongly encouraged by the Indonesian Government to enrich the country's mineral endowment thereby enhancing the economy and creating employment. GMC will benefit from the Government's Financial Incentives Programme which effectively will result in a 10 year tax holiday, together with other tax exemptions.



Ore

Processing

Tapping

Alloy



Developing Premium Indonesian Manganese Alloys

