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# Study indicates strong returns

**RACHEL DALLY-WATKINS**

PERTH-based Gulf Manganese Corporation (formally Gulf Minerals Corporation) has outlined details of its plans to become an Association of Southeast Asian Nations (ASEAN) focused manganese ore and alloy producer, following the completion of its Timor Smelter Study.

The study showed the company's project could return an EBITDA of US\$623.8 million across 20 years, supporting an estimated net present value of US \$201.4 million.

Gulf Manganese planned to develop smelter facilities in the West Timor capital Kupang to take advantage of low cost ore, labour and power. It would produce and sell a 78 per cent ferromanganese alloy from Indonesian high-grade, low impurity ore, at an operating costs expected to be 80 per cent of the industry average.

The study outlined a start-up capital investment of US\$67.5 million for the project – staged across four years, plus working capital – to provide an international rate of return of 45.6 per cent.

The company planned to build eight furnaces in four years, with funding to come from an IPO on the Catalist board of the Singapore Stock Exchange raising US\$25 million, along with “modest” project debt and operational cashflow.

It expected the first two furnaces would be built during 2015 and come online in

January 2016, with a further two furnaces to follow each year until 2019.

“During construction Gulf Manganese plans to be exporting 50 per cent plus manganese ore to provide early cash flows and from 2015 the annual exports would commence at around 60,000 tonnes and increase by 30,000 tonnes per year to 180,000 tonnes in 2018,” the company stated.

“Ore will be sourced from West and East Timor together with other localities. Value adding ores is strongly encouraged by the Indonesian Government to enrich the country's mineral endowment thereby enhancing the economy and creating employment.

“All initiatives to value adding have full support from all levels of government and Gulf Manganese will benefit from the Government's Financial Incentives Programme which effectively will result in a 10 year tax holiday, together with other tax exemptions.”

The project would be undertaken through the company's Indonesian incorporated subsidiary, PT Gulf Mangan Group.



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The Timor Smelter Study outlines start up investment of US\$67.5 million across four years.