

## GMC seeks IPO to help fund FeMn smelters in West Timor

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Gulf Manganese Corp Ltd (GMC), an Australia-listed manganese alloys producer, is planning an initial public offering (IPO) in Singapore to raise capital to build smelters.

The company wants to build manganese alloys smelters in Kupang, the capital of West Timor, in Indonesia.

GMC, through its fully owned subsidiary International Manganese Group Ltd (IMG), is developing an ASEAN-focused manganese ore and alloy production outfit, which will use the latest technological processes.

GMC is calling a general meeting for October 2, which will consider the contractor/supplier issues involved and look at the funding required to meet the costs of the IPO and generate working capital for the project.

IMG, as GMC's wholly owned subsidiary, proposes to conduct an IPO and listing on the Catalist Board of the Singapore Exchange, and will own and operate the Timor Manganese Smelter business.

### Funding for the project

The total projected capital cost of \$65.6 million for the Timor Manganese Smelter business will be spread over five years and will be furnished by different sources:

<i>Source of funds</i>	<i>Quantity</i>	<i>Allocation</i>
Gulf Manganese	\$15.0m	1st stage
Singapore IPO equity	\$25m	2nd stage
Project debt	\$10.0m	3rd stage
Project operating cash flow	\$15.6m	4th stage
<b>Total</b>	<b>\$65.6m</b>	

The facilities, based in the West Timor capital of Kupang, will take advantage of the low cost of ore, labour and power, which make up the major part of the operating costs.

It is proposed to build eight furnaces over a five-year period for a total capital cost of \$66 million, funded by the IPO on the Singapore Stock Exchange, which is intended to raise \$25 million, alongside modest project debt and operational cash flow.

The first furnace is intended to come online in July next year, while a further two furnaces are planned for each of the years 2017, 2018 and 2019 and a final one in 2020. Each furnace will have an alloys production capacity of 20,000 tpy and generate about \$22 million pa in revenue.

The output is planned to be premium-quality, 78% manganese alloy. This should be achieved thanks to the unique qualities of the Indonesian high-grade, low impurities manganese ore, which can be blended with imported ores to enhance iron content and thereby produce a premium-quality alloy.

A financial analysis of the redrafted study shows that the project has the potential to return an earnings before interest, taxes, depreciation and amortisation (Ebitda) of \$374.7 million over a 10-year period, supporting an estimated net present value of \$160.6 million using an 8% discount factor.

The Indonesian project requires a modest start-up capital investment of \$66 million, which will be staged over five years, with an estimated internal rate of return of 55.6%.

IMG's proposal will benefit from government support, assistance and tax benefits. GMC will benefit from the government's financial incentives programme which will effectively result in a 10-year tax holiday, together with other tax exemptions.

Processing beyond the raw ore level is strongly encouraged by the Indonesian government, which wants to enhance the country's economy and create employment.

Gulf Manganese Corp Ltd is listed on the Australian Securities Exchange (ASX: GMC), and has a head office in Perth, Western Australia.

[http://www.metalbulletin.com/Article/3484482/Ores-and-alloys-all/GMC-seeks-IPO-to-help-fund-FeMn-smelters-in-West-Timor.html?utm\\_campaign=Email+verification&utm\\_content=2015-09-03&utm\\_term=Verification+link&utm\\_medium=Email+operational&utm\\_source=Registration+Form&r=verified#axzz3kdhiNv3Y](http://www.metalbulletin.com/Article/3484482/Ores-and-alloys-all/GMC-seeks-IPO-to-help-fund-FeMn-smelters-in-West-Timor.html?utm_campaign=Email+verification&utm_content=2015-09-03&utm_term=Verification+link&utm_medium=Email+operational&utm_source=Registration+Form&r=verified#axzz3kdhiNv3Y)