



Gulf Minerals Corporation

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Gulf Minerals Corporation locks in smelter project funding

Gulf Minerals Corporation (ASX:GMC) has entered into a terms sheet covering a US\$20 million (A\$26 million) Committed Equity Funding Agreement, which will be used in part towards first stage development of the Indonesian Smelter Project.

The funding from Sigur Holdings will be provided by way 10% annual interest, 4 year senior credit facility loan and preferred shares.

This is non-binding and subject to final Definitive Agreements following due diligence by both parties.

Sigur is a subsidiary of the New York-based, South African private group, Sigur Capital.

Gulf Minerals plans to build eight furnaces over a four year period that will produce a premium quality 78% ferromanganese alloy resulting from the unique qualities of the Indonesian high-grade low impurities manganese ore.

Chairman Graham Anderson said:

"This achievement is a watershed moment in the company's development of the manganese smelter enterprise and is the culmination of the past 12 months of focused effort by the directors and senior management.

"We are pleased to be working with Sigur Holdings as they maintain a global presence and long standing relationships with international resources companies."

Earlier this month, the company raised \$1.34 million through a fully subscribed two for one rights issue priced at \$0.03 per share.

Term Sheet Details

The key points in the Terms Sheet include:

- Sigur Holdings shall immediately subscribe for AUD\$500,000 of Gulf Minerals Redeemable Convertible 10% Notes;
- A Sigur Holdings representative will join Gulf's board of directors;
- Gulf will list its subsidiary company holding the Indonesian manganese smelter project onto the Nasdaq Stock Market in the U.S.;
- US\$10,000,000 - 10% annual interest 4 year Senior Credit Facility loan to the listed subsidiary and secured by the project and to be drawn over 24 months;
- US\$10,000,000 - Preferred Shares in the listed subsidiary and issued at \$2.50 per share convertible strike price equal to 85% of the market price or redeemed at \$5.00 per share after 24 months; and
- Sigur Holdings shall have first right of refusal on any subsequent funding required by the listed subsidiary.

The proposed funding will cover the first stage of the development of the Indonesian Smelter enterprise with the future IPO covering the balance.

Smelter Development

Price: A\$0.046

Market Cap: A\$3.393M

1 Year Share Price Graph



Share Information

Code: GMC

Listing: ASX

Sector: General Mining

Website: www.gulfmineralscorp.com

Company Synopsis:

Gulf Minerals Corporation (ASX:GMC) is looking to develop manganese projects in Indonesia and Turkey.

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Gulf Minerals is developing the smelter facilities in the West Timor capital Kupang to take advantage of the low cost of ore, labour and power, which represent the majority of operating costs.

This will hold eight furnaces, each of which is expected to cost \$5.6 million and be capable of producing 20,000 tonnes of premium quality 78% ferromanganese alloy per annum from third party ore.

The company plans to build the first two furnaces during 2015, which will come online in January 2016. A further two furnaces will be built each year in 2017, 2018 and 2019.

During construction Gulf shall be exporting 50% plus manganese ore to provide early cash flows and from 2015 the annual exports would commence at 60,000 tonnes and increase by 30,000 tonnes per year to 180,000 tonnes in 2018.

Ore will be sourced from West and East Timor together with other localities.

The fixed semi-closed furnaces use technology that have been proven over many years and will be built in South Africa in modular form to eliminate construction risk.

Recent Activity

Gulf Minerals was recently granted a 50 year lease for 30 hectares in the West Timor industrial area Bolok, 10 kilometres from Kupang.

It has also been advised by electricity provider PT PLN that they can supply, on a user pay basis, grid power for the first stage development while the company constructs its own coal fired power station.

In addition, both the Coordinating Ministry for Economic Affairs and the Investment Coordinating Board (BKPM) have undertaken to issue a licence within 3 months of an application to the recently created by Presidential Decree "one stop shop" of the BKPM.

This fast track process has been put in place to enable foreign investors' swift Government dealings by combining the approval process of 22 Ministries and Departments.

Indonesian Government Support

Value adding ores is strongly encouraged by the Indonesian Government to enrich the country's mineral endowment by enhancing the economy and creating employment.

All initiatives to value adding have full support from all levels of government and Gulf Minerals will benefit from the Government's Financial Incentives Program.

This will effectively result in a 5 year tax holiday, together with other tax exemptions.

Manganese Market

Manganese is one of the most used metals after iron, aluminium and copper with the vast majority (90%) used in the steel industry.

The metal is essential for steel production as it de-sulphurises and de-oxygenises the alloy while increasing hardness and strength.

It is also used in dry cell batteries, agriculture, health and certain alloys.

Demand is expected to rise to about 16 million tonnes this year and 18 million tonnes in 2020 from 12.5 million tonnes in 2010.

Analysis

The US\$20 million funding agreement is a milestone for Gulf Minerals, allowing it to fund first stage development of its



Indonesian manganese smelter project.

This is timely given the growing demand for manganese.

Further funding will be achieved from the IPO of the subsidiary company holding the project onto the Nasdaq Stock Market in the U.S.

The project is also expected to benefit from Indonesia's restrictions on the export of unprocessed ores combined as well as support from its Financial Incentives Program that will effectively result in a 5 year tax holiday.

Adding to that is the promise of a fast track process for the application for a smelter licence.

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