

INDONESIA – Smelter licence process time reduced

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The licensing process time for Gulf Manganese Corporation's planned Timor smelter has been substantially reduced as a result of the Indonesian Government's introduction of the Investment Coordination Board's (BKPM) 'one stop shop' procedure. Gulf has been advised that the Industrial Business Licence (IUI) will take 20-25 days from application to be approved.

The Ministry of Industry, through the BKPM, also advises that following the issue of the IUI, the next step is to become a Registered Exporter (ET), which it says will again take 20-25 days from application.

Upon receiving these two licences Gulf intends to commence the construction of the first furnace module with the plant expected to come online within 12 months of starting construction.

To fall in line with the advised requirements of both the Ministry and BKPM, Gulf has redrafted the Timor Smelter Study to comply with the 'one stop shop' process.

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 funded by an IPO on the Catalyst board of the Singapore Stock Exchange raising \$US25 million, modest project debt and operational cashflow. The study shows the capital investment will be staged over five years and provide estimated returns supporting an internal rate of return of 55.6%.

ASX-listed Gulf will develop a fully integrated manganese business that provides the following value propositions:

- Sound project economics
- Operating costs at 80% industry average cost
- Highest quality ore supply (+50% Mn)
- Producing a premium manganese alloy (78% Mn)
- Established port and infrastructure
- Government full support, fiscal incentives of 10 year Tax Holiday
- Board/Management depth of manganese and Indonesian experience
- Global sales network
- Modest capital requirement
- Proposed Singapore listing
- Robust dividend policy with distribution of 50% of profits.

Gulf Manganese aims to become 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 eight furnaces over a five year period. The first furnace aims to come online in July 2016, with a further two furnaces each year in 2017, 2018 and 2019, and a final one in 2020. Each furnace has a capacity of 20,000 tonnes alloy production per year.
www.gulfmanganese.com

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