



Money comes for Gulf Minerals

New York-based Sigur Holdings Inc has committed \$US20 million to Gulf Minerals Corp Ltd's smelting business in Indonesia.

Sigur entered a term sheet covering a committed equity funding agreement to provide \$US20 million via a 10% annual interest, four-year senior credit facility and preferred shares.

Gulf executive technical director Bruce Morrin told Paydirt it was a watershed moment for the start-up of manganese smelter and furnace operations in West Timor.

Sigur Holdings, a subsidiary of private South African group Sigur Capital, has shown its faith in Gulf's project model by fronting up with a \$500,000 investment in the company.

Final funding arrangements are subject to due diligence by both parties.

"The arrangements we have with Sigur we are very pleased with, simply because as everybody knows it is very difficult for a small company to get significant funding support within Australia," Morrin said.

"To have a substantial international group such as Sigur step up to the mark and offer to become part of our project and to facilitate initial funding and through a possible listing on NASDAQ to facilitate potential future funding, it really de-risks the project."

Sigur's preference is for a NASDAQ listing, however, with about 30% of primary investment into Indonesia coming from Singapore, an SGX listing is also a possibility.

"I think everyone has intentions of getting it done quickly [listing] but I think in practical terms it will probably take at least a six-month period. If NASDAQ is decided on then that is where we'll go but we also have Singapore as a backstop if required," Morrin said.

Gulf's plan is to source high grade manganese ore and convert it into a premium alloy.

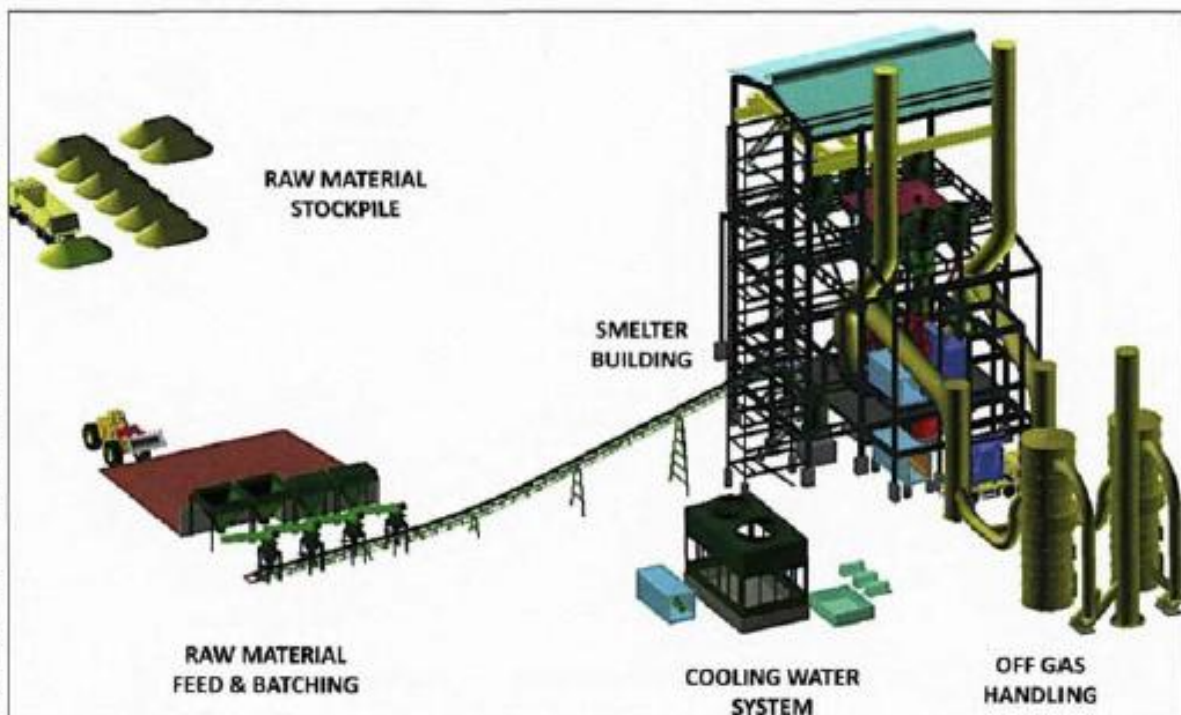
"This is in-line with the Government's request/desire to value-add their ore, not just export it but value-add," Morrin said.

Indonesia's ban on the export of unprocessed ore came into effect in January 2014 and has increased the demand for smelting businesses in the country.

Gulf initially plans to build two furnaces and over a four-year period bring eight into operation.

The first two will be built this year and are expected to come on-stream in January 2016.

"Based on current pricing, first-year incomes once we start producing [in 2016] will



A total of eight smelting plants will be built by Gulf. Each plant is estimated to produce revenues of \$US25 million

be in the order of \$US50 million growing each year by an additional \$US50 million up to a total of \$US200 million at full production. Basically each furnace will produce about \$US25 million of revenue," Morrin said.

Gulf plans to establish facilities, costing an estimated \$5.6 million per furnace, in the West Timor capital of Kupang and expects to produce 78% ferromanganese with the bulk of the ore to be sourced from local mining groups in West and East Timor.

Gulf's operations shall provide direct and indirect employment for up to 5,000 people in West Timor, one of the poorest areas in Indonesia where unemployment is about 80%.

"There are several islands close to West Timor which are prolific in manganese. We plan to have 30% of ore imported from overseas into the port of Kupang to blend with the high-grade Indonesian ore. At full production the requirement will be 400,000 tpa manganese, so we project that three-quarters of that will come from within Indonesia and 30% from areas in and around the ASEAN region," Morrin said.

Annual ferromanganese exports – destined for the globe's major steel producers, including China – will start at about 60,000 tpa, increasing by 30,000 tpa up to a total of 180,000 tpa in 2018.

Confirmation of Sigur's commitment will see these targets hit, particularly with the Joko Widodo Government keen to attract more foreign investment to Indonesia.

To encourage international mining houses to participate in the country's resources sector, the Government has combined the activities of 22 ministries into one area to facilitate the fast-tracking of permitting and licensing.

"They have developed a one-stop shop," Morrin said.

"This, plus us having dealt with technical risks [at project level] and with our background, having Sigur further reduces the financial risks."

Operationally, Gulf will implement proven South African technology at its furnaces, while at board level there is more than 250 years of experience, including Michael Kiernan as the president of Gulf's Indonesian subsidiary, in the manganese game.

With a wealth of manganese experience, Gulf has divested its early stage gold interests in Queensland and Western Australia, while it has also let go its copper stake in the Northern Territory.

"When the current directors took control of the company, it was a little bit unfocused," Morrin said.

"The directors are fully experienced one way or another in manganese. Historically it has been a very low key commodity until recently when people have become aware of manganese as a significant cash producer. Three of our directors were associated with developing Consolidated Minerals in WA, which was a significant cash generator and the directors consider that the Indonesian opportunity will also be a cash producer."

– Mark Andrews