

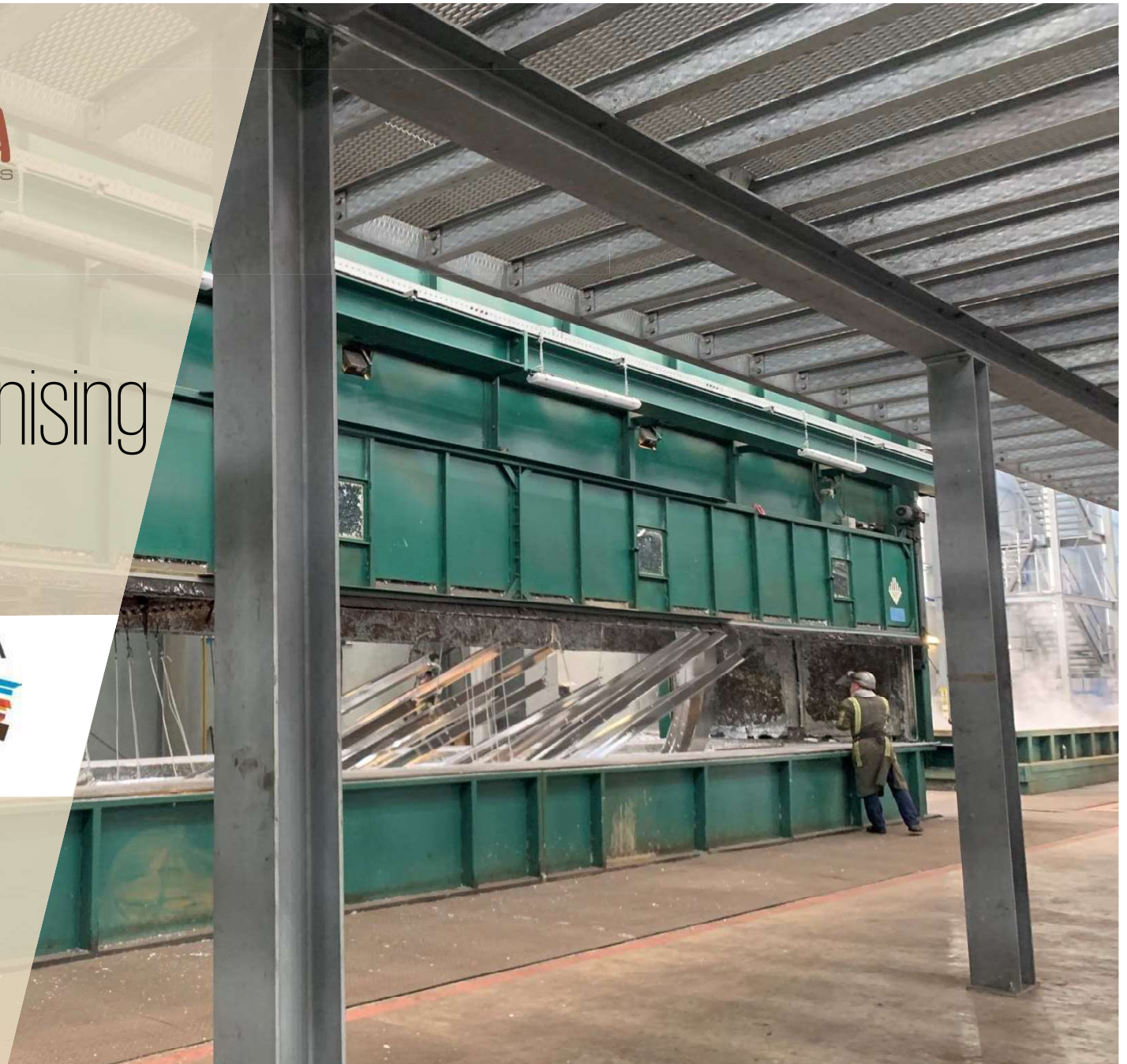


**MARNDA**  
ADVANCED COATINGS

# Pilbara Steel Galvanising Plant Project



June 2020



Supported by **City of Karratha**

# Contents

Executive Summary	3
Background	7
The Opportunity	12
Marnda Overview	21
Business Model	26
Operations	32
Projected Financial Performance	40
Benefits to the Region	55
Risk Analysis	57
Appendix	60

# Background Section

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# The Situation

## Current Macro & Micro Situation



### Growth in the Pilbara region

- Mining, construction and mineral exports dominate the Pilbara's economy. The Australian mining boom (2000-2012) caused a significant rise in demand for steel products across the mineral-rich region, with specific reference to large scale mining and construction projects.
- A number of major Mining, Oil and Gas and Energy market participants have recently intensified their investment in the region to increase output capacities and improve the operational efficiency of existing assets / projects.
- New projects worth \$65 billion are under construction or proposed for Karratha over the next five years, including projects from three major iron ore miners (BHP, Rio Tinto and Fortescue Metals) and Woodside's Scarborough and Browse Developments.
- In addition, the Pilbara region has been allocated over \$800m in government funding to support major infrastructure projects.
- There is a major drive underway for industry diversification and to develop a new major city of the north west with Karratha the leading contender.
- The rise of COVID has lead to the review of overseas supply chains and a Government and Industry focus on the importance of domestic manufacturing capability.

#### Snapshot of current and upcoming projects in the Pilbara

<b>\$30b</b>	<b>\$3bn</b>
Browse LNG project	Koodaideri iron ore project
<b>\$4.6b</b>	<b>\$310m</b>
South Flank iron ore mine	Karratha to Tom Price road
<b>\$15b</b>	<b>\$1.7b</b>
Scarborough LNG project	Eliwana iron ore project



### Current limitations with supply chains

- The aforementioned projects, are heavily reliant upon the supply of high-quality fabricated steel components.
- Steel is fabricated in the Pilbara but the absence of a steel galvanising facility between Perth and Darwin results in businesses transporting steel approximately 1,550 kilometres each way to access the nearest facility which is costly and time consuming.



### Servicing the customer demand

- With significant demand for steel galvanising services in the Pilbara region a commercial opportunity exists to develop a hot dip galvanisation plant, meet the increasing market demand and address the supply chain limitations mentioned above.



### Potential benefits to the economy

- Marnda will likely further the growth of the steel fabrication industry in the Pilbara region through the introduction of an alternative steel galvanising option in Karratha, aligning with Karratha's objective of becoming the regional capital of the North West and a diversified economic hub.
- The establishment of a hot dip galvanising plant in Karratha is anticipated to provide broader economic opportunities to the Pilbara economy.
- The proposed facility is anticipated to bring direct and indirect employment in fabrication supply chains and new industries, including Indigenous owned suppliers as well as training, employment and economic development for Indigenous people, with a Pilbara specific focus.
- Creating inbound freight demand for hot dip galvanising process consumables typically sourced from Asia via Singapore that would support proposed direct sea links between SE Asia and the Pilbara.



# The Problem Statement

The absence of any galvanising facility between Perth and Darwin results in businesses in the Pilbara outsourcing works out of the region or transporting steel to the nearest facility in Perth at a rate that is cost prohibitive in a competitive market. Marnda plans to address this gap in the local supply chain by building a hot dip galvanising plant in Karratha capitalising on the demand for locally galvanised steel across the Pilbara & Kimberly.





## Gap in the local supply chain for galvanised steel



- The Pilbara is home to some of the **largest resource projects in Australia**. There is a large requirement for galvanised steel components in mine site construction, plant maintenance, ongoing operation and expansion.
- Hot dip Galvanising is **cheaper, more effective and consistent for long-term corrosion protection** compared to other commonly used coating methods, such as painting and sand blasting.
- The **absence of a steel galvanising facility** between Perth and Darwin results in businesses transporting steel approximately 1,550 km each way to access the nearest facility. It is costly and time consuming to manufacture parts in Pilbara, transport to Perth and transport back to Karratha.
- A lack of competitiveness has held back local steel fabricators and prevented investment in additional capability and capacity
- The lack of galvanising plant opens the door to Asia as the manufacturing location of choice as Australian suppliers are **unable to be competitive** due to transport costs
- Karratha's **unique location** with access to significant, established local steel fabrication businesses, will provide opportunity to capitalise on the domestic demand for galvanised steel in the Pilbara region and minimise the requirement for market growth to achieve profitability
- **Local steel galvanising capability** will allow major industry and resource companies in the Pilbara to minimise downtime, production losses and rework that can have significant corresponding cost and time implications to major projects and day-to-day operations.

# Current & Future Demand





Demand for steel galvanisation services will be influenced by a number of macro economic trends impacting the Australian and global economies. Whilst there is volatility in the current international trade market, particularly due to the COVID-19 pandemic, major investment in infrastructure across Asia will likely drive long term demand for Australian iron ore, which in turn increases demand for construction and engineering services and steel galvanisation.

Overview	Statistics	Key Insights
<p>US-China trade war</p> 	<ul style="list-style-type: none"> <li>The US has imposed 25% tariffs on \$200 billion of Chinese imports, whilst China has instituted tariffs on \$60 billion of US goods<sup>[1]</sup></li> <li>The 'trade war' is estimated to cost Australia more than \$36 billion over the next 10 years – a loss of 0.3% economic growth<sup>[2]</sup></li> </ul>	<ul style="list-style-type: none"> <li>Widespread slowdown in China's economic activity and GDP growth falling to 30-year lows between 4-6% may reduce China's demand for Australian iron ore and coal commodities, and a withdrawal from global agreements<sup>[3]</sup></li> <li>A decline in demand for iron ore could lead to slowing development of new mining projects in the Pilbara</li> <li>This may lead to a declining demand for steel fabrication and galvanised steel in the Pilbara – adversely impacting demand for Marnda's proposed services</li> </ul>
<p>Impact of Covid-19 Pandemic</p> 	<ul style="list-style-type: none"> <li>The COVID-19 pandemic has exposed an overreliance on just-in-time global supply chains that are based on unfettered movements across borders and do not factor in systemic workforce disruptions</li> <li>Overreliance on global supply chains for raw materials, key components to finished goods and the consequential impact of any disruption to those supply chains has lead to a greater focus on leveraging local production and final assembly capacity<sup>[4]</sup></li> </ul>	<ul style="list-style-type: none"> <li>In response to the pandemic, the Resource Industry in the Pilbara is looking at de-risking workforce and supply chains by preferencing local and regional suppliers and human resources<sup>[5]</sup></li> <li>Both State and Federal governments in Australia are likely to further support programs to encourage the development of micro supply changes and an uptake in utilising local content. Local governments have indicated support for sourcing Australian-made steel, with likely downstream implications to galvanise the steel locally<sup>[6]</sup></li> </ul>
<p>China's Belt and Road Initiative (BRI)</p> 	<ul style="list-style-type: none"> <li>Covers a network of construction projects across 115 countries or region from Eurasia, parts of Africa, Latin American and Oceania</li> <li>Over \$200 billion of infrastructure projects are in planning or construction as at 2018, with more than \$1 trillion planned in roads, ports and other infrastructure<sup>[7]</sup> <sup>[8]</sup></li> <li>Of the countries, only 10 are net steel exporters<sup>[9]</sup></li> </ul>	<ul style="list-style-type: none"> <li>China will likely double its accumulated stock of steel in use to 12 tonnes per capita, with a likely 150 million tonnes of incremental steel demand<sup>[10]</sup></li> <li>Given that many of the countries in the BRI network do not have domestic steel-making capacity, they may look to Australian steel imports. This generates further demand for iron ore mining projects particularly in the Pilbara and the need for galvanised steel to support such infrastructure developments</li> </ul>
<p>Growing demand in India</p> 	<ul style="list-style-type: none"> <li>As the world's third-largest steel consumer, India's demand is set to grow 6% in 2019 and to double by 2025</li> <li>Steel production is projected to increase 5.8% a year to total 117 million tonnes in 2020 and 300 million tonnes by 2025 (300% higher than current production)<sup>[10]</sup></li> </ul>	<ul style="list-style-type: none"> <li>The Government of India's focus on infrastructure and restarting road projects is aiding the boost in demand for steel.</li> <li>Whilst home to iron ore resources and being a major crude steel producer, India has also shown periods of being a net importer of steel – a positive sign for Australia which may be in a position to meet this demand.</li> </ul>

Source: [1] The Australian Financial Review, Australia at risk from US-China trade war. [2] KPMG Economics & Tax Centre, Trade Wars: There are no winners. [3] The Australian Financial Review, China's economy faces its toughest year in more than a decade. [4] KPMG, COVID 19 and the acceleration of economic nationalism [5] RDA, Initial Impact Assessment of COVID-19 on the Pilbara economy [6] Australian Steel Institute, WA Government support of steelwork surety Welcome. [6] Financial Times, Fitch warns on expected returns from One Belt, One Road. [7] The Guardian, The \$900bn question: what is the Belt and Road initiative? [8] BHP Billiton, Report on China's Belt and Road initiative. [9] India Brand Equity Foundation, Iron & steel industry in India. [10] The Economic Times, Indian steel demand may double to 170 mt by 2025

# Current & Future Demand

Demand for steel galvanisation services will also be influenced by local economic trends as strong commodity prices and a deep pipeline of major projects drive growth in the Pilbara region, with the Western Australian and Pilbara economies showing resilience against the broader economic disruptions of Covid-19

Overview	Statistics	Key Insights
<p>Projected Karratha (and Pilbara) population growth trends</p> 	<ul style="list-style-type: none"> <li>Population growth in Karratha has remained stagnant in the 2010s (2011 census number of 22,899 and an estimated population of 22,716 in 2019)<sup>[1]</sup></li> <li>At least \$65 billion dollars of planned or under construction industrial projects in the region is expected to lead to increased population growth with an estimate of 14,200 staff required to deliver this work<sup>[2]</sup></li> </ul>	<ul style="list-style-type: none"> <li>The City of Karratha has committed up to \$35m to boost local housing stock in anticipation of demand from large-scale industrial projects<sup>[2]</sup></li> <li>While a peak of 14,200 additional positions is expected during construction phase, approximately 2,915 ongoing operational positions are expected which will drive population growth<sup>[2]</sup></li> <li>Local housing construction and associated community infrastructure would be expected to drive demand for galvanised steel above business as usual norms</li> </ul>
<p>Government investment in the Pilbara</p> 	<ul style="list-style-type: none"> <li>As part of COVID-19 recovery funding and support for population and employment growth, the WA government has committed \$211.8m of additional projects for the Pilbara<sup>[3]</sup></li> <li>Critical infrastructure investment, such as stage 4 of the Karratha-Tom Price road has been fast tracked with a focus on local jobs and suppliers<sup>[4]</sup></li> </ul>	<ul style="list-style-type: none"> <li>Local governments have indicated support for sourcing Australian-made steel, with likely downstream implications to galvanise the steel locally<sup>[5]</sup></li> <li>Domestic demand for steel may also necessitate suppliers to source locally galvanised steel to ensure supply surety as opposed to relying on imports</li> <li>Local projects, such as large scale renewables, may prefer Australian steel suppliers, who have the knowledge of quality standards necessitated by local conditions, placing Marnda in a position to service local steel suppliers</li> </ul>
<p>Private investment in the Pilbara</p> 	<ul style="list-style-type: none"> <li>Increasing maintenance costs and major project spend is driving significant investment in the Pilbara's oil and gas industry<sup>[2]</sup></li> <li>Emerging industries, such as solar, represent large-scale new construction opportunities in the Pilbara with significant investment planned from the resource sector<sup>[6]</sup></li> <li>High iron ore demand is driving new expansion projects, leading to renewed investment in the Pilbara<sup>[2]</sup></li> </ul>	<ul style="list-style-type: none"> <li>Large scale capital investment in steel hungry infrastructure will potentially provide Marnda an opportunity for consistent above BAU demand across the current investment cycle</li> <li>New industries, such as large scale solar arrays, will potentially allow Marnda to integrate itself into the materials supply chain from project initiation</li> <li>Environmentally and socially conscious Industry are likely to look favourably on a locally produced and comparatively more environmentally friendly Marnda galvanising product</li> </ul>
<p>Australian infrastructure Boom</p> 	<ul style="list-style-type: none"> <li>More than \$75 billion invested in national transport infrastructure projects over the next 10 years<sup>[7]</sup></li> <li>The largest investments include: <ul style="list-style-type: none"> <li>\$5.4 billion Brisbane underground rail project</li> <li>500km of new rail corridor linking Victoria to Queensland utilising 1,200km of existing lines</li> <li>Sydney's \$8.3 billion rapid transit system</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Domestic demand for steel may also necessitate suppliers to source locally galvanised steel to ensure supply surety as opposed to relying on imports</li> <li>Local projects may prefer Australian steel suppliers, who have the knowledge of quality standards necessitated by local conditions, placing Marnda in a position to service local steel suppliers</li> </ul>

Source: [1] Population figures sourced from the ABS [2] ABC, Karratha housing shortfall prompts council to invest up to \$35 to kickstart market. [3] Government of Western Australia media statement, Plan for Pilbara unveiled as part of WA Recovery Plan [4] Government of Western Australia Media Statement, Third stage of upgrades to Manuwarra Red Dog highway now complete [5] The Australian Financial Review, China's economy aces its toughest year in more than a decade. [6] Australian Mining, Fortescue in urgent race for carbon neutrality [7] Australian Government, Budget 2018-19.

# The Opportunity

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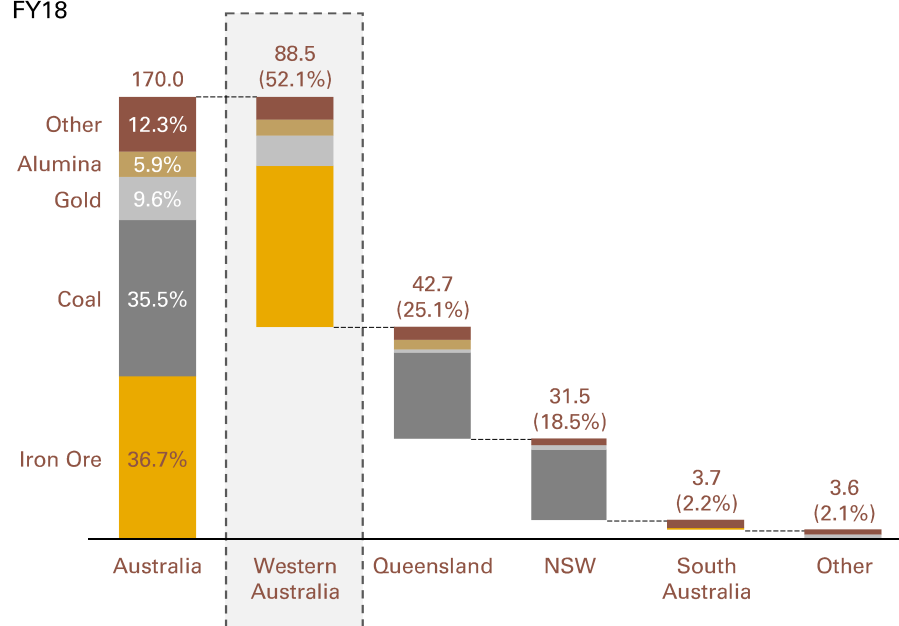


# Market Research - Australia's Mining Sector

At a macroeconomic level, Australia's mining sector is diverse with the commodity mix varying by region, and it is forecast to grow as investment increases. Western Australia makes up the majority of Australia's mining production value and produces most of Australia's Iron Ore.

Mining production value by state and commodity

\$b  
FY18



- Western Australia makes up the majority of Australia's mining production value (52.1%)
- Pilbara Iron ore is the largest contributor to Australia's production (36.7%) followed by Coal (35.5%)
- Western Australia's Pilbara Region produces most of Australia's Iron Ore (99.0%)

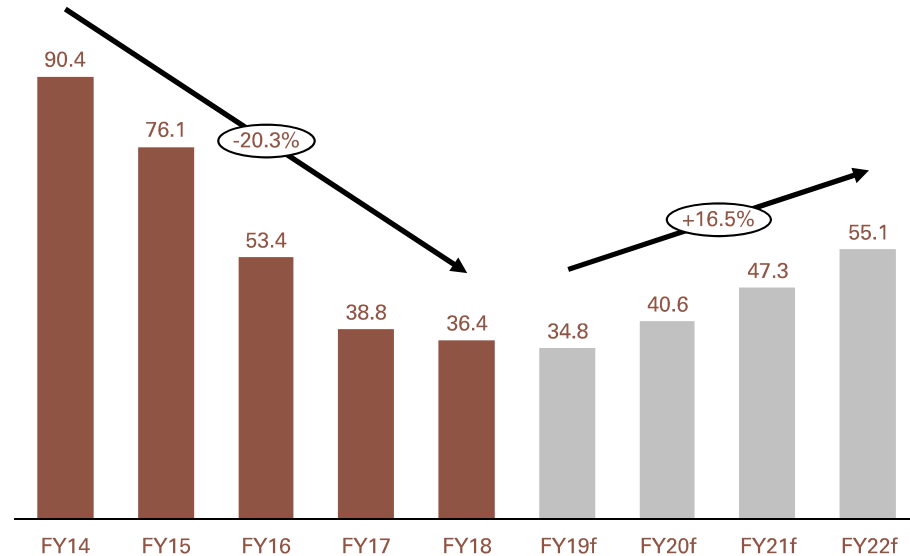
Notes: 1) Principal mining projects are those that produce commodities valued at more than \$5 million per annum or, in the case of gold producers, more than 2500 ounces of gold. Number of principal projects forecast is based on the current committed and completed project pipeline, feasible projects and mine closures are not considered.

2) FY19 Exploration spend calculated based on the assumption that H2FY19 will be the same as H1FY19. Forecasts beyond FY19 assume that WA spending will experience the same percentage growth as Australia.

Source: RBA, Aus Gov: Department of Industry, Innovation and Science, WA Gov: Department of Mines, Industry Regulation and Safety

Mining investment in Australia

\$b  
FY18



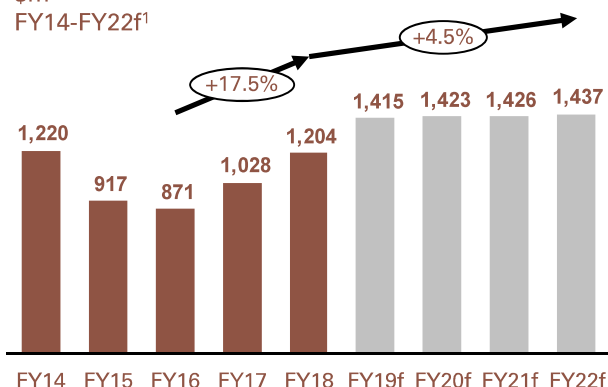
- The decline in investment seen since FY14 was due to the ongoing unwinding of Australia's mining infrastructure boom
- Mining investment is expected to be driven by firms seeking to maintain their existing production volumes

# Market Research – WA's Mining Sector

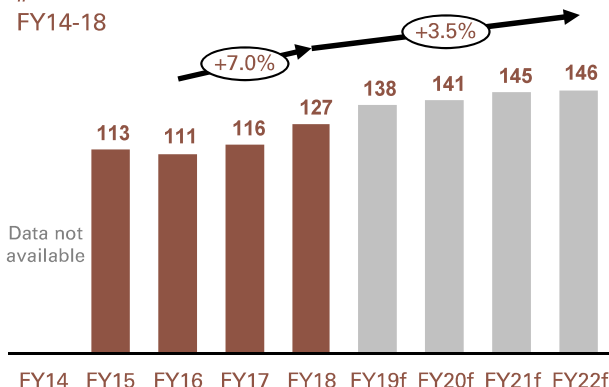
The Western Australian mining sector is worth \$89b and has recovered at a 12.6% CAGR from a low in FY16, driven by increased exploration and strong pipeline of mining projects.

## Western Australia Mining Sector

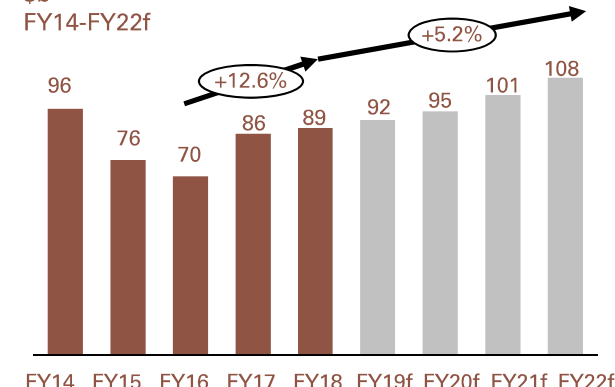
Spend on exploration in Western Australia  
\$m  
FY14-FY22f<sup>1</sup>



Number of principal projects<sup>2</sup> in Western Australia  
#  
FY14-18



Mining production value in Western Australia  
\$b  
FY14-FY22f



Recent recovery of commodity prices has led a turnaround in exploration activity

- An increasing amount of exploration spend is directed to exploration of deeper deposits that require innovative mining approaches and additional drilling; particularly evident in gold prospecting
- Gold and iron ore account for the majority of WA exploration spending, 49% and 23% respectively in FY18

WA has a strong pipeline of mining projects

- Principal mining projects accounted for 99 per cent of the State's \$88 billion in mineral sales in FY18
- WA sector has responded positively to strengthening commodity prices after experiencing a decline in the number of principal mining projects during the mining downturn
- The start-up and re-opening of several gold projects drove the large 9.5% (11 projects) increase from FY17-FY18

Mining production value has recovered strongly from a low in FY16 and is forecast to continue growing, however, at slower 5.2% CAGR

- Iron ore (69.9%) and gold (12.9%) make up the majority of WA mining production value in FY18 (82.8%)
- Iron ore prices went down from a high of \$135/ton in 2013 to \$40/ton levels in 2016. Prices have since recovered to over 100\$/ton levels
- The recovery in iron ore prices since 2016 (102.8% YoY increase Dec 2016 – Dec 2017) drove an increase in production, and subsequent value

Notes: 1) FY19 Exploration extrapolated from H1FY19 data, and forecasts from FY19 assume WA spend will grow in line with national spending on exploration;

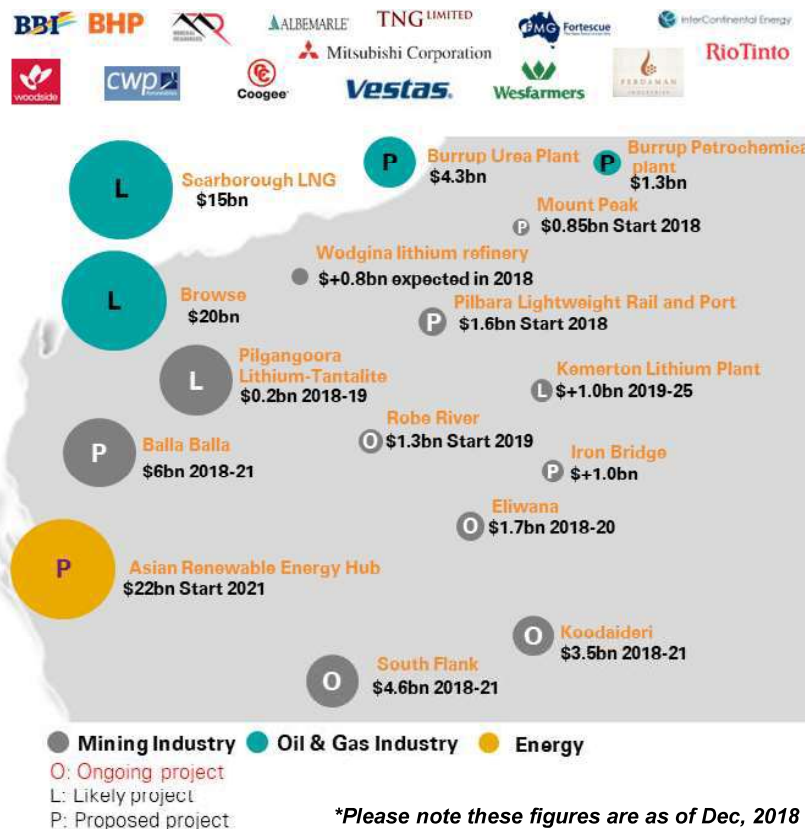
2) Principal mining projects are those that produce commodities valued at more than \$5 million per annum or, in the case of gold producers, more than 2500 ounces of gold. Forecast principal projects number derived from the list of current committed and completed project pipeline in WA. Feasible projects and mine closures are not considered.

Source: ABS, Department of Mines, Industry Regulation and Safety (WA Gov), Australian Mining, IBISWorld, Department of Industry, Innovation and Science (Aus. Gov)

# Market Research - Pilbara Region

Estimate of \$36bn invested in projects in large scale Mining, Oil & Gas and Energy projects that are either underway or proposed in the Pilbara region. This has helped to sustain Pilbara's standing as the world's biggest iron ore province and will create significant demand for galvanised steel through construction and maintenance of the associated infrastructure projects.





## Energy and Natural Resources Investment in Pilbara



- In 2018 announcements of investment in the region by major global mining, oil and gas and energy providers have helped to sustain Pilbara's standing as the world's biggest iron ore province. Department of Mines figures for September 2018 estimate the value of resources projects under construction or committed in WA was \$36 billion.
- Australia's three major iron ore miners (BHP, Rio Tinto and Fortescue Metals) have in 2018 committed to spending approximately \$9bn on new mining project in the region. These projects provide significant economic investment into Pilbara, creating direct (heavy engineering and construction) and indirect (infrastructure and utilities) demand for steel galvanisation services.
- In November 2018 Rio Tinto confirmed it will spend \$3.5bn developing the Koodaideri iron ore mine near Newman. The mine will provide an estimated 40m tonnes per year of iron ore and require investment in infrastructure including a new 166 km railway to connect Koodaideri to the miners legacy networks, an airport and an extensive grid of access roads. Rio Tinto estimate that the project will generate approximately \$2.5bn in economic opportunity for WA based companies.
- Early in 2018 BHP announced it would construct its \$4.6bn South Flank mine in central Pilbara, which is due to become operational by 2021. It is BHP's single largest project spend (outside of M&A) since it committed \$9.3bn to the Jumblebar iron ore project in 2011.
- Fortescue Metals Group also proceeding with the \$1.7bn Eliwana mine, which will replace the Firetail mine which is close to the end of its life.
- In addition, a number of large scale Oil & Gas and Energy projects are proposed for the region, including Scarborough (\$15bn) and Browse (\$20bn).

# Current & Future Demand – Resource Projects

Investments in the Pilbara region will positively impact the demand for galvanised steel – the most significant demand is expected in the two years from 2022-2025 particularly in Oil and Gas and Mining.

		2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
 Oil & Gas	Lambert Deep West		150	210	210
	Gorgon Stage 2	612	765	1,683	1,275
	Gorgon LNG – 4 <sup>th</sup> Train	1,000	2,500	3,500	3,500
	Pluto LNG Project (Stage 2)				300
 Mining and Minerals	Eliwana Iron Ore Mine	100			
	Koodaideri	1,300	1,300		
	South Flank	1,800	920	200	
	Ashburton Salt project		75	100	35
	Jinidi Mine				550
	Solomon Hub – Detrital Processing Plant				117
	Wodgina Lithium Project	75	125	25	
 Infrastructure	Onslow Road Post Construction Upgrade	6	6	5	5
	Marble Bar Road – Coongan Gorge Realignment	12	4		
	Karratha to Tom Price Road Sealing	23	57		
	Eliwana Rail	30	170		
	Port Hedland Waterfront Revitalisation	21	18		
	Port Hedland Inner Harbour Debottlenecking				130
 Energy	Onslow Power Infrastructure Project	50			

- Potential Oil and Gas projects are currently worth approximately \$15.7b for the Pilbara region, with Mining and Minerals, Infrastructure and Energy projects accounting for around \$7.5b.
- Many of these projects will require steel products such as structural steel beams, weldlok grating and hand railing during and after project completion. Almost all steel utilised by these projects will need a protective coating.
- Hot dip Galvanising of lightweight steel and mesh is approximately 75% less expensive per linear metre and provides a higher level of protection compared to equivalent painted protective coating systems.

Legend:

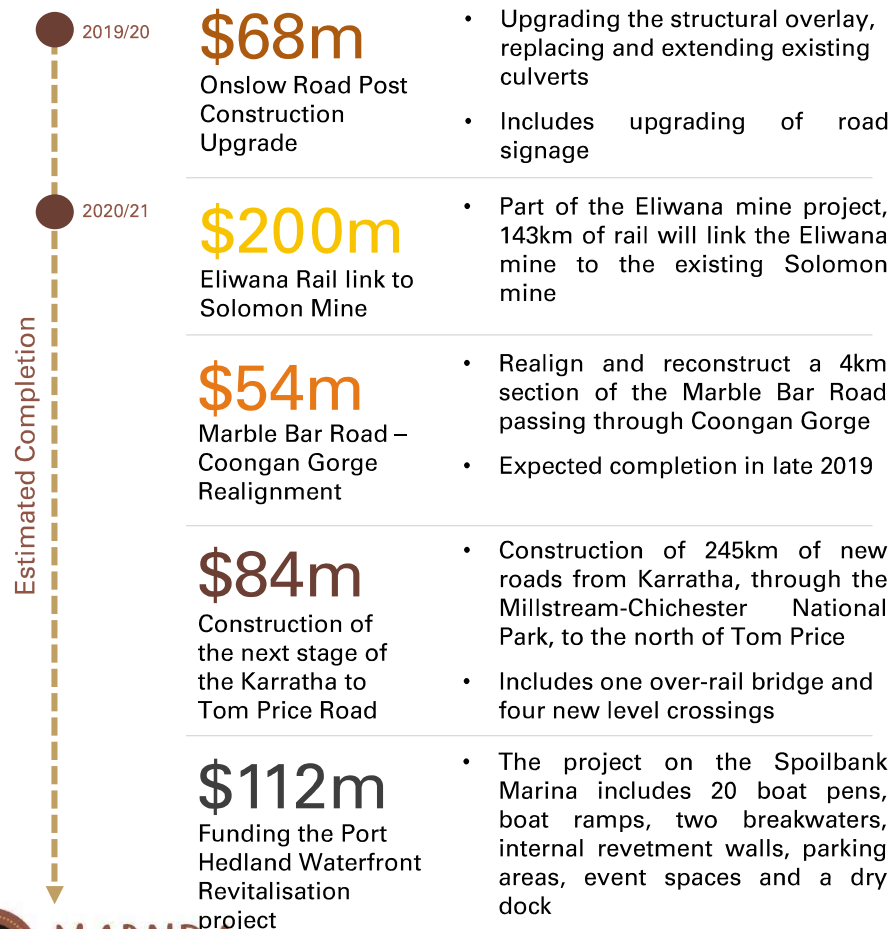
Under Construction
Credibly Proposed / Under Procurement
Announced / Prospective



# Current & Future Demand – Civil Construction

The WA state government recently committed to spending \$800m on infrastructure projects in the Pilbara over the coming years. These projects will increase the demand for construction and engineering services and subsequently steel galvanisation services in the region.

## Major Infrastructure Project Highlights



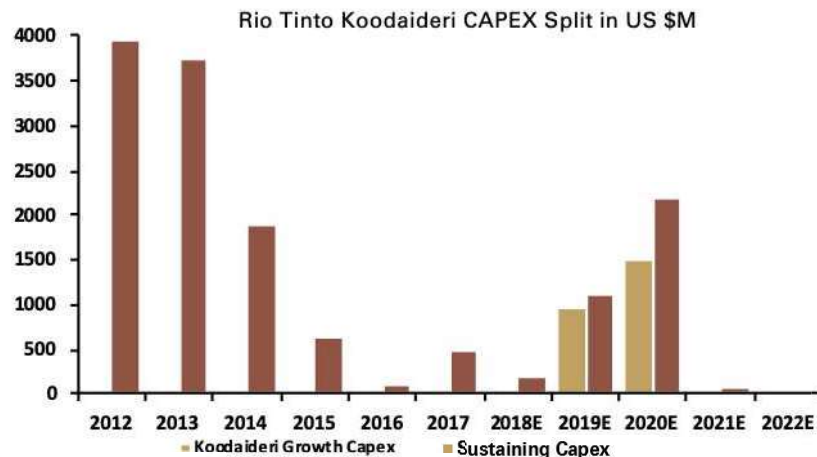
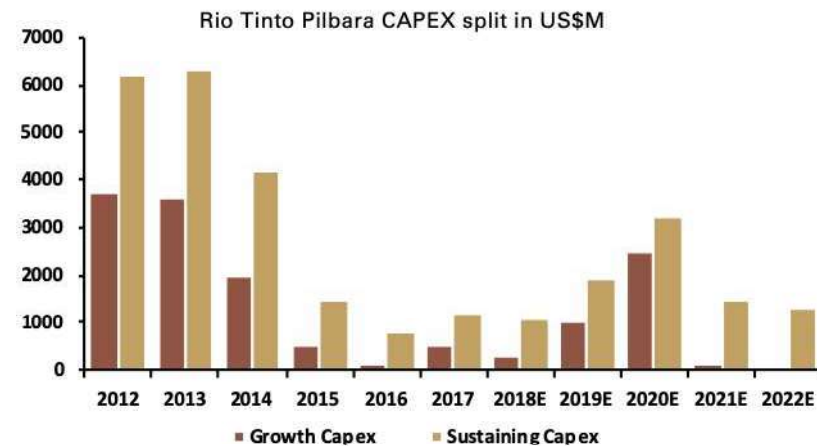
## Likely Implications for Marnda

- The 2019 WA Infrastructure Report presents a positive outlook for the infrastructure industry, demonstrated by the strong pipeline of transport infrastructure, and mining-related construction activity over the next five years
- Road construction and upgrades represent significant investments by the WA government over the coming years, leading to a demand for structural steel for roads, bridges and level crossing removals etc.
- The construction and infrastructure industry is also seeing rising demand from defence work – with expected construction in assets such as runways, harbours, ships and armoured vehicles. These represent opportunities for Australian steel fabrication and construction.
- This is further compounded by the expected recoveries in residential and non-residential construction and thus the demand for structural steel in Western Australia
- The private sector is also expected to commence a series of maintenance works on more than \$250 billion worth of mines, transport links and downstream processing installed and commissioned over the past ten years – with engineering and construction activity expected to result in higher demand for galvanisation works

# Case Study – Rio Tinto

In addition to new mining projects, a significant proportion of investment by mining companies in the Pilbara region is in sustaining CAPEX. Below, we use Rio Tinto as a case study to demonstrate that sustaining capital is forecast to exceed growth capital in the Pilbara region for the period 2015 – 2022.

## Capital Investments – Example Rio Tinto



- Whilst 2019 and 2020 show significant growth CAPEX investment activity in the Pilbara region, Rio Tinto has a consistent investment of sustaining CAPEX in the region over the broader 7 year horizon.
- Over the period 2015 – 2022 Rio Tinto estimates that total investment in sustaining CAPEX will exceed investment in growth CAPEX across the Pilbara region, with average annual investment of circa \$1bn.
- Rio Tinto is planning for phase 2 extensions of the Koodaideri mine. Approximately \$44m has been invested to fund a pre-feasibility study for expanding production from 40m tonnes per year to 70m tonnes.
- Improvements of operational efficiency for the upcoming years will focus on operational profitability and increasing the level of automation, digitisation and safety in the production and transportation processes.
- This investment will create an annuity stream of revenue for construction and engineering markets in the Pilbara region, ensuring a consistent demand for steel and steel galvanisation services.
- According to Rio Tinto's press releases, the investments in asset efficiency and sustainability will provide significant opportunities for local businesses through the official commitment of local procurement to support the transformation processes.
- Key Takeaway: More capital will be expended on maintenance works than on new greenfield operations by mining companies in the Pilbara.

# Metal Coating Industry Outlook

The Australian metal coating and finishing industry revenue is estimated at \$1.7bn in revenue over the 2019-2024 period. Demand for services has traditionally been driven by market performance in construction and manufacturing industries. Whilst the industry has experienced challenges over the past 5 years, it is forecasted to return to positive annual growth in 2019.

## Australian Metal Coating and Finishing Industry Insights



Annual Growth 19-24: 0.7%



Forecast Revenue '19-24:  
\$1.7bn



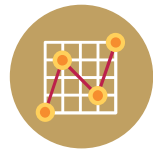
Profit: \$92.6m



# of Businesses: 1,439



Wages: \$480.5m



Forecast Zinc price \$/t  
in '25: ~ \$2,600

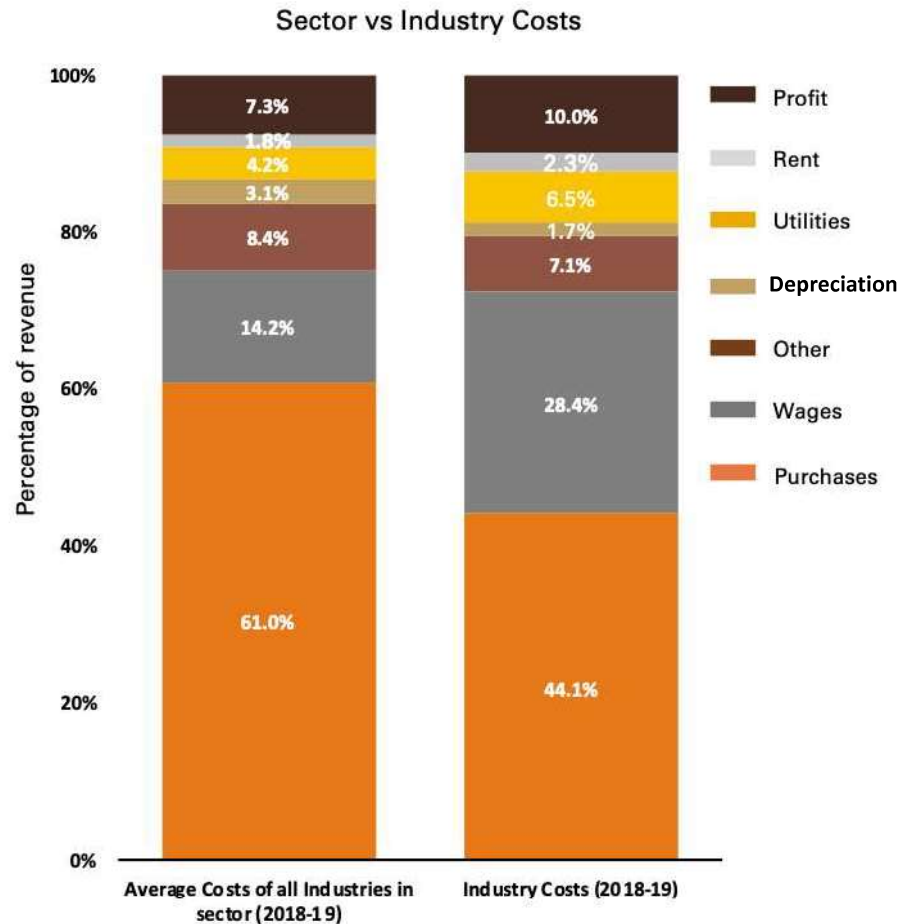
- After a five year period of high revenue volatility the metal coatings and finishing industry (of which galvanisation is a key component) is forecast to return to growth in 2019.
- The market is strongly reliant upon demand for services in downstream industries including heavy and civil engineering markets and fabricated metal product manufacturing (associated with large scale infrastructure and mining projects).
- Total market revenue is forecast to increase at an annualised rate of 0.7% over the next five years, representing only moderate growth for a deeply established industry. However, given the significant economic investment in the Pilbara and the provision of a new local capability we would expect to see strong regional growth.
- Total market profit is estimated at \$92.6mn in 2019, low profit margins put pressure on market participants to drive operational efficiencies, especially firms seeking to benefit from economies of scale and investment in new technology.
- The market is heavily fragmented, with the majority of businesses servicing a local or regional market with a narrow range of products. A key determinant of location is proximity to direct clients due to high logistics and transportation costs.
- Approximately 90% of Metal Coating and Finishing industry operators employ 20 employees or less. The number of market participants has fallen over the past five years, with firms looking to improve efficiency and productivity resulting in mergers and acquisitions activity across the different industry segments.

Source: IBISWorld Industry Report C2293. Metal Coating and Finishing in Australia.

# Metal Coating Industry Outlook (2/2)

With modest profit margins there is a requirement for market participants to focus on operational efficiency and investment in technology in order to be successful. Industry profitability is projected to improve over the next five years as stronger local demand conditions allow firms to increase profits.

## Market Cost Structures in Metal Coating



- The cost structures of individual enterprises in the industry can vary significantly. Whilst average profitability is 10%, the size of the operations and the specific market segment it services are key determinants of profitability.
- Cost structures are also heavily dependent upon the price of key inputs including zinc and other chemicals. World zinc prices have risen over the past 5 years, however companies are able to capture price changes and mitigate the risk of commodity fluctuations by way of a monthly indexed zinc levy. Purchase costs (i.e. costs of key inputs such as steel, zinc and chemicals) have increased as a share of industry revenue over the past 5 years.
- Wage expenses are also a sizable cost component for industry operators. Premium labour costs in regional areas (such as the Pilbara) will further incentivise market operators to invest in technology and automation to help manage costs (this study assumes a 30% labour premium over existing metropolitan facilities).
- The industry is energy intensive and market operators must ensure that adequate investment is made in infrastructure to support power requirements and manage supply risks and ballooning costs.
- The industry has moderate barriers to entry, a trend which has remained stable across the past five years. Entry barriers are typically based upon the establishment costs of a facility, and regulatory barriers associated with environmental approval and effluent monitoring. Therefore, investment in technology to support low emissions is a key point of competitive advantage.



# Marnda Overview

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# About Us

Marnda will provide premium, world class, hot dip galvanising services and plans to build the first steel galvanizing plant in Karratha to service the Mining, Oil & Gas, Energy and Construction Industries in the Pilbara region. The focus of the project is on creating a positive socio-economic impact in the region, by supporting local industries and local Indigenous communities and providing local talent with employment and training.



## Our Commercial Offering

We are a recently established private company that will provide premium quality **hot dip galvanising services to the Pilbara region**. Using state of the art technology, we will provide a superior method of steel coating which is more durable, reliable, with a longer life than other coating methods such as painting. We aim to be a showcase for the majority Indigenous ownership of a common user infrastructure asset. We **plan to build our first steel galvanising plant in Karratha to service the Mining, Oil & Gas, Energy and Construction Industries in the Pilbara**. We aim to be the first and **only provider of steel galvanising services in the region**.



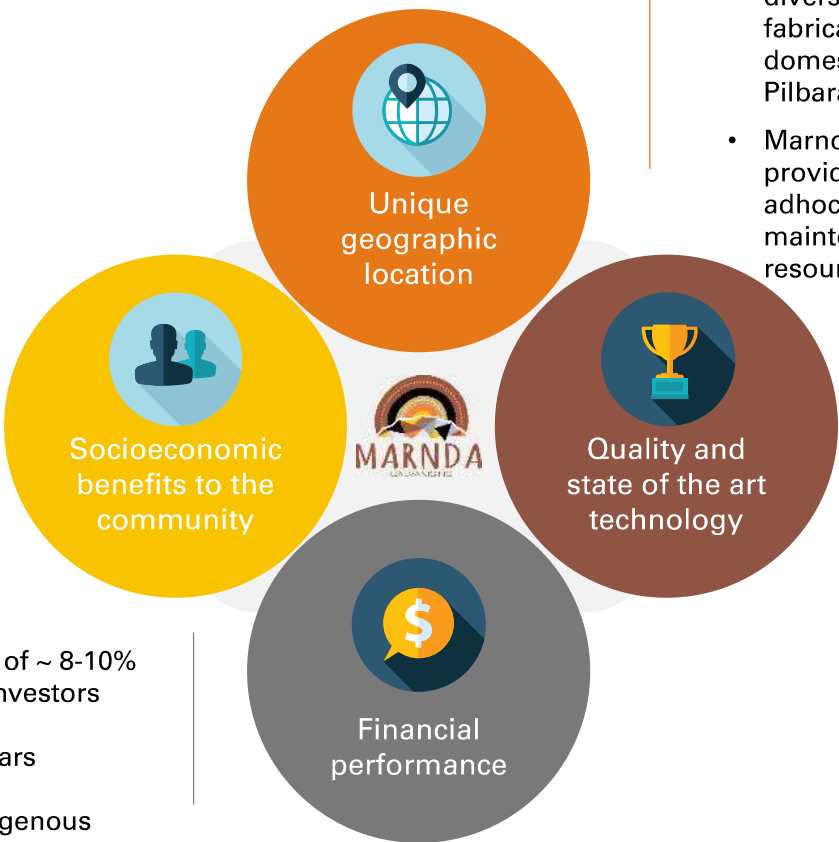
## Our Community Offering

Our priority is to support the local economy and local Indigenous communities. Our proposed steel galvanising project will **create direct and indirect jobs** - our aim is to become the **local employer of choice** and provide long term careers to the Indigenous community and provide procurement opportunities for Indigenous owned suppliers. We will **invest in training to up skill local talent and building meaningful career pathways for local Indigenous communities**.

Our **sustainable business model** will **support local industries** within our value chain whilst also supporting Karratha's objective of **diversifying the local economy**. We are committed to **minimising our environmental impact** to ensure sustainable operations by leveraging renewable energy technologies in our plant.

# Our Value Proposition

Our value proposition is a combination of commercial drivers such as proximity to direct customers, operational efficiencies and financial benefits to investors, as well as socioeconomic benefits to the Pilbara region in particular the local Indigenous community.

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- Project supports the diversification of Karratha's economy and provides industry enabling infrastructure
  - Focus on Indigenous procurement, providing opportunities to majority owned Indigenous businesses
  - The greenfield operation will bring new direct and indirect jobs to Karratha during its construction and operational phases
  - Marnda will invest in developing and training local talent and support the employment of local Indigenous residents
    - A sustainable rate of return of ~ 8-10% p.a. on equity provided to investors
    - Stable cash flows after 5 years
    - Opportunity for Pilbara Indigenous organisations to diversify and grow their economic capacity
  - Karratha provides access to customers from a diverse range of industries e.g. local steel fabrication businesses capitalising on the domestic demand for galvanised steel in the Pilbara region
  - Marnda's point of differentiation is the ability to provide reactive maintenance services to meet adhoc demand including unplanned maintenance and shutdown support for the resource sector
    - Use of highly sophisticated coating techniques to create the greatest quality at competitive prices
    - Production plant will be equipped with the latest state of the art technology, with a high degree of automated processes and low emissions. Higher levels of automation will drive plant efficiency and cost-effectiveness, driving profitability and long-term sustainability of the Marnda project

# Business Model

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# Marnda's Value Chain

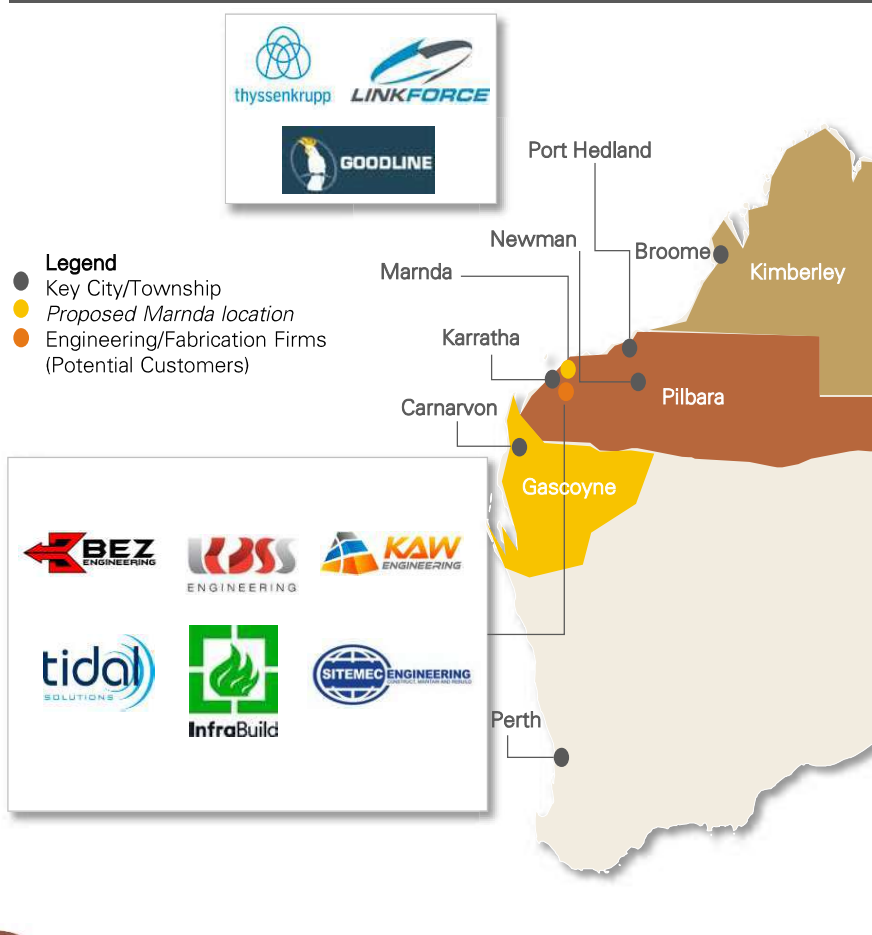







Whilst the end user of most galvanised steel is Major Resource Projects and Civil Infrastructure Assets, the immediate demand for our services is derived from the contractors of these companies, the Tier 1 and Tier 2 Engineering, Construction & Maintenance firms.



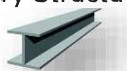


- Industry Insights**
- Long term contracts are entered into with Tier 1 and 2 engineering firms for major programs of work and brownfield maintenance contracts.
  - Tier 1 engineering firms take accountability of end-to-end ownership of the program of work throughout the value chain.
  - They source services from Tier 2 firms based on sub-contracting agreements on specific projects e.g. 'supply and install'.
  - Similar projects delivered by Tier 1 engineering firms, however on a smaller scale.
  - Tier 2 engineering firms deliver the end steel product, with coating and finishing completed.
  - There are no current galvanising facilities between Perth, WA and Darwin, NT.
  - Metal Coating and Finishing completed in Karratha is limited to galvanising substitutes e.g. epoxy coatings
  - Highly competitive fabrication market in WA, with high concentration of small to mid-tier firms focussed on repair work rather than new steel fabrication.
  - Fabricators develop niche specialities to generate profitability.
  - Australia's steel output is primarily heavy structural steel and plate categories, with thin plates made offshore.

# Marnda's Customer Profile

Marnda's customers are the local steel fabricators that are engaged directly to the asset owners or through Tier 1 & Tier 2 contractors along the value chain – the end user will be the major Resource Projects and Civil Infrastructure Assets. Our integration into the local value chain is crucial to achieve the necessary production volumes and profitability levels.

Geographic Location	Customer	Scope of Service	Contracted by
 <p><b>Legend</b></p> <ul style="list-style-type: none"> <li>Key City/Township</li> <li>Proposed Marnda location</li> <li>Engineering/Fabrication Firms (Potential Customers)</li> </ul>	BEZ Engineering	<ul style="list-style-type: none"> <li>Structural and general fabrication</li> <li>Specialised welding</li> </ul>	
	KAW Engineering	<ul style="list-style-type: none"> <li>Coded welding</li> <li>Structural and piping fabrication</li> <li>Exotic material works</li> </ul>	
	KBSS Engineering	<ul style="list-style-type: none"> <li>Oil and gas: engineering, processing facility services, infrastructure, subsea, onshore,</li> <li>offshore</li> <li>Mining and minerals: engineering, construction, rail, onsite, offsite</li> <li>Specialised services</li> </ul>	
	Infrabuild	<ul style="list-style-type: none"> <li>Raw Steel Provider</li> </ul>	
	Sitemec	<ul style="list-style-type: none"> <li>Offshore and marine division</li> <li>Construction services</li> <li>Steel and plate</li> <li>Workshop fabrication</li> <li>Mining Services</li> </ul>	
	Thyssenkrupp	<ul style="list-style-type: none"> <li>Plant engineering and construction</li> <li>Supply of steel</li> <li>Distribution and selling of rolled and stainless steel</li> </ul>	
	Tidal Solutions	<ul style="list-style-type: none"> <li>Conveyor systems</li> <li>Fabrication and installation</li> <li>Blast and paint works</li> <li>Marine maintenance</li> </ul>	

# Service Catalogue

Provider	Product price		
	Heavy Structural  Base Load <sup>[1]</sup> Beams and columns	Light Structural  Fencing and handrails	Mesh and Perforated  Weldlok grating and walkway mesh
Example products			
<b>HOT DIP GALVANISED</b> AUD per tonne			
Fero Group	\$500	\$1,000	\$800 - \$1,200
Mgalv	\$700	\$2,500	\$900
Darwin Galvanising	\$900	\$1,800	Varies
<b>PAINTED</b> AUD per tonne			
Fero Blast	\$700	Varies	Undisclosed
Galvanisers' median price	\$800	2,150	\$1,150
Marnda's estimated price <sup>[2]</sup>	\$1,040	\$2,795	\$1,495
Estimated Volume Mix Marnda	60%	20%	20%

Based on market analysis estimates above, the volume weighted average price of Marnda's galvanised steel is~ \$1,500 per tonne across heavy, light and mesh steel products



## Insights from Market Analysis

- The price ranges shown have been gathered from providers located in and around Perth, WA and Darwin, NT:
  - ✓ Average prices for straight structural steel fall between \$500 to \$900 per tonne
  - ✓ Light structural items like handrails range from \$1,000 to \$2,500 per tonne
  - ✓ Mesh and perforated items typically call for \$800 to \$1,400 per tonne
  - ✓ The broad price ranges above can be attributed to varying prices for volume and scale of work
- Marnda's estimated price has been adjusted to reflect a 30% premium in excess of market analysis results, driven by remote operation and high base costs

Note: [1] Base Load refers to the minimum plant production throughput or the baseline demand for galvanised products from the plant. [2] Based on assumption that labour and utilities costs in the Pilbara region are approximately 30% higher based on stakeholder interview findings.

# Competition and Positioning

Our positioning is not to compete with cheaper offshore providers but to meet the local demand for hot dip galvanisers in the region and leverage the existing value chain. Our competitive advantage will be our capability to provide reactive maintenance to adhoc demand in the Pilbara – as we anticipate that 80% of demand will originate from maintenance work and 20% will come from new construction work.

	Direct Competition	Indirect Competition	
	Hot Dip Galvanisers in WA & NT	Offshore Suppliers	Paint and Substitute Coatings
			
Description	Family and internationally owned businesses operating for 40-50 years	Privately owned organisations with large output capacities and employee numbers	Family, public and privately-owned companies
Services offered	Hot dip galvanising for structural steelwork, hot dip assemblies, mining steelwork, pole line hardware, towers, lintels, balustrades, marine, agricultural equipment	High output hot dip galvanising, often with the ability to produce galvanised steel across different subsidiary organisations in various countries	Protective coatings and painting for steel and concrete, blasting, wrapping, fireproofing, corrosion control and anti fouling
Indicative size (FTE)	10 to 200	100+	10 to 30
Location	Perth and Darwin	Global; concentrated across East/South-East Asia	Karratha, Port Hedland, Newman, Broome, Perth, Darwin
Indicative project size	0 to 20,000 tonnes	Minor-to-Major Infrastructure Projects (10,000's+ tonnes)	0 to 500 tonnes
Value Chain Integration	Minor integration across their own manufacturing, fabrication or blasting businesses	Integrated through providing galvanising and substitute services to steel fabricators	Engineering construction services (i.e. Monadelphous), industrial blasting, building refurbishment, marine maintenance, durability engineering etc
Positioning implications for Marnda	Local demand for hot dip galvanisers in the Pilbara remains unmet - what will differentiate us is our local services and capability to provide a reactive response to adhoc demand.	Our market positioning is not aimed at competing with Offshore suppliers - the majority of new construction work is assumed to be serviced by offshore suppliers and suppliers in Perth.	We will offer a competitive and complimentary option and expect to partner closely for a significant portion of the existing and strengthening protective coatings market.

# Market Sentiment

Based on stakeholder engagement workshops

## Market Sentiment of Major Players along the Marnda Value Chain

## Overall Sentiment

### Major Resource Companies

- Overall time and cost benefit is key to integrating the Galvanising Plant into the supply chain
- Appropriate ISO compliance and accreditation is key
- Total cost must not be greater than sourcing externally
- Local content and Indigenous engagement is a priority, as well as unit cost
- Believe tonnage estimate is realistic

- Supportive and would closely look at integrations into their existing supply chains.

### Contractors\ Steel Fabricators

- They fabricate steel as well as subcontract - both procured and fabricated in Perth
- Typically high volume of smaller works
- Capabilities proposed are acceptable (kettle size)
- Believe tonnage estimate is realistic
- Optimistic that future demand will increase, however there are concerns around labour and housing (work force pressures constraining expansion)
- Supportive of a unified local industry body to promote regional capabilities to customers, such as the Galvanising plant

- Supportive and would utilise the facility for fast turn-around and base load works if cost and quality competitive.

### Government Stakeholders

- Would integrate into the local supply chain
- Significant synergy with the planned Pilbara freight hub looking to operate regular Roll-On Roll-Off container ship from Dampier to Singapore (key location source for galvanising component items)

- Supportive and would prioritise utilising the facility through local procurement programs






# Operations

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# Production Process

The overall production process of galvanising steel follows three essential phases: Pre-treatment Phase, Galvanisation Phase and Post-Galvanisation Phase. The optimal level of automation in the production process is 80% - this is key to achieving quality and maximising profitability.

Phase	<p>Pre-Treatment Phase</p> 	<p>Galvanisation Phase</p> 	<p>Post-Galvanisation Phase</p> 
Key Activities	<ul style="list-style-type: none"> <li>• Degreasing – surface contaminants are removed from the steel via dipping in caustic solution.</li> <li>• Pickling – steel undergoes pickling or acid cleaning in hydrochloric acid to remove rust and any mill scale.</li> <li>• Rinsing – steel is rinsed.</li> <li>• Fluxing – steel is immersed in a flux solution (50-70°C) to remove any oxide film which forms on the steel surface after acid cleaning preventing further oxidation. Steel is then dried before galvanising.</li> </ul>	<ul style="list-style-type: none"> <li>• Hot dip galvanising – molten zinc is heated to about 450°C. Steel is immersed in the galvanising kettle at a controlled rate, the steel surface is coated by the molten zinc. This process takes about 10-15 mins, longer for larger items, and the resulting zinc-alloy layers are actually harder than the base steel. As the item is removed, the molten zinc solidifies to form the outer zinc coating.</li> </ul>	<ul style="list-style-type: none"> <li>• Quenching – after galvanising, steel is immediately dipped in a quench solution to prevent the formation of "white rust". This process also cools the steel to facilitate the efficient movement of steel products.</li> <li>• Fettling – any remaining excess drips and drags are removed.</li> </ul>
Key Capabilities	<ul style="list-style-type: none"> <li>• Automation &amp; temperature control</li> <li>• Ventilation &amp; environmental friendly recycling of water &amp; chemicals</li> </ul>	<ul style="list-style-type: none"> <li>• Well trained staff to ensure the process is executed to the highest standard – manual labour is a necessity</li> </ul>	<ul style="list-style-type: none"> <li>• Manual visual inspection and using coating thickness measurements to ensure product quality</li> </ul>

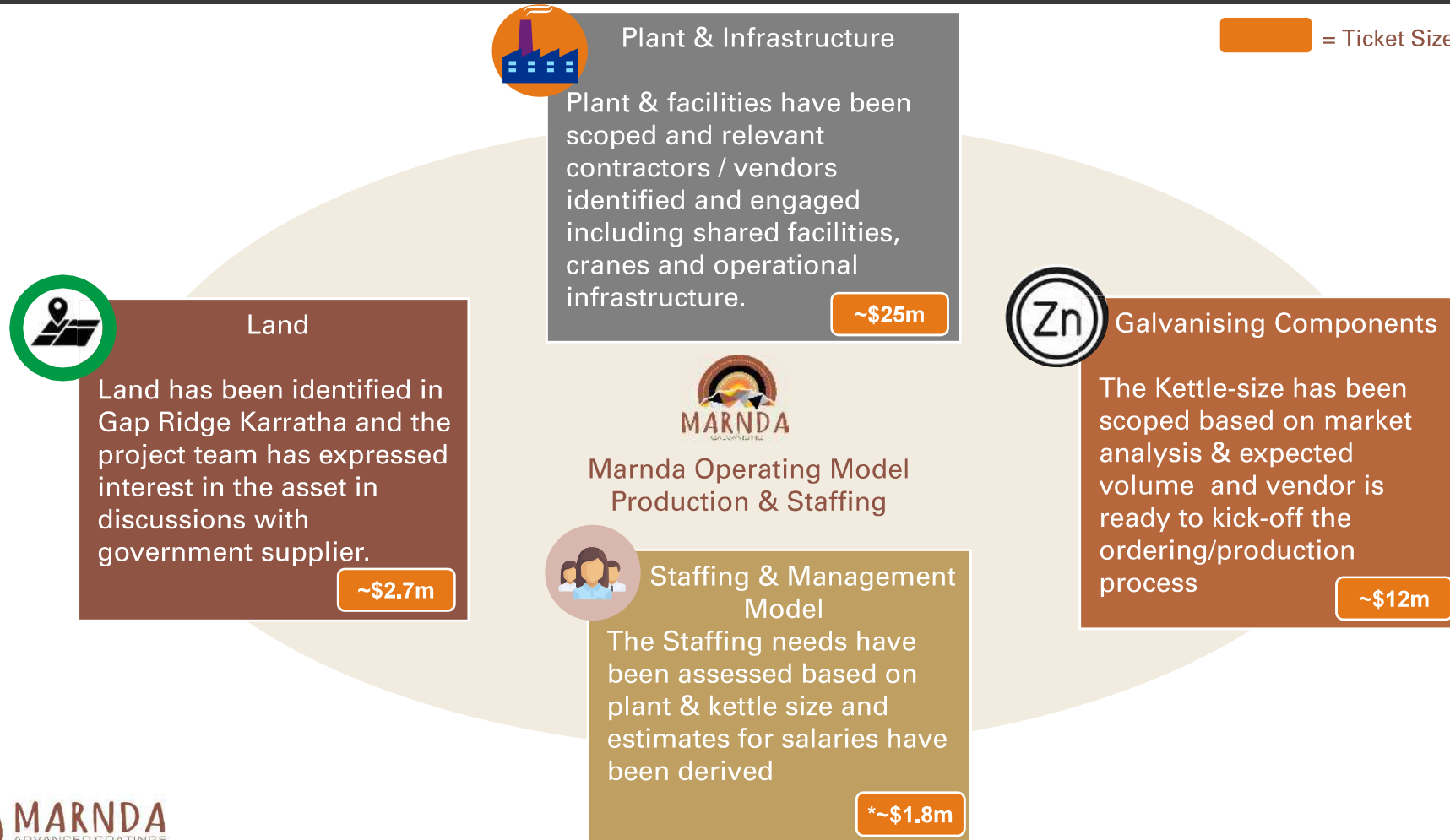
# Operating Model Components

We have identified and scoped all the necessary components of our operating model:

1. Assets and capability needed to construct the hot dip galvanising plant
2. Key input resources and capabilities needed for plant operations

## Key Operating Model Components

 = Ticket Size in \$ AUD



# Location

The proposed location to build the plant is in a premium quality Gap Ridge Industrial Estate, Karratha. Lot number 113 Bedrock Turn sits at 53,050m<sup>2</sup> at an expected cost of \$2.2 million plus additional costs to upgrade power provisioning, bringing the total to \$2.7m.

## Land Specifications



- Gap Ridge Industrial estate in Karratha plays an important role in the Pilbara's growing industry, mining and resource sectors
- With 128 lots over 260ha, Gap Ridge will be one of the largest regional industrial estates in Western Australia
- Prime location close to airport, City Centre, Port Links and Great Northern Highway, including proximity to end of new Karratha to Tom Price Road, connecting the inland Pilbara to the Coast

## Gap Ridge Noxious Industry Zone Specs

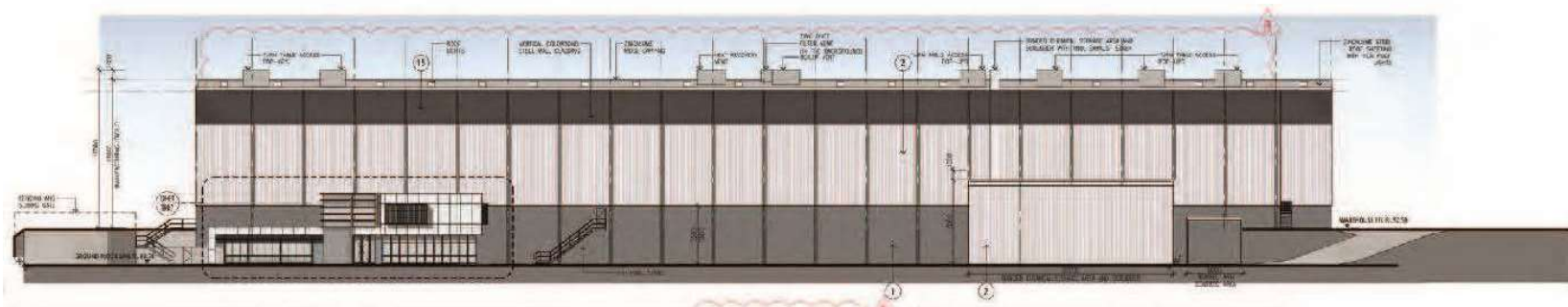
- \$41.50/m<sup>2</sup> for noxious zoned properties (Gap Ridge Industrial Estate)
- Lot 113
- 53,050 m<sup>2</sup>
- Expected cost \$2.7 million (including utilities provisioning)
- Fully serviced with deep sewer, power (to supplement off-grid solution), water and NBN

The infrastructure and plant design has been developed with a leading Australian Owned, South-East Asian Market focused, hot dip galvanising equipment provider and key learnings from prior plants will be applied to drive Marnda's asset effectiveness & efficiency

## Plant Infrastructure



Infrastructure	Dimensions
Office & Staff Amenity Space	1,680m <sup>2</sup> approx.
Production facility - warehouse	8,160m <sup>2</sup> 138,720 m <sup>3</sup> 17m high
Full facility including parking and laydown etc.	25,000m <sup>2</sup> approx.
Car park	40 parking bays approx.
Solar panels on roof	3,500 (1.26 MW)





# Galvanising Kettle

The proposed facility in Karratha will operate a medium-large sized galvanisation kettle of 9.5m in length. Having the right kettle size is critical to the plant's profitability. A medium-large sized kettle is the optimal size for having the maximum length at the lowest capital cost with the options of extending the size of the kettle in the future without needing to rebuild.

## Plant Infrastructure



### Kettle Heating System

Type	Thermal Panels
Heating medium	Electric Heating Elements
Capacity rating	25 tonnes per hour at 460°C

### Kettle

Dimensions	
Length x Width x Height	9,500mm x 1,800mm x 3,200mm
Usable Kettle Size	9,100mm x 1,650mm x 3,000mm
Liquid Zinc Capacity	363 Tonnes
Density	160 kg/ m <sup>3</sup>
Melting Point	419.5°C
Special	Automated Double Dipping to 12.5m

### White Fume Collection and Treatment Unit

Dimensions	
Production hours	6 dippings per hour, 12 hours a day, 5 days a week
Design ventilation volume	2,709m <sup>3</sup> per m <sup>2</sup> per hour resulting in 84,000m <sup>3</sup> per hour

### Pre-Treatment

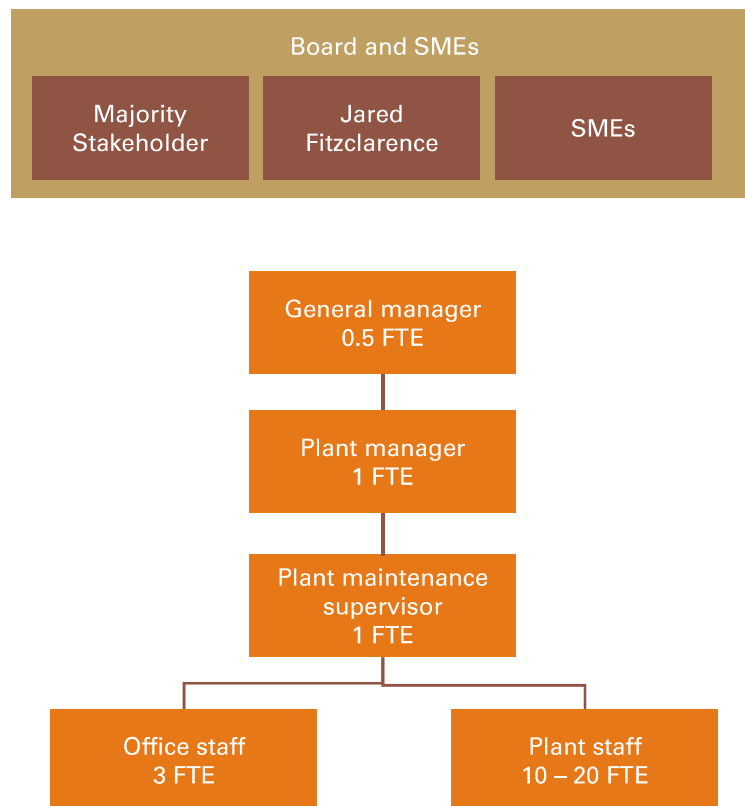
Dimensions	
Length x Width x Height	12,800mm x 1,800mm x 3,200mm
Usable Pre-Treatment Size	12,500mm x 1,650mm x 3,000mm
Number of Tanks	8

# Staffing and Management Model

Based on our proposed kettle size, existing hot dip galvanising plant research site visits and SME engagement with equipment providers and plant operators, a proposed management & staffing model has been derived with an initial 15.5 FTE staffing level, growing to max 25.5 FTE.

## Marnda's Staffing & Management based on a medium Size Kettle Operations

*Voluntary no compensation base*



Estimates – Local Labour Multiplier Analysis Outstanding



General manager  
(Pro rata base: ~\$260k)

### Key roles, responsibilities & skills

- Administration
- Sales and marketing
- Health and safety



Plant manager/ Ops  
Manager  
(Base: ~\$240k)

### Key roles, responsibilities & skills

- Production management
- Labour management and recruitment



Plant maintenance  
supervisor  
(Base: ~\$160k)

### Key roles, responsibilities & skills

- Deputy plant manager
- Maintenance management
- Occupational, health and safety



Office worker  
(Base: ~\$85k)

### Key roles, responsibilities & skills

- Sales Support
- Administration
- Bookkeeping



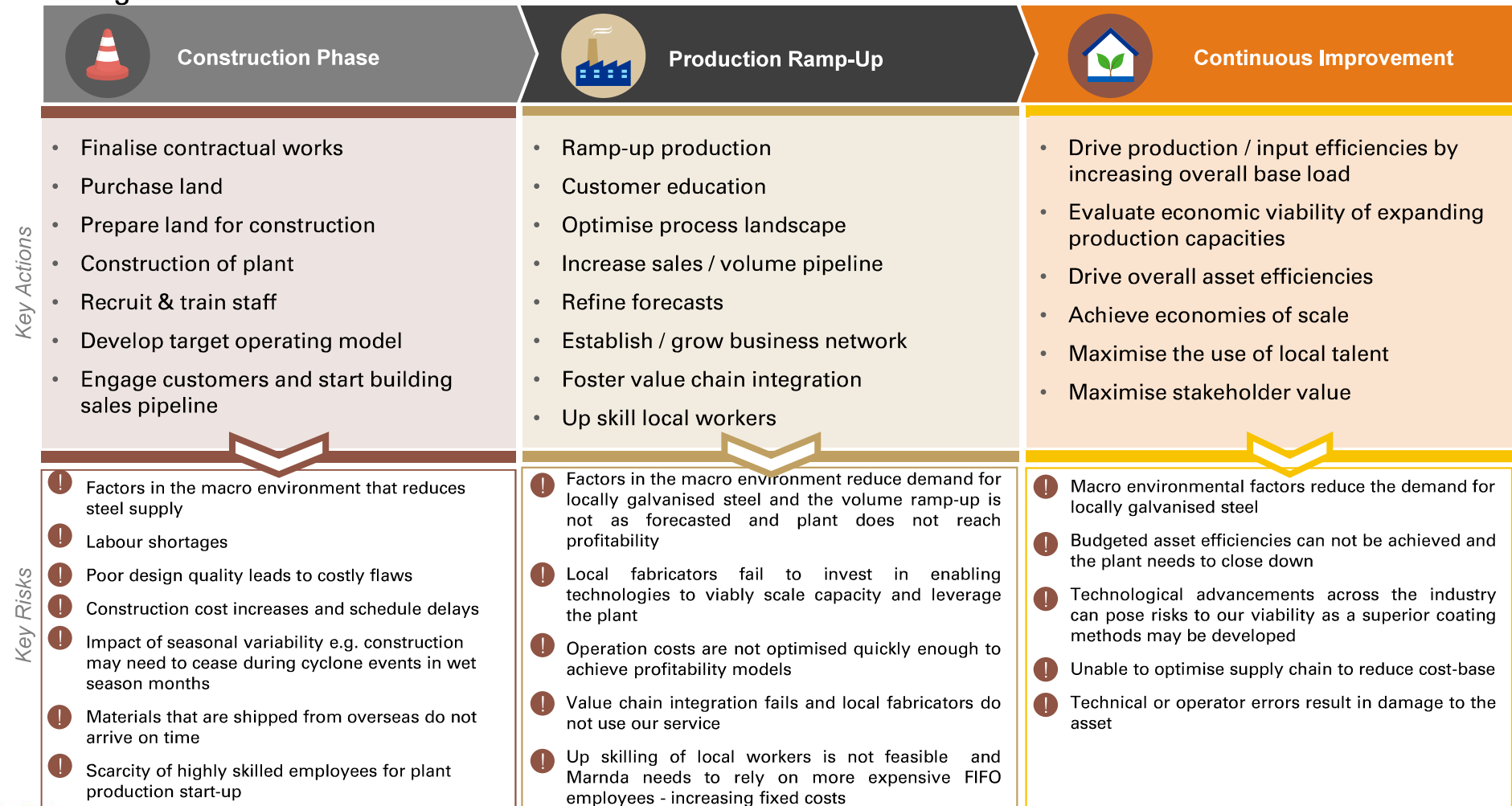
Labour field worker  
(Base: ~100k)

### Key roles, responsibilities & skills

- Variety of tasks in line with the 3 phase production process
- Multi-skilled

# Production Ramp-up Plan

Each of three project phases bears its own risk that need to be identified and mitigated accordingly along the project journey – an experienced project team will ensure that mitigation actions will be in place at the right time



# Projected Financial Performance

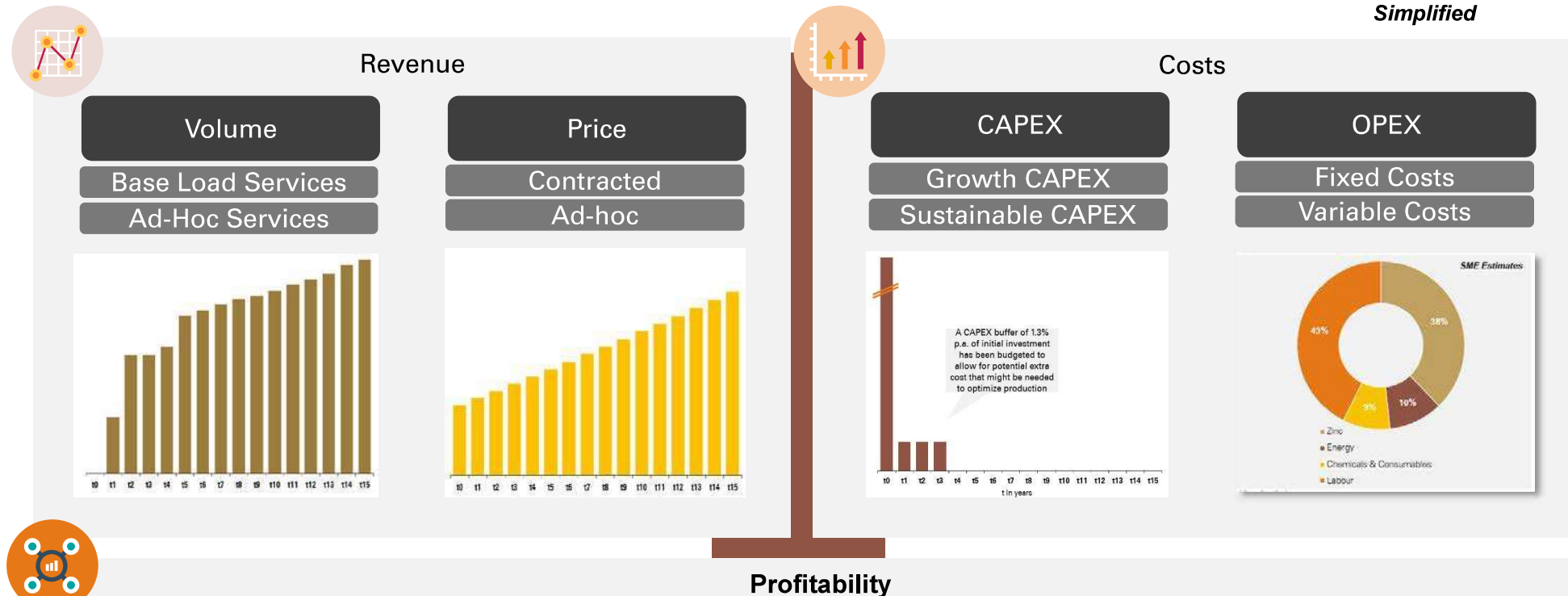
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# Financial Assessment

Inputs for the financial assessment have been developed from the bottom-up and variables have been assessed in regards to the impact and sensitivity on the overall project feasibility

## Financial Analysis

*Simplified*



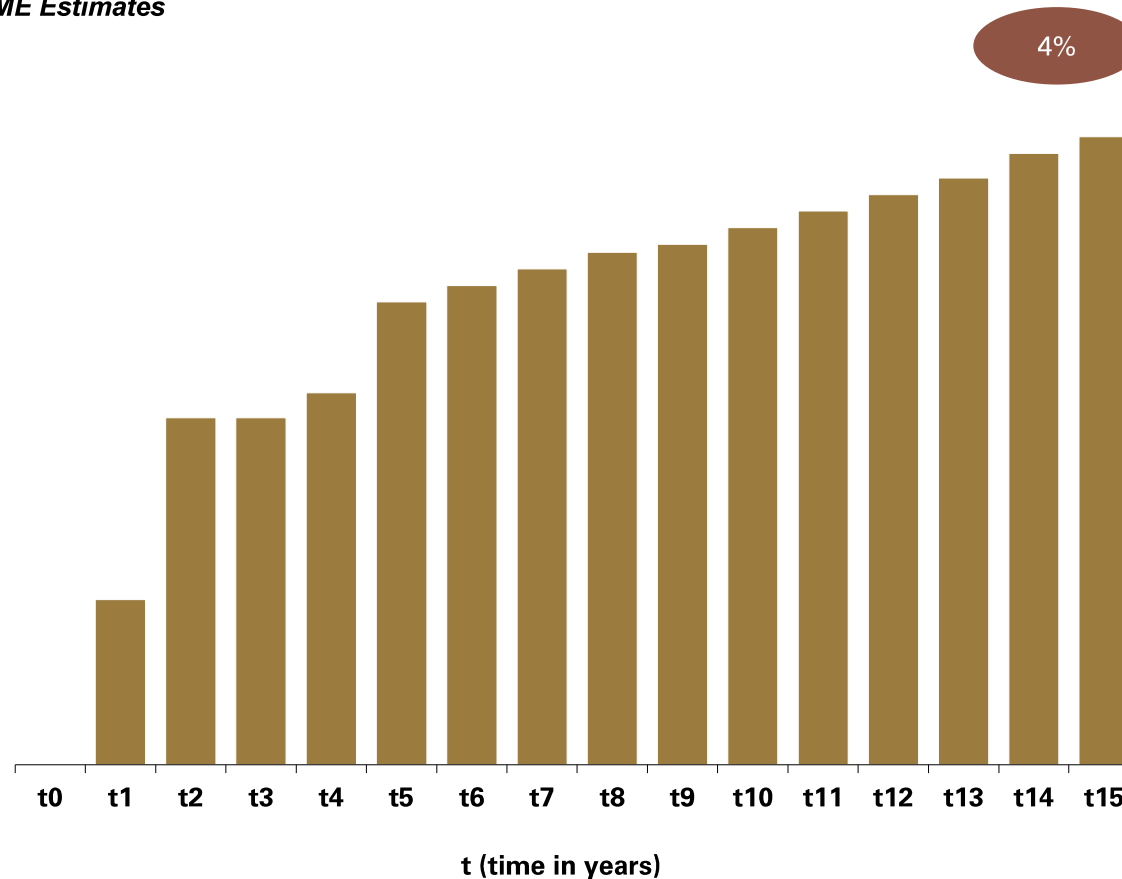
- To determine profitability, we have assessed all relevant variables that will impact our short-term & long-term profitability, by conducting sensitivity analysis on key cost drivers
- All parameters have been benchmarked against industry standards and adjusted to local conditions to ensure robustness of the financial analysis

# Volume

Operations have been scoped based on market volume available to support proposed operations – Plant & kettle size allow profitable operations for a volume above > 4,000 tones per annum

## Marnda's Volume projection based on SME estimates

### SME Estimates



### Key Insights:

- Volume ramp-up highly depends on how successfully we can integrate ourselves into the local value chain and engage with the Tier 1 & Tier 2 engineering firms
- 80% of volume is anticipated to be driven by maintenance work for existing resource projects and on-going base load civil construction
- CAGR (Compound Annual Growth Rate) of 3% forecasted over a "business as usual" period
- From year 5 onwards volume is expected to stabilise - further growth, beyond the 15 year capacity projections, will require an extension in the galvanising kettle size to expand production
- Projected volumes modelled on galvanised steel numbers provided by wholesale steel providers covering the FY14 to FY19 periods and validated against scrap metal figures for FY18 & FY19

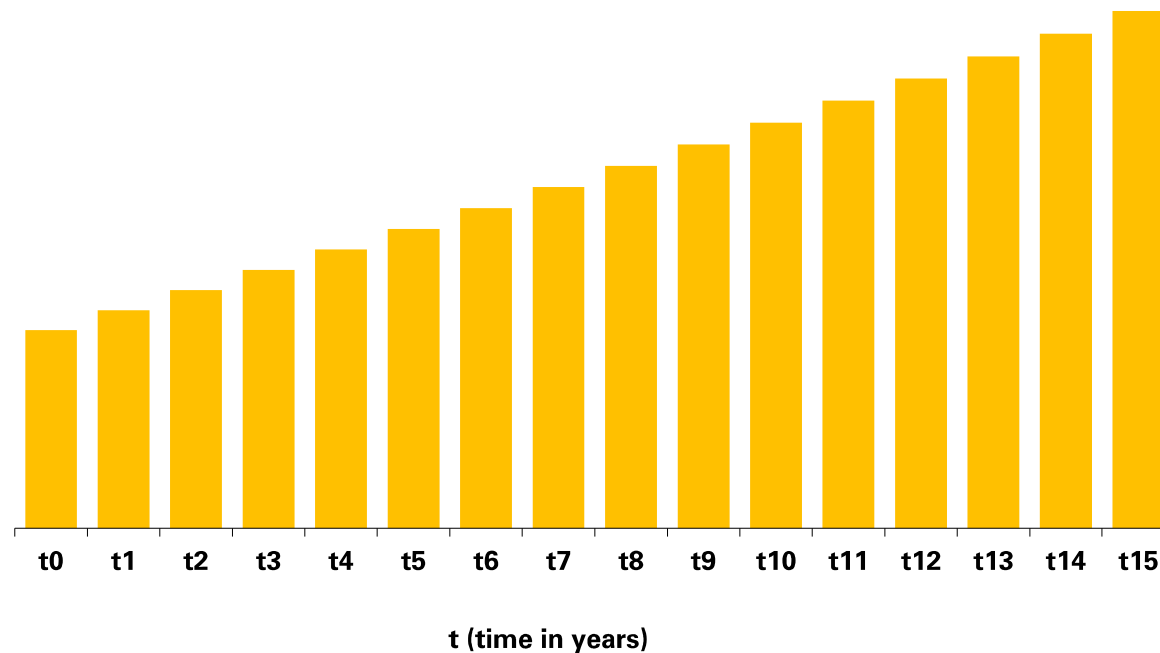


# Price

Stable market prices for galvanisation services over recent years are complimented by indexed commodity pricing to pass on fluctuations in zinc costs – lucrative ad-hoc work is key to drive plant profitability

Marnda's price projection based on SME estimates

## SME Estimates



## Key Insights:

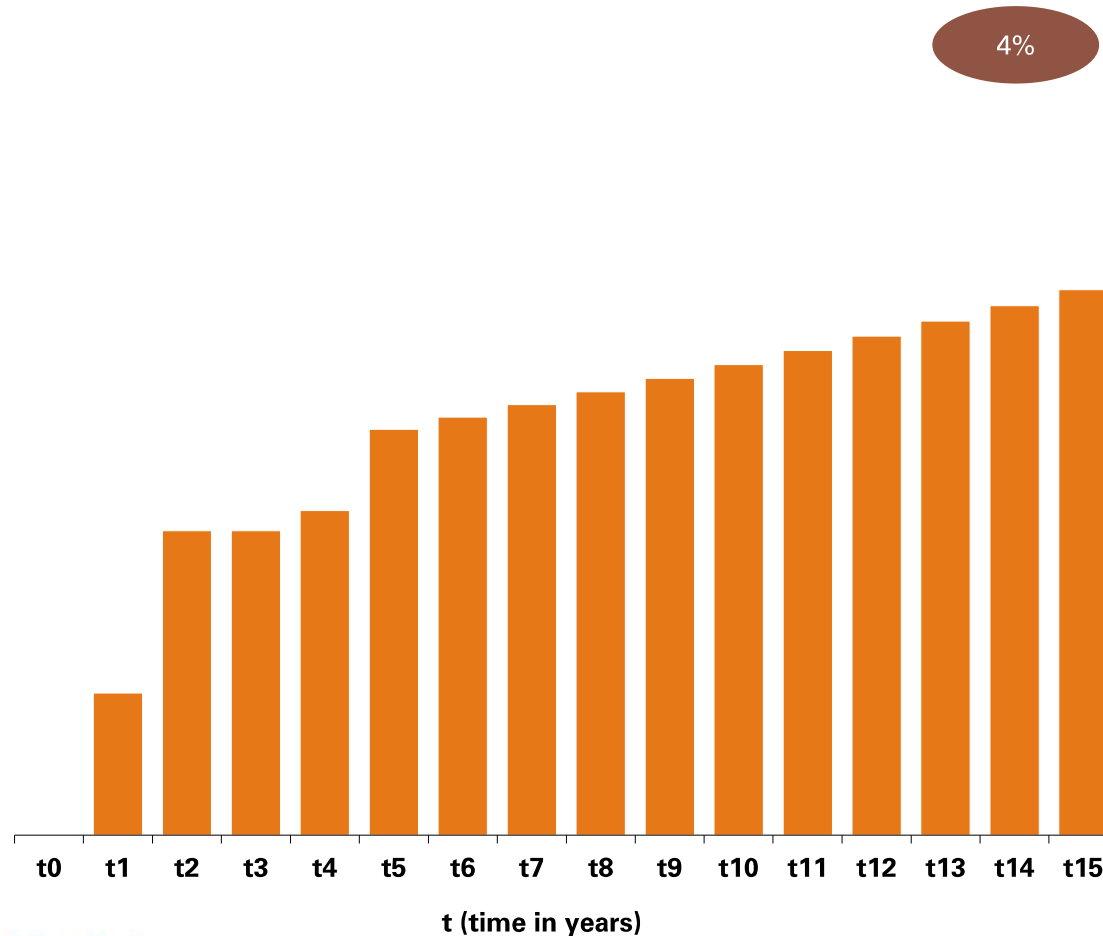
- SME interviews showed that prices for hot dip galvanising services have not been growing over past couple of years nor are they expected to grow over the next few years
- Most Australian hot dip galvanisers use price indices to pass on variation of input/production materials
- The variability in Zinc costs can have a significant impact on the overall OPEX volume but not operating profits
- As major volumes will be driven by maintenance and ad-hoc demand, Marnda shall be able to realise higher margins for ad-hoc and maintenance projects due to the protective cost of transport and price-efficiency of hot dip galvanising

# Revenue

Revenue volumes greatly depend on what prices can be achieved during ramp-up phase and on the product mix sold to market – expected high volumes of ad hoc work and light structural products will help to drive revenue

Marnda's Revenue projection based on SME estimates

## SME Estimates

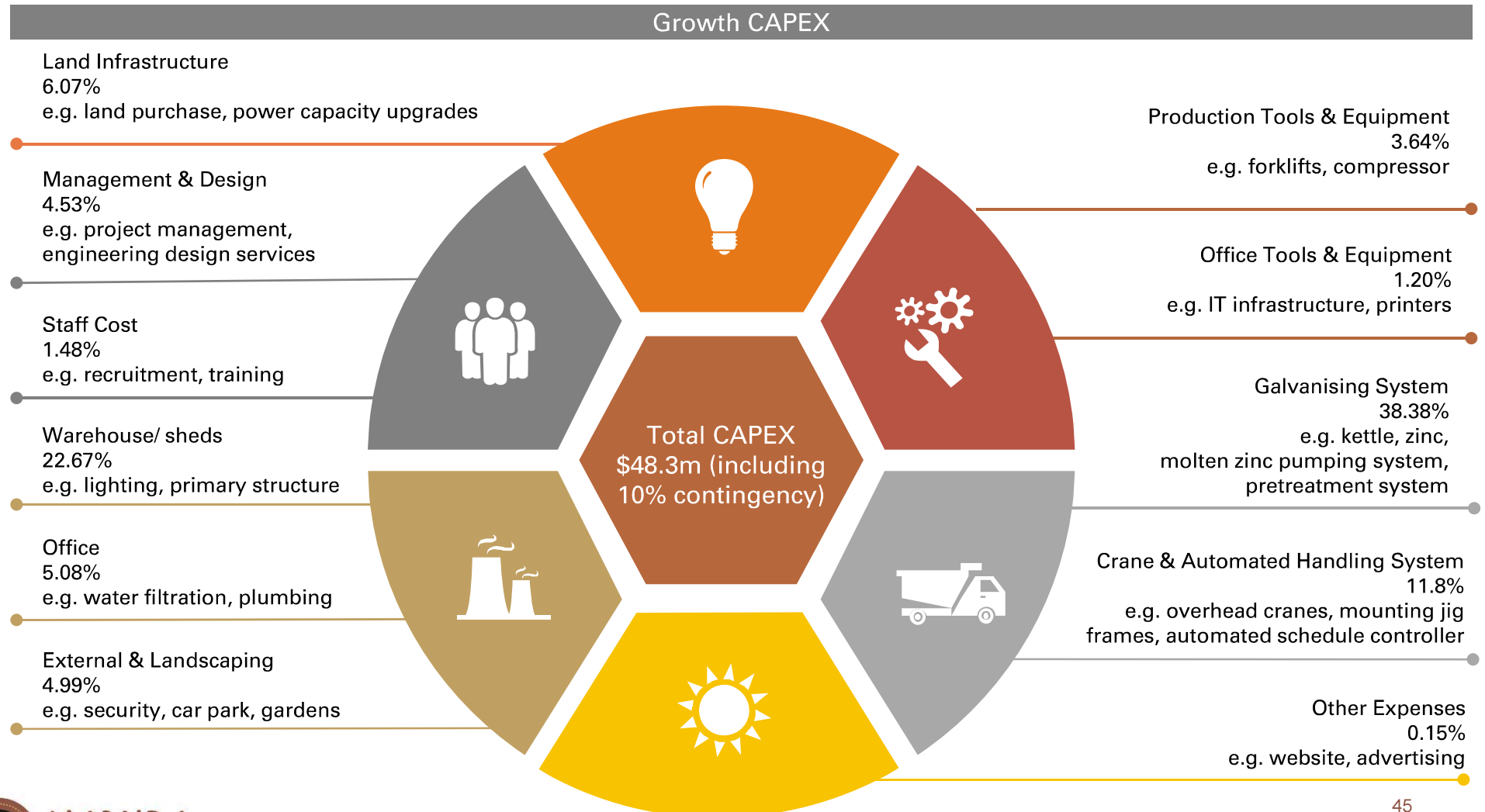


## Key Insights:

- Revenue as a function of volume and price moves accordingly over the forecast period of 16 years
- Achieving the budgeted prices & product mix are crucial in driving sustainable and profitable revenue
- A CAGR of 4% is forecasted over the business as usual period, after significant volume growth assumed over the first 5 years of the operation based on market volume data

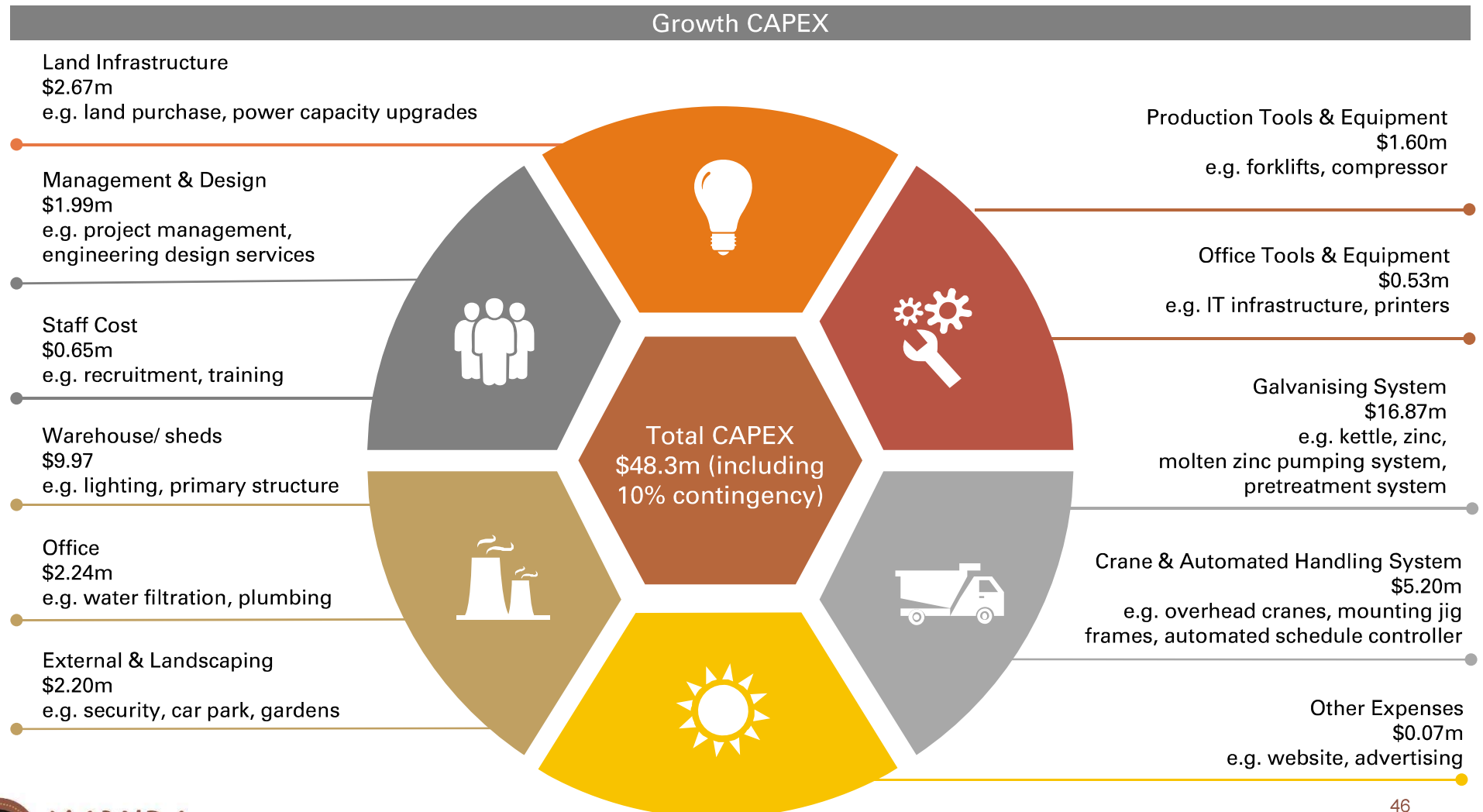
# Initial Growth CAPEX – Bill of Materials

All ticket items have been scoped aligned to market analysis and expert engagement – the overall investment volume has been minimized to allow a quicker financial recovery and profitability in early years



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# Optional Capex (Plant Power System)

The proposed model assumes entering into a take-or-pay arrangement with a third party to build the Plant's power system. However if sufficient grants, funding and capital are available ownership of this system can be considered.

## Energy system option comparison

### Take-or-pay

#### Total estimated costs:

- Variable energy cost of approximately \$120 per tonne based on take or pay contract at 30c per kWh
- Estimated volume over 15 years of 80,000 tonnes
- Total estimated cost of \$9,600,000

#### Benefits/ Challenges:

- Lower initial capital requirements
- Turnkey option that allows Marnda's focus to be on galvanising
- Given government grants and low interest loan support available for renewable energy projects, this option may potentially provide a lower investor return

### Up-front capital

#### Total estimated costs:

- Energy system cost: \$6,700,000
- Maintenance cost for 15 years \$1,850,000
- Total Cost \$8,550,000

#### Benefits/ Challenges:

- Availability of government grants and low interest loan support for renewable energy projects may significantly reduce capital requirements and improve investor return over the plant lifecycle
- Requires ongoing maintenance and management directly or indirectly by Marnda

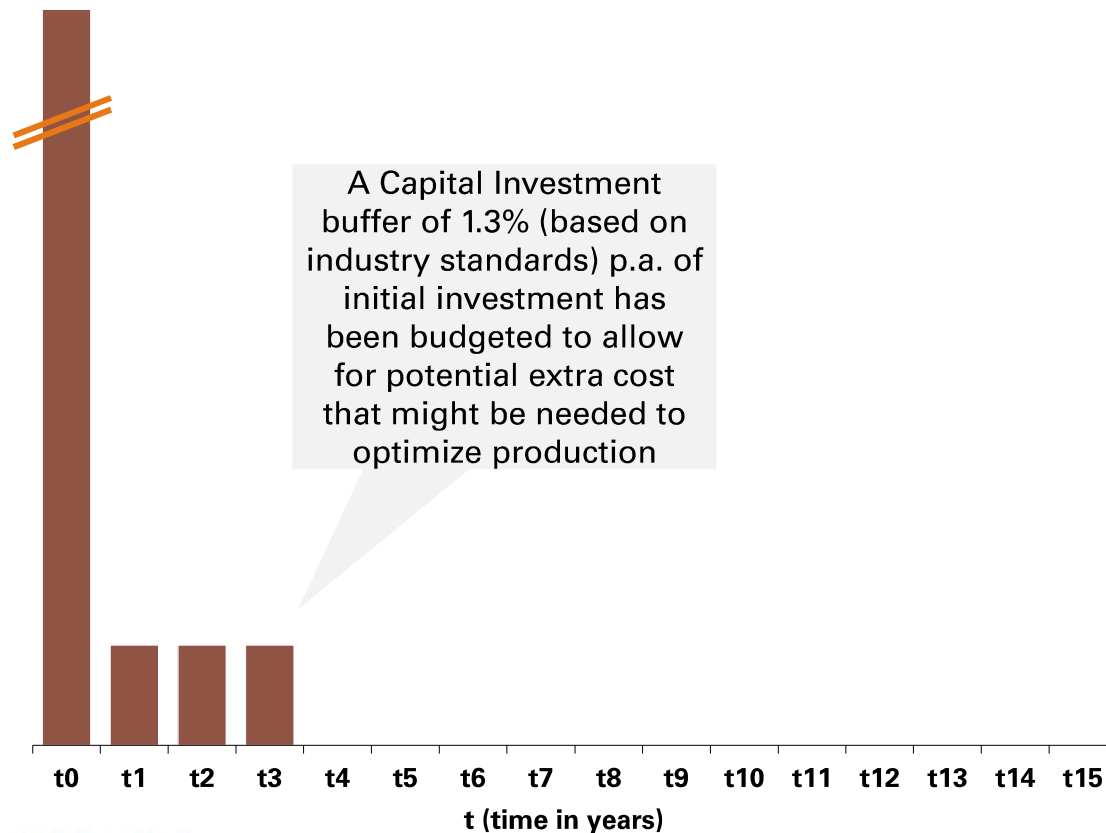


# Growth CAPEX

After high initial upfront investment costs, the plant won't require large amounts of CAPEX to maintain assets – high quality maintenance along the asset life is essential to enable this and drive asset efficiency

Marnda's CAPEX projection based on SME estimates

## SME Estimates



## Key Insights:

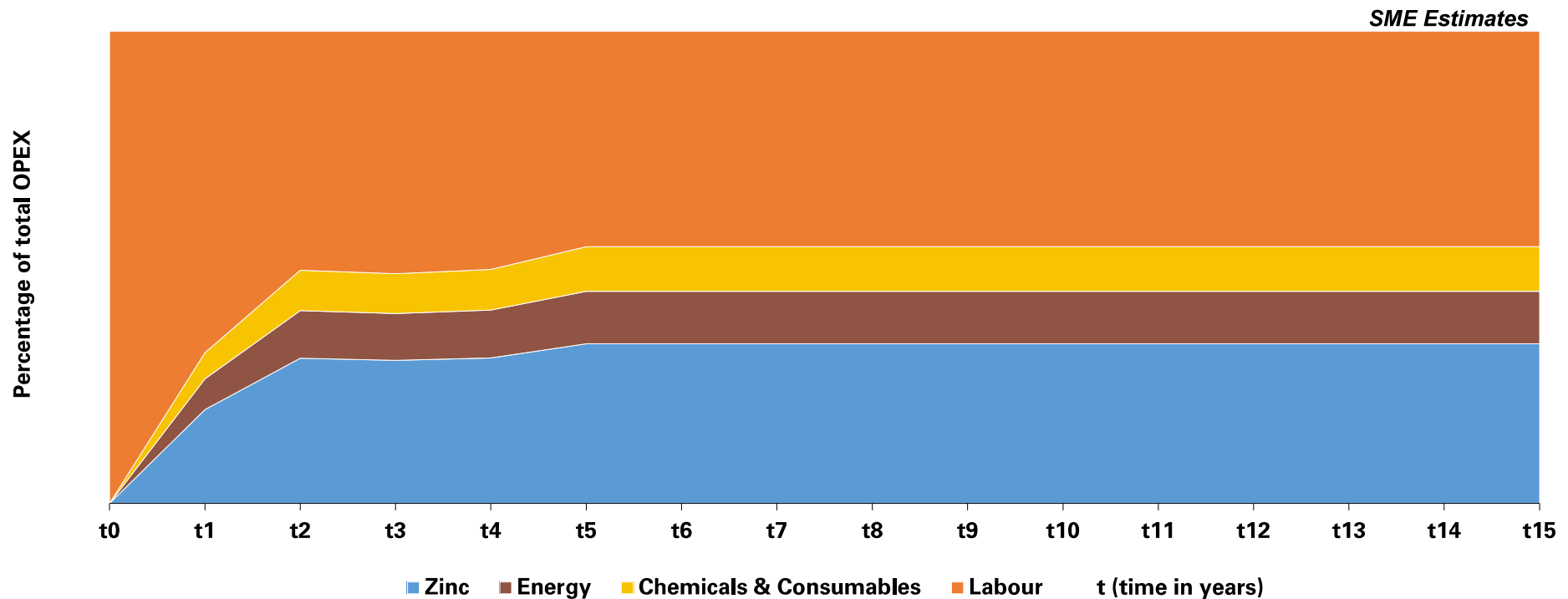
- Initial Growth CAPEX includes all relevant purchases & expenditures relevant to setting up the plant and enabling production
- All CAPEX estimates have been developed with Kingfield Equipment a leading equipment provider and operator of hot dip galvanising plants in Australia
- While a gas heated kettle would require replacement at the 10-12 year mark, by using an electric kettle the lifespan is increased to 20-25 years and therefore is not required to be costed in this modelling



# OPEX Profile (1/2)

Labour & Zinc dominate the spend profile – economies of scale are essential to leverage labour fixed costs and to improve profitability

Marnda's OPEX spend distribution projection based on SME estimates

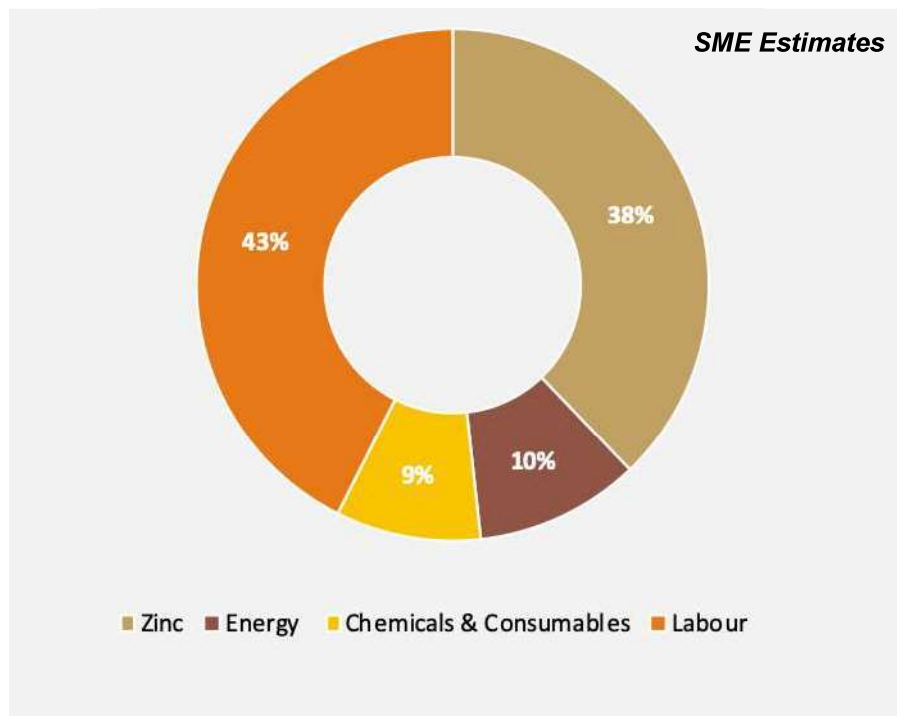


- Labour & Zinc costs make the majority of the OPEX spend – any increases in OPEX costs besides labour will be indexed to the service price and passed on to the customer, although this is subject to the terms of contractual arrangements with customers.
- The project envisages third party construction of an on-site power plant, consisting of a 1.26 MW of solar generation, 2x2.5 MWhr of battery storage and standalone diesel generators for backup. This plant will provide power to Marnda in a 'take or pay' contract, fixing costs based on expected usage over a 15 year period.

# OPEX Profile (2/2)

A 5% increase in profitability can be achieved via economies of scale better leveraging fixed labour costs after 5 years as budgeted volumes increase

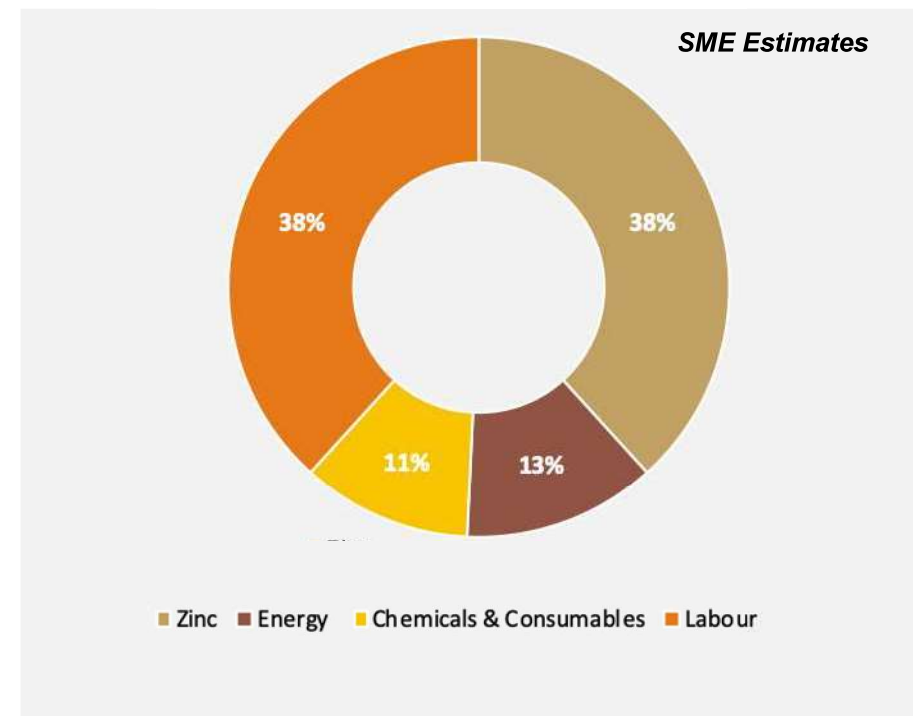
OPEX Spend Distribution year 1+



## Key insights

- The majority of the OPEX components are a function of volume and move proportionally with volume
- Optimised processes will be essential to maintaining the budgeted relative cost

OPEX Spend Distribution year 5+



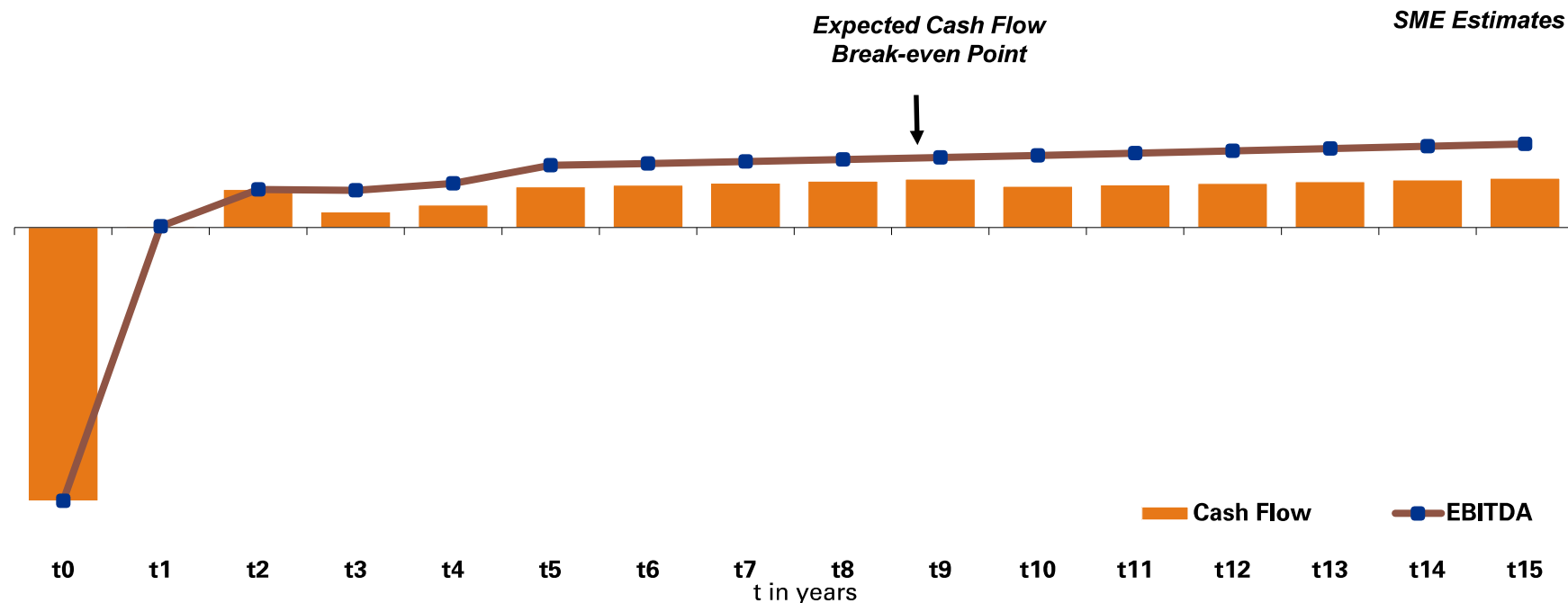
## Key insights

- The fixed cost component of labour experiences economies of scale in the 5<sup>th</sup> production year with a production volume greater than 5,000 tonne p.a.

# Projected Cash flow

Marnda is expected to break even based on EBITA cash-flows between year 8 and 9, pending all variables performing as projected – a substantial government construction grant and a 50% loan from the Northern Australia Infrastructure Fund (NAIF) are essential to achieve this.

## Break-Even & NPV of the Marnda Project



### Key insights:

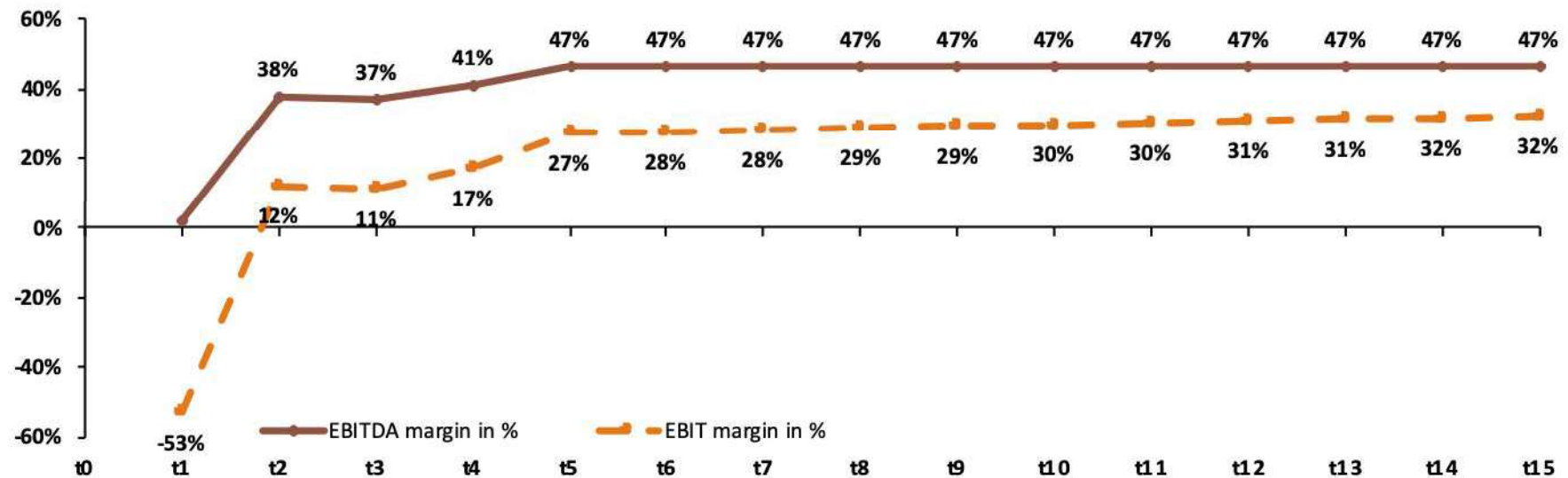
- Based on cash-flows (including interest and tax) the break even point can be achieved between 8 – 9 years and a project NPV of 0, the cash flows assume a life cycle of the plant of 25 years and a residual value of ~\$7m and an Internal Rate of Return (IRR) of 9% over 15 years which lines up with a WACC of 8-9% that represents an average industry rate of return of equity derived from SME interviews.
- The initial Growth CAPEX will be affected by the size of the government grant and a NAIF Loan – currently a loan of 50% of baseline project CAPEX (before applying the government grant) is assumed, at 3% interest over 25 years with a three year payment grace period. The government grant and NAIF loan will effectively reduce the initial upfront investment and the amount of equity needed to fund the operation.

# Projected Profitability

Profitability KPIs meet industry standards and will exceed those after year 5 – the optimization of growth and sustainable CAPEX are crucial to meet these forecasts

## Break-Even & NPV of the Marnda Project

*SME Estimates*



### Key insights:

- Marnda will reach industry profitability standards in year 5 and is forecasted to drive EBITDA efficiency around 50% after this - economies of scale across the asset itself and the fixed labour costs are essential to achieve these margins.
- The establishment into the local value chain and the recognition by major Tier 1 Tier companies will drive certainty in Marnda's volume and its overall cash-flows

# Key Assumptions

All assumptions used in the financial model have been agreed on and validated with key project stakeholders and industry experts.

## Key Model Assumptions

### Key assumptions:

- There is approximately 30% premium in excess of price estimates derived from market analysis in WA (Perth) for inputs to the steel fabrication and galvanising supply chain, driven by distance and higher labour costs
- Marnda's revenue forecast assumes a volume weighted average price across the product categories structural, light structural and mesh & perforated which resulted in ~\$1,500 per tonne including 30% local
- Substantial government construction grant
- 50% of total value loan financing from NAIF, payable over 25 years at 3% interest with a three year payment grace period at the start are assumed for the initial investments – this covers the all relevant assets to establish & run a medium sized galvanisation facility with the long-term option to expand the size of the galvanising kettle in length and width
- Contingency of 10% incorporated into Growth CAPEX figures.
- Further Growth CAPEX of ~6.25% is assumed for commissioning the production which is mainly driven by the input resource zinc to commission the galvanising kettle
- Sustainable Capital Investment of ~1.3% p.a. of initial Capital Investment for t1 - t3 years is further budgeted to support process/ asset refinement and optimisation and staff training
- Ongoing fixed costs are greatly driven by the labour component of ~15.5 FTE, growing to ~ 25.5 FTE, are budgeted at an average blended salary. Further analysis to be conducted regarding total overheads required to operate plant and in regard to the level of desired process automation
- Variable unit costs are composed substantially by the galvanisation input resources of zinc, power, chemicals and water. Currently, Marnda's average variable unit costs are assumed to be ~10% CAPEX; further validation of cost structures needed during financing stage
- The pay-back period analysis is based on the total cash-flows with an IRR of approximately 9% over 15 years.
- Process optimisation, staff training and a maximum level of process automation are fundamental preconditions to meet the facility's economic objectives
- Third party solar and storage power supplier is able to meet modelled indicative power price point, under a 15 year 'take or pay' contract

# Benefits to the Region

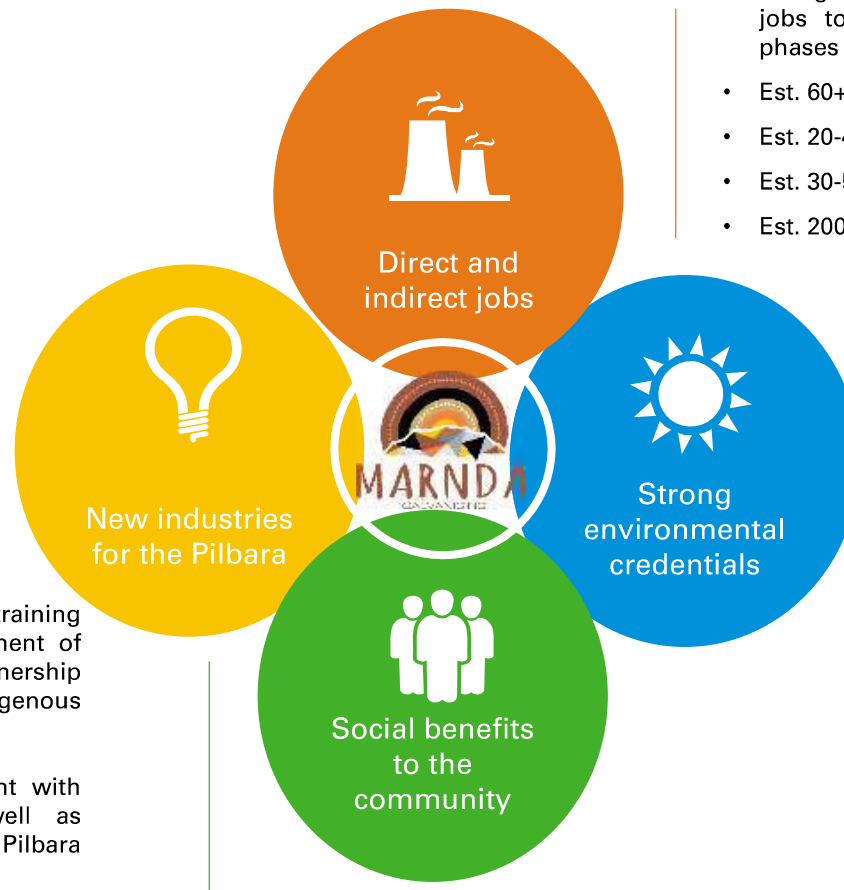
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# Benefits to the Community

A core driver of the Marnda galvanising plant project is the benefits it will provide to Karratha and the broader Pilbara community; including enabling new services and industries, providing employment opportunities, strong environmental credentials and Indigenous engagement at investor, workforce and supplier levels.


- The project supports the diversification of Karratha's economy and provides industry enabling infrastructure and reduces dependency on lengthy supply chains by increasing local capability mitigating disruption from Covid 19 to interstate and international supply
- Potential new industries including large structural steel, barrier guardrail and sign-posts, solar plant panel support structures, conveyor frames, modular hand-railing, guard-railing and mesh decking
- Having a local galvanising facility will allow existing industries to optimise their maintenance programs and shut-downs and reduce down-time from unplanned maintenance events
  - Marnda will invest in developing and training local talent and support the employment of local Indigenous people. Marnda's ownership structure envisages > 50% Indigenous ownership
  - The project will focus on engagement with Indigenous owned suppliers, as well as providing investment opportunities for Pilbara Indigenous trusts and businesses
- The greenfield operation will bring new direct and indirect jobs to Karratha during its construction and operational phases
  - Est. 60+ job during construction
  - Est. 20-40 direct operational roles
  - Est. 30-50 indirect fabrication jobs
  - Est. 200-220 indirect jobs across the region
- Marnda will be a new-generation galvanising plant with very low emissions as well as clean and safe (workforce and public isolation from chemical processes and emissions).
- The project envisages a 1.26MWhr solar plant with 5MW of storage which is projected to sustain all operations at the plant outside of emergency situations (e.g. cyclones).




# Risk Analysis

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# Risk Assessment & Mitigation Action

CATEGORY	RISK	LIKELIHOOD	IMPACT	MITIGATING ACTION
 Strategic & Commercial	The size of the kettle is scoped incorrectly, leading to a higher throughput threshold to achieve breakeven.	Likely	High	Assess and identify a kettle size that strikes a balance between the estimated demand for Marnda's services, initial investment costs, level of production costs, breakeven volume, payback period – sensitivity and correlation analysis required.
	The volatility of key input resources such as zinc may negatively impact the profitability margin of galvanised products.	Highly Likely	Medium	Sensitivity analysis required to determine customers' willingness to accept the practice of galvanisers passing on zinc price fluctuations. Develop a sophisticated forecasting method and introduce hedging to stabilise the zinc input costs over time.
	The anticipated mining and infrastructure projects do not lead to an increase in demand for galvanising in Karratha.	Likely	High	Lobby with primary stakeholders and resource companies and the local government to promote local procurement policies for steel and galvanised steel in the Pilbara.
	Indigenous engagement is not done appropriately or effectively leading to Marnda not meeting stated Indigenous ownership and employment goals.	Unlikely	High	Early engagement with potential Indigenous investors and communities to ensure relationships are built as an early component of planning.
	Running both KAW and Marnda will require management attention and time from its Managing Director.	Likely	High	Create a new leadership role to oversee the plant management, allowing the Managing Director's role to focus on leadership across both organisations.
	A Covid 19 outbreak in Australia, Western Australia and/ or the Pilbara will significantly disrupt mining and other steel intensive operations, impacting the demand for galvanised steel, construction timeline and costs, and/ or the ability of the galvanising facility to operate (e.g. challenges with bringing in specialist OEM non-contracts from interstate/ overseas).	Unlikely	Very High	Focus on securing local contractors and staff instead of opting for a FIFO model, working closely with government regulators and industry to ensure Marnda operates in a Covid-safe manner.

# Risk Assessment & Mitigation Action

CATEGORY	RISK	LIKELIHOOD	IMPACT	MITIGATING ACTION
 <b>Operational</b>	The galvanising plant will have a significant negative impact on the environment, not meeting community and regulatory environmental standards and/ or creating an unsafe workplace.	Unlikely	High	Construct a modern “green” galvanizing facility with a fully sealed pre-treatment room that contains all noxious elements and prevents them from contaminating the surrounding environment. Pursue a renewable energy solution to minimise the carbon footprint of the plant.
	Local supplier/ customer engagement is poor, leading to slow or limited uptake of the galvanising plant’s capacity and/ or cost overruns resulting in poor/ unprofitable operating performance and longer payback period.	Unlikely	High	Early and sustained engagement with suppliers/ customers is critical to inform them of how a locally available galvanising plant can be safely, efficiently and cost-effectively integrated into their supply chains.
	<p>A shortage of local skilled management and operational labour may necessitate interstate or overseas recruitment leading to higher costs.</p> <ul style="list-style-type: none"> <li>Sourcing the skilled labour required will significantly increased recruitment lead time and affect the timing of commencing operations.</li> </ul>	Likely	Medium	<p>Leverage the plant technology to automate as many processes as feasible, minimising the manpower required to operate.</p> <p>Consider the cost and benefit of up-skilling the available local talent pool before looking to interstate or overseas recruitment – start the recruitment and training process in advance; develop a skill evaluation and training framework to predict and manage resourcing risk.</p>
	The plant will only achieve its full operational and process efficiency after 12 months. Around 12 months of training and process optimisation will be necessary to run Marnda efficiently and to produce high-quality outputs.	Likely	High	Implementation of a process operating model that allows constant monitoring and quality checks and identifies needs for training and optimisation.
	Local energy network capabilities might not support the demand of the future Marnda expansion.	Highly Unlikely	Very High	Consultation with local officials need to be made to assess the power needs of the plant, and if necessary pursuing off-grid solutions to provide cheap, reliable and fixed cost energy supply.

# Acknowledgements

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# Acknowledgements

We would like to thank the entities that have contributed funds to achieve the completion of this Feasibility Study





# Acknowledgements

We would like to thank the entities that have contributed time and accurate and detailed information towards the completion of this Feasibility Study



InfraBuild



Australia's most sustainable hot dip galvanizing plant



Leading crane technology.



GLOBE SAFE, SERIOUS ON SAFETY



# Kingfield

## Curriculum Vitae



5/88 Merrindale Drive  
Croydon south  
VIC  
3136

[www.kingfeldequipment.com.au](http://www.kingfeldequipment.com.au)

### Key contact:

Geoff Lisle  
Managing Director  
Kingfield Equipment

T: +613 9876 9190



### Overview

Kingfield Equipment has more than 30 years of experience in the galvanising industry and now lists among its clients 52 major galvanising plants in Australia, South East Asia and the Middle East.

Reflecting excellence in the areas of design, construction, installation and training, Kingfield Equipment has won the Australian Galvanising Industry Sorel Award for Industrial Innovation and Excellence four times.

Through award-winning design and technology, careful consultation with clients and proven experience, Kingfield Equipment delivers the results on time and on budget.

The Kingfield Equipment team consists of leading engineers, technicians and innovative industry professionals.

### Relevant experience

Their business started in Australia, designing and building galvanising systems throughout the country. In addition to that, for the past 28 years they have been forging relationships and partnerships with numerous clients throughout Asia and the Middle-East.

Kingfield Equipment's experience in galvanising design has been built on successful in-house research and development. Their designs have been quality tested and proven in the Kingfield Galvanizing factories.

### Clients

Kingfield Equipment currently provide services to over 40 galvanising clients throughout the following countries: Australia, China, Indonesia, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Thailand, United Kingdom, United Arab Emirates and Vietnam.

They are a leading consultant to Government Infrastructure departments and key stakeholders during the feasibility stages of major projects throughout SEA and the Middle East relating to Hot Dip Galvanising.

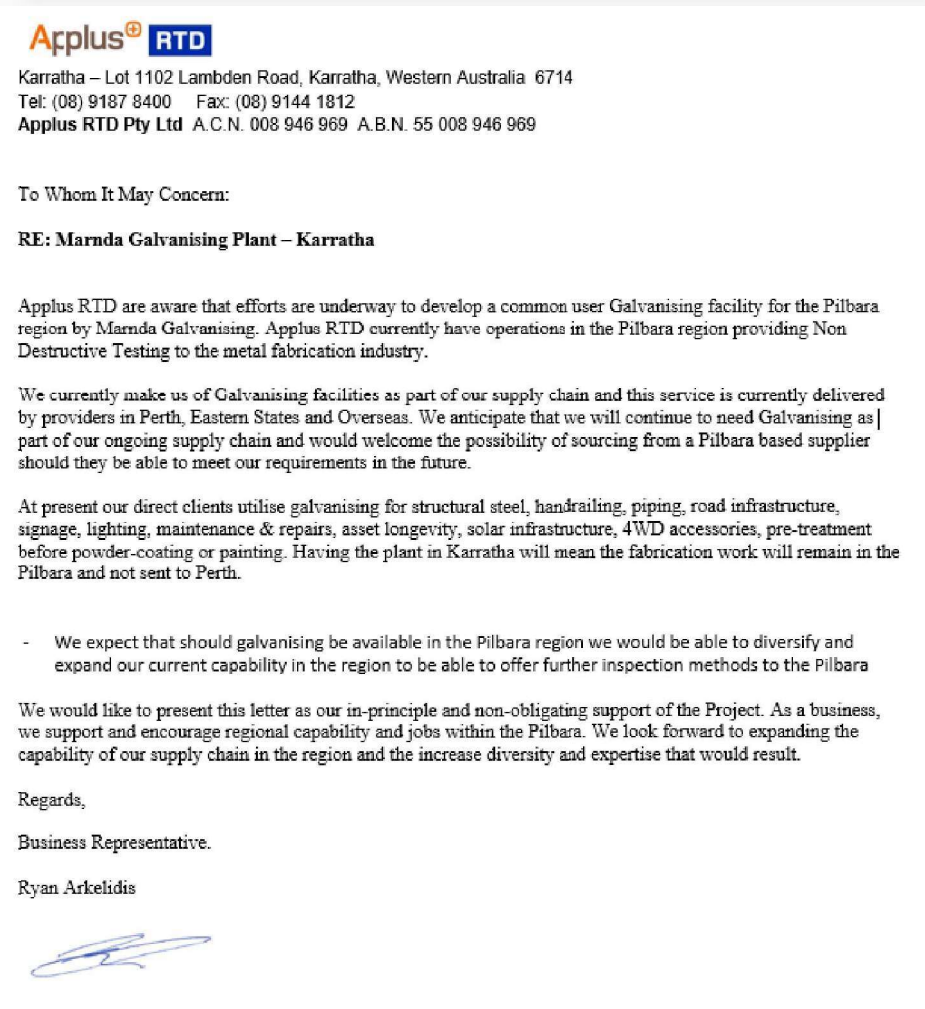
Most recently the Cikampek 2, Elevated Highway Project (Jakarta, Indonesia) realised the design and installation of Hot Dip Galvanising plant and equipment with a capacity of 225,000 tonnes of hot dip galvanized steel structures to be processed and set up in 24 months.

# Letters of Support

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# Letters of Support

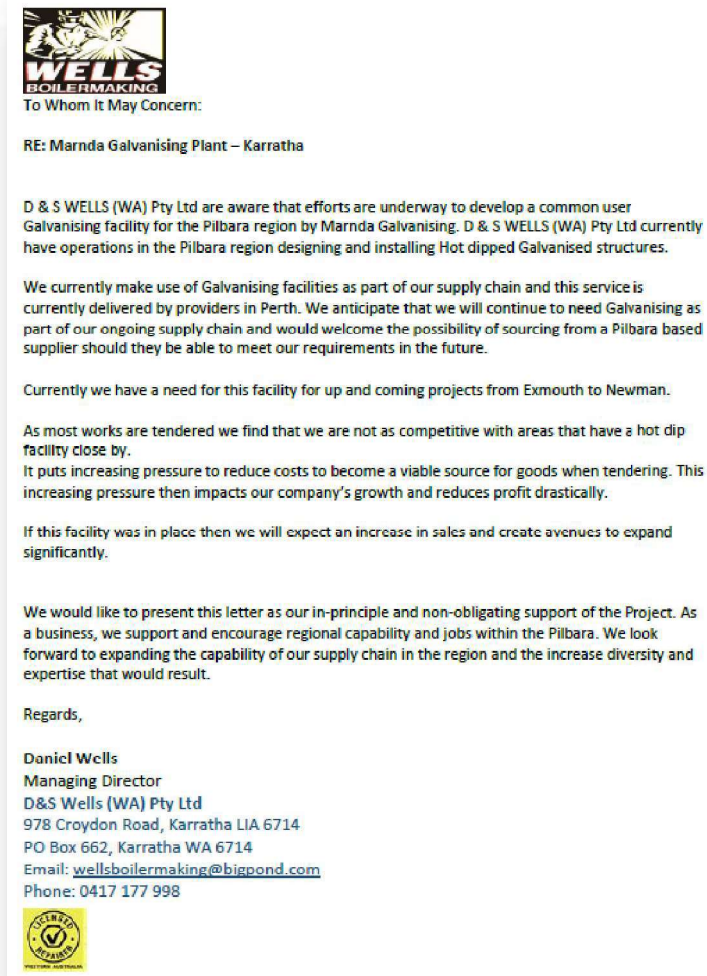
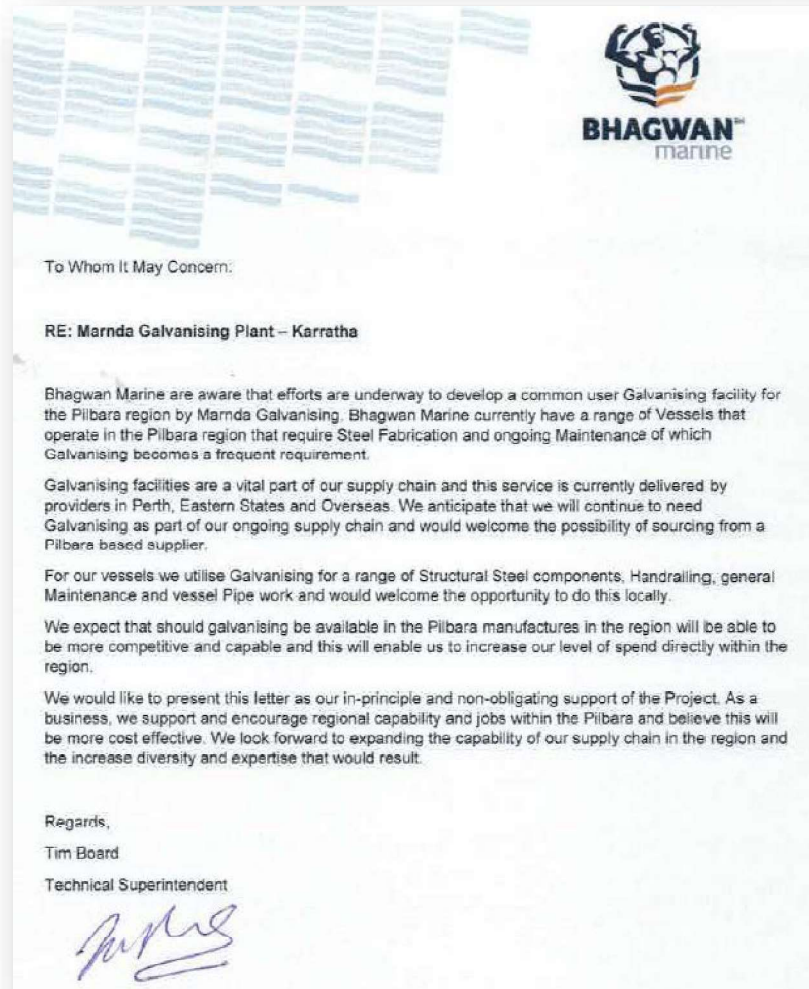
Marnda's project has garnered a lot of support from the local community, with 22 organisations providing letters of support. These organisations all have operations in Karratha and span from engineering firms to local councils.





# Letters of Support

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# Letters of Support

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To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

Double R Equipment Repairs are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. Double R currently have operations in the Pilbara region conducting Mechanical, Auto Electrical & Line Boring repairs.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for structural steel, handrailing, piping, road infrastructure, signage, lighting, maintenance & repairs, asset longevity, solar infrastructure, 4WD accessories.

Double R expect that should galvanising be available in the Pilbara region manufactures in the region will be able to be more competitive and capable and this will enable us to increase our level of spend directly within the region.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Cheers,

Dennis Freegard  
Karratha Branch Manager  
Double R Equipment Repairs



Downer EDI Limited  
ABN 97 003 872 648  
Trinity Business Campus  
39 Oshri Road  
North Ryde NSW 2113  
1800 DOWNER  
www.downergroup.com

2 November 2018

To Whom It May Concern,

**RE: Marnda Galvanising Plant – Karratha**

Downer are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. Downer currently have operations in the Pilbara region providing rail construction and maintenance services to Rio Tinto, Fortescue Metals Group and a number of other mine and rail operators.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for structural steel, handrailing, maintenance & repairs and asset longevity.

- We expect that should galvanising be available in the Pilbara region we would be able to diversify and expand our current capability in the region to be able to offer our clients new products and services.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Yours sincerely,

Joshua Ruedel  
Project Engineer



# Letters of Support

Marnda's project has garnered a lot of support from the local community, with 22 organisations providing letters of support. These organisations all have operations in Karratha and span from engineering firms to local councils.



**G&S ENGINEERING SERVICES**  
your asset performance partner

TO: 61 8 9224 5545  
F: 61 8 9224 2280  
E: info@gs-engineering.com.au  
A/NZ: 724 462 0470 (Toll-free 185 527)

To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

G&S Engineering Services are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. G&S currently have operations in the Pilbara region providing fabrication and construction services to the mining sector of the Pilbara.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for structural steel, handrailing, grating, piping, signage, lighting, maintenance & repairs, asset longevity, solar infrastructure, pre-treatment before powder-coating or painting.


- We expect that should galvanising be available in the Pilbara region we would be able to expand our workforce and invest in new technology for our operations as a result of the increased viability of manufacturing.
- We expect that should galvanising be available in the Pilbara region manufacturers in the region will be able to be more competitive and capable and this will enable us to increase our level of spend directly within the region.
- We expect that should galvanising become available in the region we would be able to expand our capability to supply clients in a more timely manner and be able to undertake urgent works where galvanising is required.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Regards,



Steve Byrne | Project Engineer  
Engineering (WA)



**Engineered Construction and Maintenance Pty Ltd**  
ABN 76 094 875 493

Dampier Supply Base, Griffin Road, Dampier, WA 6713 • PO Box 1088, Karratha, WA 6714

Ph: 61 8 9185 4446 Fax: 61 8 9185 4447 Email: info@ecmaust.com Website: www.ecmaust.com

To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

ECM are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. ECM currently have operations in the Pilbara region providing metal fabrication and site maintenance services across the region

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for structural steel, handrailing, piping

- We expect that should galvanising be available in the Pilbara region we would be able to expand our workforce and invest in new technology for our operations as a result of the increased viability of manufacturing.
- We expect that should galvanising be available in the Pilbara region manufacturers in the region will be able to be more competitive and capable and this will enable us to increase our level of spend directly within the region.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Regards,

**Sharl Bottomley**  
General Manager

# Letters of Support

Marnda's project has garnered a lot of support from the local community, with 22 organisations providing letters of support. These organisations all have operations in Karratha and span from engineering firms to local councils.

Building  
Electrical  
Air-Conditioning  
Plumbing  
Gas Fitters



101328  
EC005745  
AU38664  
PL6434  
GF014252

Lot 1003 Orkney Road & Lot 1504 Anderson Road  
PO Box 442 Karratha WA 6714  
ABN 88 607 461 281

Phone 08 9144 4705 Fax 08 9144 4715

[www.kcpl.net.au](http://www.kcpl.net.au)  
[admin@kcpl.net.au](mailto:admin@kcpl.net.au)

To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

Karratha Contracting are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. Karratha contracting currently have operations in the Pilbara region providing construction works to a variety of different clients.



We currently have to source our Galvanised structures from Perth as it is not viable for local Karratha companies to fabrication then transport both ways to and from Perth. At present we have several different projects from structural steel major sheds to basic hand rails that require Galvanising, all of these projects have been procured in Perth as we don't have the facilities in the region to support the works.

If the plant was to go ahead I can see the demand that the fabrication industry in the Karratha region will expand providing a more sustainable future in the region.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Regards,

**Todd McKay**  
Managing Director  
Karratha Contracting Pty Ltd

ABN: 37 142 633 236 AON: 142 633 236 ED11183

## RE: Galvanising Plant

Good Morning Jarred,

Very excited to learn about the possibility of a Galvanising plant in Karratha or even within the Pilbara. We are currently having to send steel to Perth for this service and even worse having to rely on Perth companies to fabricate our products, due to lack of Galvanising or correct surface treatment availability within the region. The real need for this service is seen throughout our ports, Dry docks and offshore servicing services.

Our current yearly spend on surface treatment hovers around the 1mill mark which generally speaking is due to large coats of inefficient epoxy. There is limited times throughout the year we can have full days of painting due to humidity and salt ingress from wind, as well as issues with intricate shapes and environmentally harmful Garnet release.

During the August Shut down works at key Woodside facilities there was 2 separate occasions we had to fabricate pipe support structures have them "hot shot" Delivered to Perth for galvanising and subsequent surface treatment, then "Hot Shot" returned to Karratha costing Woodside approx. 5.6 million in loss of revenue. Karratha is the hub that these facilities rely on daily and to have this service within Karratha would ensure the continual growth of our infrastructure and process efficiency.

I wish to give you our full support in this endeavour and I believe it will be beneficial to growth and sustainability of the Pilbara region. Feel free to pass on my name and contact details should anyone require further information.

**Bernie Pfoeffler**  
Director Operations  
KBSS Engineering

# Letters of Support

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Shop 3/ 15 High St  
DAMPPIER WA 6713  
Phone: (08)9183 1961

ABN: 85 621 108 941



To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

Majun Construction are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. Majun Construction currently have operations in the Pilbara region providing electrical, fabrication, carpentry, plumbing, civil and construction works.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

We expect that should galvanising be available in the Pilbara region

- Manufactures in the region will be able to be more competitive and capable and this will enable us to increase our level of spend directly within the region.
- We would be able to diversify and expand our current capability in the region to be able to offer new products and services.
- We would be able to expand our capability to supply new markets/services/products

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Kind Regards,

Directors at Majun Construction;  
Kevin Cosmos  
Cahill McAuliffe  
Adam Wilson



To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

Liberty Metalcentre Midalia Karratha WA are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Yours

**Brad Ryan**

North West Territory Manager W.A.

**T:** +61-8-9144-0111

**M:** +61 459 140 523

**F:**

**E:** brad.ryan@libertygfg.com

**Liberty Metalcentre**

Cnr Cowle and Coolawanyah Roads  
Karratha WA 6714  
**libertygfg.com**



# Letters of Support

Marnda's project has garnered a lot of support from the local community, with 22 organisations providing letters of support. These organisations all have operations in Karratha and span from engineering firms to local councils.



To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

Kempe Engineering are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. Kempe Engineering currently have operations in the Pilbara region providing metal fabrication and site maintenance services across the region" or "extracting and exporting bulk resources from our mining operations in the Pilbara region.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for structural steel, handrailing, piping, road infrastructure, signage, lighting, maintenance & repairs, asset longevity, solar infrastructure, 4WD accessories, pre-treatment before powder-coating or painting.

- We expect that should galvanising be available in the Pilbara region we would be able to expand our workforce and invest in new technology for our operations as a result of the increased viability of manufacturing.
- We expect that should galvanising be available in the Pilbara region manufactures in the region will be able to be more competitive and capable and this will enable us to increase our level of spend directly within the region.
- We expect that should galvanising be available in the Pilbara region we would be able to diversify and expand our current capability in the region to be able to offer this service new products and services.
- We expect that should galvanising become available in the region we would be able to expand our capability to supply new markets/services/products etc. such as solar infrastructure, powder coating, combined galvanised/painted product/road infrastructure/4WD accessories/transport products/structure steel/mining infrastructure/bulk products/commercial products etc.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Regards,

Mark Tubridy  
Branch Manager  
Kempe Engineering Services- Karratha



OEG Offshore Pty Ltd.  
26 Molador Way  
Midvale WA 6056  
Australia



Contact Us  
T: +61 (0)8 9250 2050  
F: +44 (0)8 9250 2043  
E: sales@oegoffshore.com  
www.oegoffshore.com

To Whom It May Concern:

**RE: Marnda Galvanising Plant – Karratha**

OEG Offshore are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. OEG Offshore currently have operations in the Pilbara region "Container/tank rental, maintenance services across the region".

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for our waste bins.

- We expect that should galvanising be available in the Pilbara region we would be able to expand our workforce and invest in new technology for our operations as a result of the increased viability of manufacturing.
- We expect that should galvanising be available in the Pilbara region manufactures in the region will be able to be more competitive and capable and this will enable us to increase our level of spend directly within the region.
- We expect that should galvanising be available in the Pilbara region we would be able to diversify and expand our current capability in the region to be able to offer XYZ new products and services.
- We expect that should galvanising become available in the region we would be able to expand our capability to supply new markets/services/products etc. such as

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Regards,

Kevin Brown  
North West Regional Manager  
Mob: 0499 292 472 E-mail: kevin.brown@oegoffshore.com

# Letters of Support

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## PMK WELDING & METAL FABRICATION



Shed 2, 236 Port Drive,  
PO Box 193, Broome WA 6725  
Phone: 08 9192 1229  
Email: pmkwelding@hotmail.com

31 October 2018

To Whom It May Concern:

RE: Marnda Galvanising Plant – Karratha

PMK Welding & Metal Fabrication are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. PMK Welding & Metal Fabrication currently have operations in the Kimberley region providing metal fabrication and site maintenance services across the region.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for structural steel, handrailing, piping, road infrastructure, signage, lighting, maintenance & repairs, asset longevity, solar infrastructure, 4WD accessories, pre-treatment before powder-coating or painting.

We expect that should galvanising be available in the Pilbara region, similar SME will be able to reduce their freight expense from Broome to Perth, an important factor in retaining our customers therefore be more competitive and capable and this will enable us to increase our level of spend directly within the region.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara and Kimberley. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Regards,

Peter Kelly

## SMC

BUILDING AND DEVELOPMENT

29/10/2018

To Whom It May Concern:

RE: Marnda Galvanising Plant – Karratha

SMC BUILDING PTY LTD are aware that efforts are underway to develop a common user Galvanising facility for the Pilbara region by Marnda Galvanising. SMC BUILDING PTY LTD currently have operations in the Pilbara region building in the commercial & residential sector.

We currently make use of Galvanising facilities as part of our supply chain and this service is currently delivered by providers in Perth, Eastern States and Overseas. We anticipate that we will continue to need Galvanising as part of our ongoing supply chain and would welcome the possibility of sourcing from a Pilbara based supplier should they be able to meet our requirements in the future.

At present we utilise galvanising for structural steel that we use as part of our construction materials.

We would like to present this letter as our in-principle and non-obligating support of the Project. As a business, we support and encourage regional capability and jobs within the Pilbara. We look forward to expanding the capability of our supply chain in the region and the increase diversity and expertise that would result.

Regards,

Stuart Wing

Manager



# Letters of Support

Marnda's project has garnered a lot of support from the local community, with 22 organisations providing letters of support. These organisations all have operations in Karratha and span from engineering firms to local councils.



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