



GULF MANGANESE CORPORATION LIMITED

ACN 059 954 317
(ASX : GMC)



Quarterly Report

March 2016 Quarterly Activities Report

Gulf Manganese Corporation Limited (ASX. GMC) ("Gulf Manganese" or "the Company") is pleased to provide shareholders with the following Quarterly Activities Report for the period ended 31 March 2016.

HIGHLIGHTS

- **Successful completion of 4 for 1 rights issue at 0.2 cents per share to raise circa \$1.8 million to progress development of Kupang Smelting Hub in Indonesia**
- **Further strengthened Board with appointment of experienced mining executive Mr Craig Munro as Non-Executive Chairman**
- **Hamish Bohannan appointed Managing Director**
- **Additional Board appointment of Mr Andrew Wilson as Non-Executive Director**
- **Strategic planning for near term development of Kupang Smelting Hub continued throughout the quarter with a number of key objectives achieved**

Completion of Rights Issue

Post quarter end, the Company closed its renounceable rights issue (announced 15 March 2016), following strong support from shareholders.

A total of 448, 575, 120 (49% take up) were applied for under the Entitlement Rights Issue Prospectus announced on 17 March 2016, raising a total of \$897,150.

The rights issue was offered to shareholders on the basis of four new shares for every share held at the issue price of \$0.002 per share closed on 14 April 2016. For every two new shares, investors received one new option with exercise price of \$0.005 and term of three years.

The placement of the remaining shortfall shares of 469,669,432 will be finalised the first week of May

Net proceeds in conjunction with existing cash reserves will be deployed towards the following key objectives:

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- Further advance the study on implementing and developing Gulf's manganese alloy facility in Kupang, West Timor, Indonesia.
- Initial payments on the South African smelter to be relocated to West Timor.
- General working capital.

Strengthening of Board

During the quarter, the Company significantly strengthened its Board with the appointment of Mr. Craig Munro as Non-Executive Chairman, following the unexpected passing of Mr. Graham Anderson in July 2015.

Mr. Munro is a Certified Practising Accountant with over 40 years' experience in the mining industry. He has been both an executive director and non-executive director of a number of listed companies since 1990. Mr. Munro brings to the Board strong financial skills and a deep corporate governance understanding.

In February, the Company appointed Mr. Andrew Wilson to the Board as a Non-Executive Director. From 2000-2007 Mr. Wilson served as the President Director of BHP Billiton Indonesia, based in Jakarta. He was also a director of the Indonesian Mining Association and has established strong connections in the region and speaks the language fluently.

Furthermore, Hamish Bohannan took up the role of Managing Director during the quarter and both Mr. Peter Williams and Mr. Michael Walters resigned from the Board.

Also during the quarter, Mr. Kevin Parker retired and resigned as President Director of our Indonesian subsidiary PT Gulf Mangan Grup. This position has now been taken by Mr Bohannan. The Board of Gulf would like to take this opportunity to thank Mr Parker for his valuable services and to wish him the best in his retirement.

PROJECT UPDATE

Development Strategy – Manganese Overview

GMC's strategy is to develop an ASEAN focused manganese alloy business based in West Timor Indonesia, taking advantage of the low cost of ore and labour, combined with modest power costs (these being 84% of total costs).

Targeted production will be a premium quality 78% ferro manganese alloy resulting from the unique qualities of the Indonesian high grade (greater than 50%) low impurity manganese ore.

Although manganese ore prices are trading lower than highs reached in 2012, high grade Indonesian ore converted into alloys can still maintain healthy margins. Alloy prices in 2012 were \$1250/tonne and currently about \$1050/tonne, representing a 25% drop off. The long term average is projected to be \$1100/tonne.

Gulf's projected cost is about \$800/tonne, giving a margin of \$250/tonne (25% over costs) even in the current market.

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Approvals

Following the granting of a Principle License for foreign investment from the Indonesian Government Coordinating Board (BKPM), the next significant step is recommendation for the project by the Bupati Kupang, Ayub Titu Eki. Meetings are scheduled to be held with the Bupati and his staff to discuss the final steps required in order to complete the process. This largely involves further community liaison and involvement which will take place in the first and second quarters 2016.

Land

A Memorandum of Understanding and 30-year Lease Agreement was made with the local community landowners and the land officially measured and issued a field map reference catalogue number in preparation for the approval process with the local Regency being completed.

Ore Supply

Following the review of Manganese ore potential in Indonesia, which confirmed that there is a potential extractable manganese mineralisation of 29 Mt for Production IUPs and 114 Mt for Exploration and Production IUPs as reported last quarter and detailed in a full report on the Company website www.gulfmanganese.com, negotiations have commenced with local miners for the future supply of ore to the smelting hub.

To date, two agreements have been reached, one for ore from West Timor and another from Sulawesi both for a minimum supply of 1000 tonnes per month, which more than covers the needs of the first proposed smelter. Discussions are continuing with other potential suppliers in West Timor and neighbouring islands.

First Smelter

Gulf has identified a pair of suitable smelters in South Africa which can be readily transported to West Timor. Final negotiations are underway regarding the securing of these smelters with a market update on progress anticipated early in the next Quarter.

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