

ASX Announcement  
1 May 2017

## QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2017

### Summary:

- **Gulf completes Share Placement to sophisticated investors raising A\$1,023,000**
- **Agreement signed with the same sophisticated investors to invest an additional minimum of A\$3,500,000 in a future Capital Raising upon receiving the final land lease agreement in the Bolok Industrial Estate**
- **Appointment of Operations Manager, Paul Robinson, to lead the development of the Kupang Smelting Hub Project**
- **Signing of EPCM contract with South African smelting engineers XRAM Technologies Pty Ltd**
- **Securing of the first two ferromanganese smelters from Transalloys Pty Ltd – with stripping and refurbishment activities to be completed ahead of shipment to Kupang site**

Gulf Manganese Corporation Limited (ASX: GMC) ('Gulf' or 'the Company') is pleased to provide shareholders with its Quarterly Activities Report for the period ended 31 March 2017.

### **Kupang Smelting Hub Project Overview**

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell medium and low carbon ferromanganese alloy.

The Kupang Smelting Hub facility will contain eight furnaces built in stages over five years, targeting the production of a premium quality 78%+ manganese alloy. At full production, Gulf will aim to purchase and process 320,000 tonnes of manganese ore per annum, producing circa 155,000 tonnes of medium and low carbon premium quality ferromanganese alloy.

### **Share Placement Completed to Advance Kupang Smelting Hub Project**

Post quarter end, the Company was pleased to advise that it had finalised a Share Placement ("the Placement") to advance the development of the Kupang Smelting Hub Facility.

A total of 204,600,000 ordinary shares were issued at \$0.005 per share raising total proceeds of A\$1,023,000 – with the shares issued to sophisticated investors utilising the Company's 15% ASX Listing Rule 7.1 placement capacity.



For personal use only

In addition, Gulf has also agreed to terms with the same sophisticated investors to maintain their position in the Company by investing an additional minimum of A\$3,500,000 at a price of \$0.015 per share with 3 free attaching Listed Options (GMCO) exercisable at 0.5 cents each expiring 21 April 2019 for every 2 New Shares issued (the “investment”).

The additional A\$3,500,000 investment is subject to Gulf receiving the final land lease agreement from the Lands Department over the Bolok Industrial Estate. As advised in October 2016, Gulf has already received approval from the Governor of East Nusa Tenggara for the construction of a manganese smelting facility at the Bolok Industrial Estate, and the Company expects the land lease agreement to be finalised this quarter.

A Notice of General Meeting was also dispatched to shareholders post quarter to approve a Capital Raising of a minimum of A\$6,000,000 with a maximum of up to A\$12,000,000 at a price of 1.5 cents per share with 3 free attaching Listed Options (GMCO) exercisable at 0.5 cents each expiring 21 April 2019 for every 2 New Shares issued.

Gulf is also actively exploring a number of additional funding avenues, including both offtake and debt funding opportunities to provide additional financial flexibility if required over the next 12 months.

#### **Appointment of Kupang Operations Manager**

During the quarter, Paul Robinson was appointed as Operations Manager. As the project enters construction, Paul will be based in Kupang and will manage the implementation and development of the Kupang Smelting Hub Facility.

Paul is a minerals processing professional with more than 20 years of experience in senior operational roles in the resources industry, having established a strong track record in managing complex commercial project agreements and stakeholder relationships.

Most recently, Paul has held the position of Chief Executive Officer – Cape Preston Port Operations with Mineralogy Pty Ltd, where he was responsible for the implementation of the port operations function. Prior to this, Paul has held several key leadership positions across metallurgical smelting and refining operations for nickel, cobalt, ferroalloys, lead and zinc at BHPBilliton, Mount Isa Mines, BHP Temco and Pasminco Metals.

#### **EPCM Contract Awarded**

During the quarter, Gulf appointed XRAM as the EPCM contractor, to deliver the Kupang Smelting Project. The EPCM contract value is USD14.5 million (approx. A\$19.5 million) for the construction of the initial two smelters.

An overview of the associated costs has been itemised below:

- |  |          |
|--|----------|
| • Earthworks, geotechnics and civils at Bolok                            | AUD 1.5m |
| • Structural works at Bolok  | AUD 5.2m |
| • Purchase, refurbish & relocate two smelters from South Africa to Bolok | AUD 3.2m |
| • Engineering works to install smelters                                  | AUD 3.4m |
| • Contract and Company costs through construction                        | AUD 5.6m |
| • Commissioning costs and initial supplies and materials                 | AUD 1.5m |
| • Corporate and other costs  | AUD 1.4m |



For personal use only

XRAM has been working closely with Gulf on the development of the Kupang Project to date, providing engineering and pyrometallurgical support. The EPCM contract will commence upon completion of the above mentioned capital raising.

### **Securing of First Two Smelters**

Another key development achieved during the quarter was the securing the Company's first two ferromanganese smelting furnaces for the Kupang Smelting Hub Project.

A deposit of USD\$250,000 was paid to South African-based Transalloys Pty Ltd ("Transalloys") to secure the furnaces, with the funding of this deposit was made through a short-term loan of A\$350,000 received from Tanah Capital Pte Ltd.

Importantly, the deposit to Transalloys allows the Company to undertake the stripping and refurbishing of the smelting furnaces prior to them being shipped to the Kupang Project site.

### **Kupang Project Power Supply**

During the quarter, the Company advised that positive meetings had been held with Indonesian Government Power Company, PLTU, regarding the powering of the Kupang Smelting Hub through the construction, commissioning and production phases. PLTU recently installed a Turkish Power Plant Vessel, increasing its generation capacity from 32 MW to over 120 MW. PLTU has confirmed its capacity to supply power for the construction of Gulf's first two smelting furnaces at Kupang, which will require circa 14 MW of power to complete.

PLTU also confirmed its near-term expansion plans outlining its capacity to power the entire Kupang Smelting Hub Facility once complete (approx. 70MW). The first stage in this expansion strategy is the installation of a second 32MW plant – which has been earmarked for H2 2017 and aligns with the commissioning of Gulf's first two smelting furnaces.

### **Termination of agreement with Marthen Amtiran ("Pak Marthen")**

In February, Gulf terminated the binding agreement with Pak Marthen to invest US\$10 million for 10% equity in PT Gulf Mangan Grup ("PT Gulf"), which also included a 12 month option to invest a further US\$10 million for an additional 10% equity.

During the quarter, Gulf advised that it had received an alternate offer from Pak Marthen with substantially different terms to the initial offer for the investment in PT Gulf. The Board subsequently reviewed the new offer and deemed it to be unacceptable.

Taking into consideration that the timetable set by the Company to finalise the agreement with Pak Marten had expired, the Board made the decision to terminate the agreement and review its legal options to take action against Pak Marthen.

Following the termination of the agreement, Pak Marthen was also removed as President Commissioner of PT Gulf Mangan Grup.



**Gulf's Managing Director, Hamish Bohannan, commented:** "The Board is pleased with the considerable corporate and operational inroads made during the quarter, highlighted by the securing of additional funding to advance the development of the Kupang Smelting Hub Facility.

Our priority during the quarter was to ensure that the development of the Kupang Facility was able to continue largely unabated, whilst additional funding avenues were assessed. We are pleased to report that our team has been able to achieve this objective.

Furthermore, the appointment of Paul Robinson as Operations Manager is a significant catalyst for the Company as Paul will play a crucial role in the delivery of key near-term milestones as Gulf targets the construction of its first two smelting furnaces this year.

We look forward to providing our shareholders with additional updates on funding discussions and operational achievements in the near-term."

-ENDS-

**For further information please contact:**

Hamish Bohannan  
Managing Director  
Gulf Manganese Corporation Limited  
T: 08 9367 9228  
E: [info@gulfmanganese.com](mailto:info@gulfmanganese.com)

Released through Sam Burns, Six Degrees Investor Relations M: +61 400 164 067

**About Gulf Manganese Corporation (ASX: GMC):**

Gulf's strategy is to develop an ASEAN focused manganese alloy business based in Kupang, West Timor, taking advantage of the low operational and ore costs, combined with modest power costs. Targeted production will be a premium quality 78% ferromanganese alloy resulting from the unique qualities of the Indonesian high grade (greater than 50%) low impurity manganese ore.



For personal use only