

ASX Announcement
31 July 2018

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 JUNE 2018

Highlights:

- First two smelters arrive on site with construction and commissioning to be completed in Q4 2018 – Gulf on track to begin first manganese alloy production in Q4 2018 with first commercial shipment of ferromanganese alloy early in 2019.
- Approx. A\$15 million funding led by PT Jayatama Tekno Sejahtera (PT JTS) secured – Gulf now well positioned to complete the construction and commissioning of the smelting hub in Kupang.
- Five-year agreement signed with national power provider PT PLN (Persero) Wilayah NTT for the supply of 20 MVA to site.
- Gulf continues to assess acquisition opportunities targeting high grade manganese mines in Indonesia – home to the world's highest-grade manganese (+44%Mn).

Gulf Manganese Corporation Limited (ASX: GMC) (“Gulf” or “the Company”) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 30 June 2018.

Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell low and medium carbon ferromanganese alloy. The Kupang Smelting Hub facility will contain at least eight furnaces built in stages over five years, targeting the production of a premium quality 78%+ manganese alloy.

At full production, Gulf aims to produce some 155,000 tonnes of premium quality ferromanganese alloy per annum from about 320,000 tonnes of manganese ore predominantly sourced from local miners.

June Quarter Key Milestones

Smelters Shipped to Kupang

During the quarter, the two smelters were shipped from Durban, arriving at Tenau Port, Kupang on July 23, 2018. After clearing customs, the smelters were transported to the Smelting Hub site located at the Bolok Industrial Estate.



Figure 1: Arrival of the Smelters at Bolok Industrial Estate, Kupang showing the Power Station in the background



To mark the arrival of the first two smelters in Kupang, a celebratory ceremony was held in Kupang, attended by representatives of Gulf's key investment partners, the Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera ("JTS Group"), local stakeholders, esteemed Government representatives and members from Gulf's Board and Senior Management team.

The arrival of the first two smelters marks a significant milestone for Gulf, with all the smelter components now on site ahead of commissioning in Q4 2018.



Figure 2: Unloading of the first two smelters at Tenau Port, Kupang

Figure 3: Bapak Fofa Sariaatmadja, President Commissioner PT GMG with Hamish Bohannan at Tenau Port

Cornerstone Funding Package Completed

In March 2018, Gulf secured a A\$15 million (IDR equivalent) funding package through Investment partner, Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera ("PT JTS") and its related entities.

The package included a A\$2 million placement to Eighteen Blue Investments Pty Ltd at 1.5 cents per share with free attaching 0.5c options expiring 21 April 2019, approximately A\$6 million in IDR equivalent to be invested by PT JTS's wholly-owned subsidiary at project level in PT Gulf Mangan Grup ("PT GMG") for 25.1% equity, and an additional A\$7 million standby facility to provide additional flexibility during the construction and commissioning phase.

On May 31, the A\$15 million was completed after the Company advised it had received the second funding tranche of approximately A\$6 million in IDR equivalent.

The successful completion of this cornerstone investment by PT JTS is key to Gulf's long term success in Indonesia. PT GMG will no longer be viewed as a "foreign" company but as a local partnership with local ownership and is now well positioned to complete the construction and commissioning of the first two smelters at the Company's Kupang Smelting Hub in West Timor.

Power Purchase Agreement Signed

On May 7, the Company's Indonesian subsidiary PT Gulf Mangan Grup ("PT Gulf") signed a five-year agreement with national power provider PT PLN (Persero) Wilayah NTT ("PT PLN") for the supply of 20 MVA to the Kupang Smelting Hub Facility site.

Under the contract, PT PLN agreed to provide continuous electricity power of up to 20,000 KVA to the Kupang Smelting Hub site, with a guaranteed voltage of 20,000 volts, by providing Gulf with a separate transformer to other customers on the PT PLN network.



Kupang Ore Supply & Project Acquisition Strategy

Gulf continues to actively assess acquisition opportunities, and on May 2, due diligence into the acquisition of a high-grade Timorese Manganese Mine was completed, with acquisition terms and conditions currently being finalised with the parties involved.

The Company also advised that during the quarter, it entered into an MoU to undertake exclusive due diligence on the acquisition of a number of additional high-grade manganese mines in the Timor area. The Company looks forward to providing further details on these acquisition opportunities at the appropriate time.

To oversee and manage Gulf's acquisition strategy moving forward, Mr David Brown was appointed as Director of Mining and Ore Supply, based in Kupang.

Key Appointments

Non-Executive Director

Mr Sam Lee was appointed to the PT GMG Board of Commissioners at the PT GMG Board Meeting on 19 July 2018 and subsequently appointed Non-Executive Director to the GMC Board of Directors following the GMC Board Meeting held in Kupang on 21 July 2018.

Mr Lee has been a vital part of the management team to date during the initial phase of the Smelter Hub construction, with key responsibilities including setting up the Geology team and identifying and establishing contracts with Manganese miners to supply ore to the Kupang smelting hub.

Mr Lee is well connected within the Australian and South East Asian business and government communities. He is now focused on helping Gulf reach its potential as a producer of premium ferro-manganese alloy.

Company Secretary

Post-quarter end, the Company made the decision to outsource finance and governance requirements, as operations were predominantly Indonesia-based. As a result, Mr Leonard Math left the position of Company Secretary and Chief Financial Officer on July 4, and Mr Ian Gregory was appointed as Company Secretary.

Mr Gregory is a professionally well-connected Director and Company Secretary with over 30 years' experience in the provision of the company secretarial and business administration services to the resources industry.

PT Gulf Board Appointments

As part of the partnership with PT JTS, Gulf is pleased to welcome to the PT GMG Board of Directors and Commissioners, Bapak Fofo Sariaatmadja and Bapak Chairael Jul Naro who will be appointed as President Commissioner and Commissioner respectively, and Bapak Johannes Susilo who has been appointed as a Vice President Director of PT Gulf. With their respective pedigrees locally in Indonesia, these appointments will play an instrumental role in helping PT GMG to secure all the necessary licences and permits required to bring the smelters to full production and beyond.



Bapak Fofa Sariaatmadja

Bapak Fofa Sariaatmadja currently serves as Chairman and CEO of PT JTS, as well as Commissioner at PT Elang Makhota Teknologi Tbk (“PT Emtek”), a publicly listed Indonesian group of companies with its main business divisions being Media, Telecommunications and IT Solutions, and e-Commerce. He also currently serves as Commissioner at PT Surya Citra Televisi, the number one television company in Indonesia, PT Mediatama Anugrah Citra, the only digital terrestrial pay-TV operator in Indonesia, and PT Abhimata Persada, an IT solutions provider to the banking sector. Previously, he served as Director of PT Emtek from 2009 to 2012, as Commissioner of PT PP London Sumatra Indonesia Tbk, one of the largest palm oil plantation companies in Indonesia, from 2007 to 2009, as President Director of PT Surya Citra Media Tbk from 2004 to 2012, and as President Director of PT Surya Citra Televisi from 2006 to 2011.

Bapak Chairuel Jul Naro

Bapak Chairuel Jul Naro is an Indonesian citizen who has had a successful career both in the private arena and in public service. Bapak Naro currently serves as advisor to PT Indonesia Asahan Aluminium Persero (INALUM), Indonesia’s first and largest state-owned enterprise within the aluminium industry, and PT Kereta Api Indonesia (KAI), the major operator of public railways in Indonesia. He also currently serves as President Commissioner at PT Sarana Jatim Ventura, a provider of venture capital to small or medium-sized enterprises in Indonesia.

Previously he served as advisor to PT Bahana Pembinaan Usaha Indonesia (BPUI) from 2001 to 2017 and as President Commissioner at PT Mitra Tani 27 from 1992 to 2010.

Bapak Johannes Susilo

Bapak Johannes Susilo served as Vice President of Chase Manhattan Bank, Jakarta from 1982 to 1989 and as President Director of Asia Kapitalindo Sekurites from 1994 to 2000. Johannes served as President Director of Danamon Securities and Corporate Secretary of PT Bank Danamon Tbk from 1989 to 1994. He served as the President Director of PT Jakarta Assetama Management from 1989 to 1994 and as the President Commissioner of Prima Alloy Steel Universal Tbk from 1989-2002.

Corporate Activity

IMnI Conference, Kuala Lumpur

During the quarter, the Company’s Managing Director Hamish Bohannan was invited to present at the International Manganese Institute (IMnI) conference, held in Kuala Lumpur on 18-21 June 2018. The conference was well-attended and provided excellent networking and investment opportunities.



Figure 4: Gulf MD Hamish Bohannan presenting at this year’s IMnI Conference in Kuala Lumpur



Management Commentary

Gulf's Managing Director, Hamish Bohannan, commented:

"The safe arrival and transport to site of the first two smelters represents a significant milestone for Gulf and its partners and shareholders, bringing the establishment of the manganese smelting hub and the commissioning of the facility another step closer towards.

"In addition, we continue to focus on securing the required permits for the commencement of DSO sales from Kupang.

"We are on the cusp of an exciting, potentially company-changing period and we thank our partners PT JTS, and our loyal shareholders for their continued support."

-ENDS-

For further information please contact:

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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.



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

GULF MANGANESE CORPORATION LIMITED

ABN

73 059 954 317

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) project evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(130)	(958)
(e) administration and corporate costs	(282)	(1,368)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	44
1.5 Interest and other costs of finance paid	(49)	(111)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(452)	(2,393)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3,731)	(10,648)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	50
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other-Payment for Security deposits	-	(96)
	Other-Payment for mining tenement deposits)	(195)	(385)
2.6	Net cash from / (used in) investing activities	(3,926)	(11,079)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	244	5,153
3.2	Proceeds from issue of convertible notes	5,945	7,945
3.3	Transaction costs related to issues of shares, convertible notes or options	(13)	(281)
3.4	Proceeds from borrowings	972	1,966
3.5	Repayment of borrowings	(1,978)	(1,978)
3.6	Transaction costs related to loans and borrowings	-	-
3.7	Dividends paid	-	-
3.8	Other (provide details if material)	-	-
3.9	Net cash from / (used in) financing activities	5,170	12,805

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,575	5,348
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(452)	(2,393)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,926)	(11,079)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,170	12,805
4.5	Effect of movement in exchange rates on cash held	(105)	(419)
4.6	Cash and cash equivalents at end of period	4,262	4,262

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,310	2,575
5.2 Call deposits	2,952	1,000
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,262	3,575

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	81
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Amounts include director fees, salaries and super.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	7,000	-
8.3 Other – Convertible Notes	9,000	9,000
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

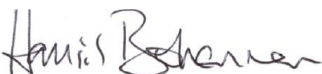
Facility Description	Appr. amount \$A '000	Lender	Interest rate	Secured / unsecured	Further Info. ASX Date
At Quarter End:					
Standby facility	7,000	PT Jayatama Tekno Sejahtera	20%	Secured	12/03/18
Convertible Note	1,000	BB Lee Super Fund	8%	Unsecured	23/06/17
Convertible Note	2,000	Eighteen Blue Investments P/L	0%	Unsecured	12/03/18
Convertible Note	6,000	PT Jayatama Global Investindo	0%	Secured	12/03/18
Subsequent to Quarter End:					
-					

9. Estimated cash outflows for next quarter	\$A'000
9.1 Project evaluation	-
9.2 Development	4,898
9.3 Production	-
9.4 Staff costs	216
9.5 Administration and corporate costs	395
9.6 Other – Plant & Equipment	-
9.7 Total estimated cash outflows	5,509

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

(Managing Director)

Date: 31 July 2018

Print name: Hamish Bohannan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.