

ASX Announcement
3 September 2018

Gulf Strengthens Manganese Ore Supply Pipeline

- Gulf in discussions with PT Jayatama Global Investindo to extend Conversion Date on Convertible Note Agreement to allow completion of Conditions Precedent
- First 3 months production from first two smelters at Kupang Smelting Hub underpinned with contracts negotiated with local miners to supply ~2,000 tonnes per month of manganese ore.
- Some 18 agreements now in place with local miners, building to a supply of over 10,000 tonnes of ore per month.
- Kupang Smelting Hub construction program progressing on-track – with structural steel fabrication complete and 20% of steel now lifted into position

Extension of Convertible Note Maturity Date

As advised on 12 March 2018, Gulf Manganese Corporation Limited (ASX: GMC) (“Gulf” or “the Company”) entered into an Agreement with PT Jayatama Global Investindo (“PT JGI”) to invest up to approximately A\$15 million to fund the construction and commissioning of the first two smelters at the Kupang Smelting Facility.

The funds comprised approximately A\$6 million through a convertible note with PT JGI for 25.1% ownership of Gulf’s Indonesian subsidiary PT Gulf Mangan Grup (“PT GMG”), a A\$2 million convertible note with Eighteen Blue Investments Pty Ltd for equity in Gulf, and an approximately A\$7 million loan facility for PT GMG to use during construction and commissioning.

The Conversion Date under the Agreement is 31 August 2018.

Gulf advises that it has not been able to complete all the conditions precedent for conversion under the Convertible Note Agreement with PT JGI by the Conversion Date. PT JGI has played an invaluable role as Gulf’s Indonesian partner in helping PT GMG to achieve its recent milestones and Gulf is currently in discussions with PT JGI with regards to an extension of the Conversion Date.

Securing of Production Ore Supply

Gulf is also pleased to advise that it has further strengthened its manganese ore supply pipeline, having entered into contracts with three local manganese mining companies for the immediate supply of ~2,000 tonnes per month of manganese ore to the Kupang Smelting Hub Facility.

Under these agreements with - PT CNPS, PT CBS and PT BEM respectively – it is anticipated that initial supply will commence in October 2018.

Gulf can also report that it has negotiated contracts with a total of 18 companies for the supply of an additional 6,000-8,000 tonnes per month of manganese ore. These latest ore supply agreements take the total amount of manganese ore secured to approximately 10,000 tonnes per month.



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Kupang Smelting Hub Facility Construction Update

Construction continues on-track and on schedule with all structural steel fabrication in Surabaya now complete and the final shipment due to arrive in Kupang in a few days.

In total, 20% of the steel (approximately 124 metric tonnes) for the furnace building has now been installed (see Figure 1), with earthworks and backfilling activities ongoing. Work is also started on the foundations for the ancillary buildings foundation. The next steps include the pouring of furnace building floors and installation of the furnace equipment.



Figure 1: Construction progress at Gulf's Kupang Smelting Facility

Clarification / Correction

On 28 August 2018 Gulf announced that it had secured a cornerstone investment of ~A\$10.8 million from Jakarta-based businessman, Bapak Dato Dr Low Tuck Kwong ("Bapak TK Low"), founder and President Director of integrated coal group PT Bayan Resources TBK, ("PT Bayan").

Gulf would like to advise that Bapak TK Low is however not a Director of Gulf Manganese Corporation. Upon completion of the investment (subject to shareholder approval), Bapak TK Low will be entitled to nominate an appointee for one seat on Gulf's Board of Directors and one seat on the Board of Commissioners in the Indonesian subsidiary, PT Gulf Mangan Grup.

Gulf would also like to correct the expiry date pertaining to the issue of listed options detailed in the same announcement. Gulf will issue 714,597,448 listed options exercisable at A\$0.005 per option expiring on 21 April 2019 (subject to shareholder approval), not 30 April 2019 as stated in the earlier announcement.

Commentary

Gulf Managing Director and CEO Hamish Bohannan commented, "Establishing a secure supply pipeline of ore with these local mining groups has been a priority for Gulf as we near the commissioning and start-up of production from our first two furnaces at the Kupang Smelting Hub.



“These supply contracts will play a key role in underpinning initial production and are in line with our broader strategy to acquire a financial interest in a producing manganese mine. We expect to be in a position to provide a more detailed update on this strategy in the coming weeks.

“With the business funded through to first production, and significantly de-risked at both a project and equity level, we are in a very strong position to capitalise on a number of key near-term objectives and we look forward to updating our shareholders in due course.”

-ENDS-

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