



GULF MINES LIMITED

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31 January 2014

GULF MINES LIMITED QUARTERLY ACTIVITIES REPORT

Gulf Mines Limited ("Gulf" or "the Company") (ASX: GLM) is pleased to provide the following quarterly activities report for the December 2013 Quarter.

Key Highlights

- CEO Appointed
- Strategic review completed
- Manganese group, Asia Minerals Corporation ("AMC"), in which Gulf holds a major shareholding, exempted from Indonesian export ban
- AMC commences Manganese smelter development
- Copper exploration commences in West Timor

Corporate

Appointment of Bruce Morrin

Subsequent to quarter end, Gulf has appointed mining veteran Bruce Morrin as the companies Chief Executive Officer. Bruce, a mining engineer graduate of the Camborne School of metalliferous mining UK, has 45 years of diverse hard rock mining experience in copper, gold and industrial minerals. His experience covers Australia, Zambia, Zimbabwe and Brazil for groups such as Anglo American, African Associated Mines, Mt Isa Mines and various ASX listed companies.

Strategic Review Completed

During the quarter the company conducted a strategic review of its current commodity portfolio and possible future commodities involvement. As previously outlined Gulf seeks to be a multi commodity project developer and wealth creator by operating as a project incubator and developer, enhancing value and divesting projects via transactions such as an Initial Public Offering (IPO), retaining a major holding and commodity marketing rights. Gulf's strategy is to distribute 50% of profits to shareholders as fully franked dividends.



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Resulting from the strategic review the Board resolved to focus on high valued commodities which they believe will remain in strong demand for at least the next decade, fundamentally driven by the sustainable development of the Chinese economy and augmented by the Indian market growth particularly the demand for coking coal. The company's focus will be high grade manganese, copper, iron ore and coal.

Furthermore, the Company has decided to divest its gold tenements held in Western Australia and Queensland and to that end has commenced discussions with several groups.

Brighton Mining Group Ltd

During the quarter the ASX listed Brighton Mining Group Limited (ASX: BTN) announced an unsolicited takeover bid for Asia Minerals Corporation Limited. Gulf is satisfied with the development and value enhancement of AMC however is waiting for the official Bidders Statement to ascertain what is in the best interests of its shareholders.

It is disappointing that notwithstanding the enhanced portfolio of Gulf's assets and the announced future direction the Company's share price remains low, believed to be driven primarily from selling by past shareholders and possibly day trading of the Company stock. The Directors are of the strong belief that once AMC commences shipping Manganese, now that the Indonesian export issue has been resolved, the company can achieve exploration success with the Indonesian copper project which will hopefully result in share price appreciation.

Manganese

Gulf has a major shareholding in AMC which is developing a fully integrated (exploration, mining, processing, marketing and shipping) manganese business in West Timor. The December quarter saw considerable developments:

1. During December AMC held what is called a "ground breaking" ceremony which marks the beginning of smelter construction. The ceremony was attended by some 400 people including the senior government dignitaries Governor East Nusa Tenggara Frans Lebu Raya, Regent of Belu Kabupaten Joachim Lopez and newly appointed Director General of Minerals and Coal at the Ministry of Energy and Mineral Resources (MEMR) Dr Sukhyar in his first official duty. During the ceremony blessed official indigenous stones were laid to mark the commencement of the smelter facility.
2. An Indonesian Task Force from the MEMR led by the Director General was charged by the President to review all registered smelter projects due for construction and to authorise viable proposals. 30 smelter proposals were duly authorised and shall be issued investment permits for construction. AMC is the only manganese project with this endorsement.



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3. Due to the Government's impending export ban on unprocessed minerals considerable confusion and debate prevailed. AMC executives lobbied hard to have manganese included in the classification of Category 1 of the Ministerial Regulation 1/2014 of the MEMR which would allow processed ore (upgraded) to continue to be exported until 2017 while groups built smelters. Category 2 minerals have a complete ban from export without smelting or refining. The lobby was successful in moving manganese from the 2nd to the 1st category. Processed or upgraded manganese ores above 49% will be permitted to be exported provided the group has commenced and continue to build smelters and then by only licensed and authorised exporters. AMC is currently the only licensed and authorised manganese exporter – a process that took two years of focused effort to achieve.
4. AMC has signed agreements with two Indonesian groups for construction of processing plants. The first, expected to commence in the 2nd quarter of this year, is to build over a two year period three separating beneficiation plants for a total capital cost of \$10m. The second, also to commence in the 2nd quarter of this year, is to build eight furnaces over a three year period to produce 128,000 tonnes per year of specialised high grade ferromanganese alloy at a total capital cost of \$42m. Exclusive power will be supplied by a third party on a user pay basis at a cost less than Government supplied power, which also tends to be unreliable in certain instances.
5. Manganese production was put on hold until clarity of the export ban was resolved. With the Ministerial Regulation being communicated and the confusion clarified, production has recommenced to supply three cargoes to the domestic market as part of the Domestic Market Obligations. Following completion of the Domestic Market Obligations, AMC will commence exporting to complete its five existing sales agreements totaling 50,000 tonnes. The first shipment will be to Korea followed by four shipments to China. With the export issue resolved AMC has received enquiries to supply the Japanese market with its 52% high grade ore.



Picture 1 – Official Party standing for National Anthem "Indonesia Raya"



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Picture 2 – Belu Bupati Lopez Welcoming AMG and the Smelter Project



Picture 3 - Ground Breaking by Official Party

Copper

As per the announcement dated 25 November 2013, Gulf has entered into a Memorandum of Understanding to acquire 70% of an existing granted copper tenement in West Timor which has displayed occurrences of surface copper. Two random samples showed grades of 12.43% and 8.7% copper. Further samples have subsequently been taken with analysis results expected during February.



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Following the Christmas vacation period Gulf will commence a preliminary exploration sampling program. The current copper exploration licence is being upgraded to an operational licence at the request of the local government in order to fast track production.

An Environmental Report (locally called an AMDAL) has commenced to support the licence upgrade. This process usually takes six to twelve months for Indonesian approval.

Additionally, Redbank Copper Limited continued work on the Company's Wolloragang joint venture agreement. They advise that during the Quarter, time was spent assessing historical geological data.



Picture 4 – Outcropping Copper at West Timor Copper Project

Gold

Further to the company's declared focus on high grade manganese, copper, iron ore and coal, the company is considering the divestment of its gold interests. To this end, all geological data is currently being compiled into an information package for interested groups to assess and perform due diligence.

Corporate

The Company continues to be financially supported by a major shareholder, funding the Company's working capital and exploration activity.



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Gulf wishes to provide the following information in relation to additional information required by Listing Rule 5.3.3 Mining tenements held at the end of the December 2013 quarter and their location (please see Annexure A).

For further information, please contact Gulf's Chairman, Peter Remta on +618 9368 1211

Peter Remta
Chairman



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ABOUT GULF MINES LIMITED

Gulf Mines Limited is an Australian registered company (ACN 059 954 317), listed on the Australian Securities Exchange (ASX: GLM) with its head office in Perth, Western Australia.

The Company has a major holding in Asia Minerals Corporation, an Indonesian based manganese producer, copper tenements in the Northern Territory of Australia with two operating joint ventures and two prospective gold tenements in the gold producing area of Leonora, north of the prolific gold producing Kalgoorlie region of Western Australia.

Driven by the substantial urbanisation and industrialisation of the Chinese economy, Gulf will focus on coal and copper projects in Indonesia and copper in Australia in joint venture with Redbank Copper Limited (www.redbankcopper.com.au) and a joint operating agreement for copper and uranium prospects with Laramide Resources Limited (www.laramide.com).

Strategy

Gulf's strategy is straight forward being:

- Focus on project development in Indonesia
- Utilise the significant experience of the groups executives operating in Indonesia
- Operate as a project incubator and developer, ultimately spinning off and retaining a major holding and commodity marketing rights
- Distribute 50% of profits to Shareholders (fully franked) and re-invest 50% into new projects

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Annexure A

Lease	Locality	Project	Lease Status
EL10335	NT	Wollogorang	Granted
EL29898	NT	Debbil Debbil Creek	Granted
EPM18079	QLD	Ebagoola	Granted
EPM18433	QLD	Ebagoola	Granted
ML3096	QLD	Ebagoola	Granted
ML3141	QLD	Ebagoola	Granted
ML3145	QLD	Ebagoola	Granted
P37/7898	WA	Braemore	Granted
P37/7899	WA	Braemore	Granted
P37/7900	WA	Braemore	Granted
P37/7901	WA	Braemore	Granted
P37/7902	WA	Braemore	Granted
P37/7903	WA	Braemore	Granted
P37/7904	WA	Braemore	Granted
P37/7905	WA	Braemore	Granted
P37/7906	WA	Braemore	Granted
P37/7907	WA	Braemore	Granted
P37/7908	WA	Braemore	Granted
P37/7909	WA	Braemore	Granted
P37/7910	WA	Braemore	Granted
P37/8102	WA	Mt Stewart	Granted
P37/8103	WA	Mt Stewart	Granted
P37/8104	WA	Mt Stewart	Granted
P37/8105	WA	Mt Stewart	Granted
P37/8106	WA	Mt Stewart	Granted
P37/8107	WA	Mt Stewart	Granted
P37/8108	WA	Mt Stewart	Granted
P37/8109	WA	Mt Stewart	Granted
P37/8110	WA	Mt Stewart	Granted
P37/8111	WA	Mt Stewart	Granted