Half Year Report
Ended 31 December 2017

Gulf Manganese Corporation Ltd
ACN 059 954 317

CORPORATE DIRECTORY

DIRECTORS

Mr Craig Munro (Non Exec. Chairman)
Mr Hamish Bohannan (Managing Director and CEO)
Mr Andrew Wilson (Non Exec. Director)

REGISTERED AND PRINCIPAL OFFICE

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SHARE REGISTRY

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Telephone: (08) 9324 2099
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AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
London House Level 3,
216 St Georges Tce,
Perth WA 6000

PT GULF MANGAN GRUP

Board of Directors

Hamish Bohannan	President Director
Iskandar Ali	President Commissioner
Leonard Math	Commissioner
Sam Lee	Director
Paul Robinson	Director
John Woodacre	Director

Registered Office
JL Perentis Kemerdekaan 1,
RT 03 / RW07,
Kelurahan Kayo Putih,
Kemematan Oebobo,
Koto Kupang, NTT

AUSTRALIAN SECURITIES EXCHANGE

Gulf Manganese Corporation Limited shares (GMC) are listed on the Australian Securities Exchange.

COMPANY VISION
To produce a high quality, cost-effective alloy thereby increasing shareholder wealth.

REVIEW OF OPERATIONS

Kupang Smelting Hub Project Overview

Gulf Manganese Corporation Limited ("Gulf", "the Company") is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell medium and low carbon ferromanganese alloys.

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 premium quality ferromanganese alloy.

Kupang Smelting Hub Facility Construction Update

In Indonesia, clearing on site in the Bolok industrial area was completed early in the September Quarter, and construction power from the adjacent government owned power station is now connected. Construction offices have been installed and commissioned. Topographical and groundwater surveys have been completed, along with geotechnical drilling on the furnace footing locations.

During the half year, Gulf's wholly owned subsidiary, PT Gulf Mangan Grup ("PT Gulf") appointed Indonesian-based PT Weltes Energi Nusantara ("PT Weltes") to work with EPCM contractor, XRAM, to undertake the construction phase of the Kupang Smelting Hub Facility. PT Weltes is a multi-disciplinary engineering, procurement, construction and fabrication manufacturer with in excess of 20 years of experience. PT Weltes has specific experience in mineral and chemical processing plants and infrastructure, including civil works and electrical and control automation.

The Kupang civil works program commenced shortly after the issuing of the Building Permit ("IMB"). Key activities such as excavating the box cuts and pouring of the concrete levelling slabs are now complete. The civil works are on-track to align with manufacturing and delivery of the smelter building in Q1 2018.

The building and support infrastructure is being constructed by the PT Weltes of Surabaya. The steel is currently being prefabricated in Surabaya and will be shipped to Kupang in Q2 2018. Some delays were experienced during the pouring of the concrete foundations due to heavy rainfall through December and into January. These delays were not expected to significantly impact the development timeline.

Smelter Acquisition and Refurbishment Update

As previously reported, Gulf completed the final payment to Transalloys Pty Ltd ("Transalloys") for the purchase of Gulf's first two ferromanganese smelting furnaces in July 2017. This final payment triggered the commencement of the smelter refurbishment process by specialist engineering firm, XRAM Technologies (Pty) Limited ("XRAM"), who have been engaged to undertake all design and construction requirements associated with the refurbishment and relocation of the furnaces to the Kupang Smelting Hub.

As at 31 December 2017, the dismantling and subsequent refurbishment of the furnace equipment in South Africa was largely completed, with only the transformers outstanding. The final step of the refurbishment program was the rewinding of the furnace transformers which was completed during Q1 2018. With the Master List required for importing the smelters now approved, Gulf is now working to finalise the shipping arrangements with the now containerised furnace equipment expected to depart Durban for Kupang during Q1 2018. The units will be shipped directly to the Tenau Port at Kupang which is approximately 5km from the Bolok Site.

Licencing and Site Approvals

Rental Terms for Bolok Industrial Estate Secured

On 15 November 2017, the Company finalised rental terms for the Bolok Industrial Estate Land Lease which covers the initial 10 hectares of the 35 hectare project site to be used for the development of the Kupang Smelting Hub Facility. As part of the agreement, PT Gulf paid five years' rent in advance to the Government of East Nusa Tenggara Province.

The signing of the Bolok Industrial Estate Land Lease agreement on 1 June 2017 was followed by a formal signing ceremony with the Governor of East Nusa Tenggara Province and PT Gulf on 14 November 2017.

Receipt of Environmental Licence Approval & IMB Licence

Further to the Governor of NTT approving the commencement of construction at Bolok Industrial Estate in September 2017 pending the finalisation of the necessary licences, these have all now been received. The first was the UKL-UPL confirming Gulf's compliance with the Bolok Estate Environmental Licence (AMDAL) for the development of the Kupang Smelting Hub Facility from the Environment Department of the Provincial Government Kupang.

REVIEW OF OPERATIONS

The verification process for the Kupang Smelting Hub environmental monitoring and reporting license was successfully completed following an extensive review by the Environmental Department of the Provincial Government, with the resulting certification (UKL-UPL) received from the provincial government offices subsequent to the half year end in Kupang on 17 January 2018.

Gulf also received the full Building Permit (IMB) on 22 December 2017, which together with the Environmental License, completes the necessary permitting required for construction of the smelting hub. Gulf has previously been granted a Principle License for foreign investment from the Indonesian Investment Coordination Board (BKPM) and the granting of site approvals was considered the last major approval required to commence project development works.

Direct Shipped Ore (DSO) Licence

Discussions to obtain the necessary permitting to enable the commencement of the sale and shipment of manganese concentrates (>49% Mn) (DSO) from Kupang are still progressing.

Due Diligence Underway on Timorese Manganese Mine

On 21 December 2017, the Company advised that it has commenced due diligence on a previously operating manganese mine in Timor East Nusa Tenggara.

The mine has a Production Operation Mining Business License issued in respect to the mining concession, which comprises 1007 hectares in North Central Timor, East Nusa Tenggara Province. The concession is certified Clean & Clear, confirming that ownership and other legalities have been verified by the Government and the production of manganese ore is approved.

As with almost all manganese mines in Indonesia, the mine has been dormant since the introduction of bans on the export of un-processed ore from Indonesia since 2013. High grade manganese ore was reportedly produced from the mine prior to the bans, however with almost all Indonesian manganese mines, there is currently no JORC compliant resource statement.

Gulf will exclusively conduct due diligence on the concession up to April 30, 2018. The potential acquisition would support the secure supply of high-grade manganese ore to the Kupang Smelting Hub.

Manganese Ore Supply

As reported previously, a detailed review of Manganese ore potential in Indonesia was also undertaken by the Company in early 2016, which confirmed that there is a potential extractable manganese mineralisation of 29Mt from Production IUPs and 114Mt from Exploration and Production IUPs.

Negotiations are continuing with local miners for the future supply of ore to the Kupang Smelting Hub. Discussions continue to progress positively with locals, and agreements have already been reached with two miners for supply for circa 1000 tonnes per month each.

At the conclusion of the half year, there were four Memorandums of Understanding ("MoU's") in place with manganese ore miners in Timor for the delivery of manganese ore underpinning the feedstock requirement for the start-up of operations at the Kupang Smelting Hub Facility in early 2018. Subsequent to the year end, Gulf has entered into a further six MoU's with manganese ore miners throughout West Timor.

Power Supply

PT Gulf executed a further ("MoU") with PT PLN ("Persero") East Nusa Tenggara Region to provide up to 20 MVA electrical power supply at Kupang, which is currently being finalised into an operating agreement.

Funding Secured to Advance Kupang Smelting Hub Facility

As announced during the previous quarter, Gulf received commitments from sophisticated investors to raise A$12,000,000 (see ASX Announcement dated 23 June 2017). As previously advised, $8,000,000 was initially received, with subscriptions for a further A$4,000,000 also received from a group of sophisticated local investors. This A$4,000,000 was received by the Company during this half year, completing the capital raising.

Funds were deployed towards the completion of the smelter refurbishment program in South Africa and on the shipment of the Company's first two smelting furnaces to Kupang.

Controlled Placement Agreement

In December 2017, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides Gulf with up to $5 million of standby equity capital for a 2 years period. Importantly, Gulf retains full control of all aspects of the placement process, having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on Gulf to utilise the CPA and Gulf may terminate the CPA at any time, without cost or penalty. Acuity Capital and the CPA do not place any restrictions at any time on Gulf raising capital through other methods.

If Gulf does decide to utilise the CPA, Gulf is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by Gulf and a 10% discount to a Value Weighted Average Price (VWAP) over a period of Gulf's choosing (again at the sole discretion of Gulf).

As collateral for the CPA, Gulf has agreed to place 125m shares from its LR7.1 capacity, at nil consideration to Acuity Capital (Collateral Shares) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval). It has subsequently been agreed between Acuity Capital and Gulf to reduce the number of Collateral Shares to be issued from 125m shares to 100m shares, which were issued on 9 March 2018.

Appointments to PT GMG Board

On September 15, the Company appointed Iskandar Ali as President Commissioner of the Company's wholly-owned Indonesian Subsidiary, PT Gulf Mangan Grup ("PT Gulf"). Mr Iskandar brings a wealth of local knowledge, political expertise and business acumen during this important phase in the Company's development.

In addition, Paul Robinson (Gulf Operations Manager) and Sam Lee (Gulf Director – Ore Supplies) were also appointed to the board of PT Gulf Mangan Grup.

DIRECTORS' REPORT

Your Directors present their report for Gulf Manganese Corporation Limited ("the Company" or "Gulf") and controlled entities ("the consolidated entity") for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows:

Mr Craig Munro (Non Exec. Chairman)
Mr Hamish Bohannan (Managing Director)
Mr Andrew Wilson (Non Exec. Director)

Directors were in office from the beginning of the half- year until the date of this report unless otherwise stated.

CORPORATE INFORMATION

Corporate Structure

Gulf is a limited liability company that is incorporated and domiciled in Australia. Gulf has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

Gulf Manganese Corporation Limited	-	parent entity
Gulf Copper Pty Ltd	-	100% owned controlled entity
Gulf Manganese Pty Ltd	-	100% owned controlled entity
International Manganese Group Ltd	-	100% owned controlled entity
PT Gulf Mangan Grup (Indonesia)	-	100% owned controlled entity by International Manganese Group Ltd

Nature of Operations and Principal Activities

The principal continuing activities during the period within the consolidated entity were exploration for and evaluation of mineral resources.

OPERATING AND FINANCIAL REVIEW

Capital Raising

During the half year period ended 31 December 2017, the Company raised $4 million through a placement of 266,666,667 shares at 1.5 cents per share with free attaching 1 for 2 Listed Options (GMCO) exercisable at 0.5 cents per share expiring 21 April 2019 to sophisticated and professional investors.

The Company also raised a further $620,995 through the exercise of 124,199,000 Listed Options at 0.5 cents each.

Operating Results

Consolidated loss after income tax for the financial period was $2,549,403 (2016: $4,416,551).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

EVENTS SUBSEQUENT TO REPORTING DATE

On 2 February 2018, Gulf received a short-term loan in an Indonesian Rp ("IDR") principal amount equivalent to approximately $1 million from PT Jayatama Tekno Sejahtera ("PT JTS"). The proceeds from the loan were used to develop the Kupang Smelting Hub Facility and working capital. The short-term loan has an interest rate of 10% with a repayment date of 30 June 2018.

On 12 March 2018, Gulf announced that it has secured approximately $15 million equivalent funding led by Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera ("PT JTS").

Gulf's wholly owned subsidiary, PT Gulf Mangan Grup ("PT Gulf") will issue a convertible note, in an Indonesian Rp ("IDR") principal amount equivalent to approximately $6 million, with a zero percent interest to PT JTS's wholly-owned subsidiary, PT Jayatama Global Investindo ("PT JGI") ("PT Gulf Convertible Note"). Upon satisfaction of the agreed conditions precedent, the PT Gulf Convertible Note will automatically be converted into 25.1% of the equity of PT Gulf ("Project Investment").

An additional standby facility, in an IDR principal amount equivalent to approximately $7 million, has also been made available by PT JTS to PT Gulf ("Standby Facility"). Subject to the satisfaction of conditions precedent, the Standby Facility can be drawn down at any time during the construction and commissioning phase.

As part of the transaction, on 12 March 2018, Gulf has completed a $2 million, five-year zero coupon converting note issue to Eighteen Blue Investments Pty Ltd ("EBI") ("GMC Converting Notes"). The Company has issued 133,333,333 Converting Notes at a face value of 1.5 cents each, and 133,333,333 free attaching Listed Options (GMCO) exercisable at 0.5 cents and expiring 21 April 2019.

The key terms of the Converting Notes and Standby Facility are disclosed in the announcement dated 12 March 2018.

In addition to the above, on 9 March 2018, Gulf issued 100,000,000 Collateral Shares for no consideration to Acuity Capital. The Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital which provides the Company with up to $5 million of standby equity capital until 31 December 2019.

Gulf retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on Gulf to utilise the CPA and Gulf may terminate the CPA at any time, without cost or penalty.

Acuity Capital and the CPA do not place any restrictions at any time on Gulf raising capital through other methods. If Gulf does decide to utilise the CPA, Gulf is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by Gulf and a 10% discount to a Value Weighted Average Price (VWAP) over a period of Gulf's choosing (again at the sole discretion of Gulf).

Gulf may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

Subsequent to reporting date, 14,000,000 Listed Options have been exercised at 0.5 cents each, raising a total of $70,000. A total of 10,000,000 Unlisted Options exercisable at $0.0196 have lapsed.

On 12 March 2018, the Company issued 6,225,604 shares deemed at 1.5 cents each as part of a settlement agreement.

AUDITOR INDEPENDENCE

We have received the independence declaration from the auditor of Gulf Manganese Corporation Limited, Bentleys Audit & Corporate (WA) Pty Ltd, a copy of which is attached to the Directors Report on page 7 of the financial report.

This report is made in accordance with a resolution of the Directors.

CRAIG MUNRO
CHAIRMAN

16 March 2018

Bentleys
THINKING AHEAD

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Gulf Manganese Corporation Limited for the period ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS	**CHRIS NICOLOFF** CA
Chartered Accountants	**Director**

Dated at Perth this 16th day of March 2018

		Consolidated	
	Notes	31 December 2017 $	31 December 2016 $
Interest revenue		26,110	9
Foreign exchange gains		4,212	3,466
Sale of tenement assets		25,000	-
Directors fees and staff remuneration		(346,426)	(272,018)
Share based payments		(1,613,185)	(3,550,501)
Administration expenses		(428,591)	(382,319)
Exploration and evaluation expenditure		(3,085)	(1,388)
Interest Paid		(40,329)	(23,540)
Legal Fees		(59,646)	(19,076)
Professional Fees		(98,587)	(168,117)
Depreciation		(8,616)	(3,067)
Fixed assets written off		(6,260)	
Loss before income tax expense		(2,549,403)	(4,416,551)
Income tax expense		-	-
Net Loss for the half year		(2,549,403)	(4,416,551)
Other comprehensive income		(599,246)	-
Total comprehensive loss for the half year		(3,148,649)	(4,416,551)
Earnings/(Loss) per Share:			
Basic and diluted loss per share (cents per share)		(0.12)	(0.35)

The accompanying condensed notes form part of these financial statements.

	Notes	Consolidated 31 December 2017 $	30 June 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents		3,506,639	5,348,144
Trade and other receivables		368,785	580,189
Total Current Assets		**3,875,424**	**5,928,333**
Non-Current Assets			
Property, plant and equipment	5	9,174,263	4,248,455
Total Non-Current Assets		9,174,263	4,248,455
Total Assets		**13,049,687**	**10,176,788**
LIABILITIES			
Current Liabilities			
Trade and other payables	2	567,544	540,174
Borrowings	3	1,000,000	1,000,000
Total Current Liabilities		1,567,544	1,540,174
Total Liabilities		**1,567,544**	**1,540,174**
Net Assets		**11,482,143**	**8,636,614**
EQUITY			
Contributed equity	4	38,802,930	32,309,605
Accumulated losses		(32,904,108)	(30,354,705)
Reserves	4	5,583,321	6,681,714
Net Equity		**11,482,143**	**8,636,614**

The accompanying condensed notes form part of these financial statements.

Consolidated	**Contributed Equity** $	**Accumulated Losses** $	**Options Reserve** $	**Foreign Currency Reserve** $	**Total Equity** $
Balance at 30 June 2017	32,309,605	(30,354,705)	6,681,714	-	8,636,614
Loss for the half year	-	(2,549,403)	-	-	(2,549,403)
Other comprehensive income	-	-	-	(599,246)	(599,246)
Total comprehensive loss for the year	-	(2,549,403)	-	(599,246)	(3,148,649)
Transactions with owners, recorded directly in equity:					
Share based payments	-	-	1,613,185	-	1,613,185
Transfer of performance rights vested during the period	2,112,332	-	(2,112,332)	-	-
Securities issued during the half year (net of costs)	4,380,993	-	-	-	4,380,993
Total equity transactions	6,493,325	-	(499,147)	-	5,994,178
Balance at 31 December 2017	**38,802,930**	**(32,904,108)**	**6,182,567**	**(599,246)**	**11,482,143**
Balance at 30 June 2016	23,325,358	(24,991,397)	2,507,213	-	841,174
Loss for the half year	-	(4,416,551)	-	-	(4,416,551)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(4,416,551)	-	-	(4,416,551)
Transactions with owners, recorded directly in equity:					
Share based payments	-	-	3,694,501	-	3,694,501
Securities issued during the half year (net of costs)	1,985,786	-	-	-	1,985,786
Total equity transactions	1,985,786	-	3,694,501	-	5,680,287
Balance at 31 December 2016	**25,311,144**	**(29,407,948)**	**6,201,714**	**-**	**2,104,910**

The accompanying condensed notes form part of these financial statements.

	Consolidated	
	31 December 2017 $	31 December 2016 $
Cash flows from operating activities		
Payments to suppliers and employees	(1,105,679)	(828,426)
Interest received	26,110	8
Interest paid	(40,329)	(23,540)
Net cash used in operating activities	(1,119,898)	(851,958)
Cash flows from investing activities		
Proceeds from sale of tenements	25,000	-
Purchase of plant and equipment	(4,947,901)	(532,128)
Payments for security deposit	(96,499)	-
Payments for mining tenement deposit	(131,028)	-
Net cash from/(used) in investing activities	(5,150,428)	(532,128)
Cash flows from financing activities		
Proceeds from issue of securities – net of issue costs	4,796,251	1,448,385
Net cash provided by financing activities	4,796,251	1,448,385
Net increase/(decrease) in cash and cash equivalents held	(1,474,075)	64,299
Cash and cash equivalents at beginning of the half year	5,348,144	621,747
Foreign exchange differences	(367,431)	3,466
Cash and cash equivalents at end of the half year	**3,506,638**	**689,512**

The accompanying condensed notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or revised standards and interpretations that are first effective in the current reporting period and future periods

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Based on preliminary analysis the directors anticipate that the adoption of AASB 9 is unlikely to have a material impact on the Group's financial instruments.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108 : Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 : Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 : Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Going concern

The interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity incurred a loss for the half-year of $2,549,403 (2016: $4,416,551) and net operating cash outflows of $1,119,898 (2016: $851,958).

As at 31 December 2017, the Consolidated Entity had a working capital position of $2,307,880 (30 June 2017: $4,388,159).

The Consolidated Entity is working to develop a ferromanganese smelting and sales business to produce low / medium carbon ferromanganese allow in West Timor, Indonesia.

On 2 February 2018, Gulf received a short-term loan in an Indonesian Rp (“IDR”) principal amount equivalent to approximately $1 million from PT Jayatama Tekno Sejahtera (“PT JTS”). The proceeds from the loan were used to develop the Kupang Smelting Hub Facility and working capital. The short-term loan has an interest rate of 10% with a repayment date of 30 June 2018.

On 12 March 2018, the Consolidated Entity announced that it has secured approximately AUD $15 million equivalent, subject to the completion of certain conditions precedent, through a combination of Convertible Notes and Standby Loan Facility led by PT Jayatama Tekno Sejahtera (PT JTS) to fully fund the Kupang Smelting Hub Facility:

- Gulf’s fully owned subsidiary, PT Gulf Mangan Grup (“PT Gulf”) will issue a convertible note, in an Indonesian Rp (“IDR”) principal amount equivalent to approximately $6 million with a zero percent interest to PT JTS’s wholly-owned subsidiary, PT Jayatama Global Investindo (“PT JGI”) (“PT Gulf Convertible Note”).

  Completion of the subscription of the convertible note is conditional upon, among other things, the execution of an agreement between Gulf and PT Gulf selling and transferring, from Gulf to PT Gulf, all of Gulf’s right title and interest in and to the two smelters at the Kupang Smelting Facility (“Kupang Manganese Smelters”) and the grant of security over the Kupang Manganese Smelters in favour of PT JGI, which is anticipated to be achieved by 30 March 2018.

  The PT Gulf Convertible Note will automatically be converted into 25.1% of the equity of PT Gulf (“Project Investment”) upon satisfaction of the agreed conditions precedent, which are considered by the Board to be administrative (as per the ASX announcement on 12 March 2018).

- An additional standby facility, in an IDR amount equivalent to approximately $7 million has also been made available by PT JTS to PT Gulf (“Standby Facility”). Subject to the satisfaction of conditions precedent, the Standby Facility can be drawn down at any time during the construction and commissioning phase. As at the date of this report the conditions precedent have not been completed and therefore no amount under this facility has been drawn down.

- Gulf has completed a $2 million five-year zero coupon converting note issue to Eighteen Blue Investments Pty Ltd ("EBI") ("GMC Converting Notes"). The Company has issued 133,333,333 Converting Notes at a face value of 1.5 cents each, and has issue 133,333,333 free attaching listed options (GMCO) exercisable at 0.5 cents and expiring 21 April 2019.

The directors have prepared a cash flow forecast, which includes the completion of the above activities that indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 months period from the date of signing this financial report.

In the event of the agreed conditions precedent are not met and/or any potential breach occurs under the Convertible Note agreement, the Consolidated Entity will be required to renegotiate the terms of the funding with PT JTS or seek alternative funding. Should the Consolidated Entity be unsuccessful in completing he required funding, the Company has adequate working capital resources to continue as a going concern for at least 12 months from the date of this report by delaying the construction completion timeline of the facility and managing cash flow in line with its existing working capital position.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the interim financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

2. TRADE AND OTHER PAYABLES

	Consolidated	
CURRENT	**31 December 2017 $**	**30 June 2017 $**
Trade payables	395,535	185,762
Accruals	10,000	18,775
Other payables	103,205	280,138
Provision for annual leave	58,804	55,498
	567,544	**540,173**

3. BORROWINGS

CURRENT		
Convertible Notes	1,000,000	1,000,000
	1,000,000	**1,000,000**

The following table shows the movement of convertible notes during the period:

Opening balance	1,000,000	470,000
Additions	-	1,000,000
Redeemed	-	(470,000)
Closing value	**1,000,000**	**1,000,000**

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
4. ISSUED CAPITAL		
(a) Issued and paid up capital		
Ordinary shares fully paid	**38,802,930**	**32,309,605**
	Number	**$**
(b) Movement in ordinary shares on issue		
At 31 December 2017	**2,531,197,255**	**38,802,930**

	Number	$
Balance at 1 July 2016	1,179,178,307	23,325,358
23 Aug 2016 Conversion of 3 convertible notes at 1.02 cents each	2,941,177	30,000
5 Sep 2016 Issue of 14,500,000 ordinary shares deemed at 0.4 cents each	14,500,000	217,500
5 Sep 2016 Issue of 20,000,000 ordinary shares at 0.2 cents each	20,000,000	300,000
12 Sep 2016 Issue of 70,000,000 ordinary shares at 1.5 cents each	70,000,000	1,050,000
12 Sep 2016 Conversion of 4 convertible notes at 1.36 cents each	2,941,176	40,000
15 Sep 2016 Issue of 6,666,667 ordinary shares at 1.5 cents each	6,666,667	100,000
20 Sep 2016 Exercise of Listed Options at 0.5 cents each	760,890	3,804
12 Oct 2016 Conversion of 7 convertible notes at 1.7 cents each	4,117,647	70,000
8 Nov 2016 Issue of 3,154,242 ordinary shares at 1.65 cents each	3,154,242	52,045
28 Nov 2016 Conversion of 33 convertible notes at 2.286 cents each	14,435,695	330,000
28 Nov 2016 Exercise of Listed Options at 0.5 cents each	4,268,499	21,343
28 Nov 2016 Exercise of Unlisted Options exp 30 Sep 2018 at 1.96 cents each	150,000	2,940
6 Dec 2016 Exercise of Listed Options at 0.5 cents each	14,691,681	73,458
13 Dec 2016 Exercise of Listed Options at 0.5 cents each	20,266,950	101,335
13 Dec 2016 Exercise of Unlisted Options exp 30 Sep 2018 at 1.96 cents each	2,500,000	49,000
30 Dec 2016 Exercise of Listed Options at 0.5 cents each	4,160,322	20,802
30 Dec 2016 Exercise of Unlisted Options exp 30 Sep 2018 at 1.96 cents each	1,700,000	33,320
13 Jan 2017 Exercise of Listed Options at 0.5 cents each	150,000	750
19 Apr 2017 Issue of 204,600,000 ordinary shares at 0.5 cents each	204,600,000	1,023,000
21 Jun 2017 Issue of 2,666,666 ordinary shares at 1.5 cents each	2,666,666	40,000
29 Jun 2017 Issue of 464,000,005 ordinary shares at 1.5 cents each	464,000,005	6,960,000
Less: Capital raising costs[1]	-	(1,535,050)
Balance at 30 June 2017	**2,037,849,924**	**32,309,605**
27 July 2017 – Issue of ordinary shares at 1.5 cents each	66,666,667	1,000,000
6 Oct 2017 – Issue of ordinary shares at 1.5 cents	33,333,333	500,000
28 Oct 2017 – Vesting of performance rights deemed at 3 cents	34,000,000	1,020,000
1 Nov 2017 – Issue of ordinary shares at 1.5 cents	166,666,667	2,500,000
7 Nov 2017 – Exercise of Listed Options at 0.5 cents each	83,000,000	415,000
9 Nov 2017 – Exercise of Listed Options at 0.5 cents each	31,000,000	155,000
16 Nov 2017 – Exercise of Listed Options at 0.5 cents each	6,533,000	32,665
28 Nov 2017 – Exercise of Listed Options at 0.5 cents each	1,333,000	6,665
5 Dec 2017 – Exercise of Listed Options at 0.5 cents each	2,333,000	11,665
20 Dec 2017 – Vesting of performance rights deemed at 1.6 cents	68,481,664	1,092,332
Less capital raising costs	-	(240,002)
Balance at 31 December 2017	**2,531,197,255**	**38,802,930**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shareholders rank behind creditors in the distribution of proceeds from the winding-up of the Company. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Movement in Share Options

	Number	$
Nature and purpose of reserves		
Share based payment reserve		
The share based payment reserve is used to recognize the fair value of share based payments issued.		
Balance at the beginning of the period	1,499,149,889	6,681,714
Movement in Option issued during the year	261,901,000	-
Movement in Performance rights issued during the year	96,213,336	(499,147)
At 31 December 2017	**1,857,264,225**	**6,182,567**

Share Options on Issue		
Listed Options	1,517,624,972	1,083,122
Unlisted Options	158,425,917	3,048,592
Performance Rights	181,213,336	2,050,853
	1,857,264,225	**6,182,567**

i) Movement in Listed Options (GMCO) exercisable at 0.5 cents each expiring 21 April 2019

At 1 July 2017	**1,241,823,972**	**1,083,122**
(A) 27 July 2017 Issue of listed options	100,000,000	-
(B) 6 October 2017 Issue of listed options	50,000,000	-
7 Nov 2017 Exercise of listed options	(83,000,000)	-
9 Nov 2017 Exercise of listed options	(31,000,000)	-
16 Nov 2017 Exercise of listed options	(6,533,000)	-
28 Nov 2017 Exercise of listed options	(1,333,000)	-
(C) 1 Dec 2017 Issue of listed options	250,000,000	-
5 Dec 2017 Exercise of listed options	(2,333,000)	-
At 31 December 2017	**1,517,624,972**	**1,083,122**

ii) *Movement in Unlisted Options*

At 1 July 2017	172,325,917	3,048,592
Lapsing of unlisted options exercisable at $0.3746 each expiring 31 Jul 2017	(13,900,000)	-
At 31 December 2017	**158,425,917**	**3,048,592**

iii) Movement in Performance Rights

At 1 July 2017	85,000,000	2,550,000
Issue of Performance Rights to Directors and Employees	198,695,000	-
Vesting of Performance Rights (granted 21 November 2016)	(34,000,000)	(1,020,000)
Vesting of Performance Rights (granted 21 November 2017)	(68,481,664)	520,853
At 31 December 2017	**181,213,336**	**2,050,853**

(d) Fair value of Performance Rights granted

During the half year, 198,695,000 Performance Rights were issued under the Company's Long Term Incentive Plan (LTI) to Directors and Employees and they vest based on yearly service. In accordance with the LTI, the Company's Total Shareholder Return (TSR) for the financial year ended 30 June 2017 against the Comparator Group of companies was above the 70th percentile and the first equal tranche of the LTI Performance Rights have vested, resulting in 68,481,664 shares being issued.

	Performance Rights Issued	Vest in 2017/2018	Vest in 2018/2019	Vest in 2019/2020
Directors	94,500,000	31,499,999	31,500,000	31,500,001
Employees	104,195,000	36,981,665	33,606,667	33,606,668
TOTAL	**198,695,000**	**68,481,664**	**65,106,667**	**65,106,669**

These rights that have vested were valued based on the share price at the date of grant. The share price at the grant date was 1.6 cents.

In addition to the above, the following Performance Rights issued on 21 November 2016 have vested:

Vesting Conditions	Directors	Employees
Completion of MoU with Mangan Suppliers	9,000,000	8,000,000
Completion of 60% offtake agreement for 1 & 2 smelters	9,000,000	8,000,000
TOTAL	**18,000,000**	**16,000,000**

5. PROPERTY, PLANT AND EQUIPMENT

Balance at 31 December 2017	Smelter Hub (Under Construction) $	Office Furniture and Equipment $	Total $
At Cost	8,962,751	238,728	9,201,479
Accumulated Depreciation	-	(27,216)	(27,216)
Total Written Down Value	**8,962,751**	**211,512**	**9,174,263**
Reconciliation			
Opening written down value	4,224,147	24,308	4,248,455
Additions	4,738,604	202,080	4,940,684
Written off	-	(6,260)	(6,260)
Depreciation charged	-	(8,616)	(8,616)
Closing Written Down Value	**8,962,751**	**211,512**	**9,174,263**

Balance at 30 June 2017	Smelter Hub (Under Construction) $	Office Furniture and Equipment $	Total $
At Cost	4,224,147	42,908	4,267,055
Accumulated Depreciation	-	(18,600)	(18,600)
Total Written Down Value	**4,224,147**	**24,308**	**4,248,455**
Reconciliation			
Opening written down value	955,200	21,901	977,101
Additions	3,268,947	8,927	3,277,874
Disposal	-	-	-
Depreciation charged	-	(6,520)	(6,520)
Closing Written Down Value	**4,224,147**	**24,308**	**4,248,455**

6. FINANCIAL REPORTING BY SEGMENTS

For management purposes, the Group is organised into one main operating segment, which involves developing a ferromanganese smelting and sales business to produce low/medium carbon ferromanganese alloy in West Timor, Indonesia. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (chief operating decision maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 2 February 2018, Gulf received a short-term loan in an Indonesian Rp ("IDR") principal amount equivalent to approximately $1 million from PT Jayatama Tekno Sejahtera ("PT JTS"). The proceeds from the loan were used to develop the Kupang Smelting Hub Facility and working capital. The short-term loan has an interest rate of 10% with a repayment date of 30 June 2018.

On 12 March 2018, Gulf announced that it has secured approximately $15 million equivalent funding led by Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera ("PT JTS").

Gulf's wholly owned subsidiary, PT Gulf Mangan Grup ("PT Gulf") will issue a convertible note, in an Indonesian Rp ("IDR") principal amount equivalent to approximately $6 million, with a zero percent interest to PT JTS's wholly-owned subsidiary, PT Jayatama Global Investindo ("PT JGI") ("PT Gulf Convertible Note"). Upon satisfaction of the agreed conditions precedent, the PT Gulf Convertible Note will automatically be converted into 25.1% of the equity of PT Gulf ("Project Investment").

An additional standby facility, in an IDR principal amount equivalent to approximately $7 million, has also been made available by PT JTS to PT Gulf ("Standby Facility"). Subject to the satisfaction of conditions precedent, the Standby Facility can be drawn down at any time during the construction and commissioning phase.

As part of the transaction, on 12 March 2018, Gulf has completed a $2 million, five-year zero coupon converting note issue to Eighteen Blue Investments Pty Ltd ("EBI") ("GMC Converting Notes"). The Company has issued 133,333,333 Converting Notes at a face value of 1.5 cents each, and 133,333,333 free attaching Listed Options (GMCO) exercisable at 0.5 cents and expiring 21 April 2019.

The key terms of the Converting Notes and Standby Facility are disclosed in the announcement dated 12 March 2018.

In addition to the above, on 9 March 2018, Gulf issued 100,000,000 Collateral Shares for no consideration to Acuity Capital. The Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital which provides the Company with up to $5 million of standby equity capital until 31 December 2019.

Gulf retains full control of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on Gulf to utilise the CPA and Gulf may terminate the CPA at any time, without cost or penalty.

Acuity Capital and the CPA do not place any restrictions at any time on Gulf raising capital through other methods. If Gulf does decide to utilise the CPA, Gulf is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by Gulf and a 10% discount to a Value Weighted Average Price (VWAP) over a period of Gulf's choosing (again at the sole discretion of Gulf).

Gulf may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

Subsequent to reporting date, 4,000,000 Listed Options have been exercised at 0.5 cents each, raising a total of $20,000. A total of 10,000,000 Unlisted Options exercisable at $0.0196 have lapsed.

On 12 March 2018, the Company issued 6,225,604 shares deemed at 1.5 cents each as part of a settlement agreement.

8. COMMITMENTS

There are no operating lease or exploration commitments as at the date of this report.

9. CONTINGENT LIABILITIES

As previously disclosed in the financial report for the year ended 30 June 2016, the Company received a claim relating to a purported historical transaction between the Company and Mighty River International Limited.

On 8 November 2017, Mighty River commenced action against the Company in the Supreme Court of Western Australia. The writ was served on the Company on 13 November 2017. The action relates to an alleged agreement entered into between Gulf and Mighty River dated 7 October 2013 ("Alleged Agreement") for the acquisition of Mighty River's shares in Asia Mineral Corporations Limited ("Sale Shares").

Mighty River alleges that Gulf has failed to meet its obligation under the Alleged Agreement to attend settlement for the Sale Shares and is seeking specific performance and pay the sum of $1,400,000 (plus interest) or alternatively, damages in the sum of $1,400,000 (plus interest).

The Company has considered the alleged facts and in the opinion of the directors, the claim is unlikely to succeed. Having considered the writ, the Company remains of that view and will respond accordingly.

There has been no other contingent liabilities other than disclosed above.

10. DIVIDENDS

No dividends have been paid or proposed during the half year.

The Directors of the company declare that:

1) The financial statements and notes, as set out on pages 8-20

   a. Comply with Accounting Standard AASB 134: Interim Financial Reporting, Corporations Act 2001 and the Corporations Regulations 2001; and
   b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.

2) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with resolution of the board.

CRAIG MUNRO
CHAIRMAN

Perth
16 March 2018

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Gulf Manganese Corporation Limited

We have reviewed the accompanying financial report of Gulf Manganese Corporation Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Gulf Manganese Corporation Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Director

Dated at Perth this 16th day of March 2018