

Kupang Smelting Hub Facility Project Update

Key Points:

- First two smelters currently being transported to Durban for loading ahead of shipment to Kupang – expected to ship on 12th May 2018
- Kupang civil works program advancing well – approx. 72% work completed to date
- Key near-term focus on further solidifying Kupang ore supply pipeline – multiple high grade (+44%Mn) manganese deposits currently under review for potential acquisition.
- Due diligence on the first mining operation now completed, acquisition terms now being finalised
- Mining Operations Manager appointed to oversee and manage mining acquisitions, as acquired by GMC
- Gulf progressing permitting requirements to generate near-term cash flow from sale of Direct Shipping Ore (DSO) (>49% Mn)

Gulf Manganese Corporation Limited (ASX: GMC) (“Gulf” or “the Company”) is pleased to provide the following update on operational and corporate progress regarding the development of the Company’s Kupang Smelting Hub Facility in West Timor, Indonesia.

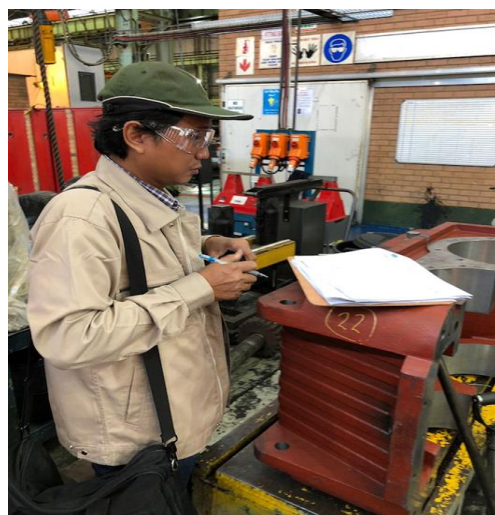
Kupang Smelting Furnace Refurbishment & Shipment Update

The first two smelters are now in the process of being transported by road to Durban ahead of scheduled shipping to Kupang on 12th May. As part of the Indonesian customs process, three surveyors were sent from Jakarta to Johannesburg to survey the equipment to be shipped. This has been completed, and the equipment has been certified as being compliant for export to Indonesia.

Shipment of the smelters is being managed by Durban based Themba Dry Cargo who specialise in dry bulk and containerised transportation. In total 8 x 40’ containers and 8 x Break Bulk Loads weighing a total of about 280 tonnes will be shipped to Kupang via Singapore.

Upon arrival at the Tenau Port, Kupang, the two smelting furnaces will be trucked the short distance (approximately 5km) to the project site, at which time construction and installation of the first two furnaces will commence.





Figures 1 & 2: Gulf's smelting furnaces being containerised for shipment and survey work being completed on the smelting equipment by one of the Indonesian team.



Figure 3: Managing Director Hamish Bohannon alongside Gulf's furnace shells in South Africa prior to them being containerised for shipment



Figure 4: Lower Electrode Copper Contact Shoes and Stainless Steel Pressure Ring on pallets, ready for shipping

Kupang Smelting Hub Project Construction Update

The civil works program at the Kupang Smelting Hub Facility is approximately 72% complete with all concrete foundations and blindings now 100% complete. Approximately 1750 m³ of concrete has been cast to date ahead of the arrival of the first two smelting furnaces (see Figures 5,6 and 7). A small amount of concrete work remains to complete the first two furnace plinths, which is scheduled to be completed by mid May 2018.

A key near-term focus is now on finalising the completion of steel fabrication at the Weltes facility in Surabaya. Completion of the steel fabrication will be closely followed by the furnace building erection which is due for completion prior to the smelter equipment's arrival in Kupang.





Figure 5: Aerial overview of the Kupang Smelting Hub Facility site highlighting close proximity to power station (top left)



Figure 6: Aerial overview demonstrating civil works progress to date





Figure 7: Civil works program is well advanced at Kupang Smelting Hub site

Kupang Ore Supply & Project Acquisition Strategy

Gulf has recently completed its due diligence into the acquisition of a high-grade Timorese Manganese Mine, as previously advised, with acquisition terms and conditions currently being finalised with the respected parties involved.

The Company has also recently entered into an MoU to undertake exclusive due diligence on the acquisition of four additional high-grade manganese mines in the Timor area. Due diligence is progressing well and the Company looks forward to providing further details on these acquisition opportunities in the near-term.

To further support this strategy, David Brown has been appointed as the Mining Operations Manager. Based in Kupang, David's role will be to oversee and manage Gulf's mining and acquisition strategy moving forward.

David is a mining engineer with over 25 years' experience in the mining industry, including extensive experience in developing and operating open-cut mines in S.E. Asia. David's career covers a range of commodities, including gold, silver, nickel, copper and limestone. David holds an Honours Degree in Geological Engineering from the Royal Institute of Technology in Melbourne, and holds an unrestricted Quarry Manager's Certificate from the W.A. Department of Mines.

Corporate Update

During the quarter, Gulf announced that the construction and commissioning of the first two smelting furnaces is now fully-funded following the securing of a A\$15 million equivalent funding package led by Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera ("PT JTS") (see ASX release dated 12 March 2018).



Under the funding agreement, 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 A\$6 million, with zero percent interest to PT JTS's wholly-owned subsidiary, PT Jayatama Global Investindo ("PT JGI") ("PT Gulf Convertible Note"). Upon satisfaction of the announced conditions, the PT Gulf Convertible Note will automatically be converted into a 25.1% of the equity of PT Gulf ("Project Investment").

As previously announced, and outlined in the March 2018 Quarterly Report, the convertible note requires a fiduciary agreement to be registered in Jakarta. This was to be completed with a long stop date of April 30th, 2018. This target was not met, and the long stop date has been extended to 31st May 2018, a date that should be far enough out to ensure registration. PT JGI has however provided A\$1 million and a further A\$1 million unsecured as a loan facility to be replaced from the A\$6 million once the Fiduciary Agreement has been registered. The loan is secured over 4.2% of the equity of PT Gulf, being pro-rated on the 25.1 % due on conversion.

In line with previous guidance, Gulf is also progressing permitting requirements in order to commence the sale of Direct Shipping Ore (DSO) (>49% Mn) from Kupang. Discussions with the relevant authorities are progressing well and further details on these discussions will be provided to shareholders in due course.

-ENDS-

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Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell low 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 will aim to purchase and process 320,000 tonnes of manganese ore per annum, producing circa 155,000 tonnes of premium quality ferromanganese alloy.



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