



ASX Announcement

31 October 2018

Quarterly Activities Report Period ended September 30, 2018

Highlights:

- Construction on the Kupang Smelting Facility advancing with all structural steel fabrication and civil works now complete, with only sandblasting and painting of the final steel components required.
- Over 50% of the steel (approximately 360 metric tonnes) installed - Gulf on track to begin manganese alloy production in H1 2019.
- Ore supply pipeline strengthened – contracts finalised with 19 local mining companies. Gulf continuing to assess acquisition opportunities, targeting high grade manganese mines in Indonesia
- Operating licence secured for the Kupang Smelting Facility
- Strengthening of the Management Team, with new Chief Financial Officer and Company Secretary appointed

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 September 2018.

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.

September Quarter Key Milestones

Kupang Smelting Hub Developments

Construction advances at Kupang Smelting Facility

Following the onsite arrival of the Company's first two smelters in July, construction at the Kupang Smelting Facility continues to progress on schedule, with all structural steel fabrication and civil works now complete, with only sandblasting and painting of the final steel components required.

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In total, over 50% of the steel (approximately 360 metric tonnes) has now been installed, with earthworks and backfilling activities also underway.

The next step in the construction process will include the pouring of floors and the installation of key equipment. It is anticipated that all construction activities will be completed during H1 2019, ahead of the commencement of commercial production in H2 2019.

The onsite arrival of the first two smelters was commemorated with a celebratory ceremony, attended by representatives of Gulf key investment partners, local stakeholders, esteemed Government representatives and members of Gulf's Board and Senior management team.



Figure 1: Construction of the Kupang Smelting Facility as at 5 October, 2018.

Ore Supply Pipeline Strengthened

Gulf took major steps toward strengthening its manganese ore supply pipeline during the quarter, entering 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.

It takes the total negotiated contracts to 19 local 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.

Gulf Receives Operating Licence

In August, the Company's Indonesian subsidiary PT Gulf Mangan Grup ("PT Gulf") received its Operating Licence for the Kupang Smelting Facility.

The Licence ("Mining Operation Permit for Special Production Operations of Mineral Processing and Purification" or "IUP-OPK") is valid for 30 years from 31 July 2018, and enables the Company to buy, sell and transport manganese ore within Indonesia for smelting.

It also allows the Company to conduct overseas sales of ferro-manganese alloy in accordance with the provisions of the laws and regulations of Indonesia.

Corporate Activity

Update on Cornerstone Investment

On 17th October, Gulf advised that in light of the recent statement by the new Governor of the Province of East Nusa Tenggara ("NTT") in respect to a moratorium on all mining activities in the province (see the Company's announcement dated 6 September 2018), Bapak Dato Dr Low Tuck Kwong has notified Gulf that he will not be proceeding with the proposed A\$10.8m cornerstone investment (as announced on 28 August 2018) at this point in time, but has advised that he would be open to revisit the investment proposal in the future.

As the proposed investment was subject to shareholder approval, the Company will not be seeking to convene a meeting of its shareholders for this purpose at this time.

As originally advised on 12 March 2018, Gulf entered into a series of transactions with PT Jayatama Global Investindo ("PT JGI") and its related entities to fund up to approximately A\$15 million for the construction and commissioning of the first two smelters at the Kupang Smelting Facility in West Timor, Indonesia.

As advised on 4 September 2018, the Maturity Date under the Convertible Note Agreement was extended to 12 October 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 extended date, although most of the Conditions Precedent have been met. PT JGI has played an invaluable role as Gulf's Indonesian partner in helping PT GMG achieve its recent milestones and Gulf is currently in further discussions with PT JGI with regard to an extension of the Maturity Date.

The Board of Directors has developed a strategy to facilitate cost reduction in both the Company and the Indonesian entity in order to control expenditure and preserve funds whilst the NTT mining moratorium and future investment remains uncertain. This will result in reduced construction activities in Kupang in the short term, impacting the planned commissioning date, which will most likely be extended to March 2019. The Board is also investigating opportunities to source manganese ore from outside NTT.

Exercise of Placement with Acuity Capital

On August 20, Gulf Manganese agreed to place 100,000,000 GMC shares at an issue price of 1.26c to Acuity Capital for a total raise of \$1,260,000 (net of costs). The placement was made in accordance with the previously announced Controlled Placement Agreement ("CPA") with Acuity Capital (see ASX Announcement dated 31 January 2018).

Change of Registered Address

Gulf's registered place of business changed during the quarter with immediate effect to: T4/152 Great Eastern Highway, Ascot, WA 6104.

Indonesian Manganese Developments

Review of Mining Activities in East Nusa Tenggara

Following the inauguration of Bapak Viktor Bungtilu Laiskodat as the new Governor of NTT in September, a moratorium was called on all mining activities in the NTT province while a regulatory review into mining practices was conducted.

The effect of this moratorium is yet to be clarified by the Provincial Government, but it is not expected to have any effect on Licenced and "Clean and Clear" mining operations. The Company will be making announcements on this issue as further information is received.

Key Appointments

Non-Executive Director

Mr Sam Boon Beng Lee was appointed to the Board as a Non-Executive Director at Gulf's Board meeting held in Kupang on 21 July 2018.

Mr Lee was appointed also to PT Gulf Mangan's (PT GMG) – Gulf's wholly-owned subsidiary - Board of Commissioners at the PT GMG Board meeting held on 19 July 2018.

In his previous role as Director – Ore Supply with PT GMG, Mr Lee played a vital role 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.

With over 25 years of senior management experience in directorship roles throughout Australia and Asia, Mr Lee is extremely well connected within the Australian and South East Asian business and government communities.

Company Secretary

Following the Company's decision to outsource finance and governance requirements due to the predominantly Indonesia-based operations, Ian Gregory was appointed as Company Secretary, replacing Leonard Math.

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.

Chief Financial Officer

Rob Ierace was appointed as Chief Financial Officer in August, commencing on 1 October 2018.

Mr Ierace is a Chartered Accountant and Secretary with over 20 years' experience with ASX and AIM-listed resources, oil and gas exploration and production companies.

Gulf Manganese Managing Director Hamish Bohannan commented:

"Operationally, we continued to forge ahead in respect to the construction and development of our Kupang Smelting Hub Facility during the September quarter, with over 50% of the construction program now complete.

“Our shareholders will note that we encountered some unforeseen headwinds in regard to the announcement of a moratorium on all mining activities by the new Governor of NTT. Unfortunately, this has meant we have had to renegotiate with a proposed cornerstone funding partner and these discussions are still ongoing.

“I would like to add that we remain very encouraged by recent developments on the funding front and we are confident the requisite funding will be secured in due course. Further, more detailed updates will be provided to shareholders at the earliest opportunity.

“We remain committed and focused on achieving our core objective of becoming a globally significant manganese alloy producer in the first half of calendar 2019 and I look forward to reporting a number of positive developments this quarter.”

-ENDS-

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 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) project evaluation	-	-
(b) development	(896)	(896)
(c) production	-	-
(d) staff costs	(433)	(433)
(e) administration and corporate costs	(719)	(719)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	24	24
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (GST paid to be recouped)	-	-
1.9 Net cash from / (used in) operating activities	(2,033)	(2,033)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(68)	(68)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other assets	(3,431)	(3,431)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other financial assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other - payments for mining rights	(614)	(614)
2.6	Other - receipt of security deposit funds	132	132
2.7	Net cash from / (used in) investing activities	(3,981)	(3,981)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,892	1,892
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	2,940	2,940
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (capital return to shareholders)	-	-
3.10	Net cash from / (used in) financing activities	4,832	4,832

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,213	4,213
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,033)	(2,033)
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(3,981)	(3,981)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,832	4,832

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(27)	(27)
4.6	Cash and cash equivalents at end of period	3,004	3,004

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	1,984	1,261
5.2	Call deposits	1,020	2,952
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)	3,004	4,213

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

159

-

Amounts include director fees, salaries and super

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

-

-

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other – Convertible notes

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.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
7,000	2,500
9,000	9,000

Facility Description	\$A '000	Lender	Interest rate	Secured/Unsecured	ASX info date
Standby facility	7,000	PT Jayatama Tekno Sejahtera	20%	Secured	12/03/2018
Convertible Note	1,000	BB Lee Super Fund	80%	Unsecured	23/06/2017
Convertible Note	2,000	Eighteen Blue Investments P/L	0%	Unsecured	12/03/2018
Convertible Note	6,000	PT Jayatama Global Investindo	0%	Secured	12/03/2018

9. Estimated cash outflows for next quarter**\$A'000**

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 Total estimated cash outflows

-
2,870
-
380
340
-
3,590

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	Nil			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil			

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.



Print name: Hamish Bohannan
(Managing Director)

Date: 31 October 2018

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.