



Update on Restructure of Cornerstone Investment and Additional Investments

Key points:

- PT JGI has agreed with GMG to waive the final conditions precedent and restructure its A\$6m Convertible Note into 25.1% of the issued capital in GMG and a A\$5m loan repayable from the profits of commercial production from the Kupang manganese smelter hub.
- PT JGI to invest a further A\$6m into Gulf at 1.5 cents per share, each with a free attaching 0.5 cent listed option each with a free attaching listed 0.5 cent option on a one for one basis, expiring 21 April 2019.
- A separate Singapore based ore and alloy trading company to invest A\$2m at 1.5 cents per share, each with a free attaching listed 0.5 cent option on a one for one basis, expiring 21 April 2019.
- Above investments to be undertaken over two tranches.
- Eighteen Blue Investments Pty Ltd to convert A\$2m of Convertible Notes into shares in Gulf at an issue price of 1.5 cents, subject to the Singco investment tranche one becoming unconditional.

Gulf Manganese Corporation Limited (ASX: GMC) ("Gulf" or "the Company") is pleased to advise that it has agreed with its cornerstone Indonesian investor, PT Jayatama Tekno Sejahtera ("PT JTS") and its subsidiary, PT Jayatama Global Investindo ("PT JGI"), to the restructuring of the PT JTS debt facility and respective investments in Gulf and Gulf's Indonesian subsidiary PT Gulf Mangan Grup ("GMG").

PT JGI has agreed to restructure its existing A\$6 million Convertible Note with GMG. The Convertible Note will convert into 25.1% of the issued share capital of GMG and an approximately A\$5 million loan which will be repayable from the profits from commercial production of the Kupang Smelting Hub Facility. Post the conversion of the Convertible Note, Gulf will hold a 74.9% interest in GMG. As part of the restructure, PT JGI will receive a 2.5% net royalty on alloy sales from GMG's first two smelters. Key terms of the A\$5 million loan have been set out in Annexure A below.

Final conversion of the PT JGI Convertible Note and subsequent issue of shares in GMG to PT JGI is subject to approval from the Indonesian Ministry of Energy and Mineral Resources ("MEMR"). GMG has already received approval from the Indonesian Department of Law and Human Rights, the Indonesian foreign investment regulator BKPM and expects to receive the MEMR approval before 31 January 2019.

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PT JGI has also agreed to invest a further A\$6 million into Gulf at 1.5 cents per share, each with a free attaching 0.5 cent listed option on a one for one basis, expiring 21 April 2019 (the "new PTJGI investment"). In addition, Gulf can also report that it has signed a subscription agreement with a Singapore based ore and alloy company ("Singco") for an additional A\$2 million investment into Gulf at 1.5 cents with a free attaching 0.5 cent listed option on a one for one basis, expiring 21 April 2019. Singco is not related to PT JTS. Both the investments will be undertaken in two tranches, with each tranche to occur concurrently with both investors.

The first tranche of the new PTJGI investment is for A\$2.7 million within Gulf's current placing capacity (*181,361,258 Options to be issued under 7.1, 181,361,258 Shares to be issued under 7.1A*), to be completed by 15 January 2019, subject to the Singco investment tranche one becoming unconditional, and the second tranche of A\$3.3 million being subject to Gulf shareholder approval at a general meeting and the second tranche of the Singco investment occurring at the same time. Upon completion of the first tranche, approximately A\$2.5 million will be used to fully repay all amounts owed under the PT JTS standby facility, (see ASX release dated 12 March 2018) which is replaced by the new PTJGI investment.

Similar to the new PTJGI investment, the Singco investment will be undertaken in two tranches with the first tranche of A\$0.9 million within Gulf's placing capacity (*60,453,753 Options to be issued under 7.1, 60,453,753 Shares to be issued under 7.1A*) to be completed by 15 January 2019 subject to receipt of the first tranche of the new PT JGI investment and conversion of the Eighteen Blue Investments Pty Ltd ("EBI") Convertible Notes into Gulf shares. The second tranche of the Singco investment is a further A\$1.1 million, and is subject to Gulf shareholder approval at a general meeting, as well as GMG having received, or is sufficiently advanced towards receiving, its manganese Direct Shipping Ore License ("DSO") by 31 March 2019.

As part of the restructure, EBI has agreed to convert its existing A\$2 million of Convertible Notes with Gulf upon the Company receiving the first tranche of the Singco investment. As per the original Converting Notes Agreement (see ASX release dated 12 March 2018), the A\$2 million Convertible Notes will be converted into Gulf shares at an issue price of 1.5 cents per share.

Update on Mining in NTT Province

The Company's operations in Kupang are in Nusa Tenggara Timur Province (NTT), Indonesia. As advised by Gulf on 6 September 2018 the new Governor of NTT announced a 12 month moratorium on mining in the NTT Province. This announcement has recently been clarified by the formal Governor's Decree dated 14 November 2018 (the "Decree"). Gulf has received advice on the announcement and the Decree. An authorized translation of the Decree is attached.

- The Decree relates to mining in NTT. Gulf's core business is the smelting and processing of manganese, not mining. Gulf can purchase manganese ore from suppliers in NTT that

have met the new review requirements of the Governor, or also from outside of the Province of NTT, including neighbouring Provinces of NTB and Maluku, however with slightly higher freight cost;

- The Decree is mainly focussed on the granting of new IUPs (mining licences) in NTT, whereas the Company has signed over 20 MoUs with existing IUP holders which are "Clean and Clear" IUPs;
- The Company expects its manganese suppliers, including IUPs that it may have a financial interest in, to meet all environmental requirements. Our business relies on a long term, sustainable manganese mining industry in Indonesia to support our smelters and we intend to work with the government, the community and our suppliers to help ensure that the industry works within the environmental rules and is sustainable.

Gulf Managing Director, Hamish Bohannan said, "We are very pleased to welcome PT JGI and EBI as shareholders in Gulf and look forward to continuing our strong relationship. We also welcome our new Singaporean investor, which further demonstrates the attractive investment proposal that the Kupang manganese smelter offers."

-ENDS-

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Annexure A: Key terms of Loan Agreement between PT JGI and GMG

Loan Amount:	IDR 51,841,192,000
Loan Maturity Date:	30 September 2020
Interest:	8% interest per annum, calculated monthly based on closing balance of loan amount.
Security:	Fiducia charge security granted over the Manganese smelters

Repayable principal amount: Repayable monthly based on the following formula:

$$X = ((Y - (B + C + D + E) * 0.8) - A)$$

X:	Monthly Repayable Investment Amount
Y:	net operating cashflow of the Company for the previous calendar month
A:	all amounts paid by the Company to Gulf pursuant to the Sale and Purchase Agreement between GMG and GMC for the 2 smelters
B:	royalties paid to PT JGI for the previous calendar month
C:	capital expenditure for the previous calendar month
D:	interest paid on loans of the Company for the previous calendar month
E:	tax paid by the Company for the previous calendar month

Ronald Jonah

Authorized and sworn translator
Decree of the governor of DKI
JAKARTA

Authorized Translation of Decree of the Governor of NTT dated 14 November 2018

(EMBLEM)

GOVERNOR OF EAST NUSA TENGGARA

GOVERNOR OF EAST NUSA TENGGARA DECREE

NO. 359/KEP/HK/2018

ABOUT

TEMPORARY SUSPENSION OF THE GRANTING OF BUSINESS LICENSES FOR MINERAL AND
COAL MINING BUSINESSES IN EAST NUSA TENGGARA PROVINCE

GOVERNOR OF EAST NUSA TENGGARA

Considering:

- a. that the mining activities of minerals and coal in the East Nusa Tenggara Province which are rapidly developing at this time have many impacts on the decline in environmental functions and often result in social turmoil in the communities around the mine site, so that local governments need to evaluate existing mining permits and activities;
- b. that in the context of evaluating mining activities in East Nusa Tenggara, especially with regard to licensing, fulfillment of obligations, operations and behavior of IUP holders towards communities around the mine site, it is necessary to enforce mining activities;
- c. that in the framework of carrying out enforcement, it is necessary to temporarily suspension of the granting of business licenses for Mineral and Coal Mining in the Province of East Nusa Tenggara;
- d. that based on the considerations as referred to in letter a, letter b and letter c, it is necessary to stipulate a Governor's Decree concerning the Temporary Suspension of The Granting of Business Licenses for Mineral and Coal Mining in the Province of East Nusa Tenggara;



Referring to:

1. Article 18 paragraph (6) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 64 of 1958 concerning the Formation of Level I Regions of Bali, West Nusa Tenggara and East Nusa Tenggara (State Gazette of the Republic of Indonesia in 1958 Number 115, Supplement to the State Gazette of the Republic of Indonesia Number 1649);
3. Law Number 4 of 2009 concerning Mineral and Coal Mining (State Gazette of the Republic of Indonesia of 2009 Number 4, Supplement to the State Gazette of the Republic of Indonesia Number 4959);
4. Law Number 23 of 2014 concerning Regional Government (State Gazette of the Republic of Indonesia of 2014 Number 244, Supplement to the State Gazette of the Republic of Indonesia Number 5587) as amended several times, the latest by Law Number 9 Year 2015 concerning Indonesia in the Second Amendment Law Number 23 Year 2014 concerning Regional Government (State Gazette of the Republic of Indonesia of 2015 Number 58, Supplement to the State Gazette of the Republic of Indonesia Number 5679);

DECIDED:

Have Determined :

FIRST : The Temporary Suspension of Granting of Business Licenses for Mineral and Coal Mining in East Nusa Tenggara Province.



- SECOND : The temporary suspension as referred to in the FIRST Dictum is excluded from rock mining business licenses including types of stone and sand for construction.
- THIRD : The licensing procedures and community mining business activities continue to run as long as the People's Mining Area (WPR) has been established and does not conflict with the provisions of the legislation.
- FOURTH : During this temporary suspension, the Head of The Department of Energy and Mineral Resources of the East Nusa Tenggara Province shall take the following steps:
- a. evaluating and enforcing the rules in the context of the boundaries framework for the Mining Business Permit Area (WIUP) with reference to the existing Mining Business Maps (WUP); and
 - b. Conduct administrative, technical and financial evaluations of existing Mining Business License Holders and made recommendation on the operational feasibility of the intended IUP Holder.
- FIFTH : The Head of Regional Department of NTT Province, The Head of NTT Province Environmental Department, The Head of NTT Province Forestry Department. The Head of NTT Province Investment Department and Service Office and the NTT Province Head of Tourism Office shall immediately take the necessary steps in accordance with their tasks and responsibilities to support the temporary suspension of the Granting of the Mineral Mining Business License in the East Nusa Tenggara Province as referred to in the FIRST Dictum.



- SIXTH : The results of the evaluation and verification as referred to in the FOURTH Dictum shall be reported to the Governor to determine the next steps in accordance with the provisions of the legislation.
- SEVENTH : Temporary Suspension of The granting of Mineral and Coal Mining Business License in the Province of East Nusa Tenggara is carried out for 1 (one) year starting from this Decree.
- EIGHTH : All costs incurred as a result of this decree are borne by the East Nusa Tenggara Provincial Revenue and Expenditure Budget and other legal and non-binding sources.
- NINTH : This Decision shall take effect on the date specified below.

Decided at Kupang

On 14 November 2018

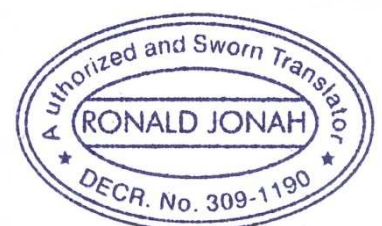
GOVERNOR OF EAST NUSA TENGGARA

(Signed by VIKTOR BUNGILU LAISKODAT)

(Seal of GOVERNOR OF EAST NUSA TENGGARA)

Copy :

1. Minister of Home Affairs of the Republic of Indonesia in Jakarta.
2. Minister of Energy and Mineral Resources of the Republic of Indonesia in Jakarta.
3. Chairman DPRD, Province of NTT in Kupang.
4. Deputy Governor, Province of NTT in Kupang.
5. Regent/Mayor.
6. Chairman DPRD, Sub-District.
7. Secretariat of the Province of NTT in Kupang.



201218

Translator's Statement

I, the undersigned, R & L Jonah, a translator of the English, and Indonesian language, duly sworn and practicing in the Special Region of the Capital City Jakarta, do hereby certify that the below stated Indonesian to English translation is a true and correct English version, to the best of my knowledge and belief, with due observance to my oath of office and S.E, & O.

Subject: GOVERNOR OF EAST NUSA TENGGARA DECREE
NO. 359/KEP/HK/2018

