

ASX Announcement
1 February 2017

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 DECEMBER 2016

Summary:

- **Site approvals received from the Governor of East Nusa Tenggara for the construction of a Manganese Smelting Hub facility in the Bolok Industrial Estate, Kupang**
- **Offtake agreement signed with Renova Group for the sale of up to 60% of manganese alloy produced from the Kupang Smelting Hub Project from first three years of production**
- **Appointment of Operations Manager to lead development of Kupang Smelting Hub Project – Construction and Electrical Project Managers also appointed**
- **Post quarter end, signing of EPCM contract with South African smelting engineers XRAM Technologies Pty Ltd**
- **Continued to work with Marthen Amtiran (“Pak Marthen”) to secure Indonesian cornerstone investment**

Gulf Manganese Corporation Limited (ASX: GMC) (‘Gulf’ or ‘the Company’) is pleased to provide shareholders with the following Quarterly Activities Report for the period ended 31 December 2016.

Kupang Smelting Hub Project Overview

Gulf 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 high carbon premium quality ferromanganese alloy.

Receipt of Site Approvals

In October, Gulf received approval from the Governor of East Nusa Tenggara for the construction and development of the proposed Kupang Smelting Hub Facility in the Bolok Industrial Estate in Kupang, Indonesia.

The Bolok Industrial Estate is the original site selected by Gulf for the construction of the Kupang Smelting Hub Project, and the Gulf site is directly adjacent to the government owned Kupang Power Station.

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The Company is now focused on completing site surveying activities, in conjunction with the required site clearing and civil works. Upon confirmation of site topography, Gulf will finalise and make any necessary adjustments prior to the commencement of construction.

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.

Manganese Alloy Offtake Agreement signed with Renova Group

In November, Gulf further underpinned the development of the Kupang Smelting Hub, following the signing of an offtake agreement with Renova Group for the sale of up to 60% of manganese alloy produced from the Kupang Smelting Hub during the first three years of production.

Renova Group is a Russian-based international private business group that consists of asset management companies and direct and portfolio investment funds. Renova own and manage assets in the metals, mining, chemical, construction, transport, energy, telecommunication, high-tech machine building, public utilities and financial sectors in Russia, Switzerland, USA and South Africa.

Appointment of Kupang Operations Manager

Post period end, Gulf announced the appointment of Paul Robinson as Operations Manager. Paul will be based in Kupang and will manage the implementation and development of the Kupang Smelting Hub Facility in West Timor.

Paul is a mineral processing professional with more than 20 years of experience in senior operational roles in the resources industry, having established a strong track record in managing complex commercial project agreements and stakeholder relationships.

Most recently, Paul has held the position of Chief Executive Officer – Cape Preston Port Operations with Mineralogy Pty Ltd, where he was responsible for the implementation of the port operations function. Paul holds a Bachelor of Engineering in Metallurgical Engineering from the University of South Australia and a Graduate Diploma of Management (Technology Management) from Deakin University.

The Company would also like to advise that it has appointed a Construction Superintendent and Electrical Project Manager for the Kupang Project.

EPCM Contract Awarded

Gulf is also pleased to advise that XRAM has been appointed as the EPCM contractor, to deliver the Kupang Smelting Project. The EPCM contract value is USD14.5 million. XRAM has been working closely with Gulf on the development of the Kupang Project to date, providing engineering and pyrometallurgical support. The delivery of the Kupang Project includes the refurbishment of the two smelters purchased from Transalloys, transportation of the smelters from South Africa and the construction of the new smelting hub in Kupang.

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Cornerstone Investment Update

As previously advised, Gulf entered into a binding term sheet with Pak Marthen for the investment of US\$10 million into Gulf's Indonesian-based subsidiary PT Gulf Mangan Grup ("PT Gulf"), for a 10% interest in PT Gulf. The timetable set by the Company has now passed and a counter offer on substantially different terms has been proposed by Pak Marthen. This proposal is in the process of being evaluated by the Board.

Closure of Convertible Note Facility

During the quarter, all outstanding convertible notes have been converted to ordinary shares, further strengthening the Company's financial position.

Change of Auditor

The Company confirms the appointment of Bentleys Audit & Corporate (WA) Pty Ltd as the Company's auditor following receiving ASIC's consent to the resignation of Greenwich and Co Audit Pty Ltd.

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About Gulf Manganese Corporation (ASX: GMC):

Gulf's strategy is to develop an ASEAN focused manganese alloy business based in Kupang, West Timor, taking advantage of the low operational and ore costs, combined with modest power costs. Targeted production will be a premium quality 78% ferromanganese alloy resulting from the unique qualities of the Indonesian high grade (greater than 50%) low impurity manganese ore.