Half Year Report
Ended 31 December 2016

Gulf Manganese Corporation Ltd
ACN 059 954 317

CORPORATE DIRECTORY

DIRECTORS

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

MANAGEMENT
Paul Robinson (Chief Operations Officer)
Leonard Math (Chief Financial Officer & Company Secretary)
Donna Whittaker (Executive Assistance & Investor Relations Manager)

REGISTERED AND PRINCIPAL OFFICE

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SHARE REGISTRY

Automic Registry Services Pty Ltd
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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

AUSTRALIAN SECURITIES EXCHANGE

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

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

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 premium quality ferromanganese alloy.

Smelter Acquisition Update

In August, the Company has finalised an agreement with South African-based Transalloys (Pty) Limited for the acquisition and relocation of two ferromanganese smelting furnaces.

Under the terms of the agreement, Gulf will purchase two furnaces (including related equipment), from Transalloys for the total cash consideration of US$1 million. Gulf has also agreed to supply Transalloys with up to 30,000tpa of high grade manganese ore at the current reported Metal Bulletin's index price for manganese lumpy, for a period of three years (once export licenses have been granted).

Specialist engineering firm, XRAM Technologies (Pty) Limited ("XRAM"), has been engaged to undertake all design and construction requirements associated with the refurbishment and relocation of the furnaces to the Kupang Smelting Hub.

The selection of local engineering companies to work under XRAM, the South African project engineers and managers, has also commenced.

Subsequent to year end, Gulf paid the initial deposit of US$250,000 to Transalloys to secure the smelter and this allow XRAM to commence working with Transalloys on the stripping and preparation of the two smelters prior to their shipping from Pretoria to Indonesia.

The smelters purchased from Transalloys are undergoing a full refurbishment prior to being shipped to Kupang. New refractory linings will be installed in the furnace shells prior to recommissioning. Once operational, the furnaces will be subject to operational maintenance strategies to enable the smelters to operate for the full life of the project.

Manganese Ore Supply

Negotiations are also 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.

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.

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.

In addition, Gulf has received a letter from the Governor of East Nusa Tenggara for PT Gulf Mangan Grup to utilise a land at the Bolok Industrial Estate. The Provincial Government has signed a Memorandum of Understanding for PT Gulf Mangan Grup to utilise a minimum of 10 hectares and an additional of 25 hectares as required on a 30 years lease with an option to extend a further 20 years in tranches.

Gulf is currently finalising the lease contract with the government on the Bolok land.

The Bolok Industrial Estate is the original area 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.

During the half year, the Company has been focusing on completing site surveying activities, in conjunction with the required site clearing and preparation of 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.

Other major approvals required for the operation of the Smelter Project are:

i) AMDAL – Environmental Study - which takes about 6 weeks after the land is cleared. The land is already classified as industrial.

ii) IMB - Building Permit - which takes about 14 days after submission of plans. Again, land is already classified as industrial.
iii) IUP OPK – for Processing and Purifying Manganese - which is issued once construction is nominally 80% complete.
iv) IUI - Industrial Business Licence - which will be applied for prior to completion of construction.

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 first two smelters at 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.

Cornerstone Investment

During the half year, Gulf entered a binding agreement with a high net worth Indonesian investor from Kupang, Marthen Amtiran ("Pak Marthen"), to invest US$10 million for 10% equity in the Company's Indonesian subsidiary PT Gulf Mangan Grup ("PT Gulf"). Following the signing of this agreement, Pak Marthen was appointed as President Commissioner of PT Gulf.

During the half year, despite working closely with Pak Marthen to complete the investment, due to ongoing frustration with Pak Marthen, the Company terminated the agreement on 20 February 2017.

Pak Marthen has subsequently been removed as President Commissioner of PT Gulf and the Company is considering its options to take legal action against Pak Marthen.

Capital Raising

During the half year period ended 31 December 2016, the Company raised $1 million through a placement of 70,000,000 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 with Triple C Consulting Pty Ltd acted as the Lead Manager.

The Company also raised a further $152,045 through the issue of 6,666,667 shares at 1.5 cents and 3,154,242 at 1.65 cents per share respectively.

A total of 47 Convertible Notes with a face value of $10,000 each have been converted to fully paid shares in the Company during the half year period. Following this conversion, the Company is debt free.

During the half year period, the following options were exercised, raising a total of $306,002:

- 44,298,342 Listed Options (GMCO) at 0.5 cents each expiring 21 April 2019
- 4,350,000 Unlisted Options at 1.96 cents each expiring 30 September 2018

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. Prior to this, Paul has held several key leadership positions across metallurgical smelting and refining operations for nickel, cobalt, ferroalloys, lead and zinc at BHP Billiton, Mount Isa Mines, manganese smelting at BHP Temco and smelting manager at Pasminco Metals. 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 also appointed a Construction Superintendent and Electrical Project Manager for the Kupang Project.

EPCM Contract Awarded

Gulf also announced that XRAM has been appointed as the EPCM contractor, to deliver the Kupang Smelting Project. The EPCM contract value is USD14.5 million (approximately A$20.0 million).

An overview of the associated costs has been itemised below:

• Earthworks, geotechnics and civils at Bolok	A$1.5m
• Structural works at Bolok	A$5.2m
• Purchase, refurbish & relocate two smelters from South Africa to Bolok	A$3.2m
• Engineering works to install smelters	A$3.4m
• Contract and Company costs through construction	A$5.6m
• Commissioning costs and initial supplies and materials	A$1.5m
• Corporate and other costs	A$1.4m

Gulf is currently actively exploring a number of additional funding avenues, including both offtake and debt funding opportunities to provide additional financial flexibility if required over the next 12 months.

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.

Kupang Project Power Supply

Post half year end, management met with the Indonesian Government Power Company, PLTU, regarding the powering of the Kupang Smelting Hub through its construction, commissioning and production phases. PLTU recently installed a Turkish Power Plant Vessel, increasing its generation capacity from 32 MW to over 120 MW. PLTU has confirmed its capacity to supply power for the construction of Gulf's first two smelting furnaces at Kupang, which will require circa 14 MW of power to complete. Furthermore, PLTU also confirmed its near-term expansion plans outlining its capacity to power the entire Kupang Smelting Hub Facility once complete (approx. 70MW). The first stage in this expansion strategy is the installation of a second 32MW plant, which is currently in construction and earmarked for commissioning in H2 2017.

Restriction under ASX Listing Rule Chapter 7

In February 2014, the Australian Securities Exchange ("ASX") has placed a restriction on Gulf to issue any new securities without prior security holder approval until 14 February 2017, unless the issue comes within an exception in listing rule 7.2. As at the date of this report, ASX has yet to lift the restriction.

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 2016. 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)

Mr Paul O'Shaughnessy (Non Exec. Director) – resigned 27 July 2016

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

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Operating Results

Consolidated loss after income tax for the financial period was $4,416,551 (2015: $1,770,790).

DIRECTORS’ REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the half year period, Mr Paul O’Shaughnessy resigned as a director on 27 July 2016.

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

150,000 Listed Options (GMCO) exercisable at 0.5 cents per option expiring 21 April 2019 were exercised, raising $750.

The Company received a short-term loan of $350,000 from Tanah Capital Pte Ltd. The funds were used to pay the initial deposit to Transalloys Pty Ltd for the purchase of the 2 smelters in South Africa.

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 2017

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 half year ended 31 December 2016, 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
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 16th day of March 2017

	Notes	Consolidated 31 December 2016 $	31 December 2015 $
Interest revenue		9	-
Foreign exchange gains		3,466	-
Directors fees and staff remuneration		(272,018)	(145,107)
Share based payments		(3,550,501)	(1,128,000)
Administration expenses		(382,319)	(243,703)
Exploration and evaluation expenditure		(1,388)	(3,522)
Interest Paid		(23,540)	(35,708)
Legal Fees		(19,076)	(53,150)
Professional Fees		(168,117)	(157,031)
Depreciation		(3,067)	(4,569)
Loss before income tax expense		(4,416,551)	(1,770,790)
Income tax expense		-	-
Net Loss for the half year		(4,416,551)	(1,770,790)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(4,416,551)	(1,770,790)
Earnings/(Loss) per Share:			
Basic and diluted loss per share (cents per share)		(0.35)	(1.66)

The accompanying condensed notes form part of these financial statements.

	Notes	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents		689,512	621,747
Trade and other receivables		160,798	106,756
Total Current Assets		850,310	728,503
Non-Current Assets			
Property, plant and equipment	5	1,717,802	977,101
Total Non-Current Assets		1,717,802	977,101
Total Assets		2,568,112	1,705,604
LIABILITIES			
Current Liabilities			
Trade and other payables	2	462,452	394,430
Share application funds received		750	-
Borrowings	3	-	470,000
Total Current Liabilities		463,202	864,430
Total Liabilities		463,202	864,430
Net Assets		2,104,910	841,174
EQUITY			
Contributed equity	4	25,311,144	23,325,358
Accumulated losses		(29,407,948)	(24,991,397)
Options reserve	4	6,201,714	2,507,213
Net Equity		2,104,910	841,174

The accompanying condensed notes form part of these financial statements.

Consolidated	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Total $
Balance at 30 June 2015	**19,903,222**	**(22,087,923)**	**1,348,272**	**(836,429)**
Loss for the half year	-	(1,770,790)	-	(1,770,790)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(1,770,790)	-	(1,770,790)
Transactions with owners, recorded directly in equity:				
Share based payments	900,000	-	228,001	1,128,001
Securities issued during the half year (net of costs)	1,096,486	-	-	1,096,486
Total equity transactions	1,996,486	-	228,001	2,224,487
Balance at 31 December 2015	**21,899,708**	**(23,858,713)**	**1,576,273**	**(382,732)**
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 2016 $	31 December 2015 $
Cash flows from operating activities		
Payments to suppliers and employees	(828,426)	(859,365)
Research and development tax rebate	-	139,096
Interest received	8	-
Interest paid	(23,540)	(35,708)
Net cash used in operating activities	(851,958)	(755,977)
Cash flows from investing activities		
Purchase of plant and equipment	(532,128)	(128,115)
Net cash from/(used) in investing activities	(532,128)	(128,115)
Cash flows from financing activities		
Proceeds from issue of securities – net of issue costs	1,448,385	1,049,406
Deposits received for issue of securities	-	110,073
Proceeds from borrowings – Convertible Note	-	100,000
Repayment of borrowings	-	(104,500)
Net cash provided by financing activities	1,448,385	1,154,979
Net increase/(decrease) in cash and cash equivalents held	64,299	270,887
Cash and cash equivalents at beginning of the half year	621,747	9,638
Foreign exchange differences	3,466	-
Cash and cash equivalents at end of the half year	**689,512**	**280,525**

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 2016 annual financial report for the financial year ended 30 June 2016, 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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-1: Amendments to Australian Accounting Standards (Part D);
- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs.

The adoption of the above standards have not had a material impact on this half year financial report.

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 $4,416,551 (2015: $1,770,790) and net operating cash outflows of $851,958 (2015: $755,977).

As at 31 December 2016, the Consolidated Entity had a working capital position of $387,108 (2015: deficit of $135,927).

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 the 20th February 2017 the Investment Agreement with Marthen Amtiran ("Pak Marthen") was terminated. The funds raised from this agreement were to substantially progress the project.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern.

The company is currently in advanced discussions with sophisticated investors to complete a Private Placement. The funds are expected to be raised within 3 months from the date of the Interim Financial Report. The funds raised from the Private Placement will be sufficient to meet all commitments for the next phase of the ferromanganese smelting business and to satisfy creditors as at 31 December 2016.

On the 6th March 2017 the Consolidated Entity entered into a Loan Agreement with Tanah Capital Pte Ltd. Under the Loan Agreement the Consolidated Entity has the ability to draw down A$350,000. The funds are to be used to pay for the smelter deposit which will cost USD$250,000. The funds of A$350,000 was drawn down and received on 8th March 2017. The term of the loan is for 3 months from the date of the agreement and attracts an interest charge of 1% per month. On the basis the Consolidated Entity can complete the Private Placement, the repayment of the Loan will be paid from the funds raised from the Private Placement. If the Private Placement cannot be completed within 3 months from the 6th March 2017 then the Loan is repayable in cash.

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 month period from the date of signing this financial report.

In the event the above matters are not achieved, the Consolidated Entity will be required to raise funds of approximately $1.5 million for working capital, including repayment of the Loan to Tanah Capital from debt or equity sources by May 2017.

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. In particular, given the Company's history of raising capital to date, the directors are confident of the Consolidated Entity's ability to raise additional funds as and when they are required.

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

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.

Change in accounting policy

In the current reporting period the accounting policy for reporting and disclosing intangible assets has changed. All intangible assets are now classified as property, plant and equipment in accordance with the following disclosure. Expenditures previously capitalised to intangible assets under AASB 138 are now considered to be directly attributable costs for the construction of a smelter plant under AASB 116. The directors are of the opinion that the change in accounting policy is both in line with Australian Accounting Standards and provides the users with reliable and relevant information.

Policy:
Plant and Equipment - Smelter hub under construction

The smelter in the course of construction is carried at cost, less any recognised impairment loss. Cost includes any costs that are directly attributable to the construction of the asset, including professional fees. Depreciation of this asset commences when it is ready for its intended use.

Effects of Change in Accounting Policy

Had the new accounting policy in relation to intangible assets always been applied, the following table demonstrates the effect of this change.

	Restated 30/06/16 $	**Change**	**Previously Reported 30/06/16 $**
Statement of financial position			
Intangible assets	-	(955,200)	955,200
Plant and equipment	977,101	955,200	21,901

The change in accounting policy does not result in any change to the comparative statement of profit or loss, statement of changes in equity or statement of changes in equity as no amortisation had previously been recognised as development costs, and no depreciation is required as the asset is still under construction. There is no impact to earnings per share.

2. TRADE AND OTHER PAYABLES

CURRENT	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Trade payables	253,226	143,493
Accruals	4,000	49,110
Other payables	205,226	201,827
	462,452	**394,430**

3. BORROWINGS

CURRENT		
Convertible Notes	-	470,000
	-	**470,000**

During the period, all remaining convertible notes were repaid via the issue of ordinary shares to the convertible note holders. The following table shows the movement of convertible notes during the period:

Opening balance	470,000	600,000
Additions	-	-
Disposals	(470,000)	(130,000)
Closing value	**-**	**470,000**

	Consolidated 31 December 2016 $	30 June 2016 $
4. ISSUED CAPITAL		
(a) Issued and paid up capital Ordinary shares fully paid	**25,311,114**	**23,325,358**

	Number	$
(b) Movement in ordinary shares on issue		
At 31 December 2016	**1,366,433,253**	**25,311,114**

Balance at 1 July 2015	**81,470,638**	**19,903,222**
14 Oct 2015 Issue of 5,538,667 ordinary shares at 1.5 cents each	5,538,667	83,080
2 Dec 2015 Issue of 75,000,000 ordinary shares at 1.5 cents each	75,000,000	1,125,000
10 Dec 2015 Issue of 30,000,000 ordinary shares	30,000,000	900,000
18 Jan 2016 Issue of 10,000,000 ordinary shares at 1.5 cents each	10,000,000	150,000
22 Feb 2016 Issue of 27,551,833 ordinary shares at 1.5 cents each	27,551,833	413,277
20 Apr 2016 Issue of 448,575,120 ordinary shares at 0.2 cents each	448,575,120	897,150
16 May 2016 Issue of 449,669,500 ordinary shares at 0.2 cents each	449,669,500	899,339
16 May 2016 Conversion of convertible notes at 0.255 cents each	31,372,549	80,000
20 May 2016 Issue of 20,000,000 ordinary shares at 0.2 cents each	20,000,000	40,000
Less capital raising costs	-	(1,165,710)
Balance at 30 June 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
Less capital raising costs[1]	-	(509,761)
Balance at 31 December 2016	**1,366,433,253**	**25,311,114**

[1]Capital raising costs includes $363,000 of the valuation of the free attaching options issued in the placement and rights issue and the options issued to the broker in relation to the raising. Refer to note 4(d) for the inputs used for the valuation of these options.

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	561,798,226	2,507,213
Movement in Option issued during the year	72,501,658	1,144,301
Movement in Performance rights issued during the year	85,000,000	2,550,000
At 31 December 2016	**719,299,884**	**6,201,714**
Share Options on Issue		
Listed Options	461,973,967	603,122
Unlisted Options	172,325,917	3,048,592
Performance Rights	85,000,000	2,550,000
	719,299,884	**6,201,714**

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

At 1 July 2015	**-**	**-**
Issue of listed options	459,122,309	459,122
At 30 June 2016	**459,122,309**	**459,122**
(A) 5 Sep 2016 Issue of listed options	10,000,000	120,000
20 Sep 2016 Exercise of listed options	(760,890)	-
(B) 12 Oct 2016 Issue of listed options	2,000,000	24,000
12 Oct 2016 Issue of listed options	35,000,000	-
18 Nov 2016 Exercise of listed options	(4,268,499)	-
6 Dec 2016 Exercise of listed options	(14,691,681)	-
13 Dec 2016 Exercise of listed options	(20,266,950)	-
30 Dec 2016 Exercise of listed options	(4,160,322)	-
At 31 December 2016	**461,973,967**	**603,122**

ii) ***Movement in Unlisted Options***

At 1 July 2015	**22,679,000**	**1,348,272**
Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 2 Dec 2015	37,500,000	397,500
Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 18 Jan 2016	5,000,000	19,500
Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 22 Feb 2016	13,775,917	35,818
Issue of unlisted options exercisable at $0.05 each expiring on or before 30 September 2018 – Issued 10 Dec 2015	15,000,000	228,001
Issue of unlisted options exercisable at $0.02 each expiring on or before 21 February 2018 – Issued 17 Mar 2016	10,000,000	19,000
Expiry of Unlisted options exercisable at $0.375 on or before 30 June 2016	(1,279,000)	-
At 30 June 2016	**102,675,917**	**2,048,091**
(C) Issue of unlisted options exercisable at $0.02 each expiring on or before 5 September 2021 – Issued 5 Sep 2016	74,000,000	1,000,501
Exercise of unlisted options exercisable at $0.0196 expiring on or before 30 September 2018 – 28 Nov 2016	(150,000)	-
Exercise of unlisted options exercisable at $0.0196 expiring on or before 30 September 2018 – 13 Dec 2016	(2,500,000)	-
Exercise of unlisted options exercisable at $0.0196 expiring on or before 30 September 2018 – 30 Dec 2016	(1,700,000)	-
At 31 December 2016	**172,325,917**	**3,048,592**

iii) *Movement in Performance Rights*

	Number	$
At 1 July 2016	**-**	**-**
Issue of Performance Rights to Directors and Employees	85,000,000	2,550,000
At 31 December 2016	**85,000,000**	**2,550,000**

(d) Fair value of options granted

The fair value of options granted during the half year was calculated at the date of grant using the Black-Scholes option-pricing model. The following table gives the assumption made in determining the fair value of options on grant date:

(A) The options were deemed to have a fair value of $0.012 per option by reference by market price
(B) The options were deemed to have a fair value of $0.012 per option by reference by market price

Option Series	C
Fair value per option	$0.0135
Grant date	2 Sep 2016
Number of options	74,000,000
Expiry date	5 Sep 2021
Exercise price	$0.02
Price of shares on grant date	$0.016
Estimated volatility	131%
Risk-free interest rate	1.56%
Dividend yield	0%

(e) Fair value of Performance Rights granted

The share based payments of $2,550,500 incurred during the half year period relates to the 85,000,000 Performance Rights granted to directors and employees on 21 November 2016. As the Performance Rights issued were not market based, the rights were valued based on the share price at the date of grant. The share price at the grant date was 3 cents. Below are the vesting conditions of the Performance Rights:

Vesting Conditions	Directors	Employees
Completion of financing for 1 & 2 smelters	9,000,000	8,000,000
Completion of construction of 1 smelter	9,000,000	8,000,000
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
Successful commissioning of the 1 smelter	9,000,000	8,000,000
	45,000,000	**40,000,000**

5. PROPERTY, PLANT AND EQUIPMENT

Balance at 31 December 2016	**Smelter Hub (Under Construction)** **$**	**Office Furniture and Equipment** **$**	**Total** **$**
At Cost	1,690,041	42,908	1,732,949
Accumulated Depreciation	-	(15,147)	(15,147)
Total Written Down Value	**1,690,041**	**27,761**	**1,717,802**
Reconciliation			
Opening written down value	955,200	21,901	977,101
Additions	734,841	8,927	743,768
Disposal	-	-	-
Depreciation charged	-	(3,067)	(3,067)
Closing Written Down Value	**1,690,041**	**27,761**	**1,717,802**

Balance at 30 June 2016	Smelter Hub (Under Construction) $	Office Furniture and Equipment $	Motor Vehicle $	Total $
At Cost	955,200	33,981	-	989,181
Accumulated Depreciation	-	(12,080)	-	(12,080)
Total Written Down Value	**955,200**	**21,901**	**-**	**977,101**
Reconciliation				
Opening written down value	512,314	21,881	20,024	554,219
Additions	442,886	5,209		448,095
Disposal	-	-	(17,753)	(17,753)
Depreciation charged	-	(5,189)	(2,271)	(7,460)
Closing Written Down Value	**955,200**	**21,901**	**-**	**977,101**

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

Subsequent to year end, 150,000 Listed Options (GMCO) exercisable at 0.5 cents per share have been exercised, raising $750.

The Company received a short-term loan of $350,000 from Tanah Capital Pte Ltd. The funds were used to pay the initial deposit to Transalloys Pty Ltd for the purchase of the 2 smelters in South Africa.

8. COMMITMENTS

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

9. CONTINGENT LIABILITIES

The Company received a claim relating to a purported historical transaction between the Company and Mighty River International Limited. There has been no change or development in relation to this claim as previously disclosed in the last annual reporting period. Given the lack of substantiation for this claim, it is not practicable – or reasonable – to estimate any potential liability in relation to it.

There has been no change in contingent liabilities since the last annual reporting period.

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 8-19

   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 2016 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 2017

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 half-year 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 2016, 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 half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year 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 half-year 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 2016 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 half-year 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 half-year 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 2016 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of $4,416,551 during the year ended 31 December 2016. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Director

Dated at Perth this 16th day of March 2017