

ASX Announcement
30 April 2018

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2018

Highlights:

- Construction and commissioning of first two smelters fully-funded to completion with all relevant project approvals now in place - on track to commence manganese alloy production in Q3 2018
- Approx. A\$15 million funding round led by PT Jayatama Tekno Sejahtera (PT JTS) – a highly successful Indonesian diversified investment group - first A\$2 million tranche received
- Construction and site works program progressing on-track at Kupang Smelting Hub site - foundations set and first two smelters set for shipment to site in Q2 2018
- Environment Approval received for Kupang Smelting Hub Facility – thorough review process successfully completed with the Environment Department of the Provincial Government
- Gulf actively assessing acquisition opportunities targeting high grade manganese mines in Indonesia – home to the world’s highest-grade manganese (+44%Mn)
- Gulf progressing permitting requirements in order 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 shareholders with its Quarterly Activities Report for the period ended 31 March 2018.

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 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.

March Quarter Key Milestones

Cornerstone Funding Package Secured

During the quarter, Gulf announced that it had secured approximately A\$15 million equivalent funding led by Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera (“PT JTS”).

Importantly, this funding will enable Gulf to undertake and complete the construction and commissioning of the first two smelters at the Kupang Smelting Hub Facility – ensuring the Company remains on track to enter production by Q3 2018.





Figure 1 (from left to right): Sam Sariaatmadja, Gulf MD Hamish Bohannan, PT JTS Chairman and CEO Bpk Fofa Sariaatmadja, Johanes Susilo, Amanda Liu, Tim Sariaatmadja (laptop)

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 agreed conditions precedent, the PT Gulf Convertible Note will automatically be converted into a 25.1% of the equity of PT Gulf (“Project Investment”).

As previously announced, 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 in 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-rata on the 25.1 % due on conversion.

An additional standby facility (“Standby Facility”), in an IDR principal amount equivalent to approximately A\$7 million, has also been made available to PT Gulf under the funding agreement. Subject to the satisfaction of conditions precedent, the Standby Facility can be drawn down at any time during the construction and commissioning phase.

Further, as part of the PT JTS funding transaction, Gulf also completed a A\$2 million, five-year zero coupon converting note issue to Eighteen Blue Investments Pty Ltd (“EBI”) (“GMC Converting Notes”). The Company has issued 133,333,333 Converting Notes at a face value of 1.5 cents each, and will issue 133,333,333 free attaching listed options (GMCO) exercisable at 0.5 cents and expiring 21 April 2019.

The key terms of the PT Gulf Convertible Note, Project Investment and Standby Facility are outlined in Annexure A included in the ASX announcement released by the Company on 12 March 2018.

About PT JTS

PT JTS and related companies (the “Group”) are part of a diversified investment group based in Indonesia and Australia, with investments across the Asia Pacific region. The group aims to invest in projects or businesses in which it is able to assist in their strategic expansion and provide a “value-add” to the company other than the provision of funding. The Group currently has investments spanning multiple industries, including technology, hospitality, real estate to agriculture.



Receipt of Environmental Licence Approval & IMB Licence

During the quarter, Gulf received its final Environmental License approval for the development of the Kupang Smelting Hub Facility from the Environment Department of the Provincial Government, Kupang.

The verification process for the Kupang Smelting Hub environmental monitoring and reporting license was successfully completed following an extensive review by the Environmental Department of the Provincial Government. As a result, Gulf formally received the Environmental License at the provincial government offices in Kupang on 17 January 2018.

Gulf also received their IMB Licence (Building Permit) on 22 December 2017, with this, along with the Environmental License, completing the necessary permitting required to progress the smelting hub.



Figure 2: Concrete slabs being poured on site



Figure 3: Hamish Bohannan (MD & CEO) and John Pilotti (Electrical Projects Engineer) at the Kupang Smelting Hub Site



Figure 4: Site Foundations at Kupang Smelting Hub



Figure 5: Aerial view of Site Foundations

Gulf is also pleased to advise that the refurbishment of the furnace equipment in South Africa is now complete, with the units now containerised and ready for shipment to Kupang early in Q2.



Corporate Activity Update

Initial A\$2 Million Funding Tranche Received

Gulf can advise that the first funding tranche of A\$2 million was received from PT JTS on 12 March 2018, with the balance of the investment funds expected to be received soon.

PT Gulf Board Appointments

As part of the PT Gulf Convertible Note, the JTS group has the right to nominate two Commissioners and one Director of PT Gulf. Pursuant to the right, Bpk. Fofa Sariaatmadja and Bpk. Chairuel Jul Naro will be appointed as Commissioners and Bpk. Johannes Susilo will be appointed as a Director of PT Gulf.

Bpk Fofa Sariaatmadja

Bpk Fofa Sariaatmadja currently serves as Chairman and CEO of PT JTS, as well as Commissioner at PT. Elang Makhota Teknologi Tbk ("PT Emtek"), a publicly listed Indonesian group of companies with its main business divisions being Media, Telecommunications and IT Solutions, and e-Commerce. He also currently serves as Commissioner at PT. Surya Citra Televisi, the number one television company in Indonesia, PT. Mediatama Anugrah Citra, the only digital terrestrial pay-TV operator in Indonesia, and PT. Abhimata Persada, an IT solutions provider to the banking sector. Previously, he served as Director of PT Emtek from 2009 to 2012, as Commissioner of PT PP London Sumatra Indonesia Tbk, one of the largest palm oil plantation companies in Indonesia, from 2007 to 2009, as President Director of PT Surya Citra Media Tbk from 2004 to 2012, and as President Director of PT Surya Citra Televisi from 2006 to 2011.

Bpk Fofa completed his studies at the University of New South Wales, earning a Master of Engineering Science (Electrical & Digital Communication) degree in 1987 and a Bachelor of Engineering (Honours, Electrical) degree in 1985.

Bpk Chairuel Jul Naro

Bpk Chairuel Jul Naro is an Indonesian citizen who has had a successful career both in the private arena and in public service. Bpk Naro currently serves as advisor to PT Indonesia Asahan Aluminium Persero (INALUM), Indonesia's first and largest state-owned enterprise within the aluminium industry, and PT Kereta Api Indonesia (KAI), the major operator of public railways in Indonesia. He also currently serves as President Commissioner at PT Sarana Jatim Ventura, a provider of venture capital to small or medium-sized enterprises in Indonesia.

Previously he served as advisor to PT Bahana Pembinaan Usaha Indonesia (BPUI) from 2001 to 2017 and as President Commissioner at PT Mitra Tani 27 from 1992 to 2010.

Update on Acquisition of High Grade Timorese Manganese Mine

As reported by Gulf on 21 December Gulf undertook due diligence on a previously operating manganese mine in Timor, East Nusa Tenggara. Gulf is pleased to announce that the due diligence has been successfully completed and has confirmed the value of the acquisition to Gulf and that agreements to secure the mine are currently being prepared.

Mines and Money Conference, Hong Kong

During the quarter, the Company's Managing Director Hamish Bohannon spoke at the Mines and Money investor conference held in Hong Kong over 3-6 April 2018. The conference was well attended and a number of valuable investor introductions and relationships were formed.





Figures 6 & 7: Gulf Managing Director Hamish Bohannan at Gulf booth and speaking at this year's Mines and Money Conference in Hong Kong

Manganese Market Update

World Steel reported that world crude steel production reached 1,691.2 million tonnes (Mt) in 2017, up by 5.3% from 2016 with Asia crude steel production reaching 1,162.5 Mt or 68% of worldwide crude steel in production. China's remains the dominant producer with crude steel production reaching 831.7 Mt in 2017, up by 5.7% on 2016.

Gulf Manganese will be focusing on two revenue streams, being the export of Direct Shipping Ore DSO and refined ferromanganese alloys of medium and low carbon manganese alloys. Gulf Manganese is ideally located to make the most of Asian demand, with its close proximity to the key markets of Asia, especially China, Korea and Japan.

Manganese ore prices have risen steadily over the last 12 months, with prices increasing over 100% from \$4.12/dmtu CIF China in March 2017 to today \$8.81 CIF China for 44% grade manganese lump.

Gulf's DSO and refined alloy products will be in very high demand due to their high manganese content and low impurities.

Refined ferromanganese alloys are usually used in the manufacture of high grade steel (for automobile and ship building). Low Carbon ferromanganese alloy is widely used in the manufacturing of tool steels, alloys steel & structural steels.

Management Commentary

Gulf's Managing Director, Hamish Bohannan, commented:

"I am very pleased to be reporting back to Gulf's shareholders after what was a hugely successful quarter for the business, highlighted by the securing of a committed and well-respected Indonesian funding partner to assist with the development of the Kupang Smelting Hub Facility.



“I must stress that having a local, Indonesian based group such as PT JTS supporting our business and visions for the future is a major catalyst that has paved the way for us to be in production within months. After numerous meetings and an extensive due diligence process, I can confidently say that PT JTS are a high calibre outfit and very highly regarded so having them effectively join us as project partners should provide our shareholders with a great deal of confidence and excitement.

“With our near-term funding requirements now fulfilled and all required project approvals in place, the Company has narrowed its focus on the commencement of manganese alloy production from our first two smelters by Q3 2018.

“In addition, we are busily working on a number of other key deliverables such as the securing of permitting for the commencement of DSO sales from Kupang and the acquisition of additional high grade manganese deposits and I look forward to updating our shareholders on these initiatives in the near-term.”

-ENDS-

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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.

