



ASX Announcement
31 July 2019

Quarterly Activities Report Period ended June 30, 2019

Highlights:

- **Significant milestone achieved with Direct Shipping Ore (DSO) License secured to export 103,162 tonnes of high-grade manganese ore per year from Indonesia until 2022**
- **A\$3.6 million raised in May to advance preparations for DSO start-up and to provide additional working capital whilst debt funding / offtake negotiations materialise**
- **Acquisition of high-grade Timorese manganese mine by our key Indonesian and Singaporean partners further strengthened supply chain**
- **Key company representatives attended the International Manganese Institute's (IMnI) annual conference held in Vienna during June**

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 June 2019.

Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia, with its business partner PT JGI, to produce and sell low carbon ferromanganese alloy. Gulf owns 74.9% of PT Gulf Mangan Grup ("PT GMG") with PT JGI owning 25.1%. The Kupang Smelting Hub facility will contain at least eight furnaces built in stages over five years, targeting the production of a premium quality 85%+ manganese alloy.

At full production, the first two furnaces will process some 110,000 tonnes of manganese ore per annum, to produce about 43,000 tonnes of premium quality 85%+ ferromanganese alloy.

June Quarter Activity Overview

Direct Shipping Ore Licence ("DSO") Licence Approved

On 15 May 2019, the Company's Indonesian subsidiary PT Gulf Mangan Grup ("GMG") received its Direct Shipping Ore ("DSO") Licence from Indonesia's Ministry of Trade, allowing GMG to export up to 103,162 tonnes of high-grade manganese ore per year.

The Indonesian mining regulation allowing the export of processed ore by approved companies meeting specific requirements (ie, those with a DSO Licence) currently runs until January 2022. Notwithstanding, GMG's DSO licence is reviewed annually in line with its Annual Work Plan & Budget ("RKAB") as submitted to the Ministry of Energy and Mineral Resources ("MEMR").

Gulf's DSO will be in high demand due to its high manganese content, low impurities and very high manganese / iron ratio and as such should command a premium price over lower grade ores. The licence allows Gulf to export screened and washed ore that must average over 49% Manganese.

Manganese ore is priced on a Dry Metric Tonne Unit ("dmtu") basis. By example, using the Metal Bulletin index¹ for shipments to China for 44% Mn lump ore is USD\$6.18 /dmtu CIF, Tianjin China, ore averaging 44% Mn would be priced at 44 x 6.18 or US\$ 272 per dmt.

¹ Pricing as at 24 May 2019

T4, 152 Great Eastern Highway
Ascot WA 6104

Phone +61 8 9367 9228

Fax +61 8 9367 9229

Email info@gulfmanganese.com

gulfmanganese.com

ABN: 73 059 954 317
Gulf Manganese Corporation Limited

Acquisition of High-Grade Timorese Manganese Mine

Post-quarter end, Gulf successfully vended the Putra Indonesia Jaya ("PIJ") high-grade manganese mine in Timor to its key Indonesian and Singaporean partners.

The acquisition is in line with the Company's broader project acquisition strategy, and importantly, 100% of the ore produced will be supplied to Gulf's operations in Kupang. It is expected that ore supply from PIJ will commence in September 2019 and will steadily increase to about 2,000 tonnes per month by Q1 CY2020. Several other high-grade manganese mines are being assessed in Timor and surrounding regions with due diligence well advanced on several opportunities.

Manganese Ore Supply Chain Developments

Post-quarter end, preparations to commence ore supply advanced, with first ore expected to be loaded in containers and transported to Kupang for processing before the end of Q3 CY2019.

The Company continued its due diligence in sourcing additional ore. To date some 22 mines have responded to the granting of the DSO export permit by completing their RKAB applications to the NTT Ministry of Energy and Mineral Resources (ESDM) to recommence mining operations. These mines were forced to close under the Indonesian government's beneficiation policy in 2013, which banned the export of untreated ores.

Gulf expects to see the productivity of these mines build incrementally over the coming months as production is gradually ramped-up, along with the utilisation of key logistic and warehousing infrastructure. Of these 22 applications, 13 have been approved by ESDM with a further nine in process. Approved RKAB applications are now waiting for final approval from the Provincial Government.

GMG expects monthly exports to commence at 1,000 tonnes per month and ramp up to 10,000 tonnes per month by Q2 CY2020, though the first shipment will only be about 100 tonnes to test the logistics route from the mine to market. This ramp-up in operations will be supported by supply of additional ore from the PIJ mine which is anticipated to commence supplying Gulf's operations this quarter.

Kupang Smelting Hub Construction Update

Positive discussions continue with several potential offtake partners and debt providers to secure the requisite capital to fully fund the completion of the Kupang Smelting Hub Facility construction program. Following recent discussions, it is anticipated that construction activity will recommence once the appropriate funding has been secured, with commissioning of the first two smelters remaining on target for Q1 CY2020.

Corporate Activity Overview

\$3.6M Secured in May to Advance DSO Start-up

In May, the Company successfully raised A\$3.24 million (before costs) via the issue of 647,196,000 shares at \$0.005 per share ("Placement") following strong support from new and existing sophisticated investors.

In conjunction, Gulf agreed to place 45,000,000 shares at an issue price of \$0.007 to Acuity Capital for a total of A\$0.32 million in accordance with the Controlled Placement Agreement ("CPA") with Acuity announced on 31 January 2018.

Funds received from the combined placements have been deployed to advance preparations for DSO start-up and for general working capital purposes.

Attendance at 45th Annual International Manganese Institute Conference

During the quarter, Gulf's Managing Director and CEO Hamish Bohannon and Marketing Executive Peter Allen attended the 45th annual International Manganese Institute ("IMnI") conference held in Vienna from 10th-12th June.

The conference is the world's largest event of the Manganese industry, with over 200 delegates in attendance from 120 companies based in 34 countries. Delegates include steel mill operators, alloy producers, miners, ancillary consumers & service providers and trading companies. The IMnI is the leading organisation for Manufacturers and Companies involved in the manganese industry. IMnI's mission is to provide guidance by promoting economic, social and environmental responsibility to all stakeholders.

By attending the conference, both Hamish and Peter were able to initiate and pursue a number of meaningful discussions with several parties who have indicated a strong interest in Gulf's premium, high-grade manganese ore and low carbon ferromanganese alloy.



Figure 1: Attendees at the 45th Annual IMnI Conference

Expiry of Listed Options

Strong shareholder support resulted in 463,364,804 GMCO unlisted options (representing ~25% of total listed options on issue) being exercised during the quarter raising in excess of A\$2.3 million. The GMCO listed 0.5c options expired on 21 April 2019.

Tranche 2 of Subscription Agreements Expired

During the quarter, Gulf confirmed that the cut-off date for Tranche 2 ("T2") of the subscription agreements between PT Jayatama Global Investindo ("JGI") and "Singco" (refer ASX announcements 2 January, 31 March and 1 May 2019) was 30 April 2019. Given that date passed without all the conditions in the subscription agreements being satisfied or waived, T2 Completion did not occur, and as a result Gulf has terminated the agreements. Gulf is continuing discussions with both parties about further investments and updates on the progress of these discussions will be provided if and when they materialise.

Long-Term Incentive Scheme

Pursuant to the Company's Long-Term Incentive Scheme Plan Rules, Performance Rights were not issued to Directors or Employees for the 2018/2019 financial year, as the required targets were not met when compared to the Company's peer group.

Change of Director's Interest Notice

During the quarter, the Company advised that Managing Director Hamish Bohannan sold 31,938,926 shares in the Company, reducing his holding to 72,618,090 shares. Mr Bohannan advised the Board of his requirement to sell the shares due to tax obligations and personal financial reasons. The sale was approved by Gulf's Board and is compliant with the Company's Share Trading Policy.

Management Commentary

Commenting on the Company's achievements for the June quarter, Gulf's Managing Director, Hamish Bohannan said:

"Gulf made considerable progress during the quarter with several key milestones achieved, none more important than the securing of the Company's DSO licence in May.

"With DSO export approvals now in place, our focus has immediately turned to underpinning our manganese ore supply chain. We have secured an initial supply agreement with an operator in Sumbawa, successfully vended in the Putra Indonesia Jaya (PIJ) high-grade manganese mine in Timor and are continuing discussions with a further 22 'clean & clear' miners in the region so this process remains well advanced.

"As we ramp-up DSO exports over the coming months, cash flow received will be used to finalise the construction and commissioning of our first two smelting hub furnaces at Kupang which remain on-track for completion in Q1 2020. We are also progressing discussions with potential offtake partners and debt funding providers to expedite this construction and commissioning process, so there are multiple avenues in play. I look forward to providing our shareholders with regular updates from across the business in due course."

-Ends-

For further information please contact:

Hamish Bohannan
Managing Director

Gulf Manganese Corporation Limited
T: 08 9367 9228
E: info@gulfmanganese.com

Released through Sam Burns, Six Degrees Investor Relations, M: +61 400 164 067



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 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) project evaluation	-	-
(b) development	(679)	(2347)
(c) production	-	-
(d) staff costs	(485)	(1,946)
(e) administration and corporate costs	(624)	(2,175)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	28
1.5 Interest and other costs of finance paid	(3)	(357)
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	(1,790)	(6,797)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(91)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other assets	(561)	(4,667)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other - mining rights	716	716
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - payments for mining rights	(58)	(672)
2.6 Other - receipt of security deposit funds	-	132
2.7 Net cash from / (used in) investing activities	92	(4,582)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	5,359	12,033
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	(139)	(220)
3.5 Proceeds from borrowings	-	3,364
3.6 Repayment of borrowings	-	(4,125)
3.7 Transaction costs related to loans and borrowings	-	(16)
3.8 Dividends paid	-	-
3.9 Other (capital return to shareholders)	-	-
3.10 Net cash from / (used in) financing activities	5,220	11,036

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	428	4,213
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,790)	(6,797)
4.3 Net cash from / (used in) investing activities (item 2.7 above)	92	(4,582)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,220	11,036

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	33	113
4.6	Cash and cash equivalents at end of period	3,983	3,983

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	3,963	408
5.2	Call deposits	20	20
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)	3,983	428

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	382
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	

Amounts include director fees, consulting fees, salaries and super.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

Facility Description	\$A '000	Lender	Interest rate	Secured/Unsecured	ASX info date
-	-	-	-	-	-
-	-	-	-	-	-

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	980
9.3 Production	-
9.4 Staff costs	450
9.5 Administration and corporate costs	280
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,710

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 July 2019

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.