



ASX Announcement
10 February 2020

Update on Indonesian Ore Supply Strategy

- **First shipment of high-grade manganese ore (+49%) scheduled to be shipped from Sulawesi to Kupang later this month**
- **Previous shipments planned for Q4 2019 were delayed due to contracted grade specifications not being met – new field control measures implemented by Gulf have since rectified this issue**
- **NTT Ministry of Energy and Minerals Resources (“ESDM”) has advised that 16 IUP’s remain formally approved to supply ore to Gulf’s operations**
- **Central Indonesian government remains extremely supportive of the Kupang Smelting Hub Project’s development and is working closely with Gulf to ensure a steady and reliable supply pipeline of high-grade manganese ore is established**
- **Gulf remains committed to delivering on its diversified ore procurement strategy which sources ore from approved NTT miners, neighbouring jurisdictions (such as Sulawesi and Sumbawa) and from Timor Leste with its investment in Iron Fortune**

Gulf Manganese Corporation Limited (ASX: GMC) (“**Gulf**” or “**the Company**”) is pleased to provide the following update on recent developments regarding the Company’s Indonesian subsidiary PT Gulf Mangan Grup’s (“PT Gulf”) high-grade manganese (“Mn”) ore procurement strategy.

Update on First Shipment of Manganese Ore from Sulawesi

As reported on 24 October 2019, an initial 100 tonne parcel of high-grade (+49%) manganese concentrate was scheduled to be shipped from Sulawesi to Kupang in November. Notwithstanding mining and processing delays, this initial shipment, from Sulawesi-based PT Arfa Indo Sarana (“PT Arfa”), was rejected by Gulf as it did not meet the required contracted minimum grade. However, with assistance from Gulf’s geologists and with the implementation of further field controls a new parcel of >49% Mn export quality ore is expected to be available for shipment to Kupang this month.

Once the shipment has arrived in Kupang it will undergo a final quality analysis process before being cleared for export to Gulf’s customers.

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

Diversified Ore Procurement Strategy

Following the introduction of the twelve-month moratorium on mining in East Nusa Tenggara ("NTT") in November 2018 (which has now ended), Gulf implemented a three-pronged strategy aimed at establishing a reliable pipeline of manganese ore to supply the Company for its smelting hub operations and for export under the Company's licence to export manganese concentrate in the form of high grade manganese ore, also known as Direct Shipping Ore ("DSO"). The sale of DSO is a fixed term opportunity allowed by the Indonesian government for bona-fide smelting companies to sell concentrated ore to assist with cashflow during the construction phase of smelting facilities. In the case of manganese, the concentrated ore must average over 49% manganese – a substantially higher grade than is required for the smelting operations which will treat ore grading greater than 40% Mn.

Gulf's three-pronged ore procurement strategy is outlined below:

- To secure ore from NTT mines with Indonesian partners,
- To purchase ore from local miners, and
- To purchase ore from neighbouring provinces.

An overview of the key components of Gulf's ore procurement strategy has been provided below.

Putra Indonesia Jaya

The first mine secured was Putra Indonesia Jaya ("PIJ"), located some 120 kilometres from Kupang and now owned by local partners close to the Company.

The moratorium imposed in NTT by the Governor did cause substantial delays to restarting operations at the PIJ mine. However, with the expiration of the moratorium, the Company has been advised by PIJ that a program of test pits and sampling has been commenced to confirm ore reserves and that stockpile areas have been prepared in anticipation of ore production which will start as soon as the wet season ends, which is normally in February.

Additionally, following the conclusion of the moratorium, Gulf's in-country team has resumed their assessment of further opportunities to secure other mines, as well as to purchase ore from local independent miners. Gulf continues to receive updated permit status from the NTT ESDM (the Ministry of Energy and Mineral Resources in Kupang), who have confirmed that 16 IUP's ("Izin Usaha Pertambangan" or "permit to conduct a mining business") are currently approved. The number of approved local miners was previously 17, however, 1 IUP has had its approval revoked for failing to pay outstanding back taxes.

Sulawesi and Sumbawa

Ore deposits located in neighbouring regions outside Timor are not believed to have the same exceptionally high manganese grades required for DSO operations without careful grade control, however, the ore sourced from these regions is expected to be suitable for Gulf's smelter feed requirements.

Timor-Leste

It is believed that high-grade manganese mineralisation continues throughout Timor island, into Timor-Leste, and as a result Gulf has entered into an agreement with Iron Fortune Pty Ltd ("Iron Fortune") (see ASX release dated 2 August 2019). Iron Fortune is a private Australian-based minerals and exploration company focused on Timor-Leste.

Although Timor-Leste is considered an emerging jurisdiction in terms of mining and exploration, the country is expected to finalise its Mining Law in the near future. Gulf views the Iron Fortune partnership as a compelling opportunity to establish a first mover advantage and significantly de-risk the Company's ore supply chain.

Management Commentary

Gulf's Managing Director, Hamish Bohannon, said:

"Whilst delays in receiving our first trial shipment from Sulawesi have been somewhat frustrating, we are pleased to report that a parcel of +49% manganese ore is now scheduled to depart the port of Bau Bau for Kupang later this month.

"Security of our ore supply chain is of utmost importance and core to the foundations of our business, so we are pleased that our strict quality control processes have been successful in this respect. We have since worked closely with PT Arfa to implement several field control measures to improve ore quality and as a result we are confident that this shipment from Sulawesi will meet our export quality specifications.

"In addition, we are maintaining a positive dialogue with the Central Indonesian government who have consistently voiced their support towards ensuring a reliable, high quality ore supply to the Kupang Smelting Hub Facility is established. Whilst delays from within the NTT government have provided challenges, significant progress recently made within the local governing body has been very encouraging.

"I look forward to providing further updates on recent funding developments and the Company's broader ore procurement strategy in due course."

-Ends-

This announcement has been authorised by the Board of Directors of the Company.

For further information please contact:

Hamish Bohannon
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

