Gulf

Interim Financial Report

For the half year ended 31 December 2019

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gulfmanganese.com

ABN: 73 059 954 317
Gulf Manganese Corporation Limited

Contents

CORPORATE DIRECTORY

DIRECTORS

Mr Craig Munro (Non-Executive Chairman)
Mr Hamish Bohannan (Managing Director and CEO)
Mr Andrew Wilson (Non-Executive Director) – Resigned 28 February 2020
Mr Tan Hwa Poh (Non-Executive Director)

COMPANY SECRETARY

Mr Robert Ierace – Retired on 5 August 2019
Mr Ian Gregory – Appointed on 5 August 2019

REGISTERED AND PRINCIPAL OFFICE

T4/152 Great Eastern Highway
ASCOT WA 6104
Telephone: (08) 9367 9228
Facsimile: (08) 9367 9229
Website: www.gulfmanganese.com

SHARE REGISTRY

Automic Registry Services Pty Ltd
Level 2/267 St George's Terrace
Perth WA 6000
Telephone: (08) 9324 2099
Facsimile: (08) 9321 2337

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
London House Level 3
216 St George's Terrace
Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

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

PT GULF MANGAN GRUP

Board of Directors

Steven Pragnell	President Director
Johnanes Susilo	Vice President Director
John Pilotti	Director
Peter Allen	Director
Yusdi Sangadji	Director
Robert Ierace	Director

Registered Office

Graha Pena Building, 5th Floor
Jl. Piet A Tallo No. 1
Kelurahan Liliba, Kecamatan Oebobo
Kupang 85111
East Nusa Tenggara

REVIEW OF OPERATIONS

Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell low carbon ferromanganese alloy. The Kupang Smelting Hub is based on at least eight furnaces built in stages over five years, targeting the production of a premium quality 84%+ manganese alloy. The hub would also be able to produce medium carbon ferromanganese alloy if required.

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 starting at an annualised rate of 42,000 tonnes of alloy from 100,000 tonnes of ore through the first two smelters.

MANGANESE APPLICATIONS & MARKET OVERVIEW

Manganese is the fourth-most used metal in the world in terms of tonnage. Approximately 90% of all manganese consumed is used in the production of steel, primarily due to its properties as a deoxidizing and alloying element. Other uses include batteries, aluminium beverage cans, fertilisers, health vitamins, water purification, gasoline additives and colouring glass.

Mined as an oxide ore, manganese is converted to ferromanganese, which contains 74-82% manganese, and can be classified into three main subgroups; high carbon (>2% carbon), medium carbon (1.0-2.0% carbon) and low carbon (<1% carbon).

The higher manganese content and lower impurity content of low carbon and medium carbon ferromanganese achieves premium pricing over standard high carbon ferromanganese alloys. Demand for manganese globally has grown substantially this century as global steel production increases, and in the long term the ferromanganese price has continued to trend upward.

MANGANESE IN INDONESIA

Indonesian manganese ore is one of the highest grade manganese ores available in the world, with a unique combination of very high manganese content, above 49%, combined with low iron and phosphorous. These qualities are in high demand from manganese alloy producers worldwide particularly in China, Korea and India.

Indonesian legislation, however, does not allow for the export of 'untreated' ore. As a result of the regulations under the Indonesian Mining Law of 2009, that were implemented in 2013 and 2014, the mining and export of manganese deposits in Indonesia largely ceased at that time.

It is Gulf's intention to enable many of Indonesia's high-grade manganese mines to restart production through the development of the Kupang Smelting Hub Facility, which once in production will produce high purity, low and medium carbon ferromanganese alloys to fulfil international demand from high-grade and specialty steel producers.

The Kupang Facility is ideally located to supply key global markets with direct access to international container lines and bulk cargo trade routes on its doorstep.

GULF DELIVERS MAJOR MILESTONE WITH SECURING OF DSO LICENCE

On 15 May 2019, Gulf's Indonesian subsidiary PT Gulf Mangan Grup ("GMG") formally received its manganese concentrate export licence, also known as a Direct Shipped Ore (DSO), Licence from Indonesia's Ministry of Trade which allows GMG to export up to 103,162 tonnes of high-grade manganese ore per year.

In May 2019 GMG received its manganese concentrate export licence or DSO, allowing the export sale and shipment of >49% manganese under the provisions in Indonesian regulations allowing for smelting and processing companies to sell manganese concentrate during the construction phase while building the smelters.

REVIEW OF OPERATIONS

GMG's manganese concentrate export licence is reviewed annually in line with its Annual Work Plan & Budget ("RKAB") as submitted to the Ministry of Energy and Mineral Resources ("ESDM"). 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.

However, with the moratorium on manganese mining in NTT introduced by the Governor in November 2018, Gulf was unable to source ore in West Timor despite the licence. Gulf immediately focused on sourcing ore from outside NTT, recognising that grades outside NTT whilst still considered high in global terms are not quite as high as in NTT.

In October 2019, an initial 100 tonne parcel of high grade (+49%) manganese concentrate was scheduled to be shipped from Sulawesi to Kupang in November 2019. The shipment 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% manganese is expected to be shipped in March 2020.

SMELTER ORE SUPPLY CHANNELS STRENGTHENED

In order to mitigate potential problems with ore supply security, the Company has developed a multi-pronged approach in regard to ore procurement, designed to manage both supply continuity and quality risks

- Acquisition of mines, in conjunction with Gulf in-country partners,
- Regional ore supply agreements, with mines located within East Nusa Tenggara ("NTT"), and
- Ore supply agreements with mines located in other provinces.

Importantly, Gulf can advise that all potential ore supply partnerships are compliant with the Company's 'Clean and Clear' strategy, which ensures that Gulf partners only with local mining groups who have obtained the mandatory Clean and Clear Certification in accordance with Indonesian Government requirements.

As part of this process led by Steven Pragnell, President Director of Gulf's Indonesian subsidiary GMG, several other high-grade manganese mines were assessed in West Timor and surrounding regions with due diligence well advanced on several opportunities.

Strategic Partnership to De-risk and Solidify Manganese Ore Supply

In August 2019, Gulf entered into an agreement to acquire a strategic 20% interest in Iron Fortune Pty Ltd ("Iron Fortune"), a private Australian-based minerals and exploration company focused on Timor-Leste. Upon completion of the due diligence process, Gulf will pay a further A$150,000 and issue A$100,000 worth of shares to secure a 20% interest in Iron Fortune.

Timor Leste is generally recognised as having similar exploration potential for manganese ore as neighbouring East Nusa Tenggara ("NTT" or West Timor). The Timor Leste has its first draft Mining Act in Parliamentary Review with anticipated approval later this year. Gulf sees its investment in Iron Fortune as an excellent opportunity to be at the front of the queue as soon as the Act is approved.

KUPANG SMELTING HUB FACILITY - FOUNDATIONS SET FOR COMPLETION

During the year in focus, the Company made the decision to scale back construction activities while extra emphasis was placed on securing the requisite funding to finish construction. The \Company believes that these arrangements are close to finalisation.

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 2019. 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-Executive Chairman)
Mr Hamish Bohannan (Managing Director)
Mr Andrew Wilson (Non-Executive Director) – Resigned 28 February 2020
Mr Tan Hwa Poh (Non-Executive Director)

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. The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

		Equity Interest %	
Controlled entities	**Place of incorporation**	**2019**	**2018**
Gulf Copper Pty Ltd [1]	Australia	100	100
Gulf Manganese Pty Ltd [1]	Australia	100	100
International Manganese Group Limited	Australia	100	100
PT Gulf Mangan Grup	Indonesia	74.9	100
Gulf Alloys Pte Ltd	Singapore	100	-

[1] These companies were inactive during the half-year and comparative periods.

Nature of Operations and Principal Activities

The principal activity of the Company is developing an ASEAN focused manganese alloying enterprise based in West Timor.

OPERATING AND FINANCIAL REVIEW

Acuity Capital share placements

On 3 October 2019, Gulf placed 640,000,000 GMC shares at an issue price of 0.6 cents to Acuity Capital for a total raise of $385,000 (net of costs).

On 11 November 2019 the company placed 66,350,000 shares at an issue price of 0.55 cents (net of costs) to Acuity Capital for a total raise of A$365,000.

On 9 December 2019 the company exercised a placement with Acuity Capital by placing 32,000,000 shares at an issue price of 0.5 cents (net of costs) for a total raise of A$160,000.

The above placements were made in accordance with the previously announced Controlled Placement Agreement ("CPA") with Acuity Capital announced on 31 January 2018), with the funds deployed towards general purposes and working capital.

DIRECTORS' REPORT

Operating Results

Consolidated loss after income tax for the financial period was $4,415,047 (2018: $5,139,887).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

On 8 January 2020, Gulf announced that it had executed a binding term sheet for the establishment of a EUR52 million Structured Loan Facility with Glacier International Depository Ltd, Legal and General Investment Management Limited and HSBC Bank plc.

On 8 January 2020, the Company announced it that it had extended the Controlled Placement Agreement (CPA) with Acuity Capital through to December 2020. The CPA provides Gulf with up to $5 million of standby equity capital. To date $3.16 million has been raised under the CPA with a further $1.84 million remaining.

On 21 January 2020 the company exercised a placement with Acuity Capital by placing 25,000,000 shares at an issue price of 0.64 cents (net of costs) for a total raise of A$160,000.

On 27 February 2020, the company issued 2,833,334 fully paid ordinary shares at $0.006 and 4,000,000 fully paid ordinary shares at $0.005 as payment for service rendered to the company.

On 3 March the company announced that Mr Andrew Wilson resigned from the Board.

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

14 March 2020

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 partner for the review of the financial statements of Gulf Manganese Corporation Ltd for the half year ended 31 December 2019, 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
Partner

Dated at Perth this 14th day of March 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated 31 December 2019 $	31 December 2018 $
Interest revenue		2,417	26,503
Foreign exchange gains		25,410	-
Directors fees and staff remuneration		(2,271,192)	(1,544,512)
Share based payments adjustment/(expense)	7	(454,560)	258,667
Administration expenses		(615,574)	(1,118,350)
Settlement expenses		-	(1,500,000)
Exploration and evaluation expenditure		(390)	(2,613)
Finance costs		(154,413)	(379,866)
Legal fees		(60,207)	(367,095)
Professional fees		(851,485)	(481,211)
Depreciation		(35,053)	(22,446)
Foreign exchange loss		-	(8,964)
Fixed assets written off		-	-
Loss before income tax expense		(4,415,047)	(5,139,887)
Income tax benefit/ (expense)		-	-
Net Loss for the half year		(4,415,047)	(5,139,887)
Other comprehensive income			
Exchange differences on translation of foreign operations		202,605	177,653
Total comprehensive loss for the half year		(4,212,442)	(4,962,234)
Loss for the year attributable to:			
Owners of the parents		(3,933,678)	(5,139,887)
Non-controlling interest		(481,369)	-
		(4,415,047)	(5,139,887)
Total comprehensive loss			
Owners of the parents		(3,726,313)	(4,962,234)
Non-controlling interest		(486,129)	-
		(4,212,442)	(4,962,234)
Earnings/(loss) per share:			
Basic and diluted loss per share (cents per share)		(0.09)	(0.18)

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	Consolidated 31 December 2019 $	30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents		106,752	3,972,085
Trade and other receivables		21,794	33,900
Other assets		36,067	76,242
Total Current Assets		**164,613**	**4,082,227**
Non-Current Assets			
Property, plant and equipment	6	21,741,734	21,163,202
Other assets		555,140	470,832
Total Non-Current Assets		22,296,874	21,634,034
Total Assets		**22,461,487**	**25,716,261**
LIABILITIES			
Current Liabilities			
Trade and other payables	2	2,077,239	3,858,605
Provisions		67,374	33,824
Borrowings	3	5,358,209	-
Total Current Liabilities		**7,502,822**	**3,892,429**
Non-current Liabilities			
Borrowings	3	-	5,114,473
Total Current Liabilities		-	5,114,473
Total Liabilities		**7,502,822**	**9,006,902**
Net Assets		**14,958,665**	**16,709,359**
EQUITY			
Contributed equity	4	57,745,065	55,790,732
Accumulated losses		(44,556,596)	(41,583,225)
Reserves	5	2,273,820	3,257,228
Parent equity		15,462,289	17,464,735
Non-controlling interest		(503,624)	(755,376)
Total equity		**14,958,665**	**16,709,359**

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Issued capital	Convertible note reserve	Option reserve	Foreign currency translation	Accumulated losses	Owners of the parent	Non-controlling interest	Total equity
		$	$	$	$	$	$	$	$
Balance at 1 July 2019		**55,790,732**	**-**	**3,089,667**	**167,561**	**(41,583,225)**	**17,464,735**	**(755,376)**	**16,709,359**
Loss for the half year		-	-	-	-	(3,933,678)	(3,933,678)	(481,369)	(4,415,047)
Other comprehensive loss		-	-	-	207,365	-	207,365	(4,760)	202,605
Total comprehensive gain/loss for the year		-	-	-	207,365	(3,933,678)	(3,726,313)	(486,129)	(4,212,442)
Transfer of performance rights vested during the period	5	373,985	-	(373,985)	-	-	-	-	-
Share based payments adjustment		251,348	-	133,507	-	-	384,855	-	384,855
Expiry/ cancellation of performance rights				(1,020,000)	-	1,020,000	-	-	-
Performance rights recognised during half year		-	-	69,705	-	-	69,705	-	69,705
Securities issue during the year (net of costs)	4	1,329,000	-	-	-	-	1,329,000	-	1,329,000
Non-controlling interest		-	-	-	-	(59,693)	(59,693)	737,881	678,188
Balance 31 December 2019		**57,745,065**	**-**	**1,898,894**	**374,926**	**(44,556,596)**	**15,462,289**	**(503,624)**	**14,958,665**
Balance at 1 July 2018		**38,942,128**	**221,840**	**8,849,133**	**(454,596)**	**(37,822,267)**	**9,736,238**	**-**	**9,736,238**
Loss for the half year		-	-	-		(5,139,887)	(5,139,887)	-	(5,139,887)
Other comprehensive loss		-	-	-	177,653	-	177,653	-	177,653
Total comprehensive gain/loss for the year		-	-	-	177,653	(5,139,887)	(4,962,234)	-	(4,962,234)
Transfer of performance rights vested during the period	5	1,455,707	-	(1,455,707)	-	-	-	-	-
Share based payments adjustment		(66,667)	-	(192,000)	-	-	(258,667)	-	(258,667)
Securities issue during the year (net of costs)	4	3,308,365	-	500,000	-	-	3,808,365	-	3,808,365
Expiry of share options		-	-	(1,711,261)	-	1,711,261	-	-	-
Exercise of share options		-	-	(714,350)	-	714,350	-	-	-
Balance 31 December 2018		**43,639,533**	**221,840**	**5,275,815**	**(276,943)**	**(40,536,543)**	**8,323,702**	**-**	**8,323,702**

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Payments to suppliers and employees	(3,209,491)	(2,434,389)
Interest received	2,391	26,503
Finance costs paid	(284,022)	(61,494)
Net cash used in operating activities	(3,491,122)	(2,469,380)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,241)	(86,181)
Payments for construction of plant and project development	(1,324,812)	(4,318,547)
Payments for investments	(100,000)	-
Payments for mining tenement deposit	-	(615,089)
Receipt of security deposits returned	-	132,104
Net cash from/(used) in investing activities	(1,433,053)	(4,887,713)
Cash flows from financing activities		
Proceeds from issue of securities net of costs	910,000	1,289,105
Proceeds from borrowings	148,488	3,494,532
Repayment of borrowings	-	(50,000)
Net cash provided by financing activities	1,058,488	4,733,637
Net increase/(decrease) in cash and cash equivalents held	(3,865,687)	(2,623,546)
Foreign exchange differences	354	61,245
Cash and cash equivalents at beginning of the half year	3,972,085	4,213,499
Cash and cash equivalents at end of the half year	106,752	1,651,288

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 2018 annual financial report for the financial year ended 30 June 2019.

New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

– AASB 16: Leases

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e., a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;

- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group as lessor

Upon entering into each contract as a lessor, the Group assesses if the lease is a finance or operating lease.

A contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example, legal cost, costs to set up equipment) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental income due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Group applies AASB 15 to allocate the consideration under the contract to each component.

Based on the assessment by the Group, it was determined there was no impact on the Group. As such, the Group has not recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.

There has been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments, where applicable. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets, where applicable for the remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

Initial Application of AASB 16: Leases

Based on the assessment by the Group, it was determined there was no impact on the Group. As such, the Group has not recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.

There has been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments, where applicable. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets, where applicable for the remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

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 Consolidated Entity.

Share based payments

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Details of share based payments assumptions are detailed in Note 7.

Key Estimates - Impairment

The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions specific to the Consolidated Entity that may be indicative of impairment triggers.

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 $4,415,047 (2018: $5,139,887) and net operating cash outflows of $3,491,122 (2018: $2,469,380).

As at 31 December 2019, the Consolidated Entity had a working capital deficit position of $7,338,209 (30 June 2019: working capital surplus of $189,798). The increase in working capital deficiency is substantially due to the movement of borrowings of $5,358,209 payable to PT Jayatama Global Investindo from non-current to current liability position. The Group has $7.4 million worth of debt including loan payable due within the coming 12 months. The Group has commenced discussions with relevant financiers in order to obtain formal agreement to repay PT Jayatama Global Investindo.

Whilst the Consolidated Entity is in a net asset position, the incurred losses and operating cash outflows indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern.

The Directors however have prepared a cash flow forecast, which 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.

The Directors believe it is appropriate to prepare these accounts on a going concern basis as follows:

- the Consolidated Entity announced that it had executed a binding term sheet for the establishment of a EUR52 million Structured Loan Facility with Glacier International Depository Ltd, Legal and General Investment Management Limited and HSBC Bank plc. The consolidated entity expects to conclude this in March and can then complete construction and commissioning of the Smelter Facility;

- the Consolidated Entity is working to develop a ferromanganese smelting and sales business to produce low carbon ferromanganese alloy in West Timor, Indonesia. The Company's Kupang Smelter Facility is 60% complete;

- the Consolidated Entity announced that it had extended the Controlled Placement Agreement (CPA) with Acuity Capital through to December 2020. The CPA provides Gulf with up to $5 million of standby equity capital. As at the date of this report $3.16 million has been raised under the CPA with a further $1.84 million remaining;

- the Consolidated Entity owns 75.1% of its Indonesian subsidiary PT Gulf Mangan Grup which comprises of the Kupang Smelter Plant which is 60% complete. Within PT Mangan Grup there is a loan payable to PT Jayatama Global Investindo for $5.36 million (100% gross) which is due on 30 September 2020. The Company has potential to sell down its interest in the project should it be unsuccessful in completing the required funding;

- the Consolidated Entity has alternative bridging finance options in the form of a convertible note or rights issue should it be unsuccessful in completing the required funding;

- the continued support of the Consolidated Entity's creditors. At the date of the report there were no outstanding statutory demands made against the company; and

- managing cash flows in line with available funds.

Subsequent to period end, the directors and key investors provided a loan of $300,000 to the Consolidated Entity which will not be called upon until the company has sufficient cash flows. In addition, the Consolidated Entity has raised further equity of $180,000 under the CPA and are currently evaluating offers with other financiers to raise further funds. The Company expects to conclude discussions and secure funds of approximately $500,000 by the end of March which will satisfy its short term commitments until the facility with Glacier is finalised.

Should the Consolidated Entity be unsuccessful in completing the required funding, finalising offtake finance, and commencing production at the intended time and at the required profit levels, there is material uncertainty whether the Consolidated Entity would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

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.

2. TRADE AND OTHER PAYABLES

	Consolidated	
CURRENT	**31 December 2019**	**30 June 2019**
	$	**$**
Trade payables	1,565,930	2,221,690
Accruals	80,779	400,415
Employee liabilities	353,593	669,174
Other payables	76,937	577,326
	2,077,239	3,858,605

3. BORROWINGS

During the period, the Company has a remaining A$5 million loan under the stand-by facility with PT Jayatama Global Investindo, a subsidiary of PT JTS. The loan will be repayable from the profits from commercial production of the Kupang Smelting Hub Facility. The loan is secured by fiduciary charge over the manganese smelters, with 8% interest per annum and has a due date of 30 September 2020. Refer to the Company ASX announcement on 2 January 2019 for further details.

Reconciliation of liabilities arising from financing activities

		Cash flows		Non-cash changes		
	30 June 2019				***FX***	**31 December 2019**
	$	***Inflow***	***Outflow***	***Adjustment***	***movement***	**$**
Long-term borrowings	5,114,473	-	-	(5,114,473)	-	-
Short-term borrowings	-	148,488	-	5,114,473	95,248	5,358,209
Total liabilities from financing activities	**5,114,473**	**148,488**	**-**	**-**	**95,248**	**5,358,209**

4. ISSUED CAPITAL

	31 December 2019		30 June 2019	
Shares on issue	**No.**	**$**	**No.**	**$**
Ordinary shares issued and fully paid	5,216,364,998	57,745,065	4,910,267,664	55,790,732
Total contributed equity	**5,216,364,998**	**57,745,065**	**4,910,267,664**	**55,790,732**

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. 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.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

	31 December 2019	
Movement in ordinary shares on issue	**No.**	**$**
Balance at 1 July 2019	4,910,267,664	55,790,732
Issue of ordinary shares at $0.007	41,891,333	251,348
Issue of shares to Acuity Capital Pty Ltd [1]	162,350,000	910,000
Issue of shares for services rendered by consultants	73,166,667	419,000
Vesting of performance rights deemed at 0.7 cents	28,689,334	373,985
Balance at 31 December 2019	**5,216,364,998**	**57,745,065**

[1] At the Company's Annual General Meeting on 19 November 2018, Shareholders approved the issue of shares to Acuity Capital Pty Ltd in accordance with the Controlled Placement Agreement dated 1 January 2018.

5. RESERVES

Movement in unlisted options	31 December 2019 No.	31 December 2019 $
Balance at 1 July 2019	124,000,000	1,216,621
Issue of unlisted options exercisable at 1.5 cents each expiring 31 December 2021	25,000,000	133,507
Balance at 31 December 2019	**149,000,000**	**1,350,128**

Movement in Performance Rights	31 December 2019 No.	31 December 2019 $
Balance at 1 July 2019	**128,372,681**	**1,873,046**
Vesting of Performance Rights (granted 21 November 2017)	(20,173,081)	(322,773)
Vesting of Performance Rights (granted 7 March 2019)	(7,316,000)	(51,212)
Forfeiture of Performance Rights	(20,433,433)	(4,518)
Expiry of Performance Rights (granted 21 November 2016)	(34,000,000)	(1,020,000)
Performance Rights recognised	-	74,222
Balance at 31 December 2019	**46,450,167**	**548,765**

Movement in foreign currency translation	31 December 2019 $	30 June 2019 $
Balance at 1 July 2019	**167,561**	**(454,596)**
Translation of foreign currency financial statements into the functional currency	207,365	622,157
Balance at 31 December 2019	**374,926**	**167,561**

6. PROPERTY, PLANT AND EQUIPMENT

Balance at 31 December 2019	Smelter hub (under Construction) $	Land and buildings $	Motor vehicles $	Office furniture & equipment $	Total $
At cost	21,470,741	132,453	30,353	259,625	21,893,172
Accumulated depreciation	-	(23,344)	(8,853)	(119,241)	(151,438)
Carrying value as at 31 December 2019	**21,470,741**	**109,109**	**21,500**	**140,384**	**21,741,734**
Reconciliation					
Opening carrying value	20,870,678	111,410	22,969	158,145	21,163,202
Additions	600,063	-	-	8,241	608,304
Disposals	-	-	-	-	-
Depreciation expense	-	(4,722)	(2,024)	(20,505)	(27,251)
Foreign currency differences	-	2,421	555	(5,497)	(2,521)
Closing written down value at 31 December 2019	**21,470,741**	**109,109**	**21,500**	**140,384**	**21,741,734**

Balance at 30 June 2019	Smelter hub (under Construction) $	Land and buildings $	Motor vehicles $	Office furniture & equipment $	Total $
At cost	20,870,678	130,032	29,798	247,587	21,278,095
Accumulated depreciation	-	(18,622)	(6,829)	(89,442)	(114,893)
Carrying value as at 30 June 2019	**20,870,678**	**111,410**	**22,969**	**158,145**	**21,163,202**
Reconciliation					
Opening carrying value	14,577,987	73,873	24,903	106,201	14,782,964
Additions	6,292,691	44,124	-	100,424	6,437,239
Disposals	-	-	-	-	-
Depreciation expense	-	(12,351)	(3,933)	(46,610)	(62,894)
Foreign currency differences	-	5,764	1,999	(1,870)	5,893
Closing written down value at 30 June 2019	**20,870,678**	**111,410**	**22,969**	**158,145**	**21,163,202**

7. SHARE BASED PAYMENTS

During the half year end 31 December 2019, a share based payment expense of $454,560 was recognised, which included options vesting from prior periods.

Share based payments	**31 December 2019 $**
Vesting of performance rights issued on 28 February 2019 and 7 March 2019	69,705
Issue of 41,891,333 fully paid ordinary shares at $0.07 under the Company's Short Term Incentive Plan (STI)	251,348
Issue of unlisted options exercisable at 1.5 cents each expiring 31 December 2021	133,507
Total share based payments	**454,560**

Fair value of options

The fair value of share options granted have been valued using a Black Scholes Methodology, taking into account the terms and conditions upon which the unlisted share options were granted.

A summary of the inputs used in the valuation of the options is as follows:

Unlisted Share Options	
Exercise price	$0.0015
Share price at date of issue	$0.006
Grant date	11/11/2019
Expected volatility	159.04%
Expiry date	31/12/2021
Risk free interest rate	1.66%
Value per option	$0.0054
Number of options	25,000,000
Total value of options	**$133,507**

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 8 January 2020, Gulf announced that it had executed a binding term sheet for the establishment of a EUR52 million Structured Loan Facility with Glacier International Depository Ltd, Legal and General Investment Management Limited and HSBC Bank plc.

On 8 January 2020, the Company announced it that it had extended the Controlled Placement Agreement (CPA) with Acuity Capital through to December 2020. The CPA provides Gulf with up to $5 million of standby equity capital. To date $3.16 million has been raised under the CPA with a further $1.84 million remaining.

On 21 January 2020 the company exercised a placement with Acuity Capital by placing 25,000,000 shares at an issue price of 0.64 cents (net of costs) for a total raise of A$160,000.

On 27 February 2020, the company issued 2,833,334 fully paid ordinary shares at $0.006 and 4,000,000 fully paid ordinary shares at $0.005 as payment for service rendered to the company.

On 3 March the company announced that Mr Andrew Wilson resigned from the Board.

9. COMMITMENTS

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

10. CONTINGENT LIABILITIES

As per the restructure agreement between PT Jayatama Global Investindo ("PT JGI") and PT Gulf Mangan Grup ("GMG"), it was agreed that PT JGI will receive a 2.5% net royalty on alloy sales from GMG's first two smelters. This liability will no take effect until production of alloys from the smelters.

Other than as disclosed above, there were no contingent liabilities at the end of the reporting period.

11. DIVIDENDS

No dividends have been paid or proposed during the half year.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1) The financial statements and notes, as set out on pages 8-21:

    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 2019 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
14 March 2020

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Gulf Manganese Corporation Ltd

We have reviewed the accompanying half-year financial report of Gulf Manganese Corporation Ltd ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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 2019 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.

Independent Auditor's Review Report
To the Members of Gulf Manganese Corporation Limited *(Continued)*

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 Ltd 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 2019 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of $4,415,047 during the half year ended 31 December 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

BENTLEYS	**CHRIS NICOLOFF** CA
Chartered Accountants	**Partner**

Dated at Perth this 14th day of March 2020