Gulf Manganese Corporation Ltd

ACN 059 954 317

Half Year Report
Ended 31 December 2015

CORPORATE DIRECTORY

DIRECTORS

Mr Craig Munro (Non Exec. Chairman)
Mr Hamish Bohannan (Managing Director)
Mr Andrew Wilson (Non Exec. Director)
Mr Paul O'Shaughnessy (Non Exec. Director)

CFO & COMPANY SECRETARY
Leonard Math

REGISTERED AND PRINCIPAL OFFICE

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Telephone: (08) 9367 9228
Facsimile: (08) 9367 9229

Website: www.gulfmineralscorp.com.au

SHARE REGISTRY

Automic Registry Services Pty Ltd
Level 1, 7 Ventnor Ave
West Perth WA 6005

Telephone: (08) 9324 2099
Facsimile: (08) 9321 2337

AUDITORS

Somes Cooke
Level 2, 35 Outram Street
West Perth WA 6005

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.

REVIEW OF OPERATIONS

Project Overview

Gulf Manganese Corporation Limited ("Gulf") is working to develop a ferromanganese smelting and sales business to produce high carbon ferromanganese alloy in West Timor, Indonesia.

During the half year, the Company has received its Principle Licence for Foreign Investment from the Indonesian Investment Coordinating Board (BKPM).

This Licence permits the Company's subsidiary, PT Gulf Mangan Grup, to:

- Carry out the operational business of Industrial Manufacture of Metal Alloys
- Make acquisition of land
- Deal with all Indonesian Provincial and Regency Governments

It also grants an exemption from import duties for machinery, goods and materials used in the business.

As reported earlier, due the nature and size of the project, Gulf will be granted, under Tax Holiday Regulations, a 100% tax relief facility for 10 years following which tax reduction of 50% for a further 2 years.

The granting of the Principle Licence is a singularly major step to commence building our Timor Smelter. The Company can now move forward with supreme confidence in finalising the 50 year lease of land and the application of the various Regency permits required.

The Company is grateful for the strong support received from BKPM and Regency personnel.

In addition, the Company's proposed 53 hectare block of land, in the industrial area of the Kupang Regency, West Timor, has been officially measured and issued with a Field Map reference catalogue number as the first step to receiving a Certificate of Title for Building Construction (Hak Guna Bangunan –HGB) from the Indonesian National Land Agency (BPN).

The issuing of a Certificate of Title will ensure security of tenure for PT Gulf Mangan Grup's Land Lease Agreement for the duration of its 50 year lease period from the local land owners and authorises construction of the Timor Smelter.

Gulf is also pleased to advise that at a recent meeting with the Indonesian Government power company, PT PLN (Persero), it was confirmed that PLN will supply, on a user pay basis from mid 2016, 7 mega watts of power for the Company's first furnace, which is due to come online the 4th quarter 2016. PLN will commission 2 new 16.5 mega watt power stations early next year with a further 60 mega watt power supply coming online during the second half of 2016.

The issuing of a Field Map reference number and the confirmation from PLN of power supply, together with the recently issued Principle Licence, firmly establishes that the Company is on track to start building and operating next year. These three areas significantly de-risk the project and with several Regency permits and licences now required the Company is ready to move forward.

During the half year, SRK Geological Consulting Group conducted a review of Manganese Prospects and Deposits in Indonesia.

The study was a geological assessment of manganese (Mn) deposits in Indonesia that could supply ores matching the specific requirements of the proposed ferromanganese alloy smelter business of the Company at Kupang, Timor, NTT Province, Indonesia. It was undertaken as a desktop review, using publicly available data, SRK's in-house project database and subscription based mineral industry databases, and covers key criteria including geology, deposit style and potential grade and tonnage (although the work is restricted due to the limited public domain data in respect to grade and tonnage information).

SRK concluded that there is a potential extractable Mn mineralisation of 29 Mt for production IUPs and 114 Mt for exploration and production IUPs as follows:

Total Tonnage of prospective (Mn) stratigraphy (covered by IUPs*), West Timor

Parameter	Mine/Production	Exploration	Total
Total Area of IUPs (m^2)	374,000,0000	1,140,000,000	1,514,000,000
No. of IUPs Intersecting Formation	47	135	182
Average Area of IUP (m^2)	7,960,000	8,440,000	8,320,000
Average Strike length (m)	2,116	2,179	2,163
Total Productive Strike Length (m)	99,437	294,226	393,695
Prospectivity in IUPs (m^3)	8,929,288	26,480,311	35,432,550
Total Tonnage (million tonnes)	29	85	114

*IUP (izin usaha pertambangan) mining/exploration licence

The parameters and assumptions for the estimation referred to in West Timor are set out in the executive summary of the SRK Consulting report, and it is important for the reader to review that summary to understand the limits of the review and the sources relied on.

The review also discusses the general lack of information on the likely resource grade of the Timor ores, accordingly SRK recommends that further investigations be carried out in developing relationships with the owners of mine/production IUPs to facilitate an information exchange and upside synergies for the proposed smelter.

The report also discusses the level of confidence attributable to the deposits (including the parameters and assumptions for their calculations) and current nature of the tenements and their status. In general terms, some of the information dates back to 2011, and certain of that information and more recent information relates to tenement licences that are no longer valid (although there is a significant number of granted exploration and production concessions current as at 2015).

It should also be noted that in respect of the more recent information and location of prospects, a number of those identified included possibly planned smelters, although there is no certainty that any planned smelter will proceed and to date apart from Gulf's application there has been no other applications to build a smelter.

The full SRK Consulting report – Review of Manganese Prospects and Deposits in Indonesia may be found on the Gulf website ***www.gulfmanganese.com***.

Corporate

During and post the half year period, there have been some significant changes to the management and the Board.

On 19 July 2015, Mr Graham Anderson passed away and ceased as a director of the Company. Graham was instrumental in establishing the strong corporate procedures put in place by the new board of directors. As Chairman, Graham gave highly valued, erudite and supportive guidance to the board and management.

On behalf of the company and our shareholders we express deepest sympathy to Graham's family.

On 28 October 2015, Hamish Bohannan was appointed as CEO of the Company and was subsequently appointed as Managing Director on 1 February 2016.

Subsequent to year end, Mr Craig Munro was appointed as Non-Executive Chairman on 1 February 2016 and Mr Andrew Wilson joined the Board as Non-Executive Director on 17 February 2016.

Mr Michael Walters and Dr Peter Williams resigned as Directors on 1 February 2016 and 17 February 2016 respectively.

Capital Raising

During the half year period, the Company issued 10 Convertible Notes with a face value of $10,000 each in satisfaction of $100,000 loan from Dr Peter Williams. The convertible notes are unsecured, each note may be converted into shares at the higher rate of 85% of the 30 day VWAP and 85% of the 5 day VWAP at the Holders option after 12 months from the issue date. Interest is payable quarterly at 10% per annum. Each note may be redeemed at the Holders option 12 months from issue or any time thereafter with 3 months notification and all outstanding notes will be redeemed in full 36 months from issue.

At the end of December 2015, the Company successfully raised $1.125M fully subscribed with the issue of 75,000,000 shares at a price of $0.015 per share. A total of 37,500,000 free attaching options with an exercise price of $0.02 expiring 30 September 2018 were issued.

Due to the oversubscription from the December placement, following shareholders approval on 17 February 2016, the Company issued a further 10,051,833 Fully Paid Ordinary Shares with 5,025,917 free attaching options exercisable at $0.02 each expiring 30 September 2018 at a price of $0.015 each, raising a total of $150,777.

The funds raised will be used for general working capital purposes and the repayment of liabilities and debts.

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 2015 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) – appointed 1 February 2016
Mr Hamish Bohannan (Managing Director) – appointed 1 February 2016
Mr Andrew Wilson (Non Exec. Director) – appointed 17 February 2016
Mr Paul O'Shaughnessy (Non Exec. Director)

Mr Graham Anderson (Non Exec. Chairman) – retired 20 July 2015
Mr Michael Walters (Non Exec. Director) – resigned 1 February 2016
Dr Peter Williams (Non Exec. Director) – resigned 17 February 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
Gulf Coal Pty Ltd	-	100% owned controlled entity
Gulf Project Services Pty Ltd	-	100% owned controlled entity
International Manganese Group Ltd	-	100% owned controlled entity by Gulf Manganese Pty Ltd
Ebagoola Gold Mines Pty Ltd	-	100% owned controlled entity (liquidated on 8 September 2015)

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

Corporate

On 19 July 2015, Mr Graham Anderson passed away and ceased as a director of the Company.

On 28 October 2015, Mr Hamish Bohannan was appointed as CEO of the Company. He was subsequently appointed as Managing Director on 1 February 2016.

Capital Raising

During the half year period, the Company issued 10 Convertible Notes with a face value of $10,000 each in satisfaction of $100,000 loan from Dr Peter Williams. The convertible notes are unsecured, each note may be converted into shares at the higher rate of 85% of the 30 day VWAP and 85% of the 5 day VWAP at the Holders option after 12 months from the issue date. Interest is payable quarterly at 10% per annum. Each note may be redeemed at the Holders option 12 months from issue or any time thereafter with 3 months notification and all outstanding notes will be redeemed in full 36 months from issue.

On 2 October 2015, the shareholders approved the issue of 5,538,667 shares at a price of $0.015 to the following directors in satisfaction of outstanding directors' fees.

Dr Peter Williams	1,200,000 Fully Paid Ordinary Shares
Mr Michael Walters	1,200,000 Fully Paid Ordinary Shares
Mr Graham Anderson	3,138,667 Fully Paid Ordinary Shares

DIRECTORS' REPORT

At the end of December 2015, the Company successfully raised $1.125M with the issue of 75,000,000 shares at a price of $0.015 per share. A total of 37,500,000 free attaching options with an exercise price of $0.02 expiring 30 September 2018 were issued.

On 10 December 2015, following shareholders approval on 27 November 2015, Mr Hamish Bohannan was issued 30,000,000 shares and 15,000,000 options as part of Mr Bohannan's employment agreement. The Options are exercisable at $0.05 each expiring 30 September 2018. The shares and options were issued to a trustee - Trinity Management Pty Ltd on behalf of Mr Bohannan.

The funds raised during the period will be used for general working capital purposes and the repayment of liabilities and debts.

Operating Results

Consolidated loss after income tax for the financial period was $1,770,790 (2014: $849,537).

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

Subsequent to year end, Mr Craig Munro and Mr Hamish Bohannan were appointed as Non-Executive Chairman and Managing Director respectively on 1 February 2016. Mr Andrew Wilson was appointed as Non-Executive Director on 17 February 2016.

Mr Michael Walters and Dr Peter Williams resigned as Directors on 1 February 2016 and 17 February 2016 respectively.

On 18 January 2016, the Company issued 10,000,000 shares and 5,000,000 options to Bluewater Business Services Pty Ltd in settlement of outstanding invoices totalling $150,000. The options are exercisable at $0.02 each with an expiry date of 30 September 2018.

On 22 February 2016, the Company issued 10,051,833 Fully Paid Ordinary Shares with 5,025,917 free attaching options exercisable at $0.02 each expiring 30 September 2018 at a price of $0.015 each, raising a total of $150,777. The funds raised will be used for general working capital purposes and the repayment of liabilities and debts.

In addition, the Company issued 17,500,000 Fully Paid Ordinary Shares with 8,750,000 free attaching options exercisable at $0.02 each expiring 30 September 2018 at a deemed price of $0.015 each in satisfaction of terminating Bluewater Business Services Pty Ltd consulting agreement.

On the same day, the Company issued 10,000,000 Adviser Options exercisable at $0.02 each expiring 21 February 2018 to Triple C Consulting Pty Ltd.

Subsequent to year end the Company withdrew its Research and Development Tax Incentive claim for the 2014 financial year.

On 15 March 2016, the Company announced a 4 for 1 renounceable rights issue at 0.2 cents per share, with 1 free attaching listed option (exercisable at 0.5 cents within 36 months from issue) for every 2 New Shares issued, to raise up to $1.8 million before costs with a minimum raising of $0.5 million.

Upon completion, net proceeds and existing cash reserves will be deployed towards the following key objectives:

- Further advance Gulf's main project which is development of the manganese alloy facility in Kupang, West Timor, Indonesia.
- Identification of a strategic partner to assist with the planned development of the Kupang Smelting Hub.
- General working capital expenses.

The offer will be made to eligible shareholders on the basis of 4 new share for every 1 shares held on the record date of 31 March 2016 at the issue price of 0.2 cents each, which represents a discount of 81% to the 3 months volume weighted average price of 1.05 cents and 77% to the one month volume weighted average price of 0.86 cents.

Shareholders will also receive one (1) free attaching listed option with an exercise price of 0.5 cents and exercisable within 36 months of issue for every two (2) new shares issued. Applications will be made for both new shares and new options to be listed.

Triple C Consulting Pty Ltd and CPS Capital act as Joint Lead Manager for the Rights Issue.

DIRECTORS' REPORT

AUDITOR INDEPENDENCE

We have received the independence declaration from the auditor of Gulf Manganese Corporation Limited, Somes Cooke, a copy of which is attached to the Directors Report on page 5 of the financial report.

This report is made in accordance with a resolution of the Directors.

CRAIG MUNRO
CHAIRMAN

15 March 2016

SOMES
COOKE
Profit from our Resources

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Auditor's Independence Declaration

To those charged with the governance of Gulf Manganese Corporation Limited

As auditor for the review of Gulf Manganese Corporation Limited for the half year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and

ii) no contraventions of any applicable code of professional conduct in relation to the review.

Somes Cooke

SOMES COOKE

Nicholas Hollens

NICHOLAS HOLLENS
PARTNER

Perth

15 March 2016

		Consolidated	
	Notes	31 December 2015 $	31 December 2014 $
Interest revenue		-	42
Directors fees and benefits expense		(42,200)	(85,935)
Occupancy expenses		(68,669)	(36,676)
Share based payments		(1,128,000)	(730)
Administration expenses		(277,941)	(567,828)
Exploration and evaluation expenditure		(3,522)	(20,532)
Interest Paid		(35,708)	-
Legal Fees		(53,150)	-
Professional Fees		(157,031)	-
Depreciation		(4,569)	-
Finance costs		-	(137,878)
Loss before income tax expense		(1,770,790)	(849,537)
Income tax expense		-	-
Net Loss for the half year		(1,770,790)	(849,537)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(1,770,790)	(849,537)
Earnings/(Loss) per Share:			
Basic and diluted loss per share (cents per share)		(1.66)	(3.30)

The accompanying condensed notes form part of these financial statements.

	Notes	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
ASSETS			
Current Assets			
Cash and cash equivalents		280,525	9,638
Trade and other receivables		61,844	123,179
Total Current Assets		342,369	132,817
Non-Current Assets			
Financial asset	2	75,000	75,000
Property, plant and equipment		37,336	41,905
Intangible assets		640,429	512,314
Total Non-Current Assets		752,765	629,219
Total Assets		1,095,134	762,036
LIABILITIES			
Current Liabilities			
Trade and other payables	3	633,490	859,660
Share application funds received		110,072	-
Borrowings	4	734,304	738,805
Total Current Liabilities		1,477,866	1,598,465
Total Liabilities		1,477,866	1,598,465
Net Liabilities		(382,732)	(836,429)
EQUITY			
Contributed equity	5	21,899,708	19,903,222
Accumulated losses		(23,858,713)	(22,087,923)
Options reserve	5	1,576,273	1,348,272
Deficit in shareholders funds		(382,732)	(836,429)

The accompanying condensed notes form part of these financial statements.

Consolidated	Issued Capital $	Accumulated Losses $	Options Reserve $	Total $
Balance at 30 June 2014	**18,210,356**	**(19,493,364)**	**1,055,793**	**(227,215)**
Loss for the half year	-	(849,537)	-	(849,537)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(849,537)	-	(849,537)
Transactions with owners, recorded directly in equity:				
Share based payments	-	-	730	730
Securities issued during the half year	806,476	-	-	806,476
Capital raising costs	(4,625)	-	-	(4,625)
Total equity transactions	801,851	-	730	802,581
Balance at 31 December 2014	**19,012,207**	**(20,342,901)**	**1,056,523**	**(274,171)**
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	1,208,080	-	-	1,208,080
Capital raising costs	(111,594)	-	-	(111,594)
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)**

The accompanying condensed notes form part of these financial statements.

	Consolidated	
	31 December 2015	**31 December 2014**
	$	**$**
Cash flows from operating activities		
Payments to suppliers and employees	(987,480)	(693,023)
Research and development tax rebate	139,096	-
Interest received	-	42
Interest paid	(35,708)	(8,770)
Net cash used in operating activities	(884,092)	(701,751)
Cash flows from investing activities		
Proceeds from sale of exploration asset	-	125,000
Net cash from/(used) in investing activities	-	125,000
Cash flows from financing activities		
Proceeds from issue of securities – net of issue costs	1,049,406	757,851
Deposits received for issue of securities	110,073	-
Proceeds from borrowings – Convertible Note	100,000	280,000
Repayment of borrowings	(104,500)	(336,583)
Net cash provided by financing activities	1,154,979	701,268
Net increase/(decrease) in cash and cash equivalents held	270,887	124,517
Cash and cash equivalents at beginning of the half year	9,638	3,802
Cash and cash equivalents at end of the half year	**280,525**	**128,319**

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 2015 annual financial report for the financial year ended 30 June 2015, 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.

Adoption of new or revised accounting standards and interpretations

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. The Group has not early adopted any accounting standards or interpretations.

The adoption of all new and revised standards and interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

Going concern

The interim financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity had net current liabilities of $1,135,497 at 31 December 2015 (30 June 2015: $1,465,648), incurred a net loss after tax for the six months ended 31 December 2015 of $1,770,790 (31 December 2014: loss $849,537) and experienced net cash outflows from operating activities of $884,092 (31 December 2014: $701,751).

Whilst the directors have instituted measures to preserve cash and secure additional finance, they recognise that the Group's ability to continue as a going concern is dependent on its ability to raise additional capital to fund its business plans. Furthermore, the ability of the Group to continue as a going concern is subject to the ability of the Group to successfully develop and commercialise products. The Group is a listed company, and has been successful in raising capital on the ASX in the past. The Company expects to be able to raise additional capital from the Capital market, and on that basis, the directors believe that the going concern basis of the presentation is appropriate.

On 15 March 2016, the Company announced a 4 for 1 renounceable rights issue at 0.2 cents per share, with 1 free attaching listed option (exercisable at 0.5 cents within 36 months from issue) for every 2 New Shares issued, to raise up to $1.8 million before costs with a minimum raising of $0.5 million. It is anticipated that the rights issue will be completed by end of April 2016.

Nonetheless, the group's working capital position and other year-end financial indicators show a significant uncertainty whether the Group will be able to continue as a going concern.

Should the company 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 from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

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.

	Consolidated	
	31 December 2015	**30 June 2015**
	$	**$**
2. FINANCIAL ASSET		
Available for sale unlisted investments, at fair value		
- shares in Asia Mineral Corporation Limited	75,000	75,000
	75,000	**75,000**

The Company is a registered holder of 15,000,000 shares in Asia Mineral Corporation Limited (AMC) having acquired and initially recognised the investment at 22 cents. At the end of the period, the Board had reviewed the fair value of the AMC shares and have valued them at 0.5 cents per share after making appropriate enquiries of AMC. The Board is of a view that this is a long term investment in AMC.

Reconciliation of the fair values at the beginning and end of the current period are set out below:

Opening fair value	75,000
Additions	-
Disposals	-
Revaluation increments	-
Closing value	75,000

3. TRADE AND OTHER PAYABLES

	Consolidated	
CURRENT	**31 December 2015 $**	**30 June 2015 $**
Trade payables	418,530	687,968
Accruals	43,578	152,000
Provision for annual leave	-	606
Other payables	171,382	19,086
	633,490	**859,660**

4. BORROWINGS

CURRENT		
Convertible Notes	700,000	600,000
Other financial liabilities	34,304	138,805
	734,304	738,805

During the period, no 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	600,000	15,000
Additions	100,000	600,000
Disposals	-	(15,000)
Closing value	**700,000**	**600,000**

	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
5. ISSUED CAPITAL		
(a) Issued and paid up capital Ordinary shares fully paid	**21,899,708**	**19,903,222**

	Number	$
(b) Movement in ordinary shares on issue		
At 31 December 2015	192,009,305	**21,899,708**
Balance at 1 July 2014	1,117,503,856	18,210,356
Share consolidation (50 to 1)	(1,095,153,710)	-
3 Dec 2014 Issue of 19,646,430 ordinary shares at 0.3 cents each	19,646,430	589,392
23 Dec 2014 Issue of 1,666,667 ordinary shares at 0.3 cents each	1,666,667	50,000
31 Dec 2014 Issue of 5,569,433 ordinary shares at 0.3 cents each	5,569,433	167,083
30 Jan 2015 Issue of 1,141,531 ordinary shares at 0.3 cents each	1,141,531	34,246
16 Feb 2015 Issue of 1,360,000 ordinary shares at 0.3 cents each	1,360,000	40,800
20 Feb 2015 Issue of 379,500 ordinary shares at 0.3 cents each	379,500	11,385
26 Feb 2015 Issue of 16,603,398 ordinary shares at 0.3 cents each	16,603,398	498,102
27 Feb 2015 Issue of 5,053,533 ordinary shares at 0.3 cents each	5,053,533	151,606
22 May 2015 Issue of 200,000 ordinary shares at 0.3 cents each	200,000	6,000
29 May 2015 Issue of 7,500,000 ordinary shares at 0.3 cents each	7,500,000	225,000
Less capital raising costs	-	(80,748)
Balance at 30 June 2015	**81,470,638**	**19,903,222**
14 October 2015 Issue of 5,538,667 ordinary shares at 1.5 cents each	5,538,667	83,080
2 December 2015 Issue of 75,000,000 ordinary shares at 1.5 cents each	75,000,000	1,125,000
10 December 2015 Issue of 30,000,000 ordinary shares deemed at 3 cents each	30,000,000	900,000
Less capital raising costs	-	(111,594)
Balance at 31 December 2015	**192,009,305**	**21,899,708**

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	$
At 31 December 2015	75,179,000	**1,576,273**
At 1 July 2014	**897,300,002**	**1,055,793**
(A) Consolidation of unlisted options expiring on or before 31 July 2017	(681,200,000)	-
(B) Consolidation of unlisted options expiring on or before 30 June 2016	(62,671,000)	-
(C) Consolidation of unlisted options expiring on or before 31 Oct 2014	(125,211,331)	-
(D) Consolidation of unlisted options expiring on or before 30 April 2015	(10,371,663)	-
(E) Issue of unlisted options exercisable at $0.25 each expiring on or before 31 December 2018	7,500,000	291,750
(F) Issue of unlisted options exercisable at $0.375 each expiring on or before 31 July 2017	100,000	730
Lapsing of unlisted options exercisable at $0.75 each expiring on or before 31 October 2014	(2,555,337)	-
Lapsing of unlisted options exercisable at $0.75 each expiring on or before 30 April 2015	(211,671)	-
At 30 June 2015	**22,679,000**	**1,348,272**

At 1 July 2015	**22,679,000**	**1,348,272**
(A) Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018	37,500,000	-
(B) Issue of unlisted options exercisable at $0.05 each expiring on or before 30 September 2018	15,000,000	228,001
At 31 December 2015	**75,179,000**	**1,576,273**

(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:

Option Series	**B**
Fair value per option	$0.0152
Grant date	27 November 2015
Number of options	15,000,000
Expiry date	30 September 2018
Exercise price	$0.05
Price of shares on grant date	$0.03
Estimated volatility	100%
Risk-free interest rate	2.00%
Dividend yield	0%

(e) Share based payments

The share based payments of $1,128,000 incurred during the half year period relates to the 30,000,000 shares and 15,000,000 options issued to Mr Hamish Bohannan under his employment agreement. The shares were valued based on the share price at the date of grant. Refer to 5(d) for the details on the valuation of the options.

6. FINANCIAL REPORTING BY SEGMENTS

For management purposes, the Group is organised into one main operating segment, which involves the exploration for minerals and evaluation of mineral investment opportunities for its investors, presently solely in Australia. 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, Mr Craig Munro and Mr Hamish Bohannan were appointed as Non-Executive Chairman and Managing Director respectively on 1 February 2016. Mr Andrew Wilson was appointed as Non-Executive Director on 17 February 2016.

Mr Michael Walters and Dr Peter Williams resigned as Directors on 1 February 2016 and 17 February 2016 respectively.

On 18 January 2016, the Company issued 10,000,000 shares and 5,000,000 options to Bluewater Business Services Pty Ltd in settlement of outstanding invoices totalling $150,000. The options are exercisable at $0.02 each with an expiry date of 30 September 2018.

On 22 February 2016, the Company issued 10,051,833 Fully Paid Ordinary Shares with 5,025,917 free attaching options exercisable at $0.02 each expiring 30 September 2018 at a price of $0.015 each, raising a total of $150,777. The funds raised during the period will be used for general working capital purposes and the repayment of liabilities and debts.

In addition, the Company issued 17,500,000 Fully Paid Ordinary Shares with 8,750,000 free attaching options exercisable at $0.02 each expiring 30 September 2018 at a deemed price of $0.015 each in satisfaction of terminating Bluewater Business Services Pty Ltd consulting agreement.

On the same day, the Company issued 10,000,000 Adviser Options exercisable at $0.02 each expiring 21 February 2018 to Triple C Consulting Pty Ltd.

Subsequent to year end the Company withdrew its Research and Development Tax Incentive claim for the 2014 financial year.

On 15 March 2016, the Company announced a 4 for 1 renounceable rights issue at 0.2 cents per share, with 1 free attaching listed option (exercisable at 0.5 cents within 36 months from issue) for every 2 New Shares issued, to raise up to $1.8 million before costs with a minimum raising of $0.5 million.

Upon completion, net proceeds and existing cash reserves will be deployed towards the following key objectives:

- Further advance Gulf's main project which is development of the manganese alloy facility in Kupang, West Timor, Indonesia.
- Identification of a strategic partner to assist with the planned development of the Kupang Smelting Hub.
- General working capital expenses.

The offer will be made to eligible shareholders on the basis of 4 new share for every 1 shares held on the record date of 31 March 2016 at the issue price of 0.2 cents each, which represents a discount of 81% to the 3 months volume weighted average price of 1.05 cents and 77% to the one month volume weighted average price of 0.86 cents.

Shareholders will also receive one (1) free attaching listed option with an exercise price of 0.5 cents and exercisable within 36 months of issue for every two (2) new shares issued. Applications will be made for both new shares and new options to be listed.

Triple C Consulting Pty Ltd and CPS Capital act as Joint Lead Manager for the Rights Issue.

8. COMMITMENTS

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

9. CONTINGENT LIABILITIES

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 6-16

   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 2015 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
15 March 2016

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Independent Auditor's Review Report

To the members of Gulf Manganese Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gulf Manganese Corporation Limited, which compromises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 internal control as the directors' determine is necessary to enable the preparation of the half-year financial report that 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 company 's financial position as at 31 December 2015 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 Gulf Manganese Corporation Limited, 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 is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the company 's financial position as at 31 December 2015 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 - Inherent uncertainty regarding continuation as a going concern
Without modifying our conclusion, we draw attention to Note 1 to the financial report, which describes that the ability of the company to continue as a going concern is dependent on future capital raisings.

As a result there is material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, and therefore 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.

Somes Cooke

SOMES COOKE

Nicholas Hollens

NICHOLAS HOLLENS
Partner

15 March 2016

Perth
Western Australia