Gulf Manganese Corporation Limited

gulf

ACN 059 954 317

Annual Financial Report for the Year Ended 30 June 2016

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Gulf Manganese Corporation Limited (ACN: 059 954 317)
Corporate Directory

Board of Directors
Craig Munro – Non-Executive Chairman
Hamish Bohannan – Managing Director
Andrew Wilson – Non Executive Director

Leonard Math – CFO & Company Secretary

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Australian Securities Exchange
ASX Code: GMC, GMCO

Share Registry
Automic Registry Services

Auditors
Greenwich & Co Audit Pty Ltd

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 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 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
In October 2015, the Company raised $100,000 with the issue of 10 Convertible Notes with a face value of $10,000 each. The Company also issued 5,538,667 fully paid ordinary shares deemed at $0.015 each in settlement of outstanding Directors' fees.

During the second quarter of the year 2016, the Company raised $1.125 million from the placement of 75,000,000 shares and 37,500,000 options exercisable at $0.02 expiring on 30 September 2018.

The placement was managed by Perth-based Triple C Consulting, and will provide the Company with working capital which will be deployed towards the development of Gulf's premium manganese alloy facility in Indonesia.

In January 2016, the Company issued 10,000,000 shares and 5,000,000 options exercisable at $0.02 expiring on 30 September 2018 in settlement of a $150,000 debt.

In February 2016, the Company raised a further $413,277 with the issue of 27,551,833 shares at $0.015 with free attaching 13,775,917 options exercisable at $0.02 expiring on 30 September 2018. The Company also issued 10,000,000 Advisor Options in consideration for corporate advisory services provided by Triple C Consulting Pty Ltd. These options are exercisable at $0.02 expiring on 21 February 2018.

During the last quarter of 2016, the Company successful completed a rights issue, raising $1.8 million on the basis of of four (4) New Shares for every one (1) Existing Share held at a price of 0.2 cents per share with free attaching New Options on the basis of one (1) free attaching New Option for every two (2) New Shares subscribed for and issued. The Company issued 918,244,552 shares and 459,122,276 options exercisable at 0.5 cents expiring 21 April 2019.

During the year, 15 convertible notes were redeemed for $150,000 and 8 convertible notes worth $80,000 were converted to fully paid ordinary shares at 0.255 cents – (31,372,549 shares).

Board Changes
During the financial year ended 30 June 2016, Mr Hamish Bohannan was appointed as CEO of the Company and subsequently appointed to the Board as Managing Director on 1 February 2016. On the same day, Mr Craig Munro was appointed as Non-executive Chairman, replacing Mr Graham Anderson, who sadly passed away on 19 July 2015.

The Board was further strengthen with the appointment of Mr Andrew Wilson on the 17 February 2016.

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

Subsequent to year end, Mr Paul O'Shaughnessy retired as Non-executive Director on 27 July 2016.

Directors' Report

The Directors present the following report on the consolidated entity consisting of Gulf Manganese Corporation Ltd and the entity it controlled at the end of, or during, the financial year ended 30 June 2016.

The names of each person who has been a Director during the year and continues in office to the date of this report are:

Mr Craig Munro	(Non-executive Chairman) appointed 1 February 2016
Mr Hamish Bohannan	(Managing Director) appointed 1 February 2016
Mr Andrew Wilson	(Non-executive Director) appointed 17 February 2016
Mr Paul O'Shaughnessy	(Non-executive Director) retired on 27 July 2016

Mr Graham Anderson ceased as a Director on 20 July 2015.

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

Names, qualifications, experience and special responsibilities

Craig Munro CPA (Non-executive Chairman)
Craig is a Certified Practicing Accountant with over 40 years' experience in the mining industry. He has been both an executive director and non-executive director of a number of listed companies since 1990. Craig will bring both strong financial skills to the Board as well as strong corporate governance.

Other Current Directorships	*Former Directorships in the Last Three Years*
None	None

Hamish Bohannan MBA (Managing Director)
Hamish holds an Honours Degree in Mining Engineering from the Royal School of Mines UK and a MBA from Deakin University, Victoria. He has extensive corporate and operational experience in public companies within Australia and overseas in the capacity of Managing Director or CEO with ASX, TSX and AIM listed groups.

Other Current Directorships	*Former Directorships in the Last Three Years*
None	Bathurst Resources Limited

Andrew Wilson, B.Com, FAICD, AusIMM (Non-executive Director)
Andrew has a Bachelor of Commerce (Marketing) and a Masters of Law, with 30 years of legal experience and 16 years with BHP in various legal, risk and commercial roles. In addition, Andrew has also been a director of various publicly-listed companies, including: Herald Resources Ltd, Robust Resources Ltd, PT Resource Alam Indonesia TBK, and director or chairman of various not for profit organisations.

From 2000 until 2007, Andrew served as the President Director of BHP Billiton Indonesia, based in Jakarta. Andrew was also a Director of the Indonesian Mining Association and has established strong connections in the region and speaks the local language fluently.

He is a Fellow of the Australian Institute of Company Directors, a member of the Risk Management Institution of Australasia and AusIMM.

Other Current Directorships	*Former Directorships in the Last Three Years*
None	None

Paul O'Shaughnessy, BSc(Eng), C Eng (Non-executive Metallurgical Director) – Retired 27 July 2016
Paul is a metallurgical engineer with some 40 years of industry experience which includes smelting operations producing both bulk and specialty manganese alloys. He is a graduate from the Royal School of Mines, Imperial College, University of London with a Bachelor of Science Metallurgy with Honours. He operates his own consulting business which includes advising on the manufacturing of ferro alloys. Paul did not hold any other directorships in the last three years.

Other Current Directorships	*Former Directorships in the Last Three Years*
None	None

Names, qualifications, experience and special responsibilities (continued)

Graham Anderson, B.Bus, Dip, Fin Plan, CA, AICD (Non-executive Chairman) – Ceased 20 July 2015
Graham had over 29 years commercial and corporate experience having commenced his career in 1983 with Ernst & Young before later moving to national chartered accounting firms, Duesburys and Horwath as Partner. Graham's responsibilities included corporate services divisions of the Perth practice, including preparation and signing of Independent Experts Reports and Independent audit reports. He operated his own specialist accounting and management consultancy practice, providing a range of corporate advisory and audit services to both public and private companies. From 1990 to 1999 he was an audit partner at Horwath Perth. Graham sadly passed away on 19 July 2015.

Other Current Directorships	*Former Directorships in the Last Three Years*
None	Echo Resources Ltd
	Dynasty Metals (Australia) Ltd
	Tangiers Petroleum Ltd
	WAG Ltd
	Oakajee Corporation Ltd
	Pegasus Metals Ltd
	Mako Hydrocarbons Ltd
	APA Financial Services Ltd
	Kangaroo Resources Ltd

Peter Williams BSc (Hons), PhD, FAICD, FAusIMM (Deputy Chairman & Non-executive Exploration Director) – Resigned 17 February 2016
Peter holds a PhD in Structural Geology and has been in the exploration industry since the early 1970's and was, before retirement, Managing Director of SRK Australasia, one of the country's largest specialist geological consulting group. He joined the board in September 2013.

Other Current Directorships	*Former Directorships in the Last Three Years*
None	None

Michael Walters, B.Eng (Non-executive Marketing Director) – Resigned 1 February 2016
Michael holds a Bachelor of Engineering and has 30 years resources marketing experience having worked with Billiton, Western Mining and was part of the team that built Consolidated Minerals into the world's 4th largest high grade manganese supplier. He joined the board in October 2013.

Other Current Directorships	*Former Directorships in the Last Three Years*
Shaw River Manganese Ltd	None

Leonard Math, BComm, CA (Chief Financial Officer & Company Secretary)
Leonard graduated from Edith Cowan University in 2003 with a Bachelor of Business majoring in Accounting and Information Systems. He is a member of the Institute of Chartered Accountants. He previously worked as an auditor at Deloitte and is experienced with public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations.

He is a Director and Company Secretary of ASX listed companies Elemental Minerals Limited, RMA Energy Limited and Global Gold Holdings Limited.

Director's interests in shares and options
As at the date of this report the relevant interest of each Director in the shares and options of the Company are:

	Shares		**Options over ordinary shares**	
Directors	**Direct**	**Indirect**	**Direct**	**Indirect**
Craig Munro	-	-	-	10,000,000
Hamish Bohannan	24,000,000	41,000,000	42,000,000	20,500,000
Andrew Wilson	-	7,000,000	-	10,000,000

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

Review of operations and results
Details of the operations of the Company are set out in the Review of Operations on page 2.

The Company incurred an after tax operating loss of $2,903,474 (2015: $2,594,559).

Dividends
No dividend has been paid or recommended for the current year.

Significant changes in states of affairs

Board changes
During the financial year ended 30 June 2016, Mr Hamish Bohannan was appointed as CEO of the Company and subsequently appointed to the Board as Managing Director on 1 February 2016. On the same day, Mr Craig Munro was appointed as Non-executive Chairman, replacing Mr Graham Anderson, who sadly passed away on 19 July 2015.

The Board was further strengthen with the appointment of Mr Andrew Wilson on the 17 February 2016.

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

Subsequent to year end, Mr Paul O'Shaughnessy retired as Non-executive Director on 27 July 2016.

Corporate
In October 2015, the Company raised $100,000 with the issue of 10 Convertible Notes with a face value of $10,000 each. The Company also issued 5,538,667 fully paid ordinary shares deemed at $0.015 each in settlement of outstanding Directors' fees.

During the second quarter of the year 2016, the Company raised $1.125 million from the placement of 75,000,000 shares and 37,500,000 options exercisable at $0.02 expiring on 30 September 2018.

The placement was managed by Perth-based Triple C Consulting, and will provide the Company with working capital which will be deployed towards the development of Gulf's premium manganese alloy facility in Indonesia.

In January 2016, the Company issued 10,000,000 shares and 5,000,000 options exercisable at $0.02 expiring on 30 September 2018 in settlement of a $150,000 debt.

In February 2016, the Company raised a further $413,277 with the issue of 27,551,833 shares at $0.015 with free attaching 13,775,917 options exercisable at $0.02 expiring on 30 September 2018. The Company also issued 10,000,000 Advisor Options in consideration for corporate advisory services provided by Triple C Consulting Pty Ltd. These options are exercisable at $0.02 expiring on 21 February 2018.

During the last quarter of 2016, the Company successful completed a rights issue, raising $1.8 million on the basis of four (4) New Shares for every one (1) Existing Share held at a price of 0.2 cents per share with free attaching New Options on the basis of one (1) free attaching New Option for every two (2) New Shares subscribed for and issued. The Company issued 918,244,552 shares and 459,122,276 options exercisable at 0.5 cents expiring 21 April 2019.

During the year, 15 convertible notes were redeemed for $150,000 and 8 convertible notes worth $80,000 were converted to fully paid ordinary shares at 0.255 cents – (31,372,549 shares).

Matters subsequent to the end of the financial year
Subsequent to year end, Mr Paul O'Shaughnessy retired as a director on 27 July 2016.

On 5 August 2016, the Company announced that it has entered into a binding term sheet with Marthen Amtiran ("Pak Marthen") for the investment of US$10 million in Gulf's Indonesian-based subsidiary PT Gulf Mangan Grup ("PT Gulf"), for a 10% interest in PT Gulf (subject to any regulatory approval).

Pak Marthen will pay a non-refundable deposit of US$0.2 million within 5 business days of the signing of this Term Sheet. The deposit was received on 12 August 2016. The balance of US$9.8M will be paid within 5 business days of Bupati providing a written recommendation of the Kupang Smelter Project to the Governor of the Province of NTT.

Following the initial US$10 million investment, Pak Marthen will have a six month option to purchase an additional 5% interest in PT Gulf for US$7 million. Pak Marthen will be entitled to one board representative on Gulf.

On 8 August 2016, the Company advised that it has finalised an agreement ("the agreement") with South African-based Transalloys (Pty) Limited ("Transalloys") for the acquisition and relocation of two ferromanganese smelting furnaces.

Under the terms of the agreement, Gulf will purchase two furnaces (including related equipment), from Transalloys for the total cash consideration of US$1 million. Gulf has also agreed to supply Transalloys with up to 30,000tpa of high grade manganese ore at the current reported Metal Bulletin's index price for manganese lumpy, for a period of three years (once export licenses have been granted).

Specialist engineering firm and XRAM Technologies (Pty) Limited ("XRAM"), has been engaged to undertake all design and construction requirements associated with the refurbishment and relocation of the furnaces to the Kupang Smelting Hub, which is expected to incur minimal costs.

The smelters are proposed to be shipped from their current location in South Africa in October, with an anticipated arrival at the Kupang site in November 2016.

On 23 August 2016, 3 convertible notes with a face value of $10,000 each were converted to shares in the Company. A total of 2,941,177 shares were issued at a price of 1.02 cents each.

Following shareholders' approval at the General Meeting held on 2 September 2016, the following securities were issued:

1) 20,000,000 shares at a price of 0.2 cents per share and 10,000,000 Listed Options exercisable at 0.5 cents each were issued to Triple C Consulting Pty Ltd as a settlement of outstanding fees of $40,000.
2) 10,000,000 shares were issued to Mrs Nukantini Putri Parincha to acquire 100% interest in PT Gulf Mangan Grup.
3) 4,500,000 shares were issued to Mr John Woodacre at a price of 0.4 cents per share in satisfaction of outstanding consulting fees of $18,000.
4) 10,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued each to Mr Craig Munro and Mr Andrew Wilson
5) 30,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued to Mr Hamish Bohannan.
6) 24,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued to employees and contractors of the Company under the Company's Employee and Contractor Share Option Plan.

On 8 September 2016, the Company completed $1 million raising to provide additional working capital, as the Company continues to progress towards the development of its Kupang Smelting Hub Project in West Timor, Indonesia.

Gulf raised circa $1 million via the placement of 70 million shares at 1.5c per share, with an attaching 1 for 2 listed option (GMCO). The issue of the attaching listed options will be subject to shareholders approval.

A further 4 convertible notes with a face value of $10,000 each were converted to shares in the Company. A total of 2,941,176 shares were issued at a price of 1.36 cents each.

On 15 September 2016, the Company raised a further $100,000 through the issue of 6,666,667 shares at 1.5 cents each.

A total of 760,890 shares were issued on 20 September 2016 due to the conversion of listed options (GMCO) raising $3,804.

Likely developments and expected results of operations
Likely developments in the operations of the Company are set out in the Review of Operations on page 2.

Meetings of directors
The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2016, and the numbers of meetings attended by each director were:

Name of Director	Number eligible to attend	Number attended
Craig Munro – appointed 1 Feb 2016	5	5
Hamish Bohannan – appointed 1 Feb 2016	5	5
Andrew Wilson – appointed 17 Feb 2016	4	4
Paul O'Shaughnessy – retired 27 July 2016	13	13
Graham Anderson – ceased 20 July 2015	-	-
Peter Williams – resigned 17 Feb 2016	8	8
Michael Walters – resigned 1 Feb 2016	6	6

Audit and risk committee
The Company has established an Audit and Risk Committee that comprises the whole Board. The Audit and Risk Committee did not meet during the year.

Remuneration committee
The Company has established a remuneration committee that comprises the whole Board due to the size of the Board. The Remuneration Committee did not meet during the year.

Environmental regulations
During the year, the Company successfully divested its key non-core assets, the Australian mineral tenements, enabling the company to hone its focus on the Indonesian manganese alloying project. The Company's current operations in Indonesia have limited exposure to the environmental regulation. No breaches of any environmental restrictions were recorded during the financial year.

Director's benefits
Since the date of the last Directors' Report, no Director of the Company has received, or become entitled to receive, (other than a remuneration benefit included in Note 17 to the financial statements or remuneration report), a benefit because of a contract that involved:

(a) the Director; or

(b) a firm of which the Director is a member; or

(c) an entity in which the Director has a substantial financial interest (during the year ended 30 June 2016, or at any other time) with the Company; or

(d) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit (if any).

Remuneration report (audited)
The information provided in this remuneration report has been audited as required under Section 308 (3C) of the *Corporations Act 2001*. During the financial year the key management personnel and Directors (see page 5 for details about each Director and key management personnel) are as follows.

Craig Munro	Non-executive Chairman (appointed 1 February 2016)
Hamish Bohannan	Managing Director (appointed 1 February 2016)
Andrew Wilson	Non-executive Director (appointed 17 February 2016)
Graham Anderson	Non-executive Chairman (ceased on 20 July 2015)
Peter Williams	Non-executive Director (resigned 17 February 2016)
Michael Walters	Non-executive Director (resigned 1 February 2016)
Paul O'Shaughnessy	Non-executive Director (resigned 27 July 2016)
Leonard Math	CFO & Company Secretary

A Remuneration policy

The objective of the Company's policy is to provide remuneration that is competitive and appropriate. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) transparency; and
(iv) capital management.

Directors' and executives' remuneration

The policy of the Company is to pay remuneration of Directors in amounts in line with employment market conditions relevant in the mining industry.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market.

The Constitution of the Company provides that non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum determined by the Company in a general meeting. The current aggregate maximum is $500,000.

Remuneration report (audited) (continued)

A Remuneration policy (continued)

Directors' and executives' remuneration (continued)
The table below sets out summary information about the Consolidated Entity's earnings and movements in net asset for the last 5 years:

	30-Jun-16 $	30-Jun-15 $	30-Jun-14 $	30-Jun-13 $	30-Jun-12 $
Revenue	-	150,043	-	100,023	350,925
Net Profit /(Loss) before tax	(2,903,474)	(2,594,559)	(5,622,881)	(530,212)	(1,845,851)
Net Asset/(Liability)	841,174	(836,429)	(227,215)	834,103	611,127

Performance based remuneration
There was no performance-based remuneration paid to Directors during the financial year.

Voting and comments made at the Company's 2015 Annual General Meeting
In 2015 Annual General Meeting, the Company received 99.99% votes in favour of the adoption of its remuneration report and did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration report (audited) (continued)

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors, the Key Management Personnel of the Company (as defined in AASB 124 *Related Party Disclosures)* and specified executives of the Company are set out in the following tables:

		SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS		OTHER	SHARE-BASED PAYMENT		TOTAL
Directors		**Salary and fees**	**Superannuation**	**Retirement Benefits**	**Fees**	**Shares/ Options**	**Remuneration consisting of Options**	**$**
Craig Munro *(appointed 1 Feb 2016)*								
	2016	31,659	3,008	-	-	-	-	34,667
	2015	-	-	-	-	-	-	-
Hamish Bohannan *(appointed CEO 28 Oct 2015 and Managing Director 1 Feb 2016)*								
	2016	175,623	16,684	-	-	1,128,000	85.43%	1,320,307
	2015	-	-	-	-	-	-	-
Andrew Wilson *(appointed 17 Feb 2016)*								
	2016	20,000	-	-	-	-	-	20,000
	2015	-	-	-	-	-	-	-
Paul O'Shaughnessy *(resigned 27 July 2016)*								
	2016	40,000	-	-	-	-	-	40,000
	2015	31,935	-	-	-	38,900	54.92%	70,835
Graham Anderson *(ceased 20 July 2015)*								
	2016	6,200	-	-	-	-	-	6,200
	2015	72,600	-	-	-	77,800	51.73%	150,400
Peter Williams *(resigned 17 Feb 2016)*								
	2016	44,724	-	-	-	-	-	44,724
	2015	36,000	-	-	-	38,900	51.94%	74,900
Michael Walters *(resigned 1 Feb 2016)*								
	2016	21,000	-	-	-	-	-	21,000
	2015	36,000	-	-	-	38,900	51.94%	74,900
Bruce Morrin *(retired 2 April 2015)*								
	2016	-	-	-	-	-	-	-
	2015	55,800	-	-	-	77,800	58.23%	133,600
Total Remuneration Directors								
	2016	**339,206**	**19,692**	**-**	**-**	**1,128,000**	**75.86%**	**1,486,898**
	2015	**232,335**	**-**	**-**	**-**	**272,300**	**53.96%**	**504,635**
Executives								
Leonard Math								
	2016	100,895*	-	-	-	-	-	100,895
	2015	79,500*	-	-	-	-	-	79,500
Total Remuneration Executives								
	2016	100,895	**-**	**-**	**-**	**-**	**-**	100,895
	2015	**79,500**	**-**	**-**	**-**	**-**	**-**	**79,500**

*Fees relates to Chief Financial Officer and Company Secretarial services provided through Nexia Perth Pty Ltd (previously GDA Corporate). Mr Leonard Math does not have beneficial interest in Nexia and is an employee of Nexia.

Remuneration report (audited) (continued)

C Service agreements

The Company has an Executive Service Agreement with Mr Hamish Bohannan for his role as Managing Director and Chief Executive Officer. Hamish will be remunerated at an annual salary of $250,000 inclusive of statutory superannuation with a three months' termination notice period.

Non-Executive Directors receive a letter of appointment which contains key terms to their appointment. Such terms include the term in accordance with the Constitution of the Company, time commitment expected, role, standards of conduct and cessation of office. The Non-Executive Directors receive a remuneration package of $5,000 per month with the Chairman receiving $8,333 per month inclusive of statutory superannuation.

The Company has a service agreement with Nexia Perth Pty Ltd (previously GDA Corporate) for the provision of services as Accounting & Company Secretary by Mr Leonard Math. Mr Leonard Math is an employee of Nexia Perth. Current details of the services agreement with Nexia are as follows:-

> <u>*Monthly Fees*</u>
> Accounting: $2,500 plus GST
> Company Secretary: $4,000 plus GST
> Termination Notice Period – 3 months
> Term – Continuing until terminated

There are no other service agreements other than disclosed above.

Termination benefits
The Company is not liable for any termination benefits on termination of the current executive or non-executive directors or key management personnel other than payment of period of notice on termination where applicable.

D Share-based compensation

Options granted to Directors' and Officers
During the year, Mr Hamish Bohannan was issued 30,000,000 shares and 15,000,000 options exercisable at $0.05 each expiring 30 September 2018. The options vest immediately. Refer to Note 21 for the inputs used for the valuation of these options.

Shares issued on exercise of unlisted options
There were no unlisted options exercised during the financial year.

Fair value of options granted
The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black Scholes option pricing model.

E Additional information

Options granted to Directors carry no dividend or voting rights. Subsequent to year end, the following options were issued to the Directors:

Hamish Bohannan	30,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021
Craig Munro	10,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021
Andrew Wilson	10,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021

Remuneration report (audited) (continued)

F Key Management Personnel shareholdings

Directors	Balance at the beginning of the year	Share issue during the year	Held at Resignation	Balance at End of Year
Craig Munro	-	-	-	-
Hamish Bohannan	-	65,000,000[1]	-	65,000,000
Andrew Wilson	-	-	-	-
Paul O'Shaughnessy*	-	-	-	-
Graham Anderson**	1,000,000	-	1,000,000	-
Michael Walters***	1,493,533	1,200,000	2,693,533	-
Peter Williams****	3,346,667	1,200,000	4,546,667	-
Leonard Math	-	2,500,000[2]	-	2,500,000

**Retired on 27 July 2016*
***Ceased on 20 July 2015*
****Resigned on 1 February 2016*
*****Resigned on 17 February 2016*

[1]Issued 35,000,000 shares through the participation in the rights issue at a price of 0.2 cents each.
[2]Participatied in the rights issue at a price of 0.2 cents each.

G Key Management Personnel optionholdings

Directors	Balance at the beginning of the year	Options issue during the year	Held at Resignation	Balance at End of Year
Craig Munro	-	-	-	-
Hamish Bohannan	-	32,500,000[1]	-	32,500,000
Andrew Wilson	-	-	-	-
Paul O'Shaughnessy*	1,000,000	-	1,000,000	-
Graham Anderson**	2,000,000	-	2,000,000	-
Michael Walters***	1,000,000	-	1,000,000	-
Peter Williams****	1,000,000	-	1,000,000	-
Leonard Math	-	1,250,000[2]	-	1,250,000

**Retired on 27 July 2016*
***Ceased on 20 July 2015*
****Resigned on 1 February 2016*
*****Resigned on 17 February 2016*

[1]Issued 17,500,000 options through the participation in the rights issue at a price of 0.2 cents each.
[2]Issued through the participation in the rights issue at a price of 0.2 cents each.

There is no other additional information other than the information disclosed above.

This is the end of the audited remuneration report.

Shares under option
At the date of this report, unissued ordinary shares of the Company under option are:

Expiry date	*Exercise price*	*Number of options*	*Vested and exercisable*
21-Apr-19	*$0.005*	*468,361,419*	*Yes*
30-Sep-18	*$0.0196*	*56,275,917*	*Yes*
30-Sep-18	*$0.0496*	*15,000,000*	*Yes*
21-Feb-18	*$0.0196*	*10,000,000*	*Yes*
31-Jul-17	*$0.3746*	*13,900,000*	*Yes*
31-Dec-18	*$0.2496*	*7,500,000*	*Yes*
5-Sep-21	*$0.02*	*50,000,000*	*Yes*
5-Sep-21	*$0.02*	*24,000,000*	*Yes*
		645,037,336	

When exercisable, each option is convertible into one ordinary share.

Convertible notes
At the date of this report, the total number of outstanding convertible notes is 40. Below are the terms and conditions of the convertible notes:

1. Face value - $10,000 per convertible note.
2. Conversion – Each note may be converted into Gulf shares at the rate of 85% of the 30 day VWAP at the Holders option after 12 months from issue
3. Interest – payable quarterly at 10% per annum.
4. Redemption – 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.
5. Term – 3 years from the date of issue.

Indemnification
There are indemnities and insurances for the Directors in regard to their positions. These insure and indemnify the Directors including former Directors against certain liabilities arising in the course of their duties. The Directors have not disclosed the amount of the premiums paid as such disclosure is prohibited under the terms of the policies.

Proceedings on behalf of Company
No person has applied for leave of Court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services
There were no non-audit services provided for the financial year (2015: nil). The Auditor's remuneration is disclosed in Note 25.

Auditor independence declaration
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

Signed in accordance with a resolution of the Directors and on behalf of the board by:

Craig Munro
Non-executive Chairman
Perth, Western Australia
30 September 2016

Greenwich & Co

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Auditor's Independence Declaration

To Those Charged Governance of Gulf Manganese Corporation Limited

As auditor for the audit of Gulf Manganese Corporation Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth

30 September 2016

Gulf Manganese Corporation Limited (ACN: 059 954 317)

Consolidated Statement of Profit or Loss And Other Comprehensive Income For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Revenue			
Revenue from JV agreement		-	150,000
Interest income		-	43
	2	-	150,043
Expenses			
Directors remuneration		163,583	87,215
Administrative expenses		880,879	809,327
Exploration and evaluation expenses		2,252	14,487
Due diligence expenses		-	289,464
Settlement expenses		283,064	-
Impairment of exploration and evaluation	8	-	125,000
Legal fees		106,519	154,272
Depreciation		7,460	10,680
Loss on sale of fixed assets		4,776	-
Professional fees		183,989	286,677
Share based payments	21	1,128,000	292,480
Impairment of available-for-sale investment	6	75,000	675,000
Interest on finance		67,952	-
		(2,903,474)	(2,744,602)
Loss before income tax	2	**(2,903,474)**	**(2,594,559)**
Income tax benefit/(expense)	3	-	-
Net loss after tax		**(2,903,474)**	**(2,594,559)**
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year		**(2,903,474)**	**(2,594,559)**

	Note	2016 Cents	2015 Cents
Basic and diluted loss per share	15	(0.94)	(4.97)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	4	621,747	9,638
Trade and other receivables	5	106,756	123,179
Total current assets		728,503	132,817
Non-current assets			
Financial assets	6	-	75,000
Plant and equipment	7	21,901	41,905
Exploration, evaluation and development	8	-	-
Intangible assets	9	955,200	512,314
Non-current assets		977,101	629,219
Total assets		**1,705,604**	**762,036**
Current liabilities			
Trade and other payables	10	394,430	859,660
Borrowings	11	470,000	738,805
Total current liabilities		864,430	1,598,465
Non-current liabilities			
Borrowings	11	-	-
Total non-current liabilities		-	-
Total liabilities		**864,430**	**1,598,465**
Net assets / (liabilities)		**841,174**	**(836,429)**
Equity			
Contributed equity	12	23,325,358	19,903,222
Options reserve	13	2,507,213	1,348,272
Accumulated losses	14	(24,991,397)	(22,087,923)
Total equity		**841,174**	**(836,429)**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Gulf Manganese Corporation Limited (ACN: 059 954 317)
Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2016

	Notes	Contributed Equity $	Options Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2015		19,903,222	1,348,272	(22,087,923)	(836,429)
Loss for the year		-	-	(2,903,474)	(2,903,474)
Total comprehensive loss for the year		*-*	*-*	*(2,903,474)*	*(2,903,474)*
Transaction with owners in their capacity as owners					
Contributions to equity net of transactions costs	12, 13	3,422,136	1,158,941	-	4,581,077
Balance 30 June 2016		**23,325,358**	**2,507,213**	**(24,991,397)**	**841,174**

	Notes	Contributed Equity $	Options Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2014		18,210,356	1,055,793	(19,493,364)	(227,215)
Loss for the year		-	-	(2,594,559)	(2,594,559)
Total comprehensive loss for the year		*-*	*-*	*(2,594,559)*	*(2,594,559)*
Transaction with owners in their capacity as owners					
Contributions to equity net of transactions costs	12, 13	1,692,866	292,479	-	1,985,345
Balance 30 June 2015		**19,903,222**	**1,348,272**	**(22,087,923)**	**(836,429)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Gulf Manganese Corporation Limited (ACN: 059 954 317)
Consolidated Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Other receipts		139,096	150,000
Payments to suppliers and employees		(2,398,494)	(1,427,130)
Interest received		-	43
Interest paid		(67,952)	-
Net cash flows used in operating activities	**4**	**(2,327,350)**	**(1,277,087)**
Cash flows from investing activities			
Purchase of plant and equipment		(5,209)	(3,720)
Proceeds from sale of plant and equipment		12,977	-
Payments for exploration, evaluation and development expenditure		-	(368,033)
Net cash flows generated from / (used in) investing activities		**7,768**	**(371,753)**
Cash flows from financing activities			
Proceeds from issue of securities - net of issue costs		3,120,496	1,971,260
Proceeds from borrowings		-	169,175
Repayment of borrowings		(188,805)	(485,759)
Net cash flows from financing activities		**2,931,691**	**1,654,676**
Net increase in cash and cash equivalents		612,109	5,836
Cash and cash equivalents at beginning of the year		9,638	3,802
Cash and cash equivalents at the end of the year	**4**	**621,747**	**9,638**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Corporate Information

The financial report of the Company for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 2016. Gulf Manganese Corporation Limited (previously known as Gulf Minerals Corporation Limited) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Company are described in the review of operations.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, and Australian Accounting Standards and Interpretations. These financial statements have been prepared on a historical cost basis.

Gulf Manganese Corporation Ltd is a for-profit entity for the purpose of preparing the financial statements. These consolidated financial statements are presented in Australian dollars and all values are expressed as whole dollars.

(b) Going concern

The 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 $135,927 at 30 June 2016 (30 June 2015: $1,465,648), incurred a net loss after tax for the financial year ended 30 June 2016 of $2,903,474 (30 June 2015: $2,594,559) and experienced net cash outflows from operating activities of $2,327,350 (30 June 2015: $1,277,087).

In September 2016, the Company raised $1m via the issue of equity instruments, to provide working capital finance for the consolidated entity. Further, as disclosed in Note 24, the Company has secured an agreement with Pak Marthen to invest a further $9.8m in the Company and its projects; however, receipt of these monies is conditional on the local government approvals of the Kupang Smelter Project in Indonesia, which the directors are presently working to finalise.

The directors have instituted measures to preserve cash and secure additional finance and are satisfied that the Company can continue as a going concern.

(c) Statement of compliance

These financial statements comply with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretations. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes thereto, complies with the International Financial Reporting Standards (IFRS).

Note 1. Summary of significant accounting policies (continued)

(d) Critical accounting estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are discussed below.

Fair value of share options and assumptions
The fair value of services received in return for share options granted to consultants, directors and employees is measured by reference to the fair value of options granted. The estimate of the fair value of the services is measured based on Black-Scholes options valuation methodology.

Impairment
The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(i) Impairment of exploration and evaluation assets
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes, which would impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalise expenditure should be written off or impaired, profits and net assets will be reduced in the period in which this determination is made.

(ii) Calculation of recoverable amount
The recoverable amount of the consolidate entity's receivables carried at amortised costs is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivable with a short duration are not discounted.

Impairment of receivable is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value in using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(iii) Available for sale financial assets
AFS assets are subsequently measured at fair value. The value applied for fair value is the value of the most capital raising price conducted by the Company and using any other available data of the market for the asset held. Any impairment loss is then expensed in the period identified.

Note 1. Summary of significant accounting policies (continued)

(e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on the diminishing value basis to write off the net cost of each item of property, plant and equipment over its expected useful life. Depreciation rates for motor vehicles are at 22.5% and for other plant and equipment, the rates range from 15- 40%.

(f) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Available-for-sale investments
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is de-recognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Note 1. Summary of significant accounting policies (continued)

(i) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days.

(j) Contributed equity

Ordinary shares are classified as equity. 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.

(k) Earnings per share

(i) Basic earnings per share
Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

(l) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature without any cash consideration are not recognised as revenues.

Interest income
Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets
Gains or losses arising on the sale of non-current assets are included in profit or loss at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(m) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gulf Manganese Corporation Limited ("company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Gulf Manganese Corporation Limited and its subsidiary together are referred to in this financial report as the Company or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Note 1. Summary of significant accounting policies (continued)

(m) Principles of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company.

The Company applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Company. Disposals to non-controlling interests result in gains and losses for the Company that is recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Company companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Investments in subsidiaries are accounted for at cost in the individual financial statements of Gulf Manganese Corporation Limited.

(n) Trade and other receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(o) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Note 1. Summary of significant accounting policies (continued)

(o) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of the unused tax assets and unused tax losses can be utilized:

Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Tax consolidation legislation
Gulf Manganese Corporation Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

Gulf Manganese Corporation Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Company.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Company. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Company.

(p) Employee benefits

Provision is made for the Company’s liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits and included in other payables.

(q) Segment reporting

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, which has been identified by the Company as the Executive Director and other members of the Board of Directors.

Note 1. Summary of significant accounting policies (continued)

(r) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss unless the asset is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(t) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest in accordance with AASB 6: Exploration and Evaluation Expenditure. These costs are only carried forward where the rights to the area of interest are current and to the extent that they are expected to be recouped through the successful development or sale of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

Note 1. Summary of significant accounting policies (continued)

(t) Exploration and evaluation expenditure (continued)

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

(u) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Available-for-sale investments
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is de-recognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Available-for-sale investments (continued)
Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iv) Financial liabilities
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(v) Intangible assets

Intangible assets that are acquired or developed by the Group have finite useful lives are measured at cost less any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Impairment of the intangible assets are reviewed at each reporting date and adjusted if appropriate.

(w) New accounting standards and interpretations

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).
The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).
When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

Note 1. Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017) (continued)

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2. Revenue and expenses

(a) Revenue	2016 $	2015 $
Sale of asset*	-	150,000
Bank interest received	-	43
Total revenue	-	**150,043**

*During the previous year, Gulf has entered into a Sale Agreement to divest its remaining 51% of the Northern Territory exploration tenement EL 10335 to 49% joint venture partner Redbank Copper Limited (ASX:RCP). The sale of Gulf's 51% together with all Mining information was agreed at $125,000 cash with a deposit payment of $50,000 with the balance due incrementally over a 9 month period and settlement following Ministerial consent for the transfer. At 30 June 2015, $100,000 was received from Redbank Copper.

Gulf has also entered a Sale Agreement to divest its 100% of the Northern Territory exploration tenement EL 29898 to joint venture partner Laramide Resources Limited (ASX:LAM). The sale of Gulf’s 100% interest together with all mining information was agreed at a $125,000 cash with a deposit payment of $25,000, a further $25,000 subject to certain conditions and the balance of $75,000 following ministerial consent for the transfer. At 30 June 2015, $50,000 was received from Laramide.

(b) Expenses include:	2016 $	2015 $
Accounting/secretarial fees	72,831	72,721
Advertising and promotion	38,228	139,326
Depreciation expense	7,460	10,680
Share registry fees	29,421	28,376
Operating lease rental expense	161,833	75,229
	309,773	**326,332**

Note 3. Income tax

	2016 $	2015 $
Loss for the period	(2,903,474)	(2,594,559)
Prima facie tax benefit at Australian tax rate of 30%	(871,490)	(778,368)
Tax effect of non-deductible items:		
Impairment of available for sale assets	21,375	202,500
Impairment of receivable	-	-
Impairment of exploration expenditure	-	37,500
Settlement of expenses - capital	80,673	-
Section 40-880	(88,328)	(24,399)
Non-deductible expenses	21	523
Share based payments	321,480	87,744
Temporary differences not recognised	462,269	474,500
Income tax expense	**-**	-

No income tax expense has been provided in the accounts because the company has an operating loss for the year. No future tax benefit attributable to tax losses has been brought to account as recovery is not probable. The total of tax losses held within the company is $20,747,996 (2015: $18,410,183).

The benefit will only be obtained if the company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the company in realising the benefit.

Note 4. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	621,747	9,638
Total cash and cash equivalents	**621,747**	**9,638**

Information about the Company's exposure to interest rate risk is disclosed in Note 19.

(a) **Reconciliation of loss for the year to net cash flows used in operating activities**	2016 $	2015 $
Loss for the year	(2,903,474)	(2,594,599)
Cash flows excluded from loss attributable to operating activities:		
• Exploration costs	-	14,487
Adjustments for non-cash items:		
• Depreciation	7,460	10,680
• Loss on sale of fixed assets	4,776	-
• Share based payment expense	1,128,000	292,480
• Impairment of available-for-sale investment	75,000	675,000
• Impairment of deferred exploration and evaluation	-	125,000
• Non cash payments – settlement in equity	252,581	201,606
Net changes in working capital:		
• Change in trade and other receivables	16,423	31,039
• Change in trade and other payables	(465,230)	(32,780)
Net changes in non-current assets classified as operating cash flows:		
• Change in intangible assets	(442,886)	-
Net cash flows used in operating activities	**(2,327,350)**	**(1,277,087)**

Non-cash financing and investing activities
During the financial year, 18,307,867 shares in the Company were issued to settle creditors, to the value of $274,618.

Note 5. Trade and other receivables

	2016 $	2015 $
Trade receivables	-	-
Other receivables	106,756	123,179
Total trade and other receivables	**106,756**	**123,179**

As of 30 June 2016, trade receivables that were past due or impaired was nil (2015: nil). Information about the Company's exposure to credit risk is provided in Note 19.

Note 6. Non current financial assets

	2016 $	2015 $
Available for sale unlisted investments, at fair value		
Shares in Asia Mineral Corporation Limited	-	75,000
Total non-current financial assets	**-**	**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 per share. During the year, AMC entered into administrative receivership. As such, the Board decided to impair the value of the Company's investment in AMC to nil.

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2016 $	2015 $
Opening fair value	75,000	750,000
Impairment	(75,000)	(675,000)
Closing value	**-**	**75,000**

Note 7. Plant and equipment

Balance at 30 June 2016	**Motor Vehicles** $	**Office Furniture & Equipment** $	**Total** $
At cost	-	33,981	33,981
Accumulated depreciation	-	(12,080)	(12,080)
Total written down amount	**-**	**21,901**	**21,901**
Reconciliation			
Opening written down value	20,024	21,881	41,905
Additions	-	5,209	5,209
Depreciation charge for the year	(2,271)	(5,189)	(7,460)
Disposals	(17,753)	-	(17,753)
Closing written down value at 30 June 2016	**-**	**21,901**	**21,901**

Balance at 30 June 2015	**Motor Vehicles** $	**Office Furniture & Equipment** $	**Total** $
At cost	29,082	28,772	57,854
Accumulated depreciation	(9,058)	(6,891)	(15,949)
Total written down amount	**20,024**	**21,881**	**41,905**
Reconciliation			
Opening written down value	25,837	23,029	48,866
Additions	-	3,720	3,720
Depreciation charge for the year	(5,813)	(4,868)	(10,681)
Closing written down value at 30 June 2015	**20,024**	**21,881**	**41,905**

Note 8. Exploration and evaluation expenditure

	2016 $	2015 $
Expenditure brought forward	-	125,000
Expenditure incurred	-	-
Expenditure impaired	-	(125,000)
Expenditure carried forward	**-**	**-**

The recoupment of capitalised exploration expenditure carried forward is dependent upon the successful development and commercialisation or sale of the areas of interest being explored and evaluated.

Note 9. Intangible assets

Smelter development costs	2016 $	2015 $
Expenditure brought forward	512,314	-
Expenditure incurred	442,886	512,314
Expenditure impaired	-	-
Expenditure carried forward	**955,200**	**512,314**

Smelter development costs relate to expenditures incurred to development the smelter study. The Timor Smelter Study examines the development of a ferromanganese (FeMn) smelting and alloy sales business to produce high carbon ferromanganese alloys based in Gulf's manganese project in Kupang, Timor, Indonesia. The Timor Smelter Study has been completed and development of the project will be subject to funding availability.

Note 10. Trade and other payables

	2016 $	2015 $
Trade payables	143,493	685,968
Accruals	49,110	152,000
Other payables	201,827	19,086
Provision for annual leave	-	606
Total trade and other payables	**394,430**	**859,660**

Note 11. Borrowings

	2016 $	2015 $
Current		
Other financial liabilities	-	138,805
Convertible notes[1, 2]	470,000	600,000
Total borrowings	**470,000**	**738,805**

[1] The following table shows the movement of convertible notes during the period:

	2016 $	2015 $
Opening balance	600,000	15,000
Additions	-	600,000
Disposals	-	(15,000)
Redeemed	(130,000)	-
Finance costs	-	-
Closing balance	**470,000**	**600,000**

Note 11. Borrowings (continued)

[2] Terms and conditions of the convertible notes:

Coupon:	10%
Term:	3 years from issue
Interest payments:	Quarterly in arrears
Denominations:	47 notes in denominations of AUD$10,000 per note
Ranking of Notes:	Will rank senior in obligation of payment to any future indebtedness including dividends
Guarantees:	The issuer's obligations under the Notes will be guaranteed by Gulf Manganese Corporation Limited and International Manganese Limited and subject to all regulatory approvals
Conversion:	Each note may be converted into Gulf shares at the rate of 85% of the 30 day VWAP at the Holders option after 12 months from issue
Redemption:	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.

Note 12. Contributed equity

	2016	2016	2015	2015
Shares on issue	**No**	**$**	**No**	**$**
Listed fully paid ordinary shares on issue	1,179,178,307	23,325,358	81,470,638	19,903,222
Total contributed equity	**1,179,178,307**	**23,325,358**	**81,470,638**	**19,903,222**

Movement in share capital	**2016**	**2016**
	No	**$**
Balance at 1 July 2015	81,470,638	19,903,222
14 Oct 2015 Issue of 5,538,667 ordinary shares at 1.5 cents each	5,538,667	83,080
2 Dec 2015 Issue of 75,000,000 ordinary shares at 1.5 cents each	75,000,000	1,125,000
10 Dec 2015 Issue of 30,000,000 ordinary shares	30,000,000	900,000
18 Jan 2016 Issue of 10,000,000 ordinary shares at 1.5 cents each	10,000,000	150,000
22 Feb 2016 Issue of 27,551,833 ordinary shares at 1.5 cents each	27,551,833	413,277
20 Apr 2016 Issue of 448,575,120 ordinary shares at 0.2 cents each	448,575,120	897,150
16 May 2016 Issue of 449,669,500 ordinary shares at 0.2 cents each	449,669,500	899,339
16 May 2016 Conversion of convertible notes at 0.255 cents each	31,372,549	80,000
20 May 2016 Issue of 20,000,000 ordinary shares at 0.2 cents each	20,000,000	40,000
Less: Capital raising costs[1]	-	(1,165,710)
Balance at 30 June 2016	**1,179,178,307**	**23,325,358**

[1] Capital raising costs includes $911,440 of the valuation of the free attaching options issued in the placement and rights issue and the options issued to the broker in relation to the raising. Refer to Note 13 for the inputs used for the valuation of these options.

Note 12. Contributed equity (continued)

Movement in share capital (continued)	**2015 No**	**2015 $**
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**

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.

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.

Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or adjust the capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Constitution and any relevant regulatory requirements.

Note 13. Options reserve

	2016 $	**2015 $**
Balance at the beginning of the year	1,348,272	1,055,793
Option issued during the year	1,158,941	292,479
Balance at the end of the year	**2,507,213**	**1,348,272**

Nature and purpose of reserves

Options reserve

The options reserve is used to recognize the fair value of options issued.

Share options on issue	**2016 No**	**2016 $**	**2015 No**	**2015 $**
Listed share options on issue	459,122,309	459,122	-	-
Unlisted share options on issue	103,954,917	2,048,091	22,679,000	1,348,272
Total share options on issue	**563,077,226**	**2,507,213**	**22,679,000**	**1,348,272**

Note 13. Options reserve (continued)

Listed share options on issue	**2016 No**	**2016 $**	**2015 No**	**2015 $**
Listed options exercisable at 0.5 cents each expiring on or before 21 April 2019	459,122,309	459,122	-	-
Total listed share options on issue	**459,122,309**	**459,122**	**-**	**-**

Movements in listed share options	**2016 No**	**2016 $**
Balance at 1 July 2015	-	-
(A) Issue of listed options exercisable at 0.5 cents each expiring on or before 21 April 2019	459,122,309	459,122
Balance at 30 June 2016	**459,122,309**	**459,122**

Unlisted share options on issue	**2016 No**	**2016 $**	**2015 No**	**2015 $**
Unlisted options exercisable at $0.375 each expiring on or before 30 June 2016	1,279,000	76,428	1,279,000	76,428
Unlisted options exercisable at $0.375 each expiring on or before 31 July 2017	13,900,000	980,094	13,900,000	980,094
Unlisted options exercisable at $0.25 each expiring on or before 31 December 2018	7,500,000	291,750	7,500,000	291,750
Unlisted options exercisable at $0.02 each expiring on or before 30 September 2018	56,275,917	452,818	-	-
Unlisted options exercisable at $0.05 each expiring on or before 30 September 2018	15,000,000	228,001	-	-
Unlisted options exercisable at $0.02 each expiring on or before 21 February 2018	10,000,000	19,000	-	-
Total unlisted share options on issue	**103,954,917**	**2,048,091**	**22,679,000**	**1,348,272**

Movements in unlisted share options	**2016 No**	**2016 $**
Balance 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 – Issued 2 Dec 2015	37,500,000	397,500
(B) Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 18 Jan 2016	5,000,000	19,500
(C) Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 22 Feb 2016	13,775,917	35,818
(D) Issue of unlisted options exercisable at $0.05 each expiring on or before 30 September 2018 – Issued 10 Dec 2015	15,000,000	228,001
(E) Issue of unlisted options exercisable at $0.02 each expiring on or before 21 February 2018 – Issued 17 Mar 2016	10,000,000	19,000
Balance at 30 June 2016	**103,954,917**	**2,048,091**

Note 13. Options reserve (continued)

Fair value of options granted

The fair value of options granted during the financial 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:

	A	B	C	D	E
Fair value per option	$0.0106	$0.0039	$0.0026	$0.0152	$0.0019
Number of options	37,500,000	5,000,000	13,775,917	15,000,000	10,000,000
Expiry date	30 Sep 2018	30 Sep 2018	30 Sep 2018	30 Sep 2018	21 Feb 2018
Exercise price	$0.02	$0.02	$0.02	$0.05	$0.02
Price of shares on grant date	$0.018	$0.009	$0.007	$0.03	$0.007
Estimated volatility	100%	100%	100%	100%	100%
Risk-free interest rate	2%	2%	2%	2%	2%
Dividend yield	0%	0%	0%	0%	0%
Discount on price calculated	0%	0%	0%	0%	0%

Movements in unlisted share options	2015 No	2015 $
Balance 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	2,680
Lapsing of unlisted options exercisable at $0.75 each expiring on or before 31 October 2014	(2,555,337)	(1,951)
Lapsing of unlisted options exercisable at $0.75 each expiring on or before 30 April 2015	(211,671)	-
Balance at 30 June 2015	**22,679,000**	**1,348,272**

Note 14. Accumulated losses

	2016 $	2015 $
Accumulated losses at beginning of the year	(22,087,923)	(19,493,364)
Net loss for the year	(2,903,474)	(2,594,559)
Accumulated losses at end of the year	**(24,991,397)**	**(22,087,923)**

Note 15. Earnings per share

	2016 Cents	2015 Cents
Basic and diluted loss per share	(0.94)	(4.97)

	2016 No	2015 No
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	307,877,648	52,252,274

Diluted loss per share has not been calculated as the Company made a loss for the year and the impact would be to reduce the loss per share.

Note 16. Commitments for expenditure

Operating lease commitments Office operating lease rentals are payable as follows:	**2016** **$**	**2015** **$**
Not later than one year	44,865	161,648
Later than one year but no later than two years	-	90,040
Later than two years	-	-
Total operating lease commitments	**44,865**	**251,688**

The Company leases one office under a non-cancellable operating lease expiring on 1 February 2017. On renewal, the terms of the lease are renegotiated.

Note 17. Key Management Personnel disclosures

(a) Summarised compensation of Key Management Personnel
Summary of Directors and Key Management Personnel compensation in the following categories are as follows:

	2016 **$**	**2015** **$**
Short-term employee benefits (directors)	163,583	176,535
Short-term employee benefits (MD/CEO)	175,623	55,800
Short-term employee benefits (executives)	100,895	79,500
Post-employment benefits	19,692	-
Share based payments	1,128,000	272,300
Total Directors and Key Management Personnel compensation	**1,587,793**	**584,135**

(b) Loans to Key Management Personnel
There are no loans to Key Management Personnel as at 30 June 2016 (2015: Nil).

Note 18. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Transactions with related parties:

(i) Leprechaun Holdings Pty Ltd and Bluewater Services Pty Ltd

Leprechaun Holdings Pty Ltd (a substantial shareholder of the Company), paid on behalf of the Company for operating expenses excluding GST of $19,500 (2015: $28,804).

Bluewater Business Services Pty Ltd a related party of Leprechaun Holdings Pty Ltd and a substantial shareholder of the Company provided consultancy services to the value of $75,000 (excluding GST) to the Company (2015: $150,000). 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.

During the year, the Company entered into a Deed of Settlement and Release with Bluewater Business Services Pty Ltd, Leprechaun Holdings Pty Ltd and Mr Michael Kiernan to terminate the consultancy agreement with Bluewater and in final satisfaction of all and any monies owing by Gulf to Bluewater, Leprechaun and Mr Kiernan.

The settlement includes the issue of 17,500,000 Fully Paid Ordinary Shares and 8,750,000 options exercisable at $0.02 each expiring 30 September 2018 at a deemed price of $0.015 each as well as a total cash payment of $31,575.

During the year, Bluewater and Leprechaun ceased as related parties following ceasing as substantial shareholders

Note 18. Related party transactions (continued)

Transactions with related parties (continued):

(ii) Dr Peter Williams, a director of Gulf, loaned $100,000 to Gulf during the year, to assist with working capital needs. The loan was subsequently converted into 10 Convertible Notes at a face value of $10,000 per convertible note. Dr Peter Williams ceased as a related party following his resignation on the 17 February 2016.

(iii) GDA Corporate Pty Ltd provided Directorship, Chief Financial Officer services, Company Secretary and accounting services to the Gulf at normal commercial terms, to the value of $31,700 (excluding GST; 2015: $79,500). Graham Anderson was a Director of GDA Corporate and Mr Leonard Math is an employee of GDA Corporate. Graham Anderson ceased as a Director on 20 July 2015 and GDA Corporate ceased as a related party on that date.

Amounts owing to related parties	2016 $	2015 $
Leprechaun Holdings Pty Ltd[(a)]	-	28,804
Bluewater Business Services Pty Ltd[(a)]	-	82,500
Dr Peter Williams[(b)]	-	118,000
GDA Corporate[(c)]	-	61,584
Graham Anderson[(c)]	-	20,460
Michael Walters[(d)]	21,000	18,000
Paul O'Shaughnessy	10,000	31,935
Total amounts owing to related parties	**31,000**	**361,283**

[(a)] Leprechaun Holdings Pty Ltd (the substantial shareholder of the Company) provided an unsecure loan to the Company.
[(b)] Resigned as a director on 17 February 2016
[(c)] Mr Graham Anderson ceased as a director on 20 July 2015 and GDA Corporate ceased as a related party on the same date.
[(d)] Resigned as a director on 1 February 2016

For details of remuneration disclosures relating to Key Management Personnel, refer to Note 17: Key Management Personnel disclosures and the remuneration report in the Directors' Report.

Note 19. Financial risk management

The Company's financial instruments consist of deposits with banks, accounts receivable and payable, and convertible notes.

Overall risk management
The Company's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by the Board of directors under policies approved by the Board.

Credit risk
Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Company does not have any significant credit risk exposure to any single counterparty. The credit risk on liquid funds is limited because the counter party is a bank with a high credit rating.

Note 19. Financial risk management (continued)

Credit risk (continued)
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	2016 $	2015 $
Cash and cash equivalents	621,747	9,638
Trade and other receivables	106,756	123,179
Other assets	-	-
Maximum exposure to credit risk	**728,503**	**132,817**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Liquidity risk
Liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Company's financial liabilities include trade payables which are non-interest. Expenses are managed on an ongoing basis and the Company expects to be able to raise additional funds as and when necessary to meet these commitments. Additionally, a major shareholder has signed a letter of comfort to provide financial support to the Company for the next 12 months.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange
The Group undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cashflow forecasting.

As a result of the operating activities in Indonesia and the ongoing funding of overseas operations from Australia, the Group's Statement of Financial Position can be affected by movements in Indonesian Rupiah dollar (IDR) / Australian Dollar (AUD) and US Dollar (USD) / Australian Dollar (AUD) exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by timing its purchase and payment to coincide with highs in the IDR/AUD and USD/AUD exchange rate cycle. 95% of the Group's transactions are denominated in AUD, thus eliminating the need for measures to mitigate currency exposure.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is not significant and is limited to cash and cash equivalents. The company does not rely on the generation of interest to provide working capital.

Profile
At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	Fixed interest $	Floating interest $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents	-	621,747	-	**621,747**
Financial liabilities				
Convertible notes	470,000	-	-	**470,000**

Note 19. Financial risk management (continued)

Sensitivity analysis
If the interest rates had weakened/strengthen by 1% at 30 June 2016, there would be no material impact on the statement of comprehensive income. There would be no effect on the equity reserves other than those directly related to statement of comprehensive income movements.

Note 20. Fair value measurement of financial assets

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following tables provide the fair values of the financial assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

30 June 2016	**Note**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets					
Available-for-sale financial assets	6	-	-	-	-
Net fair value		**-**	**-**	**-**	**-**
30 June 2015					
Financial assets					
Available-for-sale financial assets	6	-	75,000	-	75,000
Net fair value		**-**	**75,000**	**-**	**75,000**

Note 21. Share based payments

The share based payments of $1,128,000 incurred during the 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 ($0.03 per share).

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	**MD Options**
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%

Note 22. Segment information

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.

Note 23. Contingent assets and liabilities

Subsequent to the year end, the Company received a claim relating to a purported historical transaction between the Company and Mighty River International Limited.

At present, this matter is under review by the directors and the Company's legal counsel, to ascertain whether the claim has any legal substance.

Given the lack of substantiation for this claim, it is not practicable – or reasonable – to estimate any potential liability in relation to it.

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

Note 24. Events occurring after reporting period

Subsequent to year end, Mr Paul O'Shaughnessy retired as a director on 27 July 2016.

On 5 August 2016, the Company announced that it has entered into a binding term sheet with Marthen Amtiran ("Pak Marthen") for the investment of US$10 million in Gulf's Indonesian-based subsidiary PT Gulf Mangan Grup ("PT Gulf"), for a 10% interest in PT Gulf (subject to any regulatory approval).

Pak Marthen will pay a non-refundable deposit of US$0.2 million within 5 business days of the signing of this Term Sheet. The deposit was received on 12 August 2016. The balance of US$9.8 million will be paid within 5 business days of Bupati providing a written recommendation of the Kupang Smelter Project to the Governor of the Province of NTT.

Following the initial US$10 million investment, Pak Marthen will have a six month option to purchase an additional 5% interest in PT Gulf for US$7 million. Pak Marthen will be entitled to one board representative on Gulf.

On 8 August 2016, the Company advised that it has finalised an agreement ("the agreement") with South African-based Transalloys (Pty) Limited ("Transalloys") for the acquisition and relocation of two ferromanganese smelting furnaces.

Under the terms of the agreement, Gulf will purchase two furnaces (including related equipment), from Transalloys for the total cash consideration of US$1 million. Gulf has also agreed to supply Transalloys with up to 30,000tpa of high grade manganese ore at the current reported Metal Bulletin's index price for manganese lumpy, for a period of three years (once export licenses have been granted).

Specialist engineering firm and XRAM Technologies (Pty) Limited ("XRAM"), has been engaged to undertake all design and construction requirements associated with the refurbishment and relocation of the furnaces to the Kupang Smelting Hub, which is expected to incur minimal costs.

The smelters are proposed to be shipped from their current location in South Africa in October, with an anticipated arrival at the Kupang site in November 2016.

On 23 August 2016, 3 convertible notes with a face value of $10,000 each were converted to shares in the Company. A total of 2,941,177 shares were issued at a price of 1.02 cents each.

Following shareholders' approval at the General Meeting held on 2 September 2016, the following securities were issued:

1) 20,000,000 shares at a price of 0.2 cents per share and 10,000,000 Listed Options exercisable at 0.5 cents each were issued to Triple C Consulting Pty Ltd as a settlement of outstanding fees of $40,000.
2) 10,000,000 shares were issued to Mrs Nukantini Putri Parincha to acquire 100% interest in PT Gulf Mangan Grup.
3) 4,500,000 shares were issued to Mr John Woodacre at a price of 0.4 cents per share in satisfaction of outstanding consulting fees of $18,000.
4) 10,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued each to Mr Craig Munro and Mr Andrew Wilson
5) 30,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued to Mr Hamish Bohannan.
6) 24,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued to employees and contractors of the Company under the Company's Employee and Contractor Share Option Plan.

On 8 September 2016, the Company completed $1 million raising to provide additional working capital, as the Company continues to progress towards the development of its Kupang Smelting Hub Project in West Timor, Indonesia.

Gulf raised circa $1 million via the placement of 70 million shares at 1.5c per share, with an attaching 1 for 2 listed option (GMCO). The issue of the attaching listed options will be subject to shareholders approval.

A further 4 convertible notes with a face value of $10,000 each were converted to shares in the Company. A total of 2,941,176 shares were issued at a price of 1.36 cents each.

On 15 September 2016, the Company raised a further $100,000 through the issue of 6,666,667 shares at 1.5 cents each.

A total of 760,890 shares were issued on 20 September 2016 due to the conversion of listed options (GMCO) raising $3,804.

Other than being disclosed, there are no other events occurred after the reporting period.

Note 25. Auditor's remuneration

	2016 $	2015 $
Audit and review of financial statements	21,000	21,200
Total auditor's remuneration	**21,000**	**21,200**

Note 26. Dividends

There were no dividends recommended or paid during the financial years ended 30 June 2016 and 30 June 2015.

Note 27. Investment in controlled entities

Details of investment in the ordinary share capital of controlled entities are as follows:

Name of entity	Place of incorporation	Equity holding 2016 %	2015 %
Parent entity			
Gulf Manganese Corporation Limited	Australia	100	100
Controlled entities			
Gulf Copper Pty Ltd[1]	Australia	100	100
Gulf Manganese Pty Ltd[1]	Australia	100	100
Gulf Coal Pty Ltd[1,3]	Australia	-	100
Gulf Project Services Pty Ltd[1,3]	Australia	-	100
International Manganese Group Limited	Australia	100	100
Ebagoola Gold Mines Pty Ltd[2]	Australia	-	100
PT Gulf Mangan Grup	Indonesia	98	98

[1] These companies were inactive during the years ended 30 June 2016 and 30 June 2015.
[2] Ebagoola was liquidated during the year ended 30 June 2015 and was deregistered on 8 September 2015.
[3] Gulf Coal Pty Ltd and Gulf Project Services Pty Ltd were deregistered on 22 June 2016.

Gulf Manganese Corporation Limited Parent Company Information

	Parent 2016 $	Parent 2015 $
Assets		
Current assets	700,418	85,541
Non-current assets	1,035,303	667,267
Total assets	**1,735,721**	**752,808**
Liabilities		
Current liabilities	864,430	1,598,464
Non-current liabilities	-	-
Total liabilities	**864,430**	**1,598,464**
Net assets/(liabilities)	**871,291**	**(845,656)**
Equity		
Contributed equity	23,325,345	19,903,209
Options reserve	2,507,213	1,348,273
Accumulated losses	(24,961,267)	(22,097,138)
Total equity	**871,291**	**(845,656)**
Financial performance		
Loss for the year	(2,864,128)	(6,777,276)
Other comprehensive income	-	-
Total comprehensive loss	**(2,864,128)**	**(6,777,276)**

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and note set out on pages 16 to 45, are in accordance with the *Corporations Act 2001* and:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and

(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.

In the Director's 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.

2. The remuneration disclosures included in the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2016, comply with section 300A of the *Corporations Act 2001*.

3. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

4. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Craig Munro
Non-Executive Chairman

Perth, Western Australia
30 September 2016

Greenwich & Co

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Independent Auditor's Report

To the members of Gulf Manganese Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Gulf Manganese Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Gulf Manganese Corporation Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and the consolidated entity's financial positions as at 30 June 2016 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gulf Manganese Corporation Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

30 September 2016

Perth