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# gulf

ASX Announcement  
31 October 2016

## SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

Gulf Manganese Corporation Limited (ASX: GMC) ('Gulf' or 'the Company') is pleased to provide shareholders with the following Quarterly Activities Report for the period ended 30 September 2016.

### Highlights:

- **Site approvals received from the Governor of East Nusa Tenggara for the construction of a Manganese Smelting Hub facility in the Bolok Industrial Estate, Kupang**
- **Indonesian high net worth to invest US\$10 million for 10% equity in Gulf's subsidiary PT Gulf Mangan Grup – includes option to invest further US\$7 million**
- **Gulf well-positioned to fast-track development of Kupang Smelting Hub following commitment from cornerstone investor**

### **Kupang Smelting Hub Project**

Gulf is focused on developing a ferromanganese smelting and sales business to produce high carbon ferromanganese alloy in West Timor, Indonesia.

The Kupang Smelting Hub facility will contain eight furnaces built in stages over five years, targeting the production of a premium quality 78%+ manganese alloy. At full production, Gulf will aim to purchase and process 320,000 tonnes of manganese ore per annum, producing circa 155,000 tonnes of high carbon premium quality ferromanganese alloy.

### **Site Approvals Process**

Post quarter end, the Company advised that it had received approval from the Governor of East Nusa Tenggara for the construction and development of the proposed Kupang Smelting Hub Facility in the Bolok Industrial Estate in Kupang, Indonesia.

The Bolok Industrial Estate is the original site selected by Gulf for the construction of the Kupang Smelting Hub Project, and the approvals will enable the commencement of site works prior to construction.

The Company is now focused on completing site surveying activities, in conjunction with the required site clearing and civil works. Upon confirmation of site topography, Gulf will finalise and make any necessary adjustments prior to the commencement of construction.



Gulf has previously been granted a Principle License for foreign investment from the Indonesia Investment Coordination Board (BKPM), and the granting of site approvals was considered the last major approval required in order to commence project development works.

### **Cornerstone Investment**

In August, Gulf entered into a binding term sheet with Marthen Amitran (“Pak Marthen”) for the investment of US\$10 million into Gulf’s Indonesian-based subsidiary PT Gulf Mangan Grup (“PT Gulf”), for a 10% interest in PT Gulf (subject to regulatory approval).

Subsequent to the initial US\$10 million investment, Pak Marthen will also have an option to purchase an additional 5% interest in PT Gulf for US\$7 million and will be entitled to one Board representative.

Following the receipt of site approvals from the Governor of East Nusa Tenggara in October, the Company is finalising amendments to the term sheet signed with Pak Marthen, as the smelter hub location has been altered from those specified in the original agreement. As this was the original site selected, the Board is confident of securing this investment in the near-term, and will update shareholders on discussions in due course.

### **Smelter Acquisition Update**

In August, the Company advised that it has finalised an agreement with South African-based Transalloys (Pty) Limited 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, 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.

Furthermore, Gulf would also like to advise that the selection of local engineering companies to work under XRAM, the South African project engineers and managers, is also underway. XRAM has commenced working with Transalloys on the stripping and preparation of the two smelters prior to their shipping from Pretoria to Indonesia. Import procedures are currently being finalised with the smelters expected to be shipped during Q4 2016.

### **Manganese Ore Supply**

Negotiations are also continuing with local miners for the future supply of ore to the Kupang Smelting Hub. Discussions continue to progress positively with locals, and agreements have already been reached with two miners for supply for circa 1000 tonnes per month each.

A detailed review of Manganese ore potential in Indonesia was also undertaken by the Company in early 2016, which confirmed that there is a potential extractable manganese mineralisation of 29Mt for Production IUPs and 114Mt for Exploration and Production IUPs.

**Corporate Activity**

In September, Gulf completed a \$1 million raising to provide additional working capital, as the Company continues to progress towards the development of the Kupang Smelting Hub.

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

**For further information please contact:**

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**About Gulf Manganese Corporation (ASX: GMC):**

Gulf's strategy is to develop an ASEAN focused manganese alloy business based in Kupang, West Timor, taking advantage of the low labour and ore costs, combined with modest power costs (these being a combined 84% of total costs). Targeted production will be a premium quality 78% ferro manganese alloy resulting from the unique qualities of the Indonesian high grade (greater than 50%) low impurity manganese ore.