

ASX Announcement
12 March 2018

Gulf secures approximate A\$15 million equivalent funding to advance Kupang Smelting Hub Facility, now fully funded through to first production

- **Approximately A\$15 million funding round led by PT Jayatama Tekno Sejahtera (PT JTS) to invest a combination of A\$ and Indonesian Rp amounts equivalent to approximately A\$15 million to fully fund the construction and commissioning of the first two smelters at the Kupang Smelting Facility:**
 - **Indonesian Rp equivalent of approximately A\$6 million Convertible Note to be issued by PT Gulf to PT JTS's wholly-owned subsidiary, PT Jayatama Global Investindo (PT JGI)**
 - **Additional Indonesian Rp equivalent of approximately A\$7 million standby facility to be available to provide additional financial loan facility, if required, during construction / commissioning phase**
 - **Highly credentialed Indonesian nationals Bpk. Fofa Sariaatmadja and Bpk. Chairael Jul Naro to be appointed as Commissioners of PT Gulf and Bpk. Johannes Susilo to be appointed as a Director of PT Gulf**
 - **A\$2 million Converting Notes issued by Gulf to Eighteen Blue Investments Pty Ltd, together with 1-for-1 free attaching listed options**
- **Gulf remains on target to commence first ferromanganese production from Kupang Smelting Hub by mid-2018**

Gulf Manganese Corporation Limited (ASX: GMC) ("Gulf" or "the Company") is pleased to advise that it has secured approximately A\$15 million equivalent funding led by Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera ("PT JTS").

PT Gulf Mangan Grup ("PT Gulf") will issue a convertible note, in an Indonesian Rp ("IDR") principal amount equivalent to approximately A\$6 million, with a zero percent interest to PT JTS's wholly-owned subsidiary, PT Jayatama Global Investindo ("PT JGI") ("PT Gulf Convertible Note"). Upon satisfaction of the agreed conditions precedent, the PT Gulf Convertible Note will automatically be converted into 25.1% of the equity of PT Gulf ("Project Investment"). The key terms of the PT Gulf Convertible Note and the Project Investment are outlined in Annexure A.

An additional standby facility, in an IDR principal amount equivalent to approximately A\$7 million, has also been made available by PT JTS to PT Gulf ("Standby Facility"). Subject to the satisfaction of conditions precedent, the Standby Facility can be drawn down at any time during the construction and commissioning phase. The principal terms of the Standby Facility are outlined in Annexure A.



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As part of the transaction, Gulf has completed a A\$2 million, five-year zero coupon converting note issue to Eighteen Blue Investments Pty Ltd (“EBI”) (“GMC Converting Notes”). The Company has issued 133,333,333 Converting Notes at a face value of 1.5 cents each, and will issue 133,333,333 free attaching listed options (GMCO) exercisable at 0.5 cents and expiring 21 April 2019. The key terms of the GMC Converting Notes are outlined in Annexure A.

The securing of this funding package enables Gulf to complete the construction and commissioning of the first two smelters at the Company’s Kupang Smelting Hub Facility in West Timor (“First Two Smelters”). Gulf anticipates commencing ferromanganese alloy production by mid-2018, at which point the Company expects to be initially producing approximately 30,000 tonnes per annum of premium quality ferromanganese alloy.

As previously advised, the First Two Smelters are scheduled to be shipped to site from South Africa in Q1 2018 for assembly and construction. Construction activities, including completion of the smelter foundations, are progressing on schedule.

About the investor, PT Jayatama Tekno Sejahtera (“PT JTS”)

PT JTS and related companies (“JTS Group”) are part of a diversified investment group based in Indonesia and Australia, with investments across the Asia Pacific region. The Group aims to invest in projects or businesses in which it is able to assist in their strategic expansion and contribute their network and expertise, in addition to the provision of funding. The Group currently has investments across the technology, hospitality, real estate and agriculture industries.

Board Appointments in PT Gulf

As part of the PT Gulf Convertible Note, the JTS Group has the right to nominate two Commissioners and one Director of PT Gulf. Pursuant to this right, Bpk. Fofu Sariaatmadja and Bpk. Chairuel Jul Naro will be appointed as Commissioners and Bpk. Johaness Susilo will be appointed as a Director of PT Gulf.

Bpk. Fofu Sariaatmadja currently serves as Chairman and CEO of PT JTS, as well as Commissioner at PT Elang Makhota Teknologi Tbk, a publicly listed Indonesian company with its main business divisions being Media, Telecommunications & IT Solutions and e-Commerce. He also currently serves as Commissioner at PT Surya Citra Televisi, the number one television company in Indonesia, PT Mediatama Anugrah Citra, the only digital terrestrial pay-TV operator in Indonesia, and PT Abhimata Persada, an IT solutions provider to the banking sector.

Bpk. Fofu completed his studies at the University of New South Wales, earning a Master of Engineering Science (Electrical & Digital Communication) degree in 1987 and a Bachelor of Engineering (Honours, Electrical) degree in 1985.

Bpk. Chairuel Jul Naro is an Indonesian citizen with a successful career both in the private arena and in public service. Bpk. Naro currently serves as advisor to PT Indonesia Asahan Aluminium Persero (INALUM), Indonesia’s first and largest state-owned enterprise within the aluminium industry, and PT Kereta Api Indonesia (KAI), the major operator of public railways in Indonesia. He also currently serves as President Commissioner at PT Sarana Jatim Ventura, a provider of venture capital to small or medium-sized enterprises in Indonesia.



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Previously he served as advisor to PT Bahana Pembinaan Usaha Indonesia (BPUI) from 2001 to 2017 and as President Commissioner at PT Mitra Tani 27 from 1992 to 2010. Bpk. Naro brings a wealth of experience to PT Gulf.

Bpk. Johannes Susilo served as Vice President of Chase Manhattan Bank, Jakarta from 1982 to 1989 and as President Director of Asia Kapitalindo Sekurites from 1994 to 2000. Johannes served as President Director of Danamon Securities and Corporate Secretary of PT Bank Danamon Tbk from 1989 to 1994. He served as the President Director of PT Jakarta Assetama Management from 1989 to 1994 and as the President Commissioner of Prima Alloy Steel Universal Tbk from 1989-2002. Johannes has been serving as an Independent Commissioner at PT Colorkpak Indonesia Tbk since 2002 and has been a Commissioner at PT Trias Sentosa Tbk since 2003. He has also held the position of President Commissioner at Sucorinvest Asset Management since 2001. Johannes holds an MBA from Andrews University, Michigan USA.

Chairman and CEO of PT JTS, Bpk. Fofa Sariaatmadja said:

“We are excited to be part of the Gulf team and look forward to working together with the team to bring the smelters to full production and beyond. We believe the potential of this Company to benefit both Gulf shareholders and members of the local Kupang community to be immense and we will do what we can to help the Company realise that potential.”

Gulf’s Managing Director, Hamish Bohannan, commented:

“This is a game-changing transaction for Gulf and the Board is very pleased to have attracted a highly-respected Indonesian partner such as PT JTS, as it now provides the Company with a very clear and defined pathway through to first production this year.

“PT JTS completed a very thorough and extensive due diligence process and its willingness to invest in Gulf is a strong validation of our near-term plans and future vision for the establishment of this regionally significant manganese smelting facility in West Timor.

“With all relevant approvals and funding now in place, and our first two smelters expected to arrive on site during March, we are entering a very exciting period where we expect considerable shareholder value to be unlocked over coming months.”

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ANNEXURE A

Summary of Key Investment Terms

Total approximate A\$15 million equivalent investment, comprising a A\$2 million converting note in Gulf, an IDR investment equivalent to approximately A\$6 million in the form of a convertible note to be issued by PT Gulf and an IDR loan equivalent to approximately A\$7m in the form of a standby facility to PT Gulf (“Investment Documentation”).

A summary of the key terms of the Investment Documentation is set out below.

A\$2m GMC Converting Notes

Issuer:	Gulf Manganese Corporation Limited (“GMC”)
Subscriber:	Eighteen Blue Investments Pty Ltd (“EBI”)
Aggregate value:	A\$2,000,000 (133,333,333 notes with a face value of 1.5 cents each)
Security:	None
Coupon:	0%
Term:	5 years from issue (“Maturity Date”)
Denominations:	133,333,333 notes in denomination of 1.5 cents per note (“Face Value”)
Conversion:	1:1 - each note may be converted into one Gulf share
Automatic Conversion:	EBI will be deemed to have delivered a Conversion Notice in respect of any unconverted Notes as at the Maturity Date
Default Event:	Non-payment by GMC Involuntary winding up of GMC Voluntary winding up of GMC Insolvency of GMC Breach of GMC Converting Note Agreement No conversion under the PT Gulf Convertible Note Default under the other Investment Documentation Material breach of warranties under the Investment Documentation
Repayment on Default:	If a Default Event occurs, the aggregate Face Value of the GMC Converting Notes held by EBI at that time becomes due and payable by the Company to EBI on and from the date that is five Business Days after the date of the Default Event (“Repayment Date”), together with interest on the Face Value at the interest rate of 15% per annum from the Repayment Date until the date of actual payment
Rights Issue Participation:	In respect to any rights issue undertaken by the Company, EBI will be offered a placement of shares (subject to sufficient capacity under ASX Listing Rule 7.1) or the right to underwrite any shortfall from the rights issue for that number of shares equal to the number of shares to which EBI would have been entitled had it converted the GMC Converting Notes held by it on the record date for the rights issue, subject at all times to compliance with the ASX Listing Rules
Governing law:	Western Australia



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IDR equivalent of approximate A\$6m PT Gulf Convertible Note

PT JGI has agreed to invest an IDR equivalent of approximately A\$6 million through subscription for a convertible note to be issued by PT Gulf ("PT Gulf Convertible Note"). Completion of the subscription for the PT Gulf Convertible Note is conditional on, among other things, the execution of an agreement between Gulf and PT Gulf selling and transferring, from Gulf to PT Gulf, all of Gulf's right title and interest in and to the two smelters at the Kupang Smelting Facility ("Kupang Manganese Smelters") and the grant of security over the Kupang Manganese Smelters in favour of PT JGI (further key details of which security are set out below), which is anticipated to be achieved by 30 March 2018. The PT Gulf Convertible Note shall bear zero interest from the date of issue until 31 August 2018 ("Maturity Date").

The proceeds of the PT Gulf Convertible Note issue are to be used by PT Gulf to:

- (i) repay an existing loan of the IDR equivalent of approximately A\$1 million from PT JTS to PT Gulf; and
- (ii) fund construction of the First Two Smelters.

The Convertible Note will automatically be converted into 25.1% of the equity of PT Gulf by way of new shares to be issued by PT Gulf to PT JGI ("Project Investment") upon achieving the following conditions precedent ("Conversion CPs"):

- all the approvals, authorities, certificates, consents, licenses, permits, registrations, rights, variations and waivers which are necessary or desirable for PT Gulf to have, hold or obtain in its personal capacity in order for PT Gulf to be able to:
 - (i) carry out its business activities;
 - (ii) import all chemicals and materials required for its business activities;
 - (iii) process and refine manganese ore;
 - (iv) export manganese concentrate; and
 - (v) export manganese alloy;
- Indonesian Ministry of Energy and Mineral Resources approval of the Project Investment;
- Indonesian Investment Coordinating Board (Badan Koordinasi Penanaman Modal or BKPM) approval of the Project Investment;
- approval or acknowledgement from the Indonesian Minister of Law and Human Rights of the Project Investment;
- execution of documentation for existing shareholders' loans to PT Gulf, repayment of which loans will now be subordinated to PT Gulf's payment obligations in respect of the PT Gulf Convertible Note and the Standby Facility, further key details of which are set out below;
- execution and delivery of a shareholders' agreement among the existing PT Gulf shareholders and PT JGI ("Shareholders' Agreement"), further key details of which are set out below;
- non-occurrence of any developments having or likely to lead to a material adverse effect on PT Gulf;
- written report from PT JGI's nominated tax advisor stating that, based on the information provided by PT Gulf and the tax advisor's own analysis, certain Indonesian tax matters have been adequately addressed by PT Gulf;
- PT Gulf existing shareholder approval of the Project Investment and related matters; and
- any other Indonesian regulatory approval (if required) of the Project Investment.



The parties will endeavour to satisfy the Conversion CPs at the earliest possible time and in any case not later than 31 August 2018.

If the Conversion CPs are not satisfied or waived by 31 August 2018 (or by such later date, if any, agreed by PT JTS), the principal of the PT Gulf Convertible Notes becomes repayable by PT Gulf, together with interest of 15% per annum from that date to the date of repayment. In such an event, the principal on the GMC Converting Notes and any monies payable under the Standby Facility also become repayable.

In the event of a material breach of the warranties given by PT Gulf in connection with the PT Gulf Convertible Note (which is any breach of such warranties that has the effect of reducing the fair market value of PT Gulf by not less than IDR15.75 billion) or if other standard events of default occur (including cross-default events under the other Investment Documentation) before the Conversion CPs are satisfied or waived, the same repayment obligations mentioned above apply.

IDR equivalent of approximately A\$7m Standby Facility

The Standby Facility provided by PT JTS to PT Gulf is on the following key terms:

Principal:	IDR equivalent of approximately A\$7 million available to be drawn from signing until 4 months thereafter;
Maturity Date:	31 December 2020;
Coupon Rate:	20.0% p.a. payable monthly;
Repayment:	At PT Gulf's discretion, but not later than 31 December 2020;
Security:	against the Kupang Manganese Smelters (further key details of which are summarised below);
Purpose:	Proceeds received from the Standby Facility shall be used by PT Gulf to fund its working capital requirements.

Security

The obligations of PT Gulf in respect of (i) the Convertible Note and (ii) the Standby Facility ("Secured Obligations") will be secured by a Fiducia Charge, in favour of PT JTS, over the Kupang Manganese Smelters ("Fiducia Charge").

The Fiducia Charge entitles PT JTS, in the event of a default, to (i) sell the Kupang Manganese Smelters by public auction or private sale, (ii) apply the net sale proceeds against the discharge of the Secured Obligations and (iii) then return the remaining balance, if any, to PT Gulf.

Shareholders' Agreement

Upon the Project Investment occurring, the existing shareholders in PT Gulf and PT JGI will enter into an agreed form of a shareholders' agreement, which will govern the rights and obligations between the shareholders and PT Gulf ("Shareholders' Agreement"). The Shareholders' Agreement contains the following key terms.



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1. Prior approval of PT JGI is required for a number of reserved matters, including:

- (i) any material change in the scope of PT Gulf's business;
- (ii) the appointment of or any change in PT Gulf's external auditors;
- (iii) any change in PT Gulf's accounting policies;
- (iv) any change in PT Gulf's fiscal year;
- (v) the allotment, issuance or redemption by PT Gulf of shares or other securities or the grant by PT Gulf of any right to require the allotment, issuance or redemption of shares or other securities;
- (vi) any consolidation, redemption, reduction or variation by PT Gulf of its share capital;
- (vii) any application or petition by PT Gulf for protection from creditors, bankruptcy, liquidation or winding up;
- (viii) any consolidation, merger, reorganisation, restructuring or spin-off by PT Gulf;
- (ix) any debt restructuring or settlement with creditors by PT Gulf;
- (x) approval or amendment of PT Gulf's business plan, including financing needs;
- (xi) any capital or other expenditure by PT Gulf in excess of IDR1,000,000,000 which is not provided for in the business plan;
- (xii) the entry into, renewal, termination or variation of any contract by PT Gulf resulting in a financial commitment of PT Gulf exceeding IDR1,000,000,000, other than as provided for in the business plan;
- (xiii) the acquisition, sale, disposal or divestment of any assets, Securities or investment, where the value of the subject assets exceeds IDR1,000,000,000 in one or series of transactions, other than as provided for in the business plan;
- (xiv) the acquisition, sale, transfer, disposal or divestment of any securities;
- (xv) the acquisition or incorporation by PT Gulf of any equity interest in any legal entity other than in accordance with the business plan;
- (xvi) the encumbering of any assets or securities of PT Gulf;
- (xvii) the incurrence of new loans or indebtedness by PT Gulf;
- (xviii) the granting of a loan or guarantee, to any party, by PT Gulf;
- (xix) the remuneration, benefits, salaries and/or other compensations payable and/or provided to any Director or Commissioner of PT Gulf;
- (xx) declaration or distribution of dividends or other distributions to shareholders;
- (xxi) any payment, repayment or prepayment to be made by PT Gulf to any of its shareholders, including but not limited to any payment, repayment or prepayment pursuant to a loan agreement in respect of the outstanding shareholder's loan from the existing shareholders of PT Gulf to PT Gulf; and
- (xxii) any matter referred to the shareholders following a deadlock at the Board of Directors or Board of Commissioners level.

- 2. Save only for transfers to affiliates, any transfer of PT Gulf shares requires prior shareholder consent, with the other shareholders having a first right of refusal on a proportionate basis.
- 3. In the event that the right of first refusal is not exercised, the non-transferring shareholders have tag along rights on a proportional basis.
- 4. Any transfer of more than 75% of the PT Gulf shares comes with a proportional drag along right subject to a minimum drag price being not less than the fair market value of the PT Gulf shares held by the minority shareholder(s).



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5. The Board of Directors of PT Gulf, which is responsible for day to day management, will consist of not less than 6 directors, 1 of which Directors will be a nominee of PT JGI and the remaining directors will be nominees of the Gulf shareholders.
6. The Board of Commissioners of PT Gulf, which supervises the Board of Directors, will consist of not less than 5 Commissioners, 2 of which Commissioners will be nominees of PT JGI and the remaining Commissioners will be nominees of the Gulf shareholders.
7. Any deadlock at the shareholder level is to be resolved by good faith discussions.
8. In the event that a party (non-defaulting party) terminates the Shareholders' Agreement due to the default of another party (defaulting party), the non-defaulting party has the option to sell 100% of its PT Gulf shares to the defaulting party at 20% above the fair market value or buy 100% of the defaulting party's PT Gulf shares at 20% below the fair market value. The fair market value is to be determined by an independent valuer appointed by the non-defaulting party as at the date of termination of the Shareholders' Agreement.
9. If there is a "material breach of warranty" (as defined below), PT JGI has the option to sell 100% of its PT Gulf shares to Gulf at the higher of (i) IDR 63 billion and (ii) the fair market value of the PT Gulf shares held by PT JGI at that time.

A "material breach of warranty", for the purposes of item 9 above, is (i) any breach of the warranties or losses arising from certain identified tax matters that has or have the effect of reducing the fair market value of PT Gulf by not less than IDR15.75 billion or (ii) fraud, gross negligence or wilful misconduct on the part of PT Gulf.

The rights of PT JGI on a material breach of warranties can only be exercised by PT JGI if the notice to Gulf is delivered by:

- (a) not later than the 5th anniversary of the date on which the last of the Conversion CPs is satisfied or waived ("Conversion Date") with regard to (i) the breach of any warranty given by PT Gulf under the agreement constituting the PT Gulf Convertible Notes ("PT Gulf Convertible Note Agreement") on tax matters, including the warranties relating to tax as set out in the PT Gulf Convertible Note Agreement, and/or (ii) any tax liabilities incurred by the PT Gulf arising from or relating to any of the certain identified tax matters;
- (b) not later than the 3rd anniversary of the Conversion Date with regard to the breach of any warranty given by PT Gulf under the PT Gulf Convertible Note Agreement, other than the warranties referred to in (a) above.

The PT Gulf Convertible Note, the Standby Facility, the Fiducia Charge (once entered into) and the Shareholders' Agreement (once entered into) will be governed by the laws of Indonesia.

