



ASX Announcement
31 January 2019

Quarterly Activities Report Period ended 31 December 2018

Highlights:

- **Successful restructuring of debt facility and cornerstone investments with PT Jayatama Tekno Sejahtera (“PT JTS”) and its subsidiary, PT Jayatama Global Investindo (“PT JGI”)**
- **PT JGI has waived final conditions precedent and restructured its A\$6m Convertible Note into 25.1% of the issued capital in GMG and a A\$5m loan repayable from the profits of commercial production from the Kupang manganese smelter hub**
- **PT JGI to invest an additional A\$6m at 1.5 cents per share in conjunction with a separate Singapore-based ore and alloy trading company agreeing to invest A\$2m at 1.5 cents per share – both investments to be completed over two tranches**
- **First tranche being A\$3.6m of the \$8m investment completed post quarter end – Eighteen Blue A\$2m convertible notes converted to shares**
- **Direct Shipping Ore License permitting advanced during quarter**
- **Construction of the Kupang Smelting Facility currently in excess of 60% complete**
- **Mr Robert Ierace appointed as Chief Financial Officer and Company Secretary and Mr Tan Hwa Poh appointed Non-Executive Director**

Gulf Manganese Corporation Limited (ASX: GMC) (“Gulf” or “the Company”) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 31 December 2018.

Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell low carbon ferromanganese alloy. The Kupang Smelting Hub facility will contain at least 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 premium quality ferromanganese alloy.

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December Quarter Activity Overview

Kupang Smelting Hub Developments

Scopes of work for ancillary facilities including the laboratory, hazardous waste management, Health, Safety, Environmental and Security Centre as well as various employee amenity buildings have been finalised.

Further work to progress the Manganese Concentrate Export License for Direct Shipping Ore License, including the site visit, assessment and subsequent reporting by PT Surveyor Indonesia was completed.

The furnace building steel erection on site at the end of the quarter was 63.1% complete.

Corporate Activity Overview

Update on Cornerstone Investment

Post quarter end, Gulf advised that it had reached an agreement with Indonesian-based cornerstone investor PT Jayatama Tekno Sejahtera ("PT JTS") and its subsidiary, PT Jayatama Global Investindo ("PT JGI"), to restructure the PT JTS debt facility and respective investments in Gulf and Gulf's Indonesian subsidiary PT Gulf Mangan Grup ("GMG").

PT JGI has agreed to restructure its existing A\$6 million Convertible Note with GMG. The Convertible Note will convert into 25.1% of the issued share capital of GMG and an approximately A\$5 million loan which will be repayable from the profits from commercial production of the Kupang Smelting Hub Facility. Post the conversion of the Convertible Note, Gulf will hold a 74.9% interest in GMG. As part of the restructure, PT JGI will receive a 2.5% net royalty on alloy sales from GMG's first two smelters.

Final conversion of the PT JGI Convertible Note and subsequent issue of shares in GMG to PT JGI is subject to approval from the Indonesian Ministry of Energy and Mineral Resources ("MEMR"). GMG has already received approval from the Indonesian Department of Law and Human Rights and the Indonesian foreign investment regulator BKPM and expects to receive the MEMR approval shortly.

Gulf Secures Additional Funding Support

In addition to restructuring the existing funding agreement, PT JGI has also agreed to invest a further A\$6 million into Gulf at 1.5 cents per share, each with a free attaching 0.5 cent listed option on a one for one basis, expiring 21 April 2019 (the "new PTJGI investment").

Further, Gulf signed a subscription agreement with a Singapore based ore and alloy company ("Singco") for an additional A\$2 million investment into Gulf at 1.5 cents with a free attaching 0.5 cent listed option on a one for one basis, expiring 21 April 2019. Singco is not related to PT JTS.

Both the investments will be undertaken in two tranches, with each tranche to occur concurrently with both investors.

Gulf can report that the first tranche of the new respective PT JGI and Singco investments was received on 15 January 2019, with A\$3.6 million received by the Company. The funds received from the investors will be used to fully repay A\$2.5 million owed under the PT Jayatama Tekno Sejahtera ("PT JTS") standby facility with remaining funds used towards construction of the Kupang smelter.

As part of the first tranche completion, Eighteen Blue Investments Pty Ltd ("EBI") has converted its existing A\$2 million of convertible notes into 133,333,333 shares in Gulf at a conversion price of 1.5 cents per share.

The second tranche of the additional investments amounting to A\$4.4 million is to be completed subject to Gulf shareholder approval at a general meeting to be held on 28 February 2019, and GMG having received or being sufficiently advanced towards receiving its manganese Direct Shipping Ore License ("DSO").

Litigation Settlement

In December, Gulf advised that following a mediation in the Supreme Court of Western Australia, Mighty River International Ltd ("MRI") and the Company have agreed in a Deed of Settlement and Release to settle all outstanding claims and dismiss the court action.

As part of the agreed settlement, GMC will issue to MRI 100,000,000 GMC shares and 100,000,000 GMC listed options as a placement under ASX Listing Rule 7.1. MRI also agreed to a cash subscription of 20,000,000 GMC shares at 1.5 cents with 20,000,000 free attaching GMC listed options at 0.5 cents. The free attaching options were issued under a prospectus on 16 January 2019. The first \$150,000 under the Deed of Settlement for the subscription of the shares and options was paid to the Company on 21 December 2018, with the remaining \$150,000 paid in full on 24 January 2019.

Key Appointments

During the quarter, Gulf announced the appointment of Mr Tan Hwa Poh to the position of Non-Executive Director. Mr Tan Hwa Poh is currently a Commissioner on the Board of Gulf's Indonesian subsidiary Company PT GMG and works as a private business consultant, bridging businesses between Singapore, Indonesia, Thailand and Hong Kong in a variety of industries including oil and gas and agriculture.

In addition, Mr Robert Ierace commenced his role as Chief Financial Officer (appointed August 2018) and was also appointed as Company Secretary. Mr Ierace is a Chartered Accountant and Secretary with over 20 years' experience, predominantly with ASX and AIM listed resources, oil and gas exploration and production companies. He has extensive experience in financial and commercial management including experience in corporate governance, debt and capital raisings, risk management, treasury management, insurance and corporate acquisitions and divestment. Robert has previously served in senior financial roles for various resources and oil and gas companies including Bullseye Mining Limited, Key Petroleum Limited, Amadeus Energy Limited, Kimberley Diamond Company NL and Rio Tinto Iron Ore.

During the quarter, Gulf advised that Mr Sam Boon Beng Lee had resigned as a Non-Executive Director of GMC and that Mr Ian Gregory had retired from the position of Company Secretary.

Management Commentary

Commenting on the quarter, Gulf's Managing Director, Hamish Bohannan said;

"Our priority during the December quarter was concentrated on the restructuring of funding arrangements with our Indonesian cornerstone investors and the development of relationships with additional stakeholders and I am pleased that we were able to achieve a positive outcome for our shareholders.

"With the requisite funding arrangements now in place, we can again shift our resources to completing the remaining construction work at our Kupang Facility. We are continuing focus on securing the DSO License approvals and expect to be able to provide our shareholders with a more substantive update this quarter."

-Ends-

For further information please contact:

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Managing Director

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

GULF MANGANESE CORPORATION LIMITED

ABN

73 059 954 317

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) project evaluation	-	-
(b) development	(255)	(1,151)
(c) production	-	-
(d) staff costs	(478)	(911)
(e) administration and corporate costs	(352)	(1,071)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	27
1.5 Interest and other costs of finance paid	(52)	(61)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (GST paid to be recouped)	-	-
1.9 Net cash from / (used in) operating activities	(1,134)	(3,167)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(18)	(86)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other assets	(675)	(4,106)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other financial assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other - payments for mining rights	-	(614)
2.6	Other - receipt of security deposit funds	-	132
2.7	Net cash from / (used in) investing activities	(693)	(4,674)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	232	2,124
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	424	3,364
3.6	Repayment of borrowings	(50)	(50)
3.7	Transaction costs related to loans and borrowings	(16)	(16)
3.8	Dividends paid	-	-
3.9	Other (capital return to shareholders)	-	-
3.10	Net cash from / (used in) financing activities	590	5,422

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,004	4,213
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,134)	(3,167)
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(693)	(4,674)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	590	5,422

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	88	61
4.6	Cash and cash equivalents at end of period	1,855	1,855

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	835	1,984
5.2	Call deposits	1,020	1,020
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,855	3,004

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	112
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Amounts include director fees, salaries and super.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other – Convertible notes

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
7,000	2,500
9,000	9,000

Facility Description	\$A '000	Lender	Interest rate	Secured/Unsecured	ASX info date
Standby facility	7,000	PT Jayatama Tekno Sejahtera	20%	Secured	12/03/2018
Convertible Note	1,000	BB Lee Super Fund	8%	Unsecured	23/06/2017
Convertible Note	2,000	Eighteen Blue Investments P/L	0%	Unsecured	12/03/2018
Convertible Note	6,000	PT Jayatama Global Investindo	0%	Secured	12/03/2018

As outlined in the ASX announcement 2 January 2019 the \$6 million convertible note with PT Jayatama Global Investindo was converted to a \$5 million loan repayable from commercial production profits and a 25.1% equity share in PT Gulf Mangan Grup (subject to MEMR approval).

As outlined in the ASX announcement dated 15 January 2019 the \$2 million convertible note with Eighteen Blue Investments P/L was converted to equity in Gulf Manganese Corporation Ltd at 1.5 cents per share. The standby facility with PT Jayatama Tekno Sejahtera which was drawn down by \$2.5 million was fully repaid on 17 January 2019 and has now ceased.

9. Estimated cash outflows for next quarter**\$A'000**

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 Total estimated cash outflows**1,200**

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil			

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Print name: Hamish Bohannan
(Managing Director)

Date: 31 January 2019

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.