



ASX Announcement  
30 April 2019

## Quarterly Activities Report Period ended March 31

### 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 A\$6m Convertible Note restructured into 25.1% of issued capital in PT Gulf Mangan Grup ("GMG") (subject to MEMR Approval); 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 in two tranches**
- **First tranche of additional \$8m investment completed – Eighteen Blue A\$2m convertible notes converted to shares**
- **Direct Shipping Ore (DSO) License permitting advanced during quarter – expected to be approved soon.**
- **In excess of A\$2.3 million raised through conversion of 0.5c Listed Options (GMCO) into Ordinary Fully Paid Shares (GMC).**

**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 March 2019.

### Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia, with its business partner PT JGI, to produce and sell low carbon ferromanganese alloy. Gulf will own 74.9% of PT Gulf Mangan Grup ("PT GMG") with PT JGI owning 25.1% of PT GMG. 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, the first two furnaces should process 320,000 tonnes of manganese ore per annum, to produce circa 155,000 tonnes of premium quality ferromanganese alloy.

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## **March Quarter Activity Overview**

### Kupang Smelting Hub Developments

Whilst the majority of the engineering works on site have been reduced in order to facilitate cost reduction in both the Company and the Indonesian entity, thereby controlling expenditure and preserving funds, PT GMG have continued with relevant safety and training of personnel, refining construction budgets and development and implementation of site systems and processes.

### Direct Shipping Ore Licence ("DSO") Update

PT GMG lodged its 2019 Work Plan and Budget ("RKAB") with the Ministry of Energy and Mineral Resources ("MEMR") on 10 February, satisfying the final requirement in the Company's application for the manganese DSO Licence which will allow the Company to export manganese concentrate in the form of high-grade manganese ore, or Direct Shipping Ore ("DSO").

Due to delays in the application process, assays for ore samples expired and the samples required assaying again. A new Certificate of Analysis for ore samples was lodged with MEMR on 4 March.

Subsequent to the quarter end, we were advised that as at Friday 26 April 2019, the Evaluation Process of the documents (with legal being the last department to approve) has been finalised. The final Ratification Process is underway. We have been advised that only one further ratification is now required from the Director General of the Ministry of Energy and Mineral Resources (MEMR) for the DSO. Ratification from the Ministry of Trade is then required for the issue of an export permit. On this basis we expect the DSO license to be completed soon.

## **Corporate Activity Overview**

### Update on Cornerstone Investment

On 2 January, Gulf 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 GMG.

PT JGI 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 ~A\$5 million loan which will be repayable from the profits from commercial production of the Kupang Smelting Hub Facility. Following 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"). As previously advised, GMG has already received approval from the Indonesian Department of Law and Human Rights, the Indonesian foreign investment regulator BKPM and expects to receive the MEMR approval early next quarter.

### Gulf Secures Additional Funding Support

In addition to restructuring the existing funding agreement, PT JGI 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.

The investments are to be undertaken in two tranches with the second tranche requiring Shareholder Approval, which was received at a general meeting on 28 February 2019.

The first tranche of the new PT JGI and Singco investments was received on 15 January, 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 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") 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.

At the Company's General Meeting on 28 February, the relevant Resolutions pertaining to the Second Tranche of A\$4.4m of the additional investments totalling A\$8m were approved.

The Tranche 2 Cut Off Date under the Agreements was also extended from 31 March to 30 April to enable GMG sufficient time to secure the DSO license, a condition precedent to T2 funding.

#### Exercise of Placement with Acuity Capital

During the quarter, the Company agreed to place 62,500,000 GMC shares at an issue price of 0.8c (inclusive of costs) to Acuity Capital, raising \$500,000.

The Company intends to use the funds for general purposes and working capital.

#### Listed 0.5c Options Conversion

Subsequent to the quarter end the Listed 0.5c options (GMCO) expired on 21 April 2019. From the beginning of the quarter to date, strong shareholder support resulted in 465,364,804 options (representing ~25% of total options on issue) being exercised, raising in excess of A\$2.3 million.

### **Indonesian Manganese Developments**

#### Update on Mining in NTT Province

The Company's operations in Kupang are in Nusa Tenggara Timur Province (NTT), Indonesia. As previously advised, the Governor of NTT announced a 12-month moratorium on mining in the NTT Province. This announcement has recently been clarified by the formal Governor's Decree dated 14 November 2018.

During the quarter, Gulf received advice the following advice on the announcement.

- The Decree relates to mining in NTT. Gulf's core business is the smelting and processing of manganese, not mining. Gulf can purchase manganese ore from suppliers in NTT that have met the new review requirements of the Governor, or also from outside of the Province of NTT, including neighbouring Provinces of NTB and Maluku, however with a higher freight cost;
- The Decree is mainly focussed on the granting of new IUPs (mining licences) in NTT, whereas the Company has signed over 20 MoUs with existing IUP holders which are "Clean and Clear" IUPs;
- The Company expects its manganese suppliers, including IUPs that it may have a financial interest in, to meet all environmental requirements. Our business relies on a long term, sustainable manganese mining industry in Indonesia to support our smelters and we intend to work with the government, the community and our suppliers to help ensure that the industry works within the environmental rules and is sustainable.

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

"We have continued to move forward with Gulf's funding initiatives this quarter, and we thank our new and existing investors for their support.

"With the first tranche received and the second expected shortly, our focus will again shift to completing remaining construction work at our Kupang Facility.

"We have worked consistently to secure the DSO License approvals, which are a core prerequisite of the second funding tranche as we have advised. We're buoyed by the advice received from the MEMR and expect the DSO Licence to be approved very soon.

"The impending DSO Licence is a critical milestone for Gulf, as it not only triggers the payment of the second tranche but enables the commencement of manganese exports and delivers significant value to Gulf and its shareholders.

"The next six months provide much excitement for Gulf's Board and Management, as we look to advance the development of the Kupang facility, and we look forward to providing further updates in due course."

**-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 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) project evaluation	-	-
(b) development	(517)	(1,668)
(c) production	-	-
(d) staff costs	(550)	(1,461)
(e) administration and corporate costs	(480)	(1,551)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	27
1.5 Interest and other costs of finance paid	(293)	(354)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (GST paid to be recouped)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,840)</b>	<b>(5,007)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(86)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other assets	-	(4,106)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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
<b>2.7 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(4,674)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	4,550	6,674
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	(81)	(81)
3.5 Proceeds from borrowings	-	3,364
3.6 Repayment of borrowings	(4,075)	(4,125)
3.7 Transaction costs related to loans and borrowings	-	(16)
3.8 Dividends paid	-	-
3.9 Other (capital return to shareholders)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>394</b>	<b>5,816</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,855	4,213
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,840)	(5,007)
4.3 Net cash from / (used in) investing activities (item 2.7 above)	-	(4,674)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	394	5,816

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	19	80
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>428</b>	<b>428</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	408	835
5.2	Call deposits	20	1,020
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>428</b>	<b>1,855</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	159
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.

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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

## 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
-	-
-	-
-	-

Facility Description	\$A '000	Lender	Interest rate	Secured/Unsecured	ASX info date
-	-	-	-	-	-
-	-	-	-	-	-

**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**

-

200

-

450

150

-

**800**

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			

**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: 30 April 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.