



ASX Announcement
30 April 2020

Quarterly Activities Report Period ended 31 March 2020

Highlights:

- **€52 Million Loan Facility secured to complete Kupang Smelting Hub construction program**
 - **Gulf fully funded to complete construction and commissioning of first two smelters at Kupang Smelting Hub**
 - **Funding to advance strategic joint venture with Iron Fortune – providing a first-mover manganese exploration opportunity in Timor Leste**
 - **Funds delayed by pandemic hiatus, expected before end May 2020**
- **Bridging funding of AUD1 Million is being put in place with Obsidian Global GP LLC**
- **Site activities and ore supply are on hold pending funding along with corona virus pandemic restrictions.**

Gulf Manganese Corporation Limited (ASX: GMC) ("Gulf" or "the Company") is pleased to provide shareholders with its Quarterly Activities Report for the period ended March 31, 2020.

Kupang Smelting Hub Project Overview

Gulf is committed to developing a world-class ferromanganese smelting business in West Timor, Indonesia to produce and sell medium and low carbon ferromanganese alloy.

Gulf's Kupang Smelting Hub facility will contain multiple furnaces built in stages over about five years, targeting the production of a premium quality manganese alloy. At full production, Gulf will aim to purchase and process over 525,000 tonnes of manganese ore per annum, producing over 200,000 tonnes of premium quality ferromanganese alloy.

March Quarter Activity Overview

€52 Million Loan facility to complete Kupang Smelting Hub construction program

As announced on 8th January, Gulf executed a binding term sheet for the establishment of a €52 million Structured Loan Facility ("Loan Facility") with Glacier International Depository Ltd, Legal and General Investment Management Limited and HSBC Bank plc.

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Gulf Manganese Corporation Limited

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The funds were expected to be received in February, but due to a series of delays reported by Glacier, starting with Brexit and now with the Pandemic, funds are expected before the end of May. Once received, Gulf will be fully funded to complete the construction and commissioning of the first two smelting furnaces at the Kupang Smelting Hub facility in West Timor, Indonesia. As discussed below, Gulf has taken steps to establish bridging funds to cover the delays in receiving the funds from Glacier.

As previously reported, construction of the facility is currently 60% complete, with approximately US\$13 million and a further 6-7 months' work required to complete the first two smelting furnaces. However, with isolation and travel restrictions delays should be expected both with remobilisation and the time to complete. The Kupang team will however make every effort to complete construction and commissioning with maximum effort.

This Loan Facility will also provide Gulf with the ability to ramp-up its high-grade (+49% Mn) manganese mining and exploration activities in Indonesia, taking advantage of its licence to export manganese concentrate, and to advance its strategic joint venture with Iron Fortune in Timor Leste.

Manganese Ore Supply

In February, Gulf provided an update on ore supply and its expected first shipment of manganese ore from Sulawesi ("DSO"). Since that time, delays in funding to purchase ore and support mining activities have frustrated that strategy and now isolation and travel restrictions in Indonesia have brought all manganese mining activities to a halt. Notwithstanding, the strategy as outlined below still stands.

Following the introduction of the twelve-month moratorium on mining in NTT in November 2018, which is now over, Gulf implemented a three-pronged strategy for the supply of ore for its DSO opportunity and for supply of the smelting hub.

The supply of ore for DSO is a fixed term opportunity allowed by the government for bona-fide smelting and processing companies to sell concentrated ore to assist with cashflow during the construction of smelting facilities. In the case of manganese ore, the concentrated ore must average over 49% manganese ("Mn"). This is higher grade than is needed for the smelter which will treat ores greater than 40% Mn.

The three-pronged strategy is

- To secure ore from NTT mines with Indonesian partners,
- To purchase ore from local miners, and
- To purchase ore from neighbouring provinces.

During the last quarter, Gulf reported that 17 IUP's (permits to conduct a mining business) were approved by the Ministry of Energy and Mineral Resources in Kupang, thus allowing these miners to recommence manganese production. Negotiations are ongoing with a number of these NTT miners to secure further manganese ore supply partners.

Corporate Activity Overview

Placement with Acuity Capital

As announced on March 9, 2018, the Company entered into a Controlled Placement Agreement ("CPA") with Acuity Capital. The CPA provides Gulf with up to \$5 million of standby equity capital and was due to expire in December 2019.

During the March Quarter, the Company exercised one placement with Acuity Capital, as announced on 21 January 2020 for a total raise of \$160,000.

To date \$3.14 million has been raised under the CPA with a further \$1.86 million remaining.

Bridging Funds with Obsidian Capital

Post-quarter end, Gulf executed a term sheet with Obsidian Global GP LLC for the establishment of a \$1 million convertible note facility to be drawn down over six months, providing financial security to the Company in the event of any further unforeseen delays with the principal Glacier funds.

Additionally the Company continues to take steps to minimise expenditure during this period, introducing significant cost reduction measures including reductions of 40% to wages of staff and freezing of payment of director fees.

Resignation of non-executive director, Andrew Wilson

As announced on March 3, 2020, the Company announced the resignation of non-executive director, Andrew Wilson who left the Company to further pursue, amongst other things, his active involvement in supporting the disability community in Australia.

The Company thanks Andrew for his considerable contributions and wishes him well in his future endeavours.

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

"A frustrating quarter in many regards with the delays to funding caused by major exogenous events. Notwithstanding, the Company's focus continued to be securing funds to kick-start construction on site and expedite commissioning of the plant with the target of pouring first metal at Kupang in 2020.

"As we will soon have the required capital, the Company's near-term focus will be to re-commence construction while simultaneously fast-track high-impact mining and exploration programs in Indonesia, targeting its lucrative high-grade manganese ore deposits.

"I would like to thank our shareholders for their support throughout this process, and we look forward to providing further updates on the Company's operational milestones in the near-term."

-Ends-

For further information please contact:

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Managing Director

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GULF MANGANESE CORPORATION LIMITED

ABN

73 059 954 317

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	(47)	(1,118)
(c) production	-	-
(d) staff costs	(178)	(878)
(e) administration and corporate costs	(207)	(1,650)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(8)	(292)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(440)	(3,936)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(60)	(1,389)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	(100)	(200)
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(160)	(1,589)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	180	1,090
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	370	519
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	550	1,609

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	170	3,972
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(440)	(3,936)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(160)	(1,589)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	550	1,609

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	1
4.6	Cash and cash equivalents at end of period	57	57

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	37	87
5.2	Call deposits	20	20
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)	57	107

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

6.1 Amount include director fees, consulting fees, salaries and superannuation.

6.2 N/A

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**Current quarter
\$A'000**

62

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	5,157	5,157
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	370	370
7.4 Total financing facilities	5,527	5,527

7.5 **Unused financing facilities available at quarter end**

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

P Gulf Mangan Grup, a subsidiary of Gulf Manganese Corporation Limited, has a remaining A\$5.157 million loan under the stand-by facility with PT Jayatama Global Investindo, a subsidiary of PT JTS. The loan will be repayable from the profits from commercial production of the Kupang Smelting Hub Facility. The loan is secured by fiduciary charge over the manganese smelters, with 8% interest per annum and has a due date of 30 September 2020. Refer to the Company ASX announcement on 2 January 2019 for further details.

Gulf Manganese Corporation Limited obtained total short-term unsecured loan \$370,000. The loans are repayable at two times of the loan upon the completion of project financing.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(440)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(440)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	57
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	-
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.13

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No as the entity has reduced overhead expenditure while it continues to complete long term financing arrangements.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, it is in negotiation with alternative bridging finance options in case completion of the above financing activities is delayed. The Company also has a Controlled Placement Agreement with Acuity Capital to provide standby equity capital.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, through the abovementioned financing arrangements.

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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.

Date: 30 April 2020



Authorised by: Hamish Bohannan (Managing Director)
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.