ASX Announcement
1 October 2018

Amended Full Year Accounts to 30 June 2018

Gulf Manganese Corporation Limited (ASX: GMC) ("Gulf" or "the Company") is submitting an amended Full Year Accounts report for the year ending 30 June 2018.

This report corrects a formatting error in respect to page titles, and amending the accounts sign off date from 29 September 2018 to 28 September 2018.

There are no material changes to the Operational Review, Financials, Audit Report, or Director's Report.

-Ends-

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Gulf Manganese Corporation Limited

ACN 059 954 317

Financial Report for the Year Ended 30 June 2018

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Board of Directors
Craig Munro – Non-Executive Chairman
Hamish Bohannan – Managing Director
Andrew Wilson – Non-Executive Director
Sam Lee – Non-Executive Director

Management
Ian Gregory – Company Secretary
Robert Ierace – Chief Financial Officer
Donna Whittaker – Executive Assistant & Investor Relations Manager

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Financial Year 2018 – Operations Review

Gulf Manganese Corporation (ASX. GMC) ("Gulf" or "the Company") is well advanced in its plans to develop 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.

CONSTRUCTION PROGRESS

Construction on the Kupang Smelting Hub continues to progress on schedule, with all structural steel fabrication and civil works now complete, with only sandblasting and painting of the final steel components required. In total, 51% of the steel (approximately 357 metric tonnes) has now been installed, with earthworks and backfilling activities also underway.

The next step in the construction process will include the pouring of floors and the installation of key equipment. It is anticipated that all construction activities will be completed during Q4 2018, ahead of the commencement of commercial production in Q1 2019.

PT Weltes signed to manage Kupang construction

In August 2017, Gulf engaged Indonesian construction company PT Weltes Energi Nusantara, working under EPCM contractor XRAM Technologies Pty Ltd ("XRAM"), to undertake the construction phase of the Kupang Smelting Facility.

PT Weltes is a multi-disciplinary engineering procurement, construction and fabrication manufacturer with specific experience in mineral and chemical processing plants and infrastructure, including civil work and electrical and control automation.

FY18 Smelter Development Timeline

21 July, 2017:	Smelter refurbishment commences in South Africa, supervised by XRAM Technologies Pty (Ltd);
23 August, 2017:	Dismantling of smelting equipment at Transalloys' site, with furnace shells and slipping devices removed;
19 September, 2017:	Furnace electrical components, transformers, gearboxes, hydraulic equipment and steel components transported to specialist contractors for inspection and refurbishment;
23 January, 2018:	Furnace equipment units containerized in South Africa; concrete pouring of the box cut levelling slabs completed in Indonesia;
March-April, 2018:	Concrete foundations and binding complete;
2 May, 2018:	Smelters transported by road to Durban, ahead of scheduled shipping to Kupang. Three surveyors sent from Jakarta to Johannesburg for surveying as part of the Indonesian customs process;

17 May, 2018: Smelting furnaces shipped from Durban to Kupang via Singapore on the Maersk Sheerness following full refurbishment. The main parcel comprised nine 40-foot containers of smelter components, structural steel, hydraulic power plant and two large transformer units. Shipment of both parcels managed by Durban-based Themba Dry Cargo;

27 May, 2018: Second parcel, comprising smelter shells and tilted mechanism, departed Durban to Jakarta on the Hoegh Autoliner;

Post FY18 Year-End

23 July, 2018: Smelting furnaces arrive at Tenau Port, Kupang, undergoing a final customs clearance. To mark the arrival, a celebratory ceremony and blessing was held in Kupang, which was attended by representatives of Gulf's key investment partners and Government and community representatives;

10 August, 2018: Smelter reassembly and installation commences onsite at Kupang, including the establishment of PT Weltes site infrastructure (site office, workshop and tool store);

Figure 1: Latest development progress at the Kupang Smelting Hub Facility

<u>FUNDING DEVELOPMENTS FOR SMELTER CONSTRUCTION</u>

A key outcome achieved during FY 2018 was the securing of major cornerstone investment from well-respected Indonesian-based investor Bapak Fofo Sariaatmadja. Subsequently an agreement has been reached with Bapak Dato Dr Low Tuck Kwong, a well respected Jakarta based mining executive.

Importantly, these funding commitments provide Gulf with the requisite capital and flexibility to complete the construction and commissioning of the Company's first two smelters at the Kupang Smelting Hub Facility. Furthermore, securing the support of two major Indonesian investors is an excellent endorsement of Gulf's in-country capabilities and development plans for the Kupang Smelting Hub.

An outline of the key funding commitments received during the year is provided below.

PT Jayatama Tekno Sejahtera

In March 2018, Gulf secured a funding package valued at approximately A$15 million equivalent from Indonesian-based diversified investment group PT Jayatama Tekno Sejahtera ("PT JTS").

The funding package included an A$2 million placement to PT JTS's nominee company Eighteen Blue Investments Pty Ltd at 1.5 cents per share, A$6 million to be invested by PT JTS's wholly-owned subsidiary – PT Jayatama Global Investindo (PT JGI) at project level in Gulf's Indonesian Subsidiary Company, PT Gulf Mangan Grup ("PT Gulf") for a 25.1% equity. An additional A$7 million standby facility has also been made available to Gulf to provide additional flexibility during construction and commissioning phase.

Post-year end, the Company advised that Gulf and PT JGI have agreed to extend the Conversion Date under the Convertible Note Agreement from 31 August 2018 to 12 October 2018.

PT JTS and related companies are part of a diversified investment group based in Indonesia and Australia, with investments across the Asia Pacific region. PT JTS has investments spanning multiple industries, including technology, hospitality, real estate to agriculture.

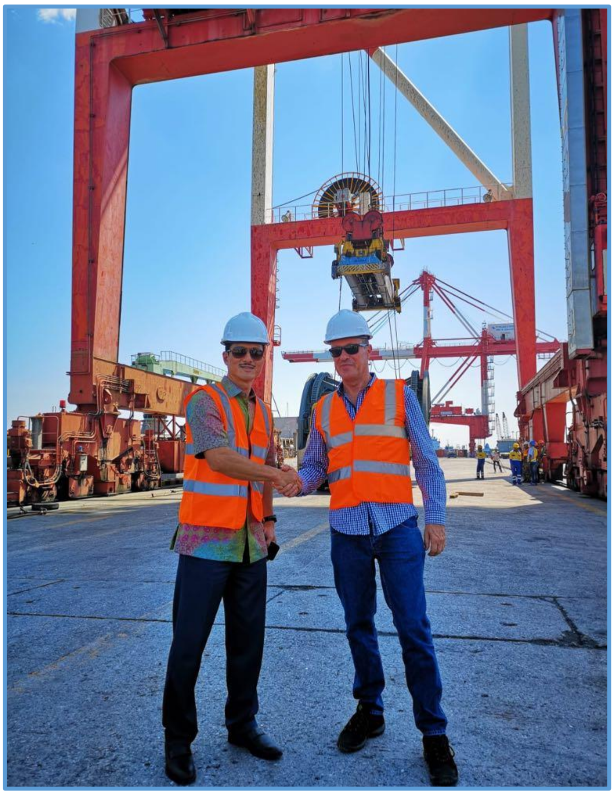


Figure 2: Bapak Fofo Sariaatmadja, President Commissioner PT GMG with Hamish Bohannan at Tenau Port, Kupang.

Bapak Dato Dr Low Tuck Kwong

On August 28, 2018, Gulf signed a term sheet with Jakarta-based businessman Bapak Dato Dr Low Tuck Kwong, founder and President Director of integrated coal group PT Bayan Resources TBK, ("PT Bayan") for an investment of ~A$10.8 million.

Upon completion of the investment, which is subject to shareholder approval following the Company's Annual General Meeting in Perth, Bapak TK Low will hold a 19.8% equity holding in the ASX-listed entity – Gulf - and will be entitled to appoint one seat on Gulf's Board of Directors, and one seat on the Board of Commissioners in PT Gulf.

KEY APPROVALS SIGNED

Power supply secured

In November 2017, PT Gulf executed a Memorandum of Understanding ("MOU") with state-owned power utility PT PLN (Persero) for the provision of up to 20 MVA power supply to the Kupang Smelting Hub.

This has now been formalized with a five-year agreement signed with Persero to provide continuous electrical power of 20 MVA, with a guaranteed voltage of 20,000 volts due to the provision of a separate transformer. As a premium customer, PT Gulf is guaranteed power supply in a load shedding event, which is critical to maintaining consistent operations during periods of power reduction.

Rental terms finalised at Bolok

The Kupang Smelting Hub site is situated on the Bolok Industrial Estate, directly adjacent to the government-owned power station. Gulf has successfully finalised rental terms for the Bolok land lease covering the initial 10 hectares out of 35-hectare project site, and as part of the agreement, PT Gulf paid five years' rent in advance to the Government of East Nusa Tenggara Province.

Environmental and building approvals secured

Another key development milestone in January 2018 was Gulf receiving Environmental License approval from the Environmental Department of the Provincial Government Kupang, for the development of the Kupang Smelting Hub Facility and the IMB Licence (Building Permit) was also granted.

The granting of these approvals followed an extensive review by the Environmental Department into Gulf's development plans and marked the receipt of all permitting requirements.

Operating licence granted

In August 2018, PT Gulf received its Operating Licence for the Kupang Smelting Hub Facility. The Operations Permit is valid for 30 years for the buying, selling and transporting of manganese ore within Indonesia for smelting, and to conduct overseas sales of ferro-manganese alloy in accordance with the provisions of the laws and regulations in Indonesia.

SMELTER SUPPLY CHANNELS STRENGTHENED

Ore supply agreements signed

Establishing robust ore supply agreements and partners is a critical step towards underpinning the start-up of commercial production at the Kupang Smelting Hub Facility.

During FY 2018, a clear focus was on strengthening these ore supply channels and as a result the Company now has in place agreements with some 19 local manganese mining companies for the supply of about 10,000 tonnes per month of manganese ore.

Importantly, Gulf can advise that all ore supply partnerships are compliant with the Company's 'clean and clear' strategy, which ensure Gulf partners only with local mining groups who have obtained the mandatory Clean and Clear Certificate ("CnC") to operate in Indonesia.

Mine acquisition strategy

Gulf has also continued to make solid progress towards the acquisition of a number of high grade local manganese mines to further strengthen the Company's ore supply pipeline.

In April 2018, the Company concluded due diligence on a previously operating manganese mine in Timor East Nusa Tenggara, with acquisition terms currently being finalised.

To further support this strategy, Gulf appointed David Brown as Mining Operations Manager, to oversee and manage Gulf's mining and acquisition strategy. A mining engineer with over 25 years' experience in the industry, covering a range of commodities including gold, silver, nickel, copper and limestone.

A vast majority of the manganese mines in Indonesia have been dormant since 2013 due to bans on the export of un-processed ore from Indonesia, which represents a significant opportunity for Gulf in the near-term.

Direct shipped ore permitting

During the year in review, discussions continued with the relevant authorities to obtain the necessary permitting to enable the commencement of the sale and shipment of manganese concentrates (>49% Mn) (DSO).

These discussions are ongoing, and Gulf looks forward to providing updates in due course.

<u>KEY IN-COUNTRY APPOINTMENTS</u>

Smelter Arrival Ceremony at Kupang. (L-R): Bapak F.X Wicaksono (Lt Colonel Kupang), Bapak Kasirun Situmorang (Br Gen Kupang Navy), Rep of Bapal Raja Erizman (Police Head NTT), Mr Sam Lee (Director), Mr Craig Munro (GMC Chairman), Mr Bapak Fofo Sariaatmadja (President Commissioner PT GMG), Bapak Robert Simbolon (NTT Governor in Charge), Chairoel Jul Naro from PT JGI, Bapak Frans Lebu Raya (Governor NTT Retired), John Woodacre (Director PT GMG), Hamish Bohannan (GMC MD & CEO), Dr Jeffry Riwu Kore (Kupang Mayor), Bapak Benedictus Polo Maing (SEKDA Province NTT), Bapak Daeng (Head of State Intelligence Agency NTT) and Bapak Johannes Susilo (Vice President Director.)

PT Gulf Board appointments

As part of the partnership with PT JTS, Gulf welcomed Bapak Fofo Sariaatmadja and Bapak Chairoel Jul Naro to the PT GMG Board of Directors and Commissioners as President Commissioner and Commissioner respectively. Bapak Johanes Susilo was also appointed as Vice President Director of PT Gulf.

<u>Bapak Fofo Sariaatmadja</u>

Bapak Fofo Sariaatmadja currently serves as Chairman and CEO of PT JTS, as well as Commissioner at PT. Elang Makhota Teknologi Tbk ("PT Emtek"), a publicly listed Indonesian group of companies with its main business divisions being Media, Telecommunications and 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. Previously, he served as Director of PT Emtek from 2009 to 2012, as Commissioner of PT PP London Sumatra Indonesia Tbk, one of the largest palm oil plantation companies in Indonesia, from 2007 to 2009, as President Director of PT Surya Citra Media Tbk from 2004 to 2012, and as President Director of PT Surya Citra Televisi from 2006 to 2011.

<u>Bapak Chairoel Jul Naro</u>

Bapak Chairoel Jul Naro is an Indonesian citizen who has had a successful career both in the private arena and in public service. Bapak 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.

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.

<u>Bapak Johanes Susilo</u>

Bapak Johanes Susilo served as Vice President of Chase Manhattan Bank, Jakarta from 1982 to 1989 and as President Director of Asia Kapitalindo Sekurities from 1994 to 2000. Johanes 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.

CORPORATE ACTIVITY

Acuity Capital share placement

Gulf placed 100,000,000 shares at an issue price of 1.26c to Acuity Capital for a total raise of $1,260,000, in accordance with the Controlled Placement Agreement signed in January.

The issue of the placement shares will be subject to shareholder approval following the Company's Annual General Meeting in Perth. The shares will be issued to Acuity Capital following the general meeting.

Sophisticated investor capital raising

In conjunction with the securing of two key cornerstone investors, the Company also successfully finalised A$12m in additional capital million raising in November 2017 to advance the development of the Kupang Smelting Hub Facility.

Review of Operations (Continued)

Non-Executive Director Appointment

Mr Sam Lee was appointed as a Non-Executive Director to the Company's Board of Directors following the Board Meeting held in Kupang on 21 July 2018. Mr Lee was also appointed to the PT Gulf Board of Commissioners in July 2018.

Mr Lee has been a valuable addition to the Company's staff since his appointment, having played a key role in the establishment of the in-country geology team and also in identifying and establishing relationships and ore supply contracts with local manganese miners.

Company Secretary Appointment

Mr Leonard Math resigned as Company Secretary and Chief Financial Officer on 4 July 2018, and was replaced by Mr Ian Gregory was appointed as Company Secretary. Mr Gregory is a professionally well-connected Director and Company Secretary with over 30 years' experience in the provision of the company secretarial and business administration services.

Tenement Holdings

Lease	Locality	Project	Lease Status	Grant Date	Expiry Date	Area	Managing Company	Registered Holder
EL10335	NT	Wollogorang	Granted	15/08/2002	14/08/2018*	215 Blks	Redbank Operations Pty Ltd	Gulf Copper Pty Ltd
EL29898	NT	Debbil Debbil Creek	Granted	15/08/2002	14/08/2019	55 Blks	Laramide Resources Ltd	Laramide Resources Ltd

*Renewal has been lodged in respect of EL10335 but is still pending.

The transfer in respect to tenement EL29898 was lodged with the DPIR and has now been received. Whilst transfer paperwork has been lodged for EL10335, this has not yet been finalised. It is expected that the transfer of this tenement to Redbank Operations Pty Ltd will occur in Q4 2018.

Director's Report

The Directors present the following report on the consolidated entity consisting of Gulf Manganese Corporation Ltd and the entity it controlled at the end of, or during, the financial year ended 30 June 2018.

The names of each person who has been a Director during the year and continues in office to the date of this report are:

Mr Craig Munro	(Non-executive Chairman) appointed 1 February 2016
Mr Hamish Bohannan	(Managing Director) appointed 1 February 2016
Mr Andrew Wilson	(Non-executive Director) appointed 17 February 2016
Mr Sam Lee	(Non-executive Director) appointed on 21 July 2018

Names, qualifications, experience and special responsibilities

Craig Munro CPA (Non-executive Chairman)

Craig is a Certified Practicing Accountant with over 40 years experience in the mining industry. He has been both an executive director and non-executive director of a number of listed companies since 1990.

Craig was recently Chairman of Bathurst Resources Limited, a New Zealand coal mining company, Executive Vice President and CFO at Anvil Mining Limited that had copper operations in the Democratic Republic of Congo and Executive Director Finance at Aquarius Platinum Limited involved in Platinum mining and processing in South Africa.

Other Current ASX Directorships	*Former ASX Directorships in the Last Three Years*
None	None

Hamish Bohannan MBA (Managing Director)

Hamish holds an Honours Degree in Mining Engineering from the Royal School of Mines UK and a MBA from Deakin University, Victoria. He has extensive corporate and operational experience in public companies within Australia and overseas in the capacity of Managing Director or CEO with ASX, TSX and AIM listed groups.

Other Current ASX Directorships	*Former ASX Directorships in the Last Three Years*
None	Bathurst Resources Limited

Andrew Wilson, B.Com, FAICD, AusIMM (Non-executive Director)

Andrew has a Bachelor of Commerce (Marketing) and a Masters of Law, with 30 years of legal experience and 16 years with BHP in various legal, risk and commercial roles. In addition, Andrew has also been a director of various publicly-listed companies, including: Herald Resources Ltd, Robust Resources Ltd, PT Resource Alam Indonesia TBK, and director or chairman of various not for profit organisations.

From 2000 until 2007, Andrew served as the President Director of BHP Billiton Indonesia, based in Jakarta. Andrew was also a Director of the Indonesian Mining Association and has established strong connections in the region and speaks the local language fluently.

He is a Fellow of the Australian Institute of Company Directors, a member of the Risk Management Institution of Australasia and AusIMM.

Other ASX Current Directorships	*Former ASX Directorships in the Last Three Years*
None	None

Director's Report (Continued)

Sam Lee (Non-executive Director) – Appointed 21 July 2018

Sam has over 25 years of senior management experience in directorship roles throughout Australia and Asia. In his previous role as Director – Ore Supply with PT GMG, Sam played a vital role during the initial phase of the smelter hub construction, with key responsibilities including setting up the geology team and identifying and establishing contracts with manganese miners to supply ore to the Kupang smelting hub. Sam did not hold any other directorships in the last three years

Other ASX Current Directorships	*Former ASX Directorships in the Last Three Years*
None	None

Ian Gregory, BBus, FGIA, FCIS, FFIN, MAICD (Company Secretary) – Appointed 4 July 2018

Ian has over 30 years' experience in the provision of company secretarial, governance and business administration services with listed and unlisted companies. Ian holds a Bachelor of Business degree from Curtin University and is a Fellow of the Governance Institute of Australia, the Financial Services Institute of Australia and a Member of the Australian Institute of Company Directors. Ian currently consults on company secretarial and governance matters to a number of listed and unlisted companies and is a past Chairman of the Western Australian Branch Council of Governance Institute of Australia.

Leonard Math, BComm, CA (Chief Financial Officer & Company Secretary) – Resigned 4 July 2018

At the date of this report, the relevant interest of each Director in the shares and options of the Company are:

	Shares		Options over ordinary shares		Performance Rights
Director	**Direct**	**Indirect**	**Direct**	**Indirect**	
Craig Munro	1,333,333	19,333,333	2,000,000	10,000,000	10,666,667
Hamish Bohannan	65,856,933	31,700,000	7,935,400	50,500,000	30,833,334
Andrew Wilson	-	22,333,333	-	12,000,000	8,000,000
Sam Lee	866,666	86,152,381	-	85,385,714	433,334

Principal activity

The principal activity of the Company is developing an ASEAN focused manganese alloying enterprise based in West Timor.

Review of operations and results

Details of the operations of the Company are set out in the Review of Operations on page 2. The Company incurred an after tax operating loss of $7,467,562 (2017: $5,363,308).

Dividends

No dividend has been paid or recommended for the current year.

Significant changes in states of affairs

There have been no significant changes in the state of affairs of the Company to the date of this report.

Likely developments and expected results of operations

Likely developments in the operations of the Company are set out in the Review of Operations on page 2.

Matters subsequent to the end of the financial year

The following occurred subsequent to the end of the period:

- Mr Leonard Math resigned as Company Secretary and Chief Financial Officer on July 4 2018 and Mr Ian Gregory was appointed as Company Secretary on that date.
- On 12 July 2018, 82,106,667 performance rights vested.
- Mr Sam Lee was appointed Non-Executive Director to the Board on 21 July 2018.
- On 1 August 2018, PT Gulf Mangan Grup confirmed it had received its operating licence for the Kupang Smelting Hub. On 10 August 2018, the Company announced its first 140 tonne shipment of structural steel had arrived from Weltes in Surabaya. The Company also took delivery of prefabricated site offices and workshops.
- During the month of August 2018, the following options were exercised:
  - 93,817,712 listed options expiring 21 April 2019 at $0.005 each
  - 1,850,000 unlisted options expiring 30 September 2018 at $0.0196 each
- On 28 August 2018, the Company signed a term sheet for a cornerstone investment into the Company of ~A$10.8 million from Jakarta based businessman, Bapak Dato Dr Low Tuck Kwong founder and President Director of integrated coal group PT Bayan Resources TBK. Subject to shareholder approval, the Company will issue 714,597,448 ordinary GMC shares to Bapak TK Low at a placement price of A$0.015 per share for a total investment of A$10,718,962 and 714,597,448 listed options exercisable at A$0.005 per option expiring 30 April 2019.
- On 4 September 2018, the Company and PT Jayatama Global Investindo agreed to extend the conversion date under the Convertible Note Agreement from 31 August 2018 to 12 October 2018.
- Subsequent to year end, the Company agreed to place the 100,000,000 shares pursuant to the Controlled Placement Agreement (CPA) at an issue price of 1.26c to Acuity Capital for a total raise of $1,260,000 (net of costs). The issue of the shares will be subject to shareholder approval at the Company's upcoming AGM.

Meetings of directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Board Meetings		*Audit Committee Meetings*
Name of Director	**Number eligible to attend**	**Number attended**	**Number attended**
Craig Munro	9	9	1
Hamish Bohannan	9	9	1
Andrew Wilson	9	9	1

Audit and risk committee

The Company has established an Audit and Risk Committee that comprises the whole Board.

Remuneration committee

The Company has established a remuneration committee that comprises the Non-Executive Directors. The Remuneration Committee met twice during the year.

Environmental regulations

The Company's current operations in Indonesia have limited exposure to the environmental regulation. No breaches of any environmental restrictions were recorded during the financial year.

Director's benefits
Since the date of the last Directors' Report, no Director of the Company has received, or become entitled to receive, (other than a remuneration benefit included in Note 17 to the financial statements or remuneration report), a benefit because of a contract that involved:

(a) the Director; or

(b) a firm of which the Director is a member; or

(c) an entity in which the Director has a substantial financial interest (during the year ended 30 June 2018, or at any other time) with the Company; or

(d) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit (if any).

Remuneration report (audited)
The information provided in this remuneration report has been audited as required under Section 308 (3C) of the *Corporations Act 2001*. During the financial year the key management personnel and Directors (see page 9 for details about each Director and key management personnel) are as follows.

Craig Munro	Non-executive Chairman
Hamish Bohannan	Managing Director
Andrew Wilson	Non-executive Director
Sam Lee	Non-executive Director (appointed 21 July 2018)
Paul Robinson	COO
Leonard Math	CFO & Company Secretary (resigned 4 July2018)

A Remuneration policy
The objective of the Company's policy is to provide remuneration that is competitive and appropriate. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) transparency; and
(iv) capital management.

Directors' and executives' remuneration
The policy of the Company is to pay remuneration of Directors in amounts in line with employment market conditions relevant in the mining industry.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market.

The Constitution of the Company provides that non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum determined by the Company in a general meeting. The current aggregate maximum is $500,000.

The table below sets out summary information about the Consolidated Entity's earnings and movements in net asset for the last 5 years:

	30-Jun-18 $	30-Jun-17 $	30-Jun-16 $	30-Jun-15 $	30-Jun-14 $
Revenue	112,761	1,100	-	150,043	-
Net profit /(loss) before tax	(7,467,562)	(5,363,308)	(2,903,474)	(2,594,559)	(5,622,881)
Net asset/(liability)	9,736,238	8,636,614	841,174	(836,429)	(227,215)

Performance based remuneration

Performance Rights

During the year, 94,500,000 performance rights expiring 31 December 2019 were granted to Directors.

Director	No.	Fair value of performance rights granted
Craig Munro	20,000,000	320,000
Hamish Bohannan	62,500,000	1,000,000
Andrew Wilson	12,000,000	192,000
TOTAL	**94,500,000**	**1,512,000**

Refer to Note 13 for further details of the performance rights.

Voting and comments made at the Company's 2017 Annual General Meeting

At the 2017 Annual General Meeting, the Company received 98.19% votes in favour of the adoption of its remuneration report and did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors, the Key Management Personnel of the Company (as defined in AASB 124 *Related Party Disclosures)* and specified executives of the Company are set out in the following tables:

Director's Report (Continued)

Details of remuneration (Continued)

	SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS		OTHER	SHARE BASED PAYMENT		TOTAL
Directors	**Salary and fees**	**Superannuation**	**Retirement benefits**	**Fees**	**Shares/ options**	**Remuneration related to shares/options**	**$**
Craig Munro *(appointed 1 Feb 2016)*							
2018	92,390	7,610	-	-	320,000	76.19%	420,000
2017	94,216	5,784	-	-	435,000	81.31%	535,000
Hamish Bohannan *(appointed CEO 28 Oct 2015 and Managing Director 1 Feb 2016)*							
2018	244,936	23,302	-	-	1,000,000	78.85%	1,268,238
2017	272,060	23,401	-	-	1,155,000	79.63%	1,450,461
Andrew Wilson *(appointed 17 Feb 2016)*							
2018	60,000	-	-	-	192,000	76.19%	252,000
2017	60,000	-	-	-	435,000	87.88%	495,000
Paul O'Shaughnessy *(resigned 27 July 2016)*							
2018	-	-	-	-	-	-	-
2017	14,194	-	-	-	-	-	14,194
Total Remuneration Directors							
2018	**397,326**	**30,912**	**-**	**-**	**1,512,000**	**77.93%**	**1,940,238**
2017	**440,470**	**29,185**	**-**	**-**	**2,025,000**	**81.17%**	**2,494,655**
Executives							
Leonard Math *(resigned 4 July 2018)*							
2018	161,602	15,352	-	-	236,100	57.16%	413,054
2017	127,647*	6,607	-	-	322,500	70.61%	456,754
Paul Robinson *(appointed on 1 January 2016)*							
2018	132,771	12,613	-	-	358,455	71.14%	503,839
2017	92,202	8,759	-	-	300,000	74.82%	400,962
Total Remuneration Executives							
2018	**294,373**	**27,965**	**-**	**-**	**594,555**	64.84%	**916,893**
2017	**219,849**	**15,366**	**-**	**-**	**622,500**	72.58%	**857,715**

*Fees relates to Chief Financial Officer and Company Secretarial services provided through Nexia Perth Pty Ltd (previously GDA Corporate) until 31 December 2016 of $44,350 (2016:$100,895). Mr Leonard Math does not have beneficial interest in Nexia and was an employee of Nexia until 31 December 2016. Mr Leonard Math became a full time employee of Gulf Manganese Corporation Limited as CFO & Company Secretary from 16 January 2017.

C Service agreements

The Company has an Executive Service Agreement with Mr Hamish Bohannan for his role as Managing Director and Chief Executive Officer. Hamish will be remunerated at an annual salary of $250,000 inclusive of statutory superannuation with a three months' termination notice period.

The Company has an Executive Service Agreement with Mr Paul Robinson for his role as Chief Operating Officer. Paul will be remunerated at an annual salary of $210,000 inclusive of statutory superannuation with a three months' termination notice period.

Non-Executive Directors receive a letter of appointment which contains key terms to their appointment. Such terms include the term in accordance with the Constitution of the Company, time commitment expected, role, standards of conduct and cessation of office. The Non-Executive Directors receive a remuneration package of $5,000 per month with the Chairman receiving $8,333 per month inclusive of statutory superannuation.

Mr Andrew Wilson is employed by Kesempatan Pty Ltd ("KPL") and has a beneficial interest in KPL. Under an Agreement with the Company, KPL provides the services of Mr Wilson as a Non-Executive Director of the Company.

There are no other service agreements other than disclosed above.

Termination benefits
The Company is not liable for any termination benefits on termination of the current executive or non-executive directors or key management personnel other than payment of a period of notice on termination where applicable.

D Share-based compensation

Options granted to Directors and Officers
There were no unlisted options granted to Directors and Officers.

Shares issued on exercise of unlisted options
There were no unlisted options exercised during the financial year.

E Additional information

Options granted to Directors and Officers carry no dividend or voting rights.

F Key Management Personnel shareholdings

Directors/Executives	Balance at the beginning of the year	Share movement during the year	Held at Resignation	Balance at end of Year
Craig Munro	1,333,333	10,666,666	-	11,999,999
Hamish Bohannan	65,000,000	8,823,600	-	73,823,600
Andrew Wilson	8,333,333	8,000,000	-	16,333,333
Leonard Math*	3,346,229	(1,346,229)	-	2,000,000
Paul Robinson	678,400	1,497,000	-	2,175,400

**Resigned on 4 July 2018*

G Key Management Personnel option holdings

Directors/Executives	Balance at the beginning of the year	Option movement during the year	Held at Resignation	Balance at end of Year
Craig Munro	12,000,000	-	-	12,000,000
Hamish Bohannan	62,500,000	(4,064,600)	-	58,435,400
Andrew Wilson	12,000,000	-	-	12,000,000
Leonard Math*	7,519,341	(2,519,341)	-	5,000,000
Paul Robinson	1,017,600	2,245,500	-	3,263,100

** Resigned on 4 July 2018*

H Other Transactions with Key Management Personnel and their related parties

Mr Andrew Wilson is employed by Kesempatan Pty Ltd ("KPL") and has beneficial interest in KPL. Under an Agreement with the Company, KPL provides the services of Mr Wilson as a Non-Executive Director of the Company. During the year, KPL was paid $60,000 (2017: $60,000) for the Non-Executive Director services provided by Mr Wilson. During the period, KPL also invoiced the Company $30,800 for services in leading the negotiation and resolution of a dispute that was in addition to the scope of Mr Wilson's services as a Non-Executive Director. There is no other additional information other than the information disclosed above.

This is the end of the audited remuneration report.

Shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of options	Vested and exercisable
21-Apr-19	$0.005	1,533,840,592	Yes
30-Sep-18	$0.0196	50,075,917	Yes
30-Sep-18	$0.0496	15,000,000	Yes
31-Dec-18	$0.2496	7,500,000	Yes
5-Sep-21	$0.02	74,000,000	Yes
		1,448,499,899	

When exercisable, each option is convertible into one ordinary share.

Performance rights

During the year, 45 million performance rights expiring 28 November 2019 were issued to Directors. The following vesting conditions for the performance rights apply:

Vesting Conditions	C Munro	H Bohannan	A Wilson
Completion of financing for 1st and 2nd smelter	2,000,000	5,000,000	2,000,000
Completion of 1st smelter construction	2,000,000	5,000,000	2,000,000
Completion of MoU with manganese suppliers	2,000,000	5,000,000	2,000,000
Completion of 60% offtake agreement for 1st and 2nd smelter	2,000,000	5,000,000	2,000,000
Successful commissioning of the 1st smelter	2,000,000	5,000,000	2,000,000
TOTAL	**10,000,000**	**25,000,000**	**10,000,000**

Director's Report (Continued)

Performance rights on issue at the date of this report:

Number of ordinary shares under rights	Exercise price $	Expiry date	Directors/Employees
18,000,000	N/A	28-Nov-19	Directors
16,000,000	N/A	28-Nov-19	Employees
31,500,001	N/A	31-Dec-19	Directors
33,606,668	N/A	31-Dec-19	Employees

Convertible notes

At the date of this report, the total number of outstanding convertible notes is 133,333,433. The terms and conditions of the convertible notes are set out in Note 10.

Indemnification

There are indemnities and insurances for the Directors in regard to their positions. These insure and indemnify the Directors including former Directors against certain liabilities arising in the course of their duties. The Directors have not disclosed the amount of the premiums paid as such disclosure is prohibited under the terms of the policies.

Proceedings on behalf of Company

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

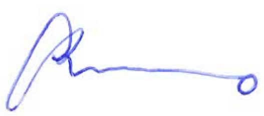
Non-audit services

There were no non-audit services provided for the financial year (2017: nil). The Auditor's remuneration is disclosed in Note 22.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Signed in accordance with a resolution of the Directors and on behalf of the board by:



Craig Munro
Non-executive Chairman

Perth, Western Australia
28 September 2018

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Partner for the audit of the financial statements of Gulf Manganese Corporation Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Partner

Dated at Perth this 28th day of September 2018

Consolidated Statement of Profit or Loss And Other Comprehensive Income For the Year Ended 30 June 2018

	Note	2018 $	2017 $
Continuing operations			
Interest income		41,235	1,100
Other income	2	71,526	-
Foreign exchange gains		164,610	-
Director and employee benefits		(1,706,016)	(550,050)
Administrative expenses	2	(1,510,409)	(847,373)
Legal fees		(717,186)	(60,485)
Professional fees		(309,137)	(281,841)
Settlement expenses		(93,384)	-
Amortisation expense		(51,470)	-
Depreciation expense	7	(34,364)	(6,520)
Loss on sale of fixed assets		(6,260)	-
Insurance expense		(149,133)	(17,377)
Exploration and evaluation expenses		(4,538)	(2,033)
Share based payments	13	(3,079,751)	(3,550,501)
Foreign exchange losses		-	(13,004)
Interest on finance		(83,285)	(35,224)
Loss before income tax from continuing operations	2	(7,467,562)	(5,363,308)
Income tax benefit/(expense)	3	-	-
Net loss after tax		**(7,467,562)**	**(5,363,308)**
Other comprehensive loss for the year, net of tax		-	-
Exchange differences on translation of foreign operations		(454,596)	-
Total comprehensive loss for the year		**(7,922,158)**	**(5,363,308)**

	Note	2018 Cents	2017 Cents
Basic and diluted loss per share	15	(0.31)	(0.39)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
For the Year Ended 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	4	4,213,499	5,348,144
Trade and other receivables	5	111,450	542,301
Other assets	6	537,818	37,888
Total current assets		4,862,767	5,928,333
Non-current assets			
Plant and equipment	7	14,782,964	4,248,455
Other assets	6	610,103	-
Non-current assets		15,393,067	4,248,455
Total assets		**20,255,834**	**10,176,788**
Current liabilities			
Trade and other payables	8	2,963,421	484,676
Provisions	9	41,157	55,498
Borrowings	10	7,515,018	1,000,000
Total current liabilities		10,519,596	1,540,174
Total liabilities		**10,519,596**	**1,540,174**
Net assets		**9,736,238**	**8,636,614**
Equity			
Issued capital	11	38,942,128	32,309,605
Reserves	12	8,616,377	6,681,714
Accumulated losses	14	(37,822,267)	(30,354,705)
Total equity		**9,736,238**	**8,636,614**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2018

	Note	Issued capital $	Convertible note reserve $	Option reserve $	Foreign currency translation $	Accumulated losses $	Total equity $
Balance at 1 July 2017		32,309,605	-	6,681,714	-	(30,354,705)	8,636,614
Loss for the year		-	-	-		(7,467,562)	(7,467,562)
Other comprehensive loss		-	-	-	(454,596)	-	(454,596)
Total comprehensive loss for the year		-	-	-	(454,596)	(7,467,562)	(7,922,158)
Transfer of performance rights vested during the period		2,112,332	-	(2,112,332)			-
Share based payments	13	-	-	4,279,751	-	-	4,279,751
Securities issue during the year (net of costs)	11	4,520,191	-	-	-	-	4,520,191
Issue of convertible notes		-	221,840	-	-	-	221,840
Balance 30 June 2018		**38,942,128**	**221,840**	**8,849,133**	**(454,596)**	**(37,822,267)**	**9,736,238**
Balance at 1 July 2016		23,325,358		2,507,213	-	(24,991,397)	841,174
Loss for the year		-		-	-	(5,363,308)	(5,363,308)
Total comprehensive loss for the year		-		-	-	(5,363,308)	(5,363,308)
Share based payments	13	-		4,174,501	-	-	4,174,501
Securities issue during the year (net of costs)	11	8,984,247		-	-	-	8,984,247
Total equity transactions		8,984,247		4,174,501	-	-	13,158,748
Balance 30 June 2017		**32,309,605**		**6,681,714**	**-**	**(30,354,705)**	**8,636,614**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Other receipts		21,526	-
Payments to suppliers and employees		(2,920,811)	(1,506,779)
Proceeds from sale of tenements		50,000	-
Interest received		41,235	1,100
Interest paid		(62,397)	(35,224)
Net cash flows used in operating activities	**4**	**(2,870,447)**	**(1,540,903)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(221,293)	(8,927)
Payments for construction of plant and project development		(10,217,933)	(3,006,352)
Payments for mining deposits		(515,871)	-
Net cash flows used in investing activities		**(10,955,097)**	**(3,015,279)**
Cash flows from financing activities			
Proceeds from issue of securities net of costs		4,842,078	8,295,583
Proceeds from convertible note		7,936,858	1,000,000
Proceeds from borrowings		1,966,000	-
Repayment of borrowings	**10**	(1,978,892)	-
Net cash flows from financing activities		**12,766,044**	**9,259,583**
Net increase in cash and cash equivalents		(1,059,500)	4,739,401
Foreign exchange differences		(75,146)	(13,003)
Cash and cash equivalents at beginning of the year		5,348,145	621,747
Cash and cash equivalents at the end of the year	**4**	**4,213,499**	**5,348,145**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements For the Year Ended 30 June 2018

Corporate Information

The financial report of the Company for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 September 2018. Gulf Manganese Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Company are described in the review of operations.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, and Australian Accounting Standards and Interpretations. These financial statements have been prepared on a historical cost basis.

Gulf Manganese Corporation Ltd is a for-profit entity for the purpose of preparing the financial statements. These consolidated financial statements are presented in Australian dollars and all values are expressed as whole dollars.

(b) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company had a working capital deficit position of $5,656,829 as at 30 June 2018 (30 June 2017: working capital surplus of $4,388,159), incurred a net loss after tax for the financial year ended 30 June 2018 of $7,467,562 (30 June 2017: $5,363,308) and experienced net cash outflows from operating activities of $2,870,447 (30 June 2017: $1,540,903).

Whilst the Company is in a net asset position, the incurred losses and operating cash outflows indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Directors however have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

The Directors believe it is appropriate to prepare these accounts on a going concern basis as follows:

- the Company is working to develop a ferromanganese smelting and sales business to produce low / medium carbon ferromanganese allow in West Timor, Indonesia. The Company received its operating licence for the Kupang Smelting Facility and its first shipment of structural steel had arrived from Weltes in Surabaya;
- the Company secured a cornerstone investment of A$10.8 million from Jakarta based companies. The Company will issue 714,597,448 ordinary GMC shares to Bapak TK Low at a placement price of A$0.015 per share for a total investment of A$10,718,962 and 714,597,448 listed options exercisable at A$0.005 per option expiring 30 April 2019;
- the Company and PT Jayatama Global Investindo agreed to extend the conversion date under the Convertible Note Agreement from 31 August 2018 to 12 October 2018;
- existing convertible notes are converted into equity as opposed to being paid in cash; and

- the Company has agreed to place the 100,000,000 shares pursuant to the Controlled Placement Agreement (CPA) at an issue price of 1.26c to Acuity Capital for a total raise of $1,260,000 (net of costs). The issue of the shares will be subject to shareholder approval at the Company's upcoming AGM.

The Directors have prepared a cash flow forecast, which includes the completion of the above activities that indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 months period from the date of signing this financial report.

Should the Company be unsuccessful in completing the required funding, finalising offtake finance, and commencing production at the intended time and at the required profit levels, there is material uncertainty whether the Company would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

(c) Statement of compliance

These financial statements comply with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretations. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes thereto, complies with the International Financial Reporting Standards (IFRS).

(d) Critical accounting estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are discussed below.

Fair value of share options and assumptions

The fair value of services received in return for share options granted to consultants, directors and employees is measured by reference to the fair value of options granted. The estimate of the fair value of the services is measured based on Black-Scholes options valuation methodology.

Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(i) Impairment of exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes, which would impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalise expenditure should be written off or impaired, profits and net assets will be reduced in the period in which this determination is made.

(ii) Calculation of recoverable amount

The recoverable amount of the consolidate entity's receivables carried at amortised costs is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivable with a short duration are not discounted.

Impairment of receivable is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value in using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(iii)Available for sale financial assets

AFS assets are subsequently measured at fair value. The value applied for fair value is the value of the most capital raising price conducted by the Company and using any other available data of the market for the asset held. Any impairment loss is then expensed in the period identified.

(e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on the diminishing value basis to write off the net cost of each item of property, plant and equipment over its expected useful life. Depreciation rates for motor vehicles are at 22.5% and for other plant and equipment, the rates range from 15- 40%.

(f) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is de-recognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(i) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days.

(j) Contributed equity

Ordinary shares are classified as equity. Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

(k) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

(l) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature without any cash consideration are not recognised as revenues.

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

Gains or losses arising on the sale of non-current assets are included in profit or loss at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(m) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gulf Manganese Corporation Limited ("company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. Gulf Manganese Corporation Limited and its subsidiary together are referred to in this financial report as the Company or the Company.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company.

The Company applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Company. Disposals to non-controlling interests result in gains and losses for the Company that is recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Company companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Investments in subsidiaries are accounted for at cost in the individual financial statements of Gulf Manganese Corporation Limited.

(n) Trade and other receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(o) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of the unused tax assets and unused tax losses can be utilized:

Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Tax consolidation legislation

Gulf Manganese Corporation Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

Gulf Manganese Corporation Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Company.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Company. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Company.

(p) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits and included in other payables.

(q) Segment reporting

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, which has been identified by the Company as the Executive Director and other members of the Board of Directors.

(r) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss unless the asset is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(t) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest in accordance with AASB 6: Exploration and Evaluation Expenditure. These costs are only carried forward where the rights to the area of interest are current and to the extent that they are expected to be recouped through the successful development or sale of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

(u) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is de-recognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(v) New accounting standards and interpretations

New or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Based on preliminary analysis the directors anticipate that the adoption of AASB 9 is unlikely to have a material impact on the Group's financial instruments.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108 : Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in *AASB 117: Leases and related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 : Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2. Revenue and expenses

	2018	2017
Other income	**$**	**$**
Sale of tenement assets	50,000	-
Other	21,526	-
	71,526	**-**
Expenses		-
Occupancy expense	215,886	32,930
ASX and share registry expenses	177,377	105,480
Investor relations expenses	175,805	51,056
Travel and accommodation expenses	153,309	269,332
Accounting fees	199,731	20,100
Other administrative expenses	588,301	368,474
	1,510,409	**847,372**

Note 3. Income tax	**2018**	**2017**
	$	**$**
The prima facie income tax expense/ (benefit) on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting loss before income tax	(7,467,562)	(5,363,308)
Income tax benefit calculated at 27.5% (2017: 27.5%)	(2,053,580)	(1,474,910)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Section 40-880		(172,519)
Non-deductible expenses		3,476
Share based payments	846,932	976,388
Temporary differences not recognised	1,206,648	667,565
Income tax benefit reported in the statement of comprehensive income	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. The tax rate used in the previous reporting period was 27.5%. The Indonesian corporate tax rate is 25%.

The Company has tax losses arising in Australia and Indonesia. The Australian tax losses of $25,524,992 (2017: $23,016,480) are available indefinitely in Australia. The Indonesian tax losses of A$2,449,166 can be accumulated up to 5 years from the year the tax loss is recognized for income tax purposes in Indonesia.

These losses will be available for offset against future taxable profits of the companies in which the losses arose, subject to ongoing conditions for deductibility being met (for example satisfaction of the requisite loss recoupment tests in each jurisdiction).

Unrecognised deferred tax assets and liabilities
Deferred tax assets have not been recognised in respect of the following items:

	2018 $	2017 $
Tax losses - Australia	7,019,372	6,329,532
Tax losses - Indonesia	612,291	-
	7,631,663	**6,329,532**

Note 4. Cash and cash equivalents	**2018** **$**	**2017** **$**
Cash at bank and on hand	4,213,499	5,348,144
Total cash and cash equivalents	**4,213,499**	**5,348,144**

Information about the Company's exposure to interest rate risk is disclosed in Note 18.

(a) Reconciliation of loss for the year to net cash flows used in operating activities	**2018** **$**	**2017** **$**
Net profit for the year	(7,467,562)	(5,363,308)
Depreciation	34,364	6,520
Amortisation	51,470	-
Loss on sale of fixed assets	6,260	-
Share based payment expense	3,079,751	3,550,501
Non cash payments (settlement in equity)	93,369	215,863
Doubtful debt expense	-	109,462
Foreign exchange differences	(177,502)	13,003
(Increase) / decrease in assets:		
Trade and other receivables	(163,312)	(167,638)
Increase / (decrease) in liabilities:		
Trade and other payables	1,687,056	94,694
Provisions	(14,341)	-
Net cash flows used in operating activities	**(2,870,447)**	**(1,540,903)**

Note 5. Trade and other receivables	**2018** **$**	**2017** **$**
Trade receivables	-	-
GST recoverable	23,228	91,539
Other receivables	88,222	450,762
Total trade and other receivables	**111,450**	542,301

As of 30 June 2018, trade receivables that were past due or impaired was nil (2017: nil). Information about the Company's exposure to credit risk is provided in Note 18.

Note 6. Other assets	**2018** **$**	**2017** **$**
Current		
Prepayments	492,946	37,857
Security deposits	44,872	-
	537,818	37,887
Non-current		
Prepayments	94,232	-
Deposits paid for mining rights[1]	515,871	-
	610,103	-

[1]This represents payments for the exclusive right to conduct due diligence on Indonesian mining licence interests.

Note 7. Plant and equipment

Balance at 30 June 2018	Smelter hub (under Construction)	Land and buildings	Motor vehicles	Office furniture & equipment	Total
	$	$	$	$	$
At cost	14,577,987	80,144	27,799	139,739	14,825,669
Accumulated depreciation	-	(6,271)	(2,896)	(33,538)	(42,705)
Carrying value as at 30 June 2018	**14,577,987**	**73,873**	**24,903**	**106,201**	**14,782,964**
Reconciliation					
Opening carrying value	4,224,147	-	-	24,308	4,248,455
Additions	10,353,840	80,144	27,799	111,292	10,573,075
Disposals	-	-	-	(3,913)	(3,913)
Depreciation expense	-	(6,271)	(2,896)	(25,197)	(34,364)
Foreign currency differences	-	-	-	(289)	(289)
Closing written down value at 30 June 2018	**14,577,987**	**73,873**	**24,903**	**106,201**	**14,782,964**

Balance at 30 June 2017	Smelter hub (under Construction)	Land and buildings	Motor vehicles	Office furniture & equipment	Total
	$	$		$	$
At cost	955,200	-	-	33,981	989,181
Accumulated depreciation	-	-	-	(12,080)	(12,080)
Carrying value as at 30 June 2017	**955,200**	**-**	**-**	**21,901**	**977,101**
Reconciliation					
Opening written down value	955,200	-	-	21,901	977,101
Additions	3,268,947	-	-	8,927	3,277,874
Depreciation expense	-	-	-	(6,520)	(6,520)
Closing written down value at 30 June 2017	**4,224,147**	**-**	**-**	**24,308**	**4,248,455**

Note 8. Trade and other payables

	2018	2017
	$	$
Trade creditors	1,885,297	185,762
Accruals	223,338	18,775
Employee liabilities	211,481	165,216
Tax liabilities	199,427	78,097
Other creditors	443,878	36,826
	2,963,421	**484,676**

Trade payables are non-interest bearing and are normally settled on 30-day terms. Information regarding the interest rate and liquidity risk exposure is set out in Note 18.

Note 9. Provisions

	2018 $	2017 $
Employee leave entitlements	41,157	55,498

Note 10. Borrowings

	2018 $	2017 $
Current		
Convertible notes	7,515,018	1,000,000
Total borrowings	**7,515,018**	**1,000,000**

The following table shows the movement of convertible notes during the period:

	2018 $	2017 $
Opening balance	1,000,000	470,000
Additions	7,936,858	1,000,000
Redeemed - equity component	(221,840)	(470,000)
Fair value of free attaching options issued[1]	(1,200,000)	-
Closing balance	**7,515,018**	**1,000,000**

[1]Refer to Note 13 of the financial report for valuation.

Reconciliation of liabilities arising from financing activities

		Cash flows		Non-cash changes		
	2017	***Inflow***	***Outflow***	***Acquisition***	***FX movement***	**2018**
Long-term borrowings	1,000,000	7,936,858	-	(1,421,840)	-	7,515,018
Short-term borrowings	-	1,966,000	(1,978,892)	-	12,892	-
Total liabilities from financing activities	**1,000,000**	**9,902,858**	**(1,978,892)**	**(1,421,840)**	**12,892**	**7,515,018**

Note 10. Borrowings (continued)

Terms and conditions of the convertible notes:

100 convertible notes

- Face value - $10,000 per convertible note.
- Security - None
- Conversion - Each note may be converted into Gulf shares at 1.5 cents.
- Interest - Payable monthly in arrears at 8% per annum.
- Redemption - Each note may be redeemed at the Holders option 3 months from issue or any time thereafter with 1 month notification and all outstanding notes will be redeemed in full 24 months from issue.
- Term - Expiring 27 June 2019.

The Company entered into an Agreement with PT Jayatama Global Investindo ("PT JGI") on 12 March 2018 to invest up to approximately A$15 million to fund the construction and commissioning of the first two smelters at the Kupang Smelting Facility. The funds comprise the IDR equivalent of apporximatley A$6 million through a convertible note with PT JGI for 25.1% ownership of Gulf's subsidiary PT Gulf Mangan Grup ("PT GMG"), a A$2 million convertible note with Eighteen Blue Investments Pty Ltd for equity in Gulf, and an approximately A$7 million loan facility for PT GMG to use during construction and commissioning.

The key terms of the converting notes and standby facility are disclosed in the announcement dated 12 March 2018. Summarised terms and conditions of the convertible note are set out below:

A$2M 133,333,333 Eighteen Blue Investments Pty Ltd convertible notes

- Face value - 1.5 cents per convertible note.
- Security - None
  Conversion before 12 October 2018 - Each note may be converted into one Gulf share
- Interest – 15% interest per annum
- As per the agreement with PT JGI, Gulf issued 133,333,333 free attaching Listed Options (GMCO) exercisable at 0.5 cents expiring 21 April 2019 to Eighteen Blue Investments Pty Ltd. Refer to Note 13 for the valuation of these options.
- Term - Expiring 12 March 2023.

IDR equivalent of approximate A$6M PT Gulf Convertible note

Indonesian Rupiah of approximately A$6 million through a convertible note with PT JGI for 25.1% ownership of Gulf's Indonesian subsidiary PT Gulf Mangan Grup ("PT GMG") upon satisfaction of the agreed conditions precedent. The PT Gulf Convertible Note shall bear zero interest from the date of issue until 12 October 2018.

Note 11. Contributed equity

Shares on issue	2018 No	2018 $	2017 No	2017 $
Ordinary shares issued and fully paid	2,660,722,860	38,942,128	2,037,849,924	32,309,605
Total contributed equity	**2,660,722,860**	**38,942,128**	**2,037,849,924**	**32,309,605**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Note 11. Contributed equity (continued)

Movement in ordinary shares on issue	**2018 No**	**2018 $**
Balance at 1 July 2017	2,037,849,924	32,309,605
27 July 2017 – Issue of ordinary shares at 1.5 cents each	66,666,667	1,000,000
6 Oct 2017 – Issue of ordinary shares at 1.5 cents	33,333,333	500,000
28 Oct 2017 – Vesting of performance rights deemed at 0.07 cents	34,000,000	238,000
1 Nov 2017 – Issue of ordinary shares at 1.5 cents	166,666,667	2,500,000
7 Nov 2017 – Exercise of Listed Options at 0.5 cents each	83,000,000	415,000
9 Nov 2017 – Exercise of Listed Options at 0.5 cents each	31,000,000	155,000
16 Nov 2017 – Exercise of Listed Options at 0.5 cents each	6,533,000	32,665
28 Nov 2017 – Exercise of Listed Options at 0.5 cents each	1,333,000	6,665
5 Dec 2017 – Exercise of Listed Options at 0.5 cents each	2,333,000	11,665
20 Dec 2017 – Vesting of performance rights deemed at 1.6 cents	68,481,664	1,874,332
8 Jan 2018 – Exercise of Listed Options at 0.5 cents each	4,000,000	20,000
9 Mar 2018 – Issue of Collateral Shares to Acuity[1]	100,000,000	-
12 Mar 2018 – Issue of Shares as part of Settlement[2]	6,225,604	93,384
14 Mar 2018 – Exercise of Listed Options at 0.5 cents each	10,000,001	50,000
5 Apr 2018 – Exercise of Listed Options at 0.5 cents each	1,300,000	6,500
18 June 2018 – Exercise of Listed Options at 0.5 cents each	4,000,000	20,000
28 June 2018 – Exercise of Listed Options at 0.5 cents each	4,000,000	20,000
Less: Capital raising costs	-	(310,688)
Balance at 30 June 2018	**2,660,722,860**	**38,942,128**

[1]In December 2017, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. As collateral for the CPA, the Company issued 100 million shares at nil consideration to Acuity Capital. The CPA provides the Company with up to $5 million of standby equity capital for a 2 years period. Subsequent to year end, the Company agreed to place the 100,000,000 shares at an issue price of 1.26c to Acuity Capital for a total raise of $1,260,000 (net of costs). The issue of the shares will be subject to shareholder approval at the Company's upcoming AGM.

[2]On 12 March 2018, the Company issued 6,225,604 shares deemed at 1.5 cents each as part of a confidential settlement agreement.

Note 11. Contributed equity (continued)

	2017 No	2017 $
Balance at 1 July 2016	1,179,178,307	23,325,358
23 Aug 2016 Conversion of 3 convertible notes at 1.02 cents each	2,941,177	30,000
5 Sep 2016 Issue of 14,500,000 ordinary shares deemed at 0.4 cents each	14,500,000	217,500
5 Sep 2016 Issue of 20,000,000 ordinary shares at 0.2 cents each	20,000,000	300,000
12 Sep 2016 Issue of 70,000,000 ordinary shares at 1.5 cents each	70,000,000	1,050,000
12 Sep 2016 Conversion of 4 convertible notes at 1.36 cents each	2,941,176	40,000
15 Sep 2016 Issue of 6,666,667 ordinary shares at 1.5 cents each	6,666,667	100,000
20 Sep 2016 Exercise of Listed Options at 0.5 cents each	760,890	3,804
12 Oct 2016 Conversion of 7 convertible notes at 1.7 cents each	4,117,647	70,000
8 Nov 2016 Issue of 3,154,242 ordinary shares at 1.65 cents each	3,154,242	52,045
28 Nov 2016 Conversion of 33 convertible notes at 2.286 cents each	14,435,695	330,000
28 Nov 2016 Exercise of Listed Options at 0.5 cents each	4,268,499	21,343
28 Nov 2016 Exercise of Unlisted Options exp 30 Sep 2018 at 1.96 cents each	150,000	2,940
6 Dec 2016 Exercise of Listed Options at 0.5 cents each	14,691,681	73,458
13 Dec 2016 Exercise of Listed Options at 0.5 cents each	20,266,950	101,335
13 Dec 2016 Exercise of Unlisted Options exp 30 Sep 2018 at 1.96 cents each	2,500,000	49,000
30 Dec 2016 Exercise of Listed Options at 0.5 cents each	4,160,322	20,802
30 Dec 2016 Exercise of Unlisted Options exp 30 Sep 2018 at 1.96 cents each	1,700,000	33,320
13 Jan 2017 Exercise of Listed Options at 0.5 cents each	150,000	750
19 Apr 2017 Issue of 204,600,000 ordinary shares at 0.5 cents each	204,600,000	1,023,000
21 Jun 2017 Issue of 2,666,666 ordinary shares at 1.5 cents each	2,666,666	40,000
29 Jun 2017 Issue of 464,000,005 ordinary shares at 1.5 cents each	464,000,005	6,960,000
Less: Capital raising costs	-	(1,535,050)
Balance at 30 June 2017	**2,037,849,924**	**32,309,605**

Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or adjust the capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Constitution and any relevant regulatory requirements.

Note 12. Reserves

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

	2018 $	2017 $
Balance at the beginning of the year	-	-
Movement during the year	(454,596)	-
Balance at the end of the year	**(454,596)**	**-**

Nature and purpose of reserves

Convertible note reserve

The convertible note reserve represents the equity component (conversion rights) of the convertible notes issued during the year. Refer to Note 10.

	2018 $	2017 $
Balance at the beginning of the year	-	-
Movement in convertible notes redeemed during the period	221,840	-
Balance at the end of the year	**221,840**	**-**

Option reserve

The option reserve is used to recognise the fair value of share based payments issued.

	2018 $	2017 $
Balance at the beginning of the year	6,681,714	2,507,213
Movement in options issued during the year	1,200,000	1,624,501
Movement in performance rights issued during the year	3,079,751	2,550,000
Transfer of performance rights vested during the period	(2,112,332)	-
Balance at the end of the year	**8,849,133**	**6,681,714**

Share options on issue	**2018 No**	**2018 $**	**2017 No**	**2017 $**
Listed share options on issue	1,627,658,304	2,283,122	1,241,823,972	1,083,122
Unlisted share options on issue	148,425,917	3,048,592	172,325,917	3,048,592
Performance rights on issue	181,213,336	3,517,419	85,000,000	2,550,000
Total share options on issue	**1,957,297,557**	**8,849,133**	**1,499,149,889**	**6,681,714**

Note 12. Reserves (continued)

A. Movement in listed options (GMCO) exercisable at 0.5 cents each expiring 21 April 2019

	2018 No	2018 $
Balance at the beginning of the year	1,241,823,972	1,083,122
27 July 2017 Issue of Listed Options	100,000,000	-
6 October 2017 Issue of Listed Options	50,000,000	-
7 Nov 2017 Exercise of Listed Options	(83,000,000)	-
9 Nov 2017 Exercise of Listed Options	(31,000,000)	-
16 Nov 2017 Exercise of Listed Options	(6,533,000)	-
28 Nov 2017 Exercise of Listed Options	(1,333,000)	-
1 Dec 2017 Issue of Listed Options	250,000,000	-
5 Dec 2017 Exercise of Listed Options	(2,333,000)	-
8 Jan 2018 Exercise of Listed Options	(4,000,000)	-
12 Mar 2018 Issue of Listed Options	133,333,333	1,200,000
14 Mar 2018 Exercise of Listed Options	(10,000,001)	-
5 Apr 2018 Exercise of Listed Options	(1,300,000)	-
18 June 2018 Exercise of Listed Options	(4,000,000)	-
28 June 2018 Exercise of Listed Options	(4,000,000)	-
Balance at the end of the year	**1,627,658,304**	**2,283,122**

B. Movement in unlisted options

	No	$
Balance at the beginning of the year	172,325,917	3,048,592
Lapsing of unlisted options exercisable at $0.3746 each expiring 31 July 2017	(13,900,000)	-
Lapsing of unlisted options exercisable at 1.96 cents each expiring 30 September 2018	(10,000,000)	-
Balance at the end of the year	**148,425,917**	**3,048,592**

C. Movement in performance rights

	No	$
Balance at the beginning of the year	85,000,000	2,550,000
Issue of Performance Rights to directors and employees	198,695,000	3,029,126
Vesting of Performance Rights (granted 21 November 2016)	(34,000,000)	(1,020,000)
Performance Rights recognised (granted 21 November 2017)	(68,481,664)	(1,041,707)
Balance at the end of the year	**181,213,336**	**3,517,419**

Note 13. Share-based payments

Performance rights

During year, 198,695,000 performance rights were issued under the Company's Long Term Incentive Plan (LTI) to Directors and Employees and they vest based on yearly service. In accordance with the LTI, the Company's Total Shareholder Return (TSR) for the financial year ended 30 June 2017 against the Comparator Group of companies was above the 70th percentile and the first equal tranche of the LTI performance rights have vested, resulting in 68,481,664 shares being issued. The second tranche of LTI performance rights vested on 30 June 2018 and were issued subsequent to year end.

The Company has assigned a 100% probability that the service condition relating to the LTI performance rights in the third tranche will be met. These rights will vest on 30 June 2019 (when the service condition has been met).

		Recognised during the period		
	Performance rights granted	*Tranche 1*	*Tranche 2*	*Tranche 3*
Directors	94,500,000	31,499,999	31,500,000	31,500,001
Employees	104,195,000	36,981,665	33,606,667	33,606,668
Adjustment	(6,000,000)	-	-	(6,000,000)[1]
TOTAL	**192,695,000**	**68,481,664**	**65,106,667**	**59,106,669**
Expense recognised during the year		*$1,092,337*	*$1,041,707*	*$945,707*

[1]Performance rights granted to Mr Leonard Math were forfeited as service condition was not met.

The rights that were recognised during the period were valued based on the share price at the date of grant. The share price at the grant date was 1.6 cents. The total expense recognised relating to the tranches above is $3,079,751.

In addition to the above, the following performance rights issued on 21 November 2016 have vested resulting in the issue of 34,000,000 shares at a price of 0.07 cents based on the share price at the date of grant.

Vesting condition	Directors	Employees
Completion of MoU with Mangan Suppliers	9,000,000	8,000,000
Completion of 60% offtake agreement for 1 & 2 smelters	9,000,000	8,000,000
TOTAL	**18,000,000**	**16,000,000**

Listed Options

During the year, the Company issued 133,333,333 free attaching listed options to Eighteen Blue Investments Pty Ltd as per the agreement with PT JGI. These free attaching options were valued at $0.009 each being the quoted market price of the listed options on the date of the agreement totalling $1,200,000.

Note 14. Accumulated losses	**2018**	**2017**
	$	**$**
Accumulated losses at beginning of the year	(30,354,705)	(24,991,397)
Net loss for the year	(7,467,562)	(5,363,308)
Accumulated losses at end of the year	**(37,822,267)**	**(30,354,705)**

Note 15. Earnings per share

	2018 Cents	2017 Cents
Basic and diluted loss per share	(0.31)	(0.39)

	2018 No	2017 No
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	2,412,092,719	1,359,081,322

Diluted loss per share has not been calculated as the Company made a loss for the year and the impact would be to reduce the loss per share.

Note 16. Commitments for expenditure

Operating lease commitments	**2018**	**2017**
Office operating lease rentals are payable as follows:	**$**	**$**
Not later than one year	24,625	17,500
Later than one year but no later than two years	18,564	-
Later than two years	-	-
Total operating lease commitments	**43,189**	**17,500**

The Company leases one office under a non-cancellable operating lease expiring on 28 February 2020. On renewal, the terms of the lease are renegotiated.

Note 17. Key Management Personnel disclosures

(a) Summarised compensation of Key Management Personnel

Summary of Directors and Key Management Personnel compensation in the following categories are as follows:

	2018 $	**2017 $**
Short-term employee benefits (directors)	152,390	168,410
Short-term employee benefits (MD/CEO)	244,936	272,060
Short-term employee benefits (executives)	294,373	219,849
Post-employment benefits	58,877	44,551
Share based payments	2,106,555	2,647,500
Total Directors and Key Management Personnel compensation	**2,857,131**	**3,352,370**

(b) Loans to Key Management Personnel

There are no loans to Key Management Personnel as at 30 June 2018 (2017: Nil).

Note 17. Key Management Personnel disclosures (continued)

Transactions with related parties:

Mr Andrew Wilson is employed by Kesempatan Pty Ltd (“KPL”) and has beneficial interest in KPL. Under an Agreement with the Company, KPL provides the services of Mr Wilson as a Non-Executive Director of the Company. During the year, KPL was paid $60,000 (2017: $60,000) for the Non-Executive Director services provided by Mr Wilson. During the period, KPL also invoiced the Company $30,800 for services in leading the negotiation and resolution of a dispute that was in addition to the scope of Mr Wilson’s services as a Non-Executive Director.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. For details of remuneration disclosures relating to Key Management Personnel, refer to the remuneration report in the Directors' Report.

Note 18. Financial risk management

The Company’s financial instruments consist of deposits with banks, accounts receivable and payable, and convertible notes.

Overall risk management

The Company's activities expose it to a variety of financial risks; market risk (including the markets for the commodities it consumes and sells, the electricity price and fair value of interest rate risk), credit risk, country risk, liquidity risk and cash flow interest rate risk.

Overall risk management (continued)

The Company's overall risk management program focuses on the unpredictability of financial markets and commodity markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company actively seeks engagement and a cooperative relationship with the local community and all stakeholders, including all three levels of the Government of Indonesia. The Company does not tolerate and strictly forbids the payment of any corrupt payments or facilitation fees. Risk management is carried out by the Board of directors under policies approved by the Board.

Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Company does not have any significant credit risk exposure to any single counterparty. The credit risk on liquid funds is limited because the counter party is a bank with a high credit rating.

The carrying amount of the Company’s financial assets represents the maximum credit exposure. The Company’s maximum exposure to credit risk at the reporting date was:

	2018	2017
	$	$
Cash and cash equivalents	4,213,499	5,348,144
Trade and other receivables	111,450	580,189
Other assets	537,818	-
Maximum exposure to credit risk	**4,862,767**	**5,928,333**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Note 18. Financial risk management (Continued)

Liquidity risk
Liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Company's financial liabilities include trade payables which are non-interest. Expenses are managed on an ongoing basis and the Company expects to be able to raise additional funds as and when necessary to meet these commitments. Additionally, a major shareholder has signed a letter of comfort to provide financial support to the Company for the next 12 months.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange
The Group undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cashflow forecasting.

As a result of the operating activities in Indonesia and the ongoing funding of overseas operations from Australia, the Group's Statement of Financial Position can be affected by movements in Indonesian Rupiah dollar (IDR) / Australian Dollar (AUD) and US Dollar (USD) / Australian Dollar (AUD) exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by timing its purchase and payment to coincide with highs in the IDR/AUD and USD/AUD exchange rate cycle.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is not significant and is limited to cash and cash equivalents. The company does not rely on the generation of interest to provide working capital.

Profile
At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	Fixed interest $	Floating interest $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents	-	4,213,499	-	**4,213,499**
Financial liabilities				
Convertible notes	7,515,018	-	-	**7,515,018**

Sensitivity analysis
If the interest rates had weakened/strengthen by 1% at 30 June 2018, there would be no material impact on the statement of comprehensive income. There would be no effect on the equity reserves other than those directly related to statement of comprehensive income movements.

Note 19. Segment information

For management purposes, the Group is organised into one main operating segment, which involves developing a ferromanganese smelting and sales business to produce low/medium carbon ferromanganese alloy in West Timor, Indonesia. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (chief operating decision maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

Note 20. Contingent assets and liabilities

As announced to ASX on 14 November 2017 and included in the 2017 Annual Report, the Company received a claim from Mighty River International Limited ("Plaintiff") relating to a purported historical transaction between the Company and the Plaintiff back in October 2013. The Plaintiff lodged a Statement of Claim on 2 November 2017 and on 23 February 2018 lodged an Amended Statement of Claim. None of the current directors of the Company were with the Company in 2013, however we have lodged a Defence relying on an affidavit from the past Chairman of the Company.

Having considered the Amended Statement of Claim, our Defence, the facts, and obtained legal advice, the directors remain of the view that the claim is unlikely to succeed. At a case conference on 23 August 2018, the Plaintiff and the Company agreed to participate in a Court sponsored mediation process. This will probably be conducted in late 2018 or early 2019. The Company hopes that the case will be settled in that mediation. However, in the unlikely event that the claim succeeds and the Company is ordered to pay damages that are alleged to be in the sum of $1,400,000 (plus interest), this may have a material adverse effect on the Company's financial position.

Given the circumstances of the claim, it is not practical or reasonable to estimate any contingent or potential liability in relation to it. In the 2017 Annual Report the Company referred to another claim which was received after 30 June 2017. This claim was resolved in early 2018.

Other than as disclosed above, there were no contingent liabilities at the end of the reporting period.

Note 21. Events occurring after reporting period

The following occurred subsequent to the end of the period:

- Mr Leonard Math left the position of Company Secretary and Chief Financial Officer on July 4 2018 and Mr Ian Gregory was appointed as Company Secretary on that date.
- 82,106,667 performance rights vested on 12 July 2018.
- Mr Sam Lee was appointed Non-Executive Director to the Board on 21 July 2018.
- On 1 August 2018, PT Gulf Mangan Grup confirmed it had received its operating licence for the Kupang Smelting Facility. On 10 August 2018, the Company announced its first 140 tonne shipment of structural steel had arrived from Weltes in Surabaya. In addition to the steel, the Company also took delivery of prefabricated site offices and workshops.
- During the month of August 2018, the following options were exercised:
  - 93,817,712 listed options expiring 21 April 2019 at $0.005 each
  - 1,850,000 unlisted options expiring 30 September 2018 at $0.0196 each
- On 28 August 2018, the Company signed a term sheet for a cornerstone investment into the Company of ~A$10.8 million from Jakarta based businessman, Bapak Dato Dr Low Tuck Kwong founder and President Director of integrated coal group PT Bayan Resources TBK. Subject to shareholder approval, the Company will issue 714,597,448 ordinary GMC shares to Bapak TK Low at a placement price of A$0.015 per share for a total investment of A$10,718,962 and 714,597,448 listed options exercisable at A$0.005 per option expiring 30 April 2019.
- On 4 September 2018, the Company and PT Jayatama Global Investindo agreed to extend the conversion date under the Convertible Note Agreement from 31 August 2018 to 12 October 2018.
- Subsequent to year end, the Company agreed to place the 100,000,000 shares pursuant to the Controlled Placement Agreement (CPA) at an issue price of 1.26c to Acuity Capital for a total raise of $1,260,000 (net of costs). The issue of the shares will be subject to shareholder approval at the Company's upcoming AGM.

Other than as disclosed above, there are no other significant events that have occurred after the reporting period.

Note 22. Auditor's remuneration	**2018**	**2017**
	$	**$**
Audit and review of financial statements	53,253	48,366
Total auditor's remuneration	**53,253**	**48,366**

Note 23. Dividends

There were no dividends recommended or paid during the financial years ended 30 June 2018 and 30 June 2017.

Note 24. Investment in controlled entities

The consolidated financial statements include the financial statements of Gulf Manganese Corporation Limited and the subsidiaries listed in the following table:

Name of entity	Place of incorporation	% Equity interest 2018 %	2017 %
Parent entity			
Gulf Manganese Corporation Limited	Australia	100	100
Controlled entities			
Gulf Copper Pty Ltd[1]	Australia	100	100
Gulf Manganese Pty Ltd[1]	Australia	100	100
International Manganese Group Limited	Australia	100	100
PT Gulf Mangan Grup	Indonesia	100	100

[1] These companies were inactive during the years ended 30 June 2018 and 30 June 2017.

Note 25. Gulf Manganese Corporation Limited Parent Company Information

	Parent 2018 $	Parent 2017 $
Assets		
Current assets	1,254,374	5,400,351
Non-current assets	11,083,984	4,928,736
Total assets	**12,338,358**	**10,329,087**
Liabilities		
Current liabilities	885,453	1,521,399
Non-current liabilities	1,716,667	-
Total liabilities	**2,602,120**	**1,521,399**
Net assets/(liabilities)	**9,736,238**	**8,807,688**
Equity		
Contributed equity	38,942,128	32,309,590
Reserves	8,932,466	6,681,714
Accumulated losses	(38,138,356)	(30,183,616)
Total equity	**9,736,238**	**8,807,688**
Financial performance		
Loss for the year	(7,935,964)	(5,222,350)
Other comprehensive income	-	-
Total comprehensive loss	**(7,935,964)**	**(5,222,350)**

Director's Declaration

The Directors of the Company declare that:

1. The financial statements and note set out on pages 19 to 49, are in accordance with the *Corporations Act 2001* and:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and

(b) give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date.

In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The remuneration disclosures included in the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2018, comply with section 300A of the *Corporations Act 2001*.

3. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

4. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Craig Munro
Non-Executive Chairman

Perth, Western Australia
28 September 2018

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Gulf Manganese Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Gulf Manganese Corporation Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1c.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1b in the financial report which indicates that the Consolidated Entity incurred a net loss of $7,467,562 during the year ended 30 June 2018. As stated in Note 1b, these events or conditions, along with other matters as set forth in Note 1b, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Plant and equipment – $14,782,964 (Refer to Note 7) As disclosed in note 7 in the financial report, as at 30 June 2018 the Consolidated Entity is carrying plant and equipment of $14,782,964. Of significance in this amount is $14,577,987 which relates to the Smelter Hub which is currently under construction. Plant and equipment is considered to be a key audit mater due to: – The significant value of the asset to the Consolidated Entity's financial position; and – The complexity in identifying the elements of cost attributable to the asset.	Our procedures included, amongst others: – Assessing the Group's methodology for determining and recognising Plant and Equipment under construction; – We tested the additions to the Smelter Hub in Plant and Equipment for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 116 – Property, plant and equipment; – Evaluating management's assessment as to whether indicators of impairment had occurred; and – Assessing the adequacy of the disclosures included in the financial report.
Share based payments – $3,079,751 (Refer to Note 13) As disclosed in note 13 in the financial statements, during the year ended 30 June 2018, the Consolidated Entity incurred share based payments totaling $3,079,751.	Our procedures included, amongst others: – Analysing contractual agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments;

Key audit matter	How our audit addressed the key audit matter
Share based payments are considered to be a key audit matter due to: – the value of the transactions; – the complexities involved in recognition and measurement of these instruments; and – the judgement involved in determining the inputs used in the valuation. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.	– Evaluating the key assumptions used to value the performance rights including the probability of the performance conditions being met as disclosed in note 13 of the financial statements; – Assessing the amount recognised during the period against the vesting conditions of the options; and – Assessing the adequacy of the disclosures included in the financial report.
Borrowings - $7,515,018 (Refer to Note 10) As disclosed in note 10 of the financial statements for the year ended 30 June 2018, the Consolidated Entity raised $7,515,018 through the issue of convertible notes. Convertible Notes are considered to be a key audit matter due to: – the value of the notes; – the complexities involved in recognition and measurement of debt and equity components; and – judgements surrounding derivative values that may or may not be attributable to the notes.	Our procedures included, amongst others: – Obtaining the agreement for the issue of convertible notes and verification of the monies received under the issue; – Assessing the financial instruments in accordance with AASB 132 Financial Instruments: Disclosure & AASB 139 Financial Instruments: Recognition and Measurement with particular consideration given to the recognition, measurement and disclosures surrounding debt and equity components of compound instruments; – Evaluating the derivative components that may exist as a result of the issue of these financial instruments; and – Assessing the adequacy of the disclosures included in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1c, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Partner

Dated at Perth this 28th day of September 2018