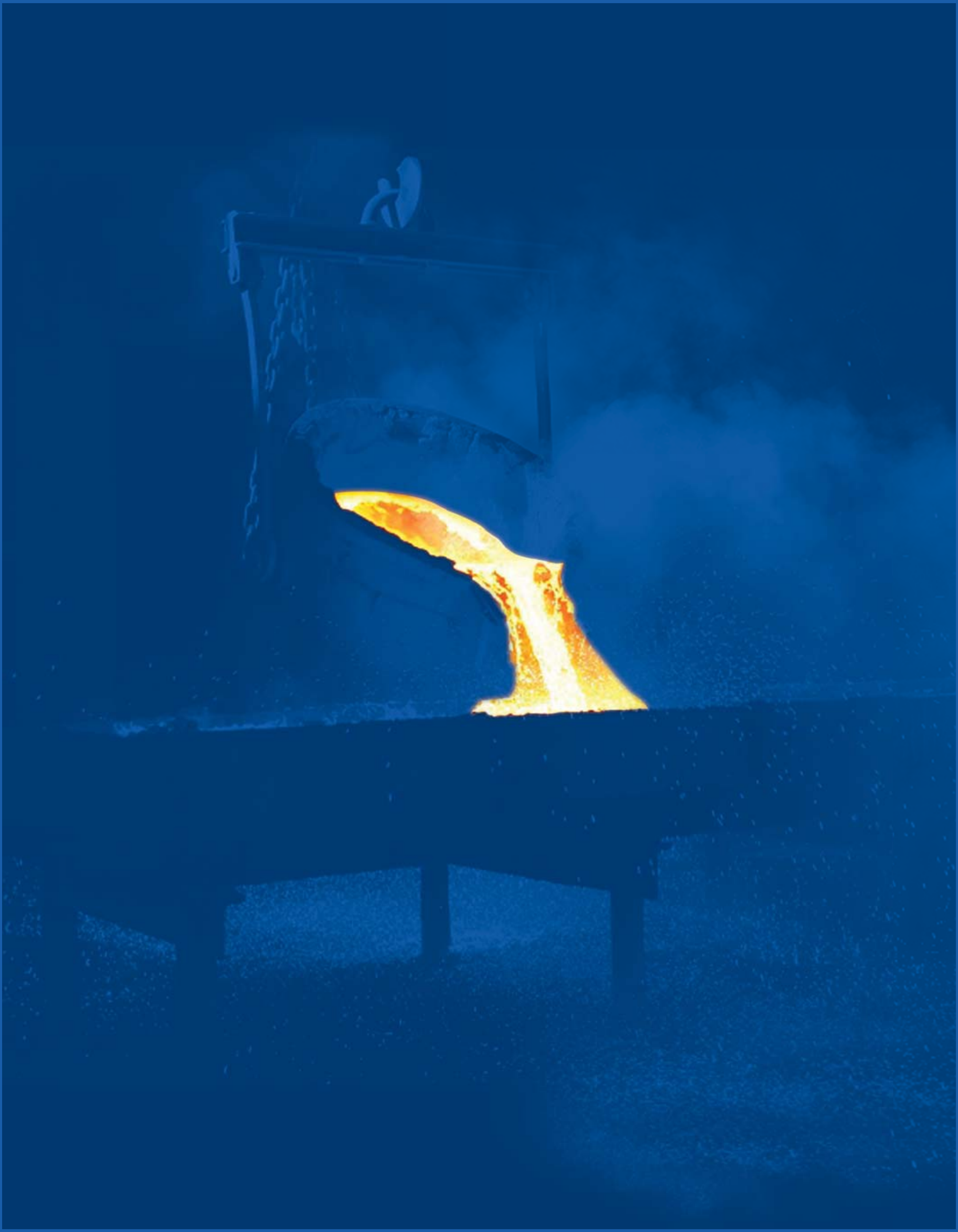
ANNUAL REPORT 2017



gulf

ANNUAL GENERAL MEETING OF SHAREHOLDERS

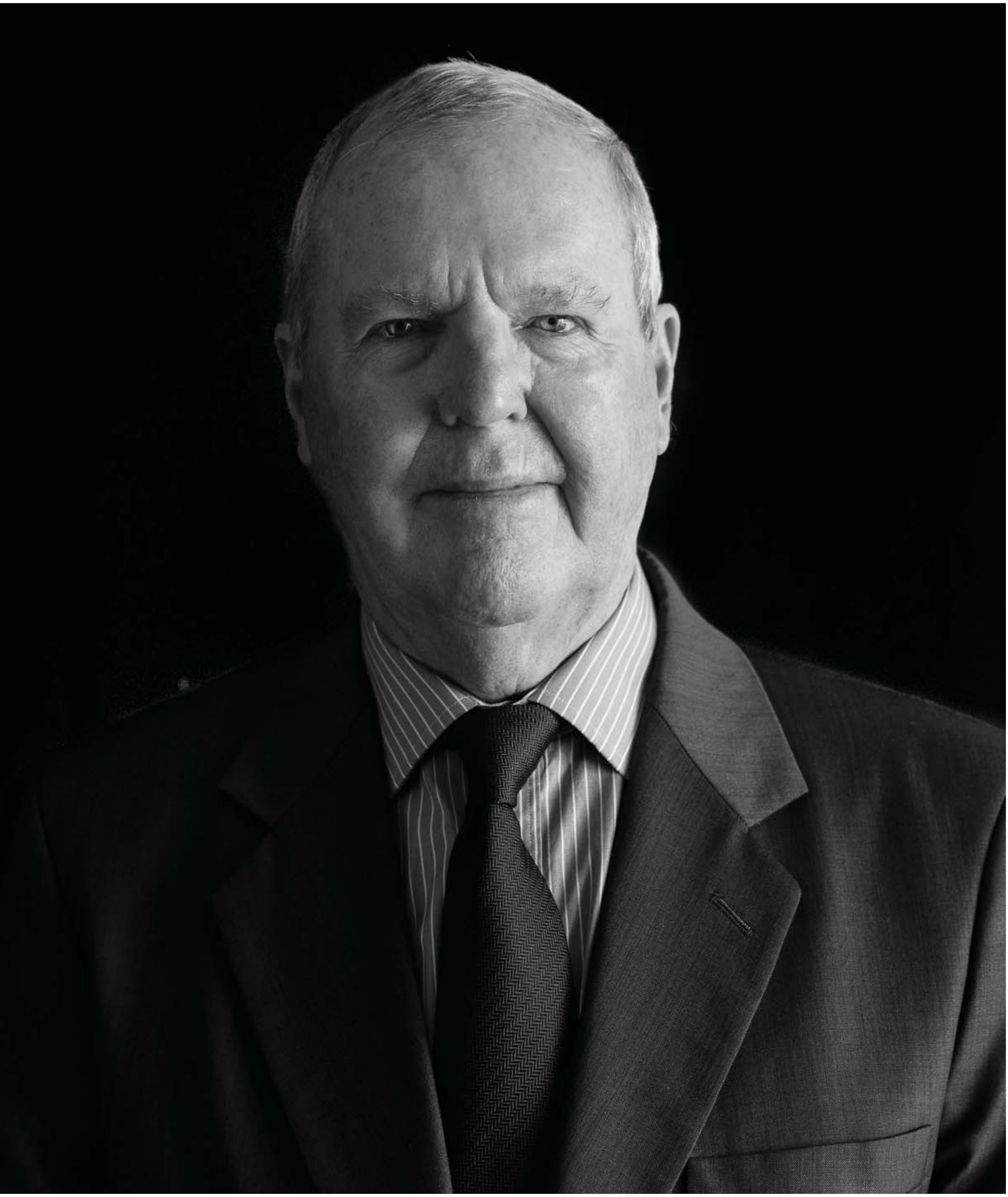
To be held at CWA House,
1176 Hay Street, West Perth
Western Australia 6005
21 November 2017 at 11am

All dollar amounts referred to in the report are expressed in Australian dollars unless otherwise noted.

Gulf (ASX. GMC) is focused on the near-term development of its low-cost, ferromanganese smelting facility in Kupang, Indonesia. Gulf's strategy includes the purchasing of high grade Indonesian manganese ores at smelter gate, processing of these ores at the Kupang Smelting Hub and the exporting of a premium (circa 78%) ferromanganese alloy to growing, high-demand global markets.

CRAIG MUNRO
NON-EXECUTIVE CHAIRMAN

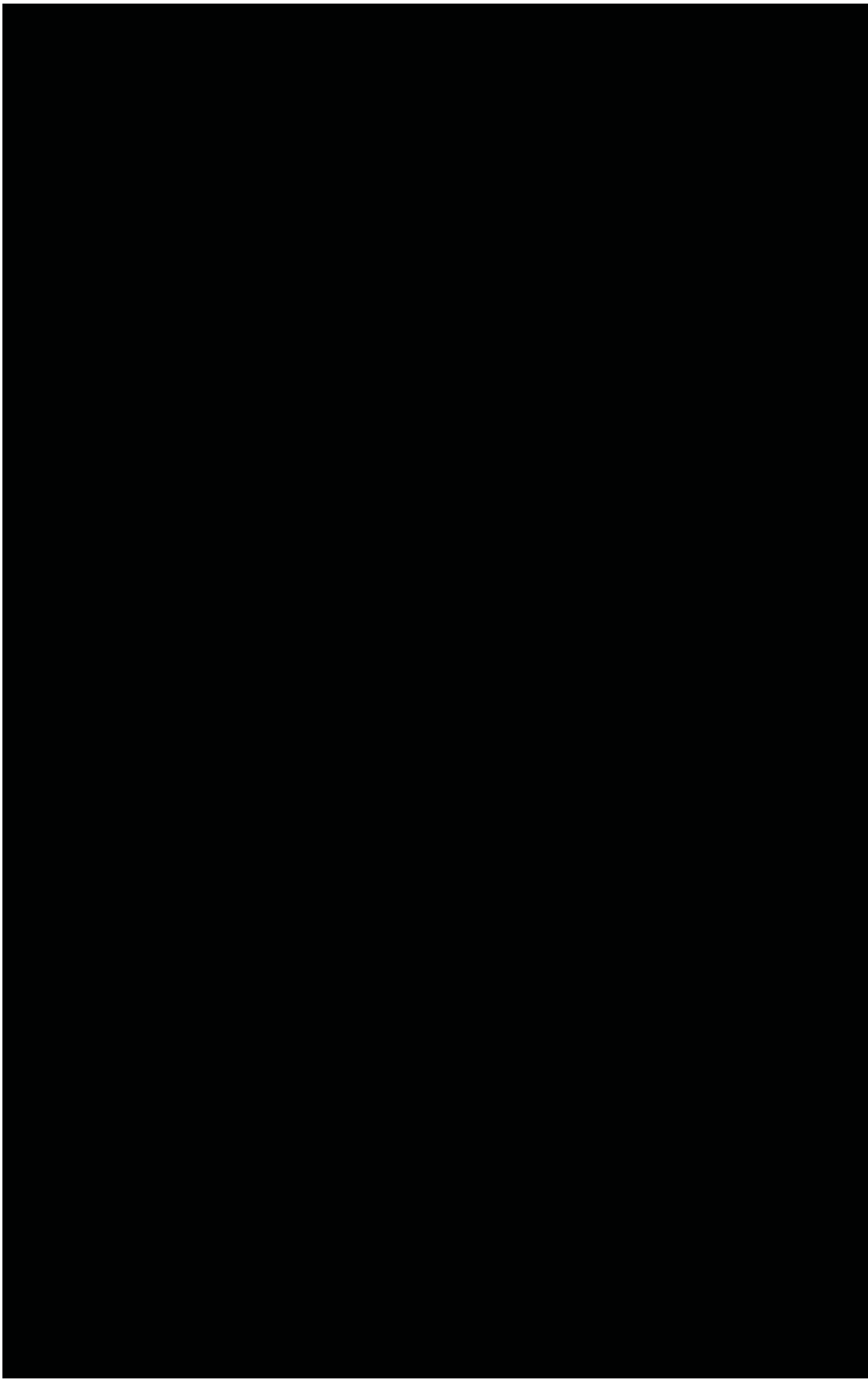
The development of the Kupang Smelting Hub Facility has always been about capturing the bigger picture. Gulf is continuing to forge robust, long-lasting relationships with local community members and decision makers and we remain committed to generating wealth for the Kupang community and to creating significant shareholder value for our supportive shareholder base.



HAMISH BOHANNAN
MANAGING DIRECTOR

Gulf is entering a truly exciting period, with a clear pathway now in place to transition the company into a world-class producer of high quality ferromanganese alloy. The business is on the cusp of unlocking significant shareholder value with the construction and commissioning phase set to transform the business and provide the platform for significant cash flows to be realised in the near-term.

GULF MANGANESE CORPORATION LIMITED (ACN: 059 954 317)
ANNUAL REPORT 2017



Contents

CORPORATE DIRECTORY

Gulf Manganese Corporation Limited

Board of Directors

Craig Munro	Non-Executive Chairman
Hamish Bohannan	Managing Director & CEO
Andrew Wilson	Non-Executive Director

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Ascot WA 6104
Telephone: +61 8 9367 9228
Facsimile: +61 8 9367 9229

www.gulfmanganese.com

Australian Securities Exchange
ASX Code: GMC, GMCO

Share Registry
Automic Registry Services

Auditors
Bentleys Audit & Corporate (WA) Pty Ltd

Lawyers
Allion Legal
863 Hay Street
Perth WA 6000

PT Gulf Mangan Grup

Board of Directors

Hamish Bohannan	President Director
Leonard Math	Commissioner
John Woodacre	Director

Registered Office
JL Perintis Kemerdekaan 1,
RT 03 / RW 07,
Kelurahan Kayo Putih,
Kemematan Oebobo,
Koto Kupang, NTT

www.gulfmanganese.com

Lawyers
Christian Teo & Partners
Indonesia Stock Exchange Building
Jakarta Indonesia

CHAIRMAN AND MANAGING DIRECTOR REPORT

Dear valued Shareholder,

We are pleased to provide you with Gulf's annual report and financial statement for financial year 2017. Our team has worked diligently over the past 12 months to achieve a number of crucial corporate and operational milestones which has the Company strongly positioned as we enter the construction and development phase of the Kupang Smelting Hub Facility in West Timor.

One of the defining outcomes for the business during the financial year was the securing of the required financial support to ensure we had the flexibility and scope to pursue our operational objectives over the next 12 months. This was achieved in June, enabling the Company to 'push go' on our smelter refurbishment and Kupang site development program which signals a very exciting new chapter for our shareholders.

FY17 wasn't without its challenges however, with a funding hurdle encountered in regards to a previous proposed cornerstone investor in Indonesia. Although this caused delays in securing the capital we required, it hasn't caused any major disruptions to our development timeline for Kupang which is our number one priority.

The fact that we are now in a robust position with a clear development pathway is a testament to the depth and commitment of our Board and leadership team and we would like to take this opportunity to extend our gratitude and appreciation to all who have assisted with Gulf over the past 12 months.

A new chapter for the Kupang Smelting Hub Project

Our vision is to establish a world-class ferromanganese alloy processing facility, with the proposed development to comprise eight furnaces built in stages over five years. Once constructed, the facility will produce a premium quality 78%+ manganese alloy which will be shipped to global markets from the nearby port of Kupang.

At full production, Gulf will aim to purchase and process 320,000 tonnes pf manganese ore per annum, producing about 155,000 tonnes of medium and low carbon premium quality ferromanganese alloy.

We are pleased to report that the development timeline for the Kupang Smelting Hub Facility remains on track as we tighten our focus on having the first two smelters commissioned in Q2 2018, with the first commercial production in Q3 2018.

At Kupang, the Bolok site has been cleared and construction activities are advancing well with the key focus being on ensuring the site is prepared and ready for the arrival of the first two smelters in Q4 2017

The site works program is being run in conjunction with our smelter refurbishment program in Pretoria which is also progressing seamlessly. Both smelters have now been fully dismantled and are currently with contractors where they will be fully refurbished prior to shipment.

A key focus for the business has been securing initial manganese ore supplies from local miners, with a number binding agreements secured post financial year end. The securing of our initial ore supply further de-risks the Kupang Smelting Hub Facility, and

Figure 1: Construction Offices on cleared Bolok Industrial Site

demonstrates the capacity of our in-country team to engage with local groups and communities to build long-standing relationships.

To this end, in January Gulf bolstered its in-country presence with the appointment of Paul Robinson as Operations Manager. Paul has led the local team exceptionally since his appointment and it is the combined efforts of Gulf's highly skilled operational team and of the local people in Kupang that will drive the success of this project.

The Board is also assessing a number of avenues to enable the sale and shipment of manganese concentrates (>49% Mn) under the Indonesian provision for smelting and processing companies to sell concentrate during construction to assist with near-term cash flow. This has the potential to deliver significant near-term outcomes to Gulf's shareholders, in particular as the Company targets the commissioning of the facility in the first half of 2018.

A look towards the future

With a number of key boxes ticked over the past 12 months, Gulf is now entering an exciting phase in its development, with some significant value catalysts expected to be delivered over the next 3-6 months.

Our team has worked tirelessly to establish a clear pathway to production at Kupang and with the project entering construction we believe the Company is on the cusp of unlocking significant near-term value for our shareholders.

Finally, we would like to thank our shareholders and financiers for their unwavering support over the financial year. It has been a challenging period, but their support has further reaffirmed our vision to create a world-class manganese smelting business in Indonesia – and with commissioning of our first two smelters on-track for completion early next year, the Board looks forward to delivering further positive outcomes for shareholders in financial year 2018.

KUPANG SMELTING HUB

Project Overview

Gulf Manganese Corporation Limited (ASX. GMC) ("Gulf" or "the Company") is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell medium and low carbon ferromanganese alloy.

The Kupang Smelting Hub Facility will contain at least eight furnaces built in stages over five years, targeting the production of a premium quality 78%+ manganese alloy. At full production, Gulf will aim to purchase and process 320,000 tonnes of manganese ore per annum, producing circa 155,000 tonnes of premium quality ferromanganese alloy.

Kupang Smelting Hub Facility – FY2017 Developments

Construction Update

In October 2016, Gulf received approval from the Governor of East Nusa Tenggara for the construction of a manganese smelting hub in the Bolok Industrial Estate in Kupang, West Timor.

In June 2017, Gulf's wholly-owned subsidiary PT Gulf Manganese Grup ("PT Gulf") signed a binding Land Lease Agreement with the Government of East Nusa Tenggara Province for the construction of the Smelting Hub facility in Kupang's Bolok Industrial Estate. The Bolok Industrial Estate was the original site selected by Gulf for the construction of the facility, and the 23.5 Hectare block of land is directly adjacent to the Government-owned Power Station and only five kilometres from the main Tenau port.

The Bolok Industrial site has now been cleared following a successful ground blessing ceremony held in June. Furthermore, construction offices have now been established and power from the adjacent government owned power station has been connected to the site.

Specialist engineering firm, XRAM Technologies (Pty) Limited ("XRAM") has also been engaged to undertake all design and construction requirements associated with the refurbishment and relocation of the furnaces to the Kupang Smelting Hub.

Post financial year-end, Gulf appointed Indonesian-based PT Weltes Energi Nusantara ("PT Weltes") to work under EPCM contractor, XRAM, to undertake the construction phase of the Kupang Smelting Hub Facility.

PT Weltes is a multi-disciplinary engineering, procurement, construction and fabrication manufacturer with more than 20 years of experience. PT Weltes has specific experience in mineral and chemical processing plants and infrastructure, including civil work and electrical and control automation is therefore well suited to the scope of work required for construction of Gulf's Kupang Smelting Hub Facility.

Figure 2: Dismantling of equipment at Transalloy's site

South African Smelter Refurbishment

In August 2016 the Company finalised an agreement with Renova for the purchase and acquisition of two ferromanganese smelters from their operating company in South Africa, Transalloys Pty Limited ("Transalloys"). Under the terms of the agreement gulf purchased two furnaces including related equipment from Transalloys for the total cash consideration of US$1 million.

Post year end, the Company completed the final payment to Transalloys for the purchase of the first two smelters, with the refurbishment of these two smelters now underway in Pretoria, South Africa, prior to their shipment to Kupang.

It is expected that the refurbishment program will be completed in Q4 2017, before the components are transported to Durban for final inspection and containerising. The smelters will then be shipped to Indonesia, with the development timeline for Kupang remaining largely unabated as the Company targets the commissioning of the facility in the first half of 2018.

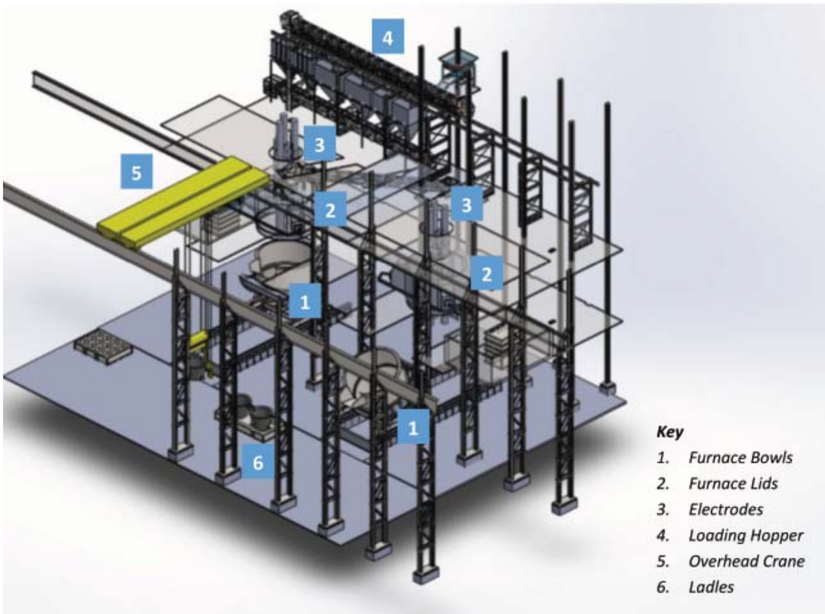


Figure 3: The schematic of the smelter building.

Figure 4: Dismantling of equipment at Transalloy's site

Manganese offtake agreements

In conjunction with the purchase of the two smelters from Transalloys, the Company also signed an offtake agreement with Renova's trading subsidiary Afro Minerals Trading AG ("Afrominerals") for the sale of manganese alloy and concentrate. Under the terms of the agreement the Company will supply a maximum of 30,000 tonnes manganese concentrate per annum. The manganese concentrate will be sold by the Renova marketing team.

The manganese ore, purchased from local suppliers, will be upgraded by the Company by way of washing and screening to produce a concentrate with a grade not less than 49% manganese. The Company will also sell up to 60% of the manganese alloy produced in the first three years of production from the first two smelters to Afrominerals under this agreement.

In addition, Gulf's legal team is also progressing permitting to allow sale and shipment of manganese concentrates (>49% Mn) under the Indonesian provision for smelting and processing companies to sell concentrate during construction to assist with cash flow.

Manganese Market Overview

The major use for manganese is in the production of steel, with Manganese being the critical element that combines with iron to produce steel. All steel generally contains between 1 – 1.5% Manganese, and in special applications, more than that. More than 90% of the world's Manganese is used by the steel industry.

Figure 5: Dismantling of equipment at Transalloy's site

Manganese is the fourth most used metal in the world in terms of tonnage. In addition to steel, manganese is also used in the developing battery market and in fertilisers.

The steel industry generally takes it's manganese in the form of a ferromanganese or silicomanganese alloy, paying a premium for alloys with high manganese content and low carbon content. Gulf will be focusing on producing high quality low carbon and medium carbon ferromanganese alloys.

Whilst Indonesia is home to many high grade manganese deposits the legislation does not allow for the export of untreated ore. As a result, following the implementation of that law in 2012, mining of the manganese ores in Indonesia largely stopped in 2013. The establishment of Gulf's Smelting Hub in Kupang will allow many of these mines to start production again.

Demand for manganese globally continues to grow in line with the steel industry. As global steel production increases, the ferromanganese price is continuing to trend upward.

CORPORATE OVERVIEW

Funding secured to advance Kupang development

A key catalyst for Gulf during the financial year was the securing of additional capital to advance the development of the Kupang Smelting Hub Facility. The majority of the funding was secured during the June quarter, which coincided with the Company's reinstatement to official quotation on June 29.

The Company has since received A$1.5 million and is expected to receive the remaining A$2.5 million by October 31, 2017.

In June, Gulf raised A$7 million through a combination of a share placement of 466,666,667 New Shares at $0.015 per share. In addition, the Company advised in July that it had finalised a Convertible Note facility, raising a further A$1 million.

The Company also received binding commitments to raise an additional A$4 million on the same terms, which will complete the A$12 million capital raising. The additional A$4 million is expected to be received no later than September 30, 2017.

Additional corporate activities

In August 2016, the Company entered into a binding term sheet with Marthen Amtiran ("Pak Marthen") for the investment of US$10 million in Gulf's Indonesian-based subsidiary PT Gulf Mangan Grup ("PT Gulf") for a 10% interest in PT Gulf. This binding agreement was terminated by the Company on February 20, 2017 due to non-conformance. The Company is reviewing its legal position with regard to Pak Marthen's non-conformance.

In September 2016, the Company completed a $1 million raising - via the placement of 70 million shares at 1.5c per share – to provide additional working capital at the Kupang Smelting Hub Project.

In April 2017, a total of 204,600,000 ordinary shares were issued at $0.005 per share raising total proceeds of A$1,023,000 – with the shares issued to sophisticated investors utilising the Company's 15% investment facility.

Key Appointments

In January 2017, the Company announced the appointment of Paul Robinson as Operations Manager. Based in Kupang, Paul manages the implementation and development of the Kupang Smelting Hub Facility.

With more than 20 years of experience in senior operational roles in the resources industry, Paul has established a strong track record in managing complex commercial project agreements and stakeholder relationships

Concurrent with Paul's appointment, the Company's Chief Financial Officer and Company Secretary, Leonard Math, was appointed full-time.

PT GULF MANGAN GRUP BOARD

Post end of year, Gulf has further strengthened its board of the wholly owned subsidiary, PT Gulf Mangan Grup, with the appointment of Iskander Ali (President Commissioner); Sam Lee (Director); and Paul Robinson (Director).

Hamish Bohannan – *President Director*

Hamish has broad experience in the resource sector, but in particular was Managing Director of the Koba Tin mining and smelting company in Sumatra, Indonesia, and Independence Platinum with smelting operations in South Africa. Hamish was also a General Manager in WMC's nickel division with smelting and refining activities in Western Australia.

Iskandar Ali – *President Commissioner*

Iskandar Ali is a retired two-star general in the Indonesian army with a military career that spanned more than 30 years, a former local politician and is an alumnus of the National Military Academy in Magelang, Central Java (Class of 1975). A highlight of Iskandar Ali's career was his appointment as the Chief Financial Officer for the Indonesian Army from 2001 to 2004. His final assignment in the Indonesian Army was as a Senator at Parliament House, representing the military faction in 2004.

Since his retirement, Iskandar Ali has remained active within both the political and business communities. He is one of the founders of the People's Conscience Party in Indonesia and has held the position as President Commissioner at PT Goodway International since 2013. Iskandar Ali also currently holds the position of Privy Council of Acehnese Scholars in Indonesia.

Figure 6: Sam Lee, PT Gulf Director (right)

Leonard Math – *Commissioner*

Leonard graduated from Edith Cowan University (Western Australia) with a Bachelor of Business majoring in Accounting and Information Systems and is a member of the Institute of Chartered Accountants. He has worked with Deloitte as an auditor with public company experience in ASX and ASIC compliance and statutory financial reporting.

Paul Robinson – *Director*

Paul is a minerals processing professional who has most recently, held the position of CEO – Cape Preston Port Operations with Mineralogy Pty Ltd, and prior to this, Paul has held several key leadership positions across metallurgical smelting and refining operations for nickel, cobalt, ferroalloys, lead and zinc at BHPBilliton, Mount Isa Mines, BHP Temco and Pasminco Metals. Signifcantly Paul was Senior Production Metallurgist at BHP's Temco manganese operation in Tasmania.

Sam Lee – *Director*

Sam Lee is an entrepreneur with over 25 years of senior management experience in directorship roles of leading companies in the flower and plant industry throughout Australia and Asia, in particular China and Indonesia. Sam has recently sold all of his businesses, including his orchid import business that distributed imported flowers and plants to major retailers in Australia. Sam is now focusing on Gulf.

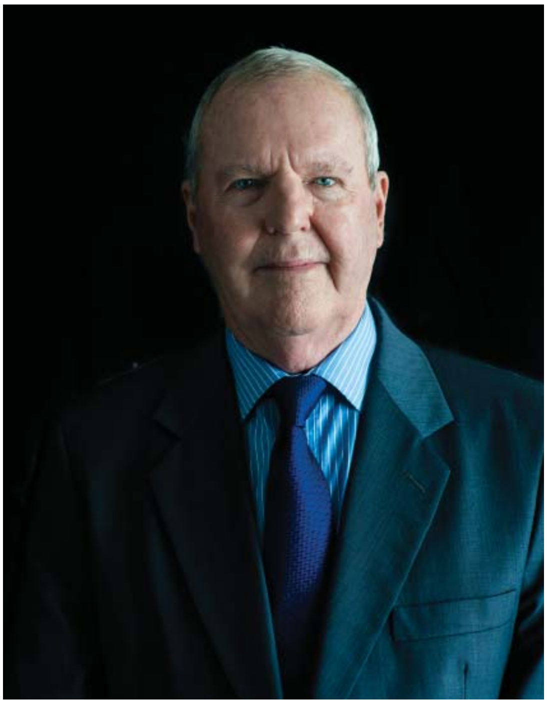
John Woodacre – *Director*

John holds a Diploma in Occupational Health and Safety Management from the National Safety Council from Deakin University in South Australia; a Diploma in Business Studies; a Graduate Certificate in Organisation Design. He has extensive corporate and operational experience in public companies within Australia and overseas in the capacity of General Manager, Organisational Development; Director of Productivity and Organisation Design.

John has a vast level of experience in the start-up of organisations, particularly in areas where the skills required are not readily available, and is successful at training local workforces to an international standard. He has worked in Indonesia, Canada, America, Laos, Africa and Australia. John speaks fluent Bahasa Indonesia.

OUR PEOPLE

Hamish Bohannan Managing Director & CEO (GMC) and President Director (PT Gulf Mangan Grup)



Craig Munro Non-Executive Chairman

Andrew Wilson Non-executive Director (GMC)

Leonard Math Company Secretary & CFO (GMC) and Commissioner (PT Gulf Mangan Grup)

DIRECTORS' 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 2017.

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 and CEO)
appointed 1 February 2016

Mr Andrew Wilson
(Non-Executive Director)
appointed 17 February 2016

Mr Paul O'Shaughnessy
(Non-Executive Director) resigned on 27 July 2016

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 has 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 Current ASX Directorships	Former ASX Directorships in the Last Three Years
None	None

Paul O'Shaughnessy, BSc(Eng), C Eng *(Non-Executive Metallurgical Director)*
Resigned 27 July 2016

Paul is a metallurgical engineer with some 40 years of industry experience which includes smelting operations producing both bulk and specialty manganese alloys. He is a graduate from the Royal School of Mines, Imperial College, University of London with a Bachelor of Science Metallurgy with Honours. He operates his own consulting business which includes advising on the manufacturing of ferro alloys. Paul did not hold any other directorships in the last three years.

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

Leonard Math, BComm, CA (Chief Financial Officer & Company Secretary)

Leonard graduated from Edith Cowan University in 2003 with a Bachelor of Business majoring in Accounting and Information Systems. He is a member of the Institute of Chartered Accountants. He previously worked as an auditor at Deloitte and is experienced with public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations. He has acted as Non-Executive Director and Company Secretary of a number of ASX listed companies.

He is currently a Non-Executive Director of ASX listed company Kore Potash Limited.

Director's interests in shares and options

As 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
Directors	Direct	Indirect	Indirect	Direct	
Craig Munro	1,333,333	-	-	12,000,000	10,000,000
Hamish Bohannan	6,000,000	30,000,000	30,000,000	20,500,000	25,000,000
Andrew Wilson	-	8,333,333	-	12,000,000	10,000,000

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 $5,363,308 (2016: $2,903,474).

Dividends

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

SIGNIFICANT CHANGES IN STATES OF AFFAIRS

Board changes

During the year, Mr Paul O'Shaughnessy resigned as Non-executive Director on 27 July 2016.

Corporate

Capital Raising

On 8 September 2016, the Company completed $1 million raising to provide additional working capital, as the Company continues to progress towards the development of its Kupang Smelting Hub Project in West Timor, Indonesia.

The Company raised $1 million through a placement of 70,000,000 shares at 1.5 cents per share with free attaching 1 for 2 Listed Options (GMCO) exercisable at 0.5 cents per share expiring 21 April 2019 to sophisticated and professional investors with Triple C Consulting Pty Ltd acted as the Lead Manager.

The Company also raised a further $152,045 through the issue of 6,666,667 shares at 1.5 cents and 3,154,242 at 1.65 cents per share respectively during the first half of the financial year.

On 19 April 2017, the Company issued 204,600,000 ordinary shares at $0.005 per share raising total proceeds of A$1,023,000. The shares were issued to sophisticated investors utilising the 15% investment facility.

In June 2017, the Company successfully raised $7 million through the issue of 466,666,671 shares at 1.5 cents per share with free 3 for 2 Listed Options (GMCO) exercisable at 0.5 cents per share expiring 21 April 2019. A total of 700,000,005 Listed Options were issued through this raising. A further $4 million was committed from sophisticated investors at the same terms and conditions. The additional $4 million is to be received by the Company by no later than the end of September 2017. In July 2017, $1 million from the committed $4 million was received.

The Company further raised $1 million through the issue of 100 Convertible Notes with a face value of $10,000 each expiring 27 June 2019.

Funds raised will be used to advance and develop the Kupang Smelting Hub.

Conversion of Convertible Notes

A total of 47 Convertible Notes with a face value of $10,000 each have been converted to fully paid shares in the Company during the year.

Exercise of Options

During the year, the following options were exercised, raising a total of $306,752:

- 44,448,342 Listed Options (GMCO) at 0.5 cents each expiring 21 April 2019
- 4,500,000 Unlisted Options at 1.96 cents each expiring 30 September 2018

Issue of Securities

Following shareholders' approval at the General Meeting held on 2 September 2016, the following securities were issued:

1) 20,000,000 shares at a price of 0.2 cents per share and 10,000,000 Listed Options exercisable at 0.5 cents each were issued to Triple C Consulting Pty Ltd as a settlement of outstanding fees of $40,000.
2) 10,000,000 shares were issued to Mrs Nukantini Putri Parincha to acquire 100% interest in PT Gulf Mangan Grup.
3) 4,500,000 shares were issued to Mr John Woodacre at a price of 0.4 cents per share in satisfaction of outstanding consulting fees of $18,000.
4) 10,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued each to Mr Craig Munro and Mr Andrew Wilson
5) 30,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued to Mr Hamish Bohannan.
6) 24,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued to employees and contractors of the Company under the Company's Employee and Contractor Share Option Plan.

In June 2017, Triple C Consulting Pty Ltd was issued 80,000,000 Listed Options (GMCO) exercisable at 0.5 cents each expiring 21 April 2019 as part of the June 2017 capital raising fee.

Performance Rights

During the year, 85 million performance rights expiring 28 November 2016 were issued to Directors and employees. The following are the vesting conditions for the performance rights:

Vesting Conditions	Directors	Employees
Completion of financing for 1st and 2nd smelter	9,000,000	8,000,000
Completion of 1st smelter construction	9,000,000	8,000,000
Completion of MoU with manganese suppliers	9,000,000	8,000,000
Completion of 60% offtake agreement for 1st and 2nd smelter	9,000,000	8,000,000
Successful commissioning of the 1st smelter	9,000,000	8,000,000
TOTAL	**45,000,000**	**40,000,000**

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 27 July 2017, the Company received and placed the $1 million of the $4 million committed funds from sophisticated investor through the issue of 66,666,667 shares at 1.5 cents per share with free attaching 100,000,000 Listed Options (GMCO) exercisable at 0.5 cents expiring 21 April 2019.

On July 31, 2017, 13,900,00 options exercisable at at $0.3746 have expired.

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 14.

Meetings of directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2017, and the numbers of meetings attended by each director were:

	Board Meetings		Audit Committee Meeting
Name of Director	**Number eligible to attend**	**Number attended**	**Number attended**
Craig Munro	16	16	1
Hamish Bohannan	16	16	1
Andrew Wilson	16	16	1
Paul O'Shaughnessy – Resigned 27 July 2016	N/A	N/A	N/A

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 once during the year.

Environmental regulations

During the year, the Company successfully divested its key non-core assets, the Australian mineral tenements, enabling the company to hone its focus on the Indonesian manganese alloying project. 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 14 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 2017, 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 5 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

Paul O'Shaughnessy
Non-executive Director
(resigned 27 July 2016)

Leonard Math
CFO & Company Secretary

Paul Robinson
COO *(appointed 1 January 2017)*

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

	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$	$	$
Revenue	1,100	-	150,043	-	100,023
Net Profit / (Loss) before tax	(5,363,308)	(2,903,474)	(2,594,559)	(5,622,881)	(530,212)
Net Asset/ (Liability)	8,636,614	841,174	(836,429)	(227,215)	834,103

Performance based remuneration

Performance Rights

During the year, 45 million performance rights expiring 28 November 2016 were issued to Directors. The following are the vesting conditions for the performance rights:

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**

There was no other performance-based remuneration paid to Directors during the financial year.

Voting and comments made at the Company's 2016 Annual General Meeting

In 2016 Annual General Meeting, the Company received 92.41% 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:

		SHORT-TERM BENEFITS		POST EMPLOYMENT BENEFITS	OTHER	SHARE-BASED PAYMENT		TOTAL
Directors		Salary and fees	Super-annuation	Retirement Benefits	Fees	Shares/ Options	Remuneration consisting of Options	$
Craig Munro *(appointed 1 Feb 2016)*								
	2017	94,216	5,784	-	-	435,000	81.31%	535,000
	2016	31,659	3,008	-	-	-	-	34,667
Hamish Bohannan *(appointed CEO 28 Oct 2015 and Managing Director 1 Feb 2016)*								
	2017	272,060	23,401	-	-	1,155,000	79.63%	1,450,461
	2016	175,623	16,684	-	-	1,128,000	85.43%	1,320,307
Andrew Wilson *(appointed 17 Feb 2016)*								
	2017	60,000	-	-	-	435,000	87.88%	495,000
	2016	20,000	-	-	-	-	-	20,000
Paul O'Shaughnessy *(resigned 27 July 2016)*								
	2017	14,194	-	-	-	-	-	14,194
	2016	40,000	-	-	-	-	-	40,000
Total Remuneration Directors								
	2017	**440,470**	**29,185**	**-**	**-**	**2,025,000**	**81.17%**	**2,494,654**
	2016	**267,282**	**19,692**	**-**	**-**	**1,128,000**	**79.72%**	**1,414,974**
Executives								
Leonard Math*								
	2017	127,647*	6,607	-	-	322,500	70.61%	456,754
	2016	100,895*	-	-	-	-	-	100,895
Paul Robinson (appointed on 1 January 2016)								
	2017	92,202	8,759	-	-	300,000	74.82%	400,962
	2016	-	-	-	-	-	-	-
Total Remuneration Executives								
	2017	**219,849**	**15,366**	**-**	**-**	**622,500**	**72.58%**	**857,716**
	2016	**100,895**	**-**	**-**	**-**	**-**	**-**	**100,895**

*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 become full time employee of Gulf Manganese Corporation Limited as CFO & Company Secretary from 16 January 2017.

C Service agreements

TThe 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 Leonard Math for his role as Chief Financial Officer and Company Secretary. Leonard will be remunerated at an annual salary of $180,000 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.

During the year, the Company had a service agreement with Nexia Perth Pty Ltd for the provision of services as Accounting & Company Secretary by Mr Leonard Math. Mr Leonard Math was an employee of Nexia Perth. The service agreement was terminated in December 2016. The details of the services agreement with Nexia were as follows:-

Monthly Fees
Accounting: $2,500 plus GST
Company Secretary: $4,000 plus GST
Termination Notice Period – 3 months

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 period of notice on termination where applicable.

D Share-based compensation

Options granted to Directors' and Officers
During the year, 55,000,000 Unlisted Options exercisable at 2 cents expiring 5 September 2021 were issued each to Directors and Officers. The options were issued to under the Company's Employee and Contractor Share Option Plan.

Directors and Officers	Options
Craig Munro	10,000,000
Hamish Bohannan	30,000,000
Andrew Wilson	10,000,000
Leonard Math	5,000,000

Refer to Note 10 for the inputs used for the valuation of these options.

Shares issued on exercise of unlisted options

There were no unlisted options exercised during the financial year.

Fair value of options granted
The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black Scholes option pricing model.

E Additional information

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

Remuneration report (audited) (continued)

F Key Management Personnel shareholdings

Directors/Executives	Balance at the beginning of the year	Share issue during the year	Held at Resignation	Balance at End of Year
Craig Munro	-	1,333,333[1]	-	1,333,333
Hamish Bohannan	65,000,000	-	-	65,000,000
Andrew Wilson	-	8,333,333[1]	-	8,333,333
Paul O'Shaughnessy*	-	-	-	-
Leonard Math	2,500,000	846,229[2]	-	3,346,229
Paul Robinson**	-	678,400[2]	-	678,400

*Resigned on 27 July 2016

**Appointed on 1 January 2017

[1]Participated in a placement at a price of 1.5 cents each for 1,333,333 shares with free attaching 2,000,000 Listed Options exercisable at 0.5 cents expiring 21 April 2019.

[2]Participatied in a placement at a price of 1.5 cents each with 3 for 2 free attaching Listed Options exercisable at 0.5 cents expiring 21 April 2019.

G Key Management Personnel option holdings

Directors/Executives	Balance at the beginning of the year	Options issue during the year	Held at Resignation	Balance at End of Year
Craig Munro	-	12,000,000[1]	-	12,000,000
Hamish Bohannan	32,500,000	30,000,000	-	62,500,000
Andrew Wilson	-	12,000,000[1]	-	12,000,000
Paul O'Shaughnessy*	1,000,000	-	1,000,000	-
Leonard Math	1,250,000	6,269,341[2]	-	7,519,341
Paul Robinson**	-	1,017,600[2]	-	1,017,600

*Resigned on 27 July 2016

**Appointed on 1 January 2017

[1]Participated in a placement at a price of 1.5 cents each for 1,333,333 shares with free attaching 2,000,000 Listed Options exercisable at 0.5 cents expiring 21 April 2019.

[2]Participated in a placement at a price of 1.5 cents each with 3 for 2 free attaching Listed Options exercisable at 0.5 cents expiring 21 April 2019.

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	1,341,823,972	Yes
30-Sep-18	$0.0196	51,925,917	Yes
30-Sep-18	$0.0496	15,000,000	Yes
21-Feb-18	$0.0196	10,000,000	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.

Convertible notes

At the date of this report, the total number of outstanding convertible notes is 100. Below are the terms and conditions of the convertible notes:

1. Face value – $10,000 per convertible note.
2. Conversion:
   Conversion before 21 August 2017: Each note may be converted into Gulf shares at 1.5 cents with free attaching 3 for 2 Listed Options (GMCO) exercisable at 0.5 cents expiring 21 April 2019.

   Conversion after 21 August 2017: Each note may be converted into Gulf shares at 1.5 cents.
3. Interest – payable monthly in arrears at 8% per annum.
4. 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.
5. Term – 2 years from the date of issue.

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 (2016: nil). The Auditor's remuneration is disclosed in Note 20.

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 30.

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

Craig Munro
Non-executive Chairman
Perth, Western Australia
29 September 2017

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 director for the audit of the financial statements of Gulf Manganese Corporation Limited for the financial year ended 30 June 2017, 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 CA
Director

Dated at Perth this 29th day of September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue			
Interest income		1,100	-
Expenses			
Directors remuneration		158,129	163,583
Administrative expenses		1,256,671	880,879
Exploration and evaluation expenses		2,033	2,252
Foreign exchange losses		13,004	-
Settlement expenses		-	283,064
Legal fees		60,485	106,519
Depreciation		6,520	7,460
Loss on sale of fixed assets		-	4,776
Professional fees		281,841	183,989
Share based payments	10	3,550,501	1,128,000
Impairment of available-for-sale investment		-	75,000
Interest on finance		35,224	67,952
		(5,364,408)	(2,903,474)
Loss before income tax	2	**(5,363,308)**	**(2,903,474)**
Income tax benefit/(expense)	3	-	-
Net loss after tax		**(5,363,308)**	**(2,903,474)**
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year		**(5,363,308)**	**(2,903,474)**

		2017 Cents	2016 Cents
Basic and diluted loss per share	12	**(0.39)**	**(0.94)**

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 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	4	5,348,144	621,747
Trade and other receivables	5	580,189	106,756
Total current assets		5,928,333	728,503
Non-current assets			
Plant and equipment	6	4,248,455	977,101
Non-current assets		4,248,455	977,101
Total assets		**10,176,788**	**1,705,604**
Current liabilities			
Trade and other payables	7	540,174	394,430
Borrowings	8	1,000,000	470,000
Total current liabilities		1,540,174	864,430
Total liabilities		1,540,174	864,430
Net assets		8,636,614	841,174
Equity			
Contributed equity	9	32,309,605	23,325,358
Options reserve	10	6,681,714	2,507,213
Accumulated losses	11	(30,354,705)	(24,991,397)
Total equity		**8,636,614**	**841,174**

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 2017

	Notes	Contributed Equity $	Options Reserve $	Accumulated Losses $	Total Equity $
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)
Transaction with owners, recorded directly in equity					
Share based payments	10	-	4,174,501	-	4,174,501
Securities issue during the year (net of costs)	9	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**

	Notes	Contributed Equity $	Options Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2015		19,903,222	1,348,272	(22,087,923)	(836,429)
Loss for the year		-	-	(2,903,474)	(2,903,474)
Total comprehensive loss for the year		-	-	(2,903,474)	(2,903,474)
Transaction with owners, recorded directly in equity					
Share based payments	10	900,000	1,158,941	-	2,058,941
Securities issue during the year (net of costs)	9	2,522,136	-	-	2,522,136
Total equity transactions		3,422,136	1,158,941	-	4,581,077
Balance 30 June 2016		**23,325,358**	**2,507,213**	**(24,991,397)**	**841,174**

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 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Other receipts		-	139,096
Payments to suppliers and employees		(1,506,779)	(1,955,608)
Interest received		1,100	-
Interest paid		(35,224)	(67,952)
Net cash flows used in operating activities	4	**(1,540,903)**	**(1,884,464)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,927)	(5,209)
Proceeds from sale of plant and equipment		-	12,977
Payments for project development expenditure		(3,006,352)	(442,886)
Net cash flows used in investing activities		**(3,015,279)**	**(435,118)**
Cash flows from financing activities			
Proceeds from issue of securities - net of issue costs		8,295,583	3,120,496
Proceeds from borrowings		1,000,000	-
Repayment of borrowings		-	(188,805)
Net cash flows from financing activities		**9,259,583**	**2,931,691**
Net increase in cash and cash equivalents		4,739,401	612,109
Foreign exchange differences		(13,003)	-
Cash and cash equivalents at beginning of the year		621,747	9,638
Cash and cash equivalents at the end of the year	4	**5,348,145**	**621,747**

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

Corporate Information

The financial report of the Company for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 29 September 2017. 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 consolidated entity had a working capital surplus position of $4,388,159 as at 30 June 2017 (30 June 2016: working capital deficit of $135,927), incurred a net loss after tax for the financial year ended 30 June 2017 of $5,363,308 (30 June 2016: $2,903,474) and experienced net cash outflows from operating activities of $1,540,903 (30 June 2016: $1,884,464).

The directors have prepared a cash flow forecast, which indicates that the consolidated entity 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. Included in the cash flow forecast is further capital raising or sale of manganese concentrate to fund the Kupang Smelting Hub Facility to completion.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the consolidated entity's history of raising capital to date, the directors are confident of the consolidated entity's ability to raise additional funds as and when they are required.

Should the consolidated entity be unable to raise sufficient capital to progress the construction of the Kupang Smelting Hub Facility, the company has adequate cash resources to continue as a going concern by delaying the construction completion timeline of the facility or even relinquishing the project and securing another project, and managing cash flow in line with its existing working capital position.

(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) Change in accounting policy

In the current reporting period the accounting policy for reporting and disclosing intangible assets has changed. All intangible assets are now classified as property, plant and equipment in accordance with the following disclosure. Expenditures previously capitalised to intangible assets under AASB 138 are now considered to be directly attributable costs for the construction of a smelter plant under AASB 116. The directors are of the opinion that the change in accounting policy is both in line with Australian Accounting Standards and provides the users with reliable and relevant information.

Policy:
Plant and Equipment - Smelter hub under construction

The smelter in the course of construction is carried at cost, less any recognised impairment loss. Cost includes any costs that are directly attributable to the construction of the asset, including professional fees. Depreciation of this asset commences when it is ready for its intended use.

Effects of Change in Accounting Policy

Had the new accounting policy in relation to intangible assets always been applied, the following table demonstrates the effect of this change.

	Restated 30/06/16 $	Change	Previously Reported 30/06/16 $
Statement of financial position			
Intangible assets	-	(955,200)	955,200
Plant and equipment	977,101	955,200	21,901

NOTE 1 Summary of significant accounting policies (continued)

The change in accounting policy does not result in any change to the comparative statement of profit or loss, statement of changes in equity or statement of changes in equity as no amortisation had previously been recognised as development costs, and no depreciation is required as the asset is still under construction. There is no impact to earnings per share.

As part of the above change in accounting policy, the allocation of payments in the consolidated statement of cash flows relating to the smelter have been adjusted in the comparative year from operating to investing.

(e) 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 consolidated entity'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 consolidated entity 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.

(f) 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%.

NOTE 1 Summary of significant accounting policies (continued)

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 2017 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 consolidated entity.

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.

NOTE 1 Summary of significant accounting policies (continued)

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.

(o) 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.

(p) 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.

NOTE 1 Summary of significant accounting policies (continued)

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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

NOTE 1 Summary of significant accounting policies (continued)

(u) 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.

(v) 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.

(iii) Available-for-sale investments (continued)

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.

(w) 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.

NOTE 1 Summary of significant accounting policies (continued)

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 EXPENSES

	2017	2016
Expenses include:	$	$
Accounting/secretarial fees	44,100	72,831
Advertising and promotion	20,405	38,228
Depreciation expense	6,520	7,460
Share registry fees	25,958	29,421
Operating lease rental expense	32,930	161,833
Doubtful debts	109,462	-
	239,375	**309,773**

NOTE 3 INCOME TAX

	2017	2016
	$	$
Loss for the period	(5,363,308)	(2,903,474)
Prima facie tax benefit at Australian tax rate of 27.5% (2016: 28.5%)	(1,474,910)	(871,490)
Tax effect of non-deductible items:		
Impairment of available for sale assets	-	21,375
Settlement of expenses - capital	-	80,673
Section 40-880	(172,519)	(88,328)
Non-deductible expenses	3,476	21
Share based payments	976,388	321,480
Temporary differences not recognised	667,565	492,269
Income tax expense	**-**	**-**

No income tax expense has been provided in the accounts because the company has an operating loss for the year. No future tax benefit attributable to tax losses has been brought to account as recovery is not probable. The total of tax losses held within the company is $23,016,480 (2016: $20,747,996).

The benefit will only be obtained if the company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the company in realising the benefit.

NOTE 4 CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Cash at bank and on hand	5,348,144	621,747
Total cash and cash equivalents	**5,348,144**	**621,747**

Information about the Company's exposure to interest rate risk is disclosed in Note 16.

	2017	2016
	$	$
(a) Reconciliation of loss for the year to net cash flows used in operating activities		
Loss for the year	(5,363,308)	(2,903,474)
Adjustments for non-cash items:		
• Depreciation	6,520	7,460
• Loss on sale of fixed assets	-	4,776
• Share based payment expense	3,550,501	1,128,000
• Impairment of available-for-sale investment	-	75,000
• Non cash payments – settlement in equity	215,863	252,581
• Doubtful debt expense	109,462	-
• Foreign exchange differences	13,003	
Net changes in working capital:		
• Change in trade and other receivables	(167,638)	16,423
• Change in trade and other payables	94,694	(465,230)
Net cash flows used in operating activities	**(1,540,903)**	**(1,884,464)**

NOTE 5 TRADE AND OTHER RECEIVABLES

	2017	2016
	$	$
Trade receivables	-	-
Other receivables	580,189	106,756
Total trade and other receivables	**580,189**	**106,756**

As of 30 June 2017, trade receivables that were past due or impaired was nil (2016: nil). Information about the Company's exposure to credit risk is provided in Note 16.

NOTE 6 PLANT AND EQUIPMENT

	Smelter Hub *(Under Construction)*	Motor Vehicles	Office Furniture & Equipment	Total
	$	$	$	$
Balance at 30 June 2017				
At cost	955,200	-	33,981	989,181
Accumulated depreciation	-	-	(12,080)	(12,080)
Total written down amount	**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 charge for the year		-	(6,520)	(6,520)
Closing written down value at 30 June 2017	**4,224,147**	**-**	**24,308**	**4,248,455**

	Smelter Hub *(Under Construction)*	Motor Vehicles	Office Furniture & Equipment	Total
		$	$	$
Balance at 30 June 2016				
At cost	955,200	-	33,981	989,181
Accumulated depreciation	-	-	(12,080)	(12,080)
Total written down amount	**955,200**	**-**	**21,901**	**977,101**
Reconciliation				
Opening written down value	512,314	20,024	21,881	554,219
Additions	442,886	-	5,209	448,095
Depreciation charge for the year	-	(2,271)	(5,189)	(7,460)
Disposals	-	(17,753)	-	(17,753)
Closing written down value at 30 June 2016	**955,200**	**-**	**21,901**	**977,101**

NOTE 7 TRADE AND OTHER PAYABLES

	2017	2016
	$	$
Trade payables	185,762	143,493
Accruals	18,775	49,110
Other payables	280,138	201,827
Provision for annual leave	55,498	-
Total trade and other payables	**540,173**	**394,430**

NOTE 8 BORROWINGS

	2017	2016
Current	$	$
Convertible notes[1, 2]	1,000,000	470,000
Total borrowings	**1,000,000**	**470,000**

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

	2017	2016
	$	$
Opening balance	470,000	600,000
Additions	1,000,000	-
Redeemed	(470,000)	(130,000)
Closing balance	**1,000,000**	**470,000**

[2] Terms and conditions of the convertible notes:

Coupon:	8%
Term:	3 years from issue
Interest payments:	Monthly in arrears
Denominations:	100 notes in denominations of AUD$10,000 per note
Ranking of Notes:	Will rank senior in obligation of payment to any future indebtedness including dividends
Guarantees:	The issuer's obligations under the Notes will be guaranteed by Gulf Manganese Corporation Limited and International Manganese Limited and subject to all regulatory approvals
Conversion:	Conversion before 21 August 2017 - Each note may be converted into Gulf shares at 1.5 cents with free attaching 3 for 2 Listed Options (GMCO) exercisable at 0.5 cents expiring 21 April 2019. Conversion after 21 August 2017 - Each note may be converted into Gulf shares at 1.5 cents.
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.

NOTE 9 CONTRIBUTED EQUITY

	2017	2017	2016	2016
	No	$	No	$
Shares on issue				
Listed fully paid ordinary shares on issue	2,037,849,924	32,309,605	1,179,178,307	23,325,358
Total contributed equity	**2,037,849,924**	**32,309,605**	**1,179,178,307**	**23,325,358**

NOTE 9 CONTRIBUTED EQUITY (Continued)

Movement in share capital

	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]	-	(1,535,050)
Balance at 30 June 2017	**2,037,849,924**	**32,309,605**

[1] Capital raising costs includes $924,000 of the valuation of the free attaching options issued in the placement and rights issue and the options issued to the broker in relation to the raising. Refer to note 10 for the inputs used for the valuation of these options.

NOTE 9 CONTRIBUTED EQUITY (continued)

	2016 No	2016 $
Balance at 1 July 2015	81,470,638	19,903,222
14 Oct 2015 Issue of 5,538,667 ordinary shares at 1.5 cents each	5,538,667	83,080
2 Dec 2015 Issue of 75,000,000 ordinary shares at 1.5 cents each	75,000,000	1,125,000
10 Dec 2015 Issue of 30,000,000 ordinary shares	30,000,000	900,000
18 Jan 2016 Issue of 10,000,000 ordinary shares at 1.5 cents each	10,000,000	150,000
22 Feb 2016 Issue of 27,551,833 ordinary shares at 1.5 cents each	27,551,833	413,277
20 Apr 2016 Issue of 448,575,120 ordinary shares at 0.2 cents each	448,575,120	897,150
16 May 2016 Issue of 449,669,500 ordinary shares at 0.2 cents each	449,669,500	899,339
16 May 2016 Conversion of convertible notes at 0.255 cents each	31,372,549	80,000
20 May 2016 Issue of 20,000,000 ordinary shares at 0.2 cents each	20,000,000	40,000
Less: Capital raising costs	-	(1,165,710)
Balance at 30 June 2016	**1,179,178,307**	**23,325,358**

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. Ordinary shareholders rank behind creditors in the distribution of proceeds from the winding-up of the Company. 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.

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 10 OPTIONS RESERVE

	2017 $	2016 $
Balance at the beginning of the year	2,507,213	1,348,272
Option issued during the year	1,624,501*	1,158,941
Performance rights issued during the year	2,550,000	-
Balance at the end of the year	**6,681,714**	**2,507,213**

**Amount of $1,000,501 was expensed as share based payments with the balance being capitalised under equity. Total share based payments expense during the year is $3,550,501 (2016: $1,128,000).*

NOTE 10 OPTIONS RESERVE (continued)

	2017	2017	2016	2016
	No	$	No	$
Share options on issue				
Listed share options on issue	1,241,823,972	1,083,122	459,122,309	459,122
Unlisted share options on issue	172,325,917	3,048,592	103,954,917	2,048,091
Performance rights on issue	85,000,000	2,550,000	-	-
Total share options on issue	**1,499,149,889**	**6,681,714**	**563,077,226**	**2,507,213**

i) Movement in Listed Options (GMCO) exercisable at 0.5 cents each expiring 21 April 2019

	2016	2016
	No	$
At 1 July 2015	-	-
Issue of listed options	459,122,309	459,122
At 30 June 2016	**459,122,309**	**459,122**
(A)* 5 Sep 2016 Issue of listed options	10,000,000	120,000
20 Sep 2016 Exercise of listed options	(760,890)	-
(B)* 12 Oct 2016 Issue of listed options	2,000,000	24,000
12 Oct 2016 Issue of listed options	35,000,000	-
18 Nov 2016 Exercise of listed options	(4,268,499)	-
6 Dec 2016 Exercise of listed options	(14,691,681)	-
13 Dec 2016 Exercise of listed options	(20,266,950)	-
30 Dec 2016 Exercise of listed options	(4,160,322)	-
13 Jan 2017 Exercise of listed options	(150,000)	-
21 Jun 2017 Issue of listed options	4,000,000	-
26 Jun 2017 Issue of listed options	696,000,005	-
(C)* 29 Jun 2017 Issue of listed options	80,000,000	480,000
At 30 June 2017	**461,973,967**	**1,083,122**

*Refer to Note 10 (iv) for the fair value calculation of the options issued

NOTE 10 OPTIONS RESERVE (continued)

ii) Movement in Unlisted Options

	No	$
At 1 July 2015	**22,679,000**	**1,348,272**
Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 2 Dec 2015	37,500,000	397,500
Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 18 Jan 2016	5,000,000	19,500
Issue of unlisted options exercisable at $0.02 each expiring on or before 30 September 2018 – Issued 22 Feb 2016	13,775,917	35,818
Issue of unlisted options exercisable at $0.05 each expiring on or before 30 September 2018 – Issued 10 Dec 2015	15,000,000	228,001
Issue of unlisted options exercisable at $0.02 each expiring on or before 21 February 2018 – Issued 17 Mar 2016	10,000,000	19,000
Expiry of Unlisted options exercisable at $0.375 on or before 30 June 2016	(1,279,000)	-
At 30 June 2016	**102,675,917**	**2,048,091**
(D)* Issue of unlisted options exercisable at $0.02 each expiring on or before 5 September 2021 – Issued 5 Sep 2016	74,000,000	1,000,501
Exercise of unlisted options exercisable at $0.0196 expiring on or before 30 September 2018 – 28 Nov 2016	(150,000)	-
Exercise of unlisted options exercisable at $0.0196 expiring on or before 30 September 2018 – 13 Dec 2016	(2,500,000)	-
Exercise of unlisted options exercisable at $0.0196 expiring on or before 30 September 2018 – 30 Dec 2016	(1,700,000)	-
At 30 June 2017	**172,325,917**	**3,048,592**

*Refer to Note 10 (iv) for the fair value calculation of the options issued.

iii) Movement in Performance Rights

At 1 July 2016	-	-
Issue of Performance Rights to Directors and Employees	85,000,000	2,550,000
At 30 June 2017	**85,000,000**	**2,550,000**

iv) Fair value of options granted

The fair value of options granted during the year was calculated at the date of grant using the Black-Scholes option-pricing model (unless they were listed). The following table gives the assumption made in determining the fair value of options on grant date:

(A) The options were deemed to have a fair value of $0.012 per option by reference by market price

(B) The options were deemed to have a fair value of $0.012 per option by reference by market price

(C) The options were deemed to have a fair value of $0.006 per option by reference by market price

Option Series	**D**
Fair value per option	$0.0135
Grant date	2 Sep 2016
Number of options	74,000,000
Expiry date	5 Sep 2021
Exercise price	$0.02
Price of shares on grant date	$0.016
Estimated volatility	131%
Risk-free interest rate	1.56%
Dividend yield	0%

NOTE 10 OPTIONS RESERVE (continued)

v) Fair value of Performance Rights granted

The share based payments of $2,550,500 incurred during the year relates to the 85,000,000 Performance Rights expiring 28 November 2019 granted to directors and employees on 21 November 2016. As the Performance Rights issued were not market based, the rights were valued based on the share price at the date of grant. The share price at the grant date was 3 cents. Below are the vesting conditions of the Performance Rights:

Vesting Conditions	Directors	Employees
Completion of financing for 1 & 2 smelters	9,000,000	8,000,000
Completion of construction of 1 smelter	9,000,000	8,000,000
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
Successful commissioning of the 1 smelter	9,000,000	8,000,000
	45,000,000	**40,000,000**

NOTE 11 ACCUMULATED LOSSES

	2017	2016
	$	$
Accumulated losses at beginning of the year	(24,991,397)	(22,087,923)
Net loss for the year	(5,363,308)	(2,903,474)
Accumulated losses at end of the year	**(30,354,705)**	**(24,991,397)**

NOTE 12 EARNINGS PER SHARE

	2017	2016
	Cents	Cents
Basic and diluted loss per share	(0.39)	(0.94)

	2017	2016
	No	No
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	1,359,081,322	307,877,648

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 13 COMMITMENTS FOR EXPENDITURE

	2017	2016
	$	$
Operating lease commitments		
Office operating lease rentals are payable as follows:		
Not later than one year	17,500	44,865
Later than one year but no later than two years	-	-
Later than two years	-	-
Total operating lease commitments	**17,500**	**44,865**

The Company leases one office under a non-cancellable operating lease expiring on 1 May 2018. On renewal, the terms of the lease are renegotiated.

NOTE 14 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:

	2017	2016
	$	$
Short-term employee benefits (directors)	168,410	163,583
Short-term employee benefits (MD/CEO)	272,060	175,623
Short-term employee benefits (executives)	219,849	100,895
Post-employment benefits	44,551	19,692
Share based payments	2,647,500	1,128,000
Total Directors and Key Management Personnel compensation	**3,352,370**	**1,587,793**

(b) Loans to Key Management Personnel

There are no loans to Key Management Personnel as at 30 June 2017 (2016: Nil).

NOTE 15 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Transactions with related parties:

(i) Nexia Perth Pty Ltd provided Chief Financial Officer services, Company Secretary and accounting services to the Gulf at normal commercial terms, to the value of $44,350 (excluding GST; 2016: $31,700). Mr Leonard Math ceased as an employee of Nexia Perth Pty Ltd on 31 December 2016.

(ii) 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 (2016: $20,000) for the Non-Executive Director services provided by Mr Wilson.

For details of remuneration disclosures relating to Key Management Personnel, refer to Note 14: Key Management Personnel disclosures and the remuneration report in the Directors' Report.

NOTE 16 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. 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:

NOTE 16 FINANCIAL RISK MANAGEMENT (continued)

	2017	2016
	$	$
Cash and cash equivalents	5,348,144	621,747
Trade and other receivables	580,189	106,756
Other assets	-	-
Maximum exposure to credit risk	**5,928,333**	**728,503**

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.

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. 95% of the Group's transactions are denominated in AUD, thus eliminating the need for measures to mitigate currency exposure.

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	-	5,348,144	-	5,348,144
Financial liabilities				
Convertible notes	1,000,000	-	-	1,000,000

Sensitivity analysis

If the interest rates had weakened/strengthen by 1% at 30 June 2017, 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 17 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 18 CONTINGENT ASSETS AND LIABILITIES

As previously disclosed in the financial report for the year ended 30 June 2016, the Company received a claim relating to a purported historical transaction between the Company and Mighty River International Limited.

The Company has considered the alleged facts, obtained legal advice and in the opinion of the directors, the claim is unlikely to succeed. The company has had meetings with a representative of the claimant and discussed this historical claim and other potential future focussed commercial transactions. These matters are monitored by the board on a regular basis.

Given the early stages of the claim and its lack of substantiation, it is not practicable or reasonable to estimate any potential liability in relation to it.

Subsequent to year end, the Company received a claim which is currently under review by legal counsel, to ascertain whether the claim has any legal substance.

Given the early stage of this recent claim, it is not practicable or reasonable to estimate any potential liability in relation to it.

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

NOTE 19 EVENTS OCCURRING AFTER REPORTING PERIOD

On 27 July 2017, the Company received and placed the $1 million of the $4 million committed funds from sophisticated investor through the issue of 66,666,667 shares at 1.5 cents per share with free attaching 100,000,000 Listed Options (GMCO) exercisable at 0.5 cents expiring 21 April 2019.

On 31 July 2017, 13,900,000 Options exercisable at $0.3746 have expired.

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

NOTE 20 AUDITOR'S REMUNERATION

	2017	2016
	$	$
Audit and review of financial statements	21,852	21,000
Total auditor's remuneration	**21,852**	**21,000**

NOTE 21 DIVIDENDS

There were no dividends recommended or paid during the financial years ended 30 June 2017 and 30 June 2016.

NOTE 22 INVESTMENT IN CONTROLLED ENTITIES

Details of investment in the ordinary share capital of controlled entities are as follows:

Name of entity	Place of incorporation	Equity holding 2017 %	Equity holding 2016 %
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[2]	Indonesia	100	98

[1] These companies were inactive during the years ended 30 June 2017 and 30 June 2016.
[2] PT Gulf Mangan Grup is 100% owned controlled entity by International Manganese Group Limited.

NOTE 23 GULF MANGANESE CORPORATION LIMITED PARENT COMPANY INFORMATION

	Parent 2017 $	Parent 2016 $
Assets		
Current assets	5,400,351	700,418
Non-current assets	4,928,736	1,035,303
Total assets	**10,329,087**	**1,735,721**
Liabilities		
Current liabilities	1,521,399	864,430
Non-current liabilities	-	-
Total liabilities	**1,521,399**	**864,430**
Net assets/(liabilities)	**8,807,689**	**871,291**
Equity		
Contributed equity	32,309,590	23,325,345
Options reserve	6,681,714	2,507,213
Accumulated losses	(30,183,616)	(24,961,267)
Total equity	**8,807,688**	**871,291**
Financial performance		
Loss for the year	(5,222,350)	(2,864,128)
Other comprehensive income	-	-
Total comprehensive loss	**(5,222,350)**	**(2,864,128)**

The Directors of the Company declare that:

1. The financial statements and note set out on pages 31 to 54, 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 consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date.

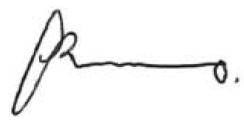
   In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The remuneration disclosures included in the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2017, 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
29 September 2017

Independent Auditor's Report

To the Members of Gulf Manganese Corporation Limited

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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 2017, 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 2017 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 1.

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.

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 – $4,248,455 (Refer to Note 6) As disclosed in note 6 in the financial report, as at 30 June 2017 the Consolidated Entity is carrying $4,248,455. Of significance in this amount is $4,224,147 which relates to the Smelter Hub which is currently under construction. Plant and equipment is considered to be a key audit matter 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; - 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 – $3,550,501 (Refer to Note 10) As disclosed in note 10 in the financial statements, during the year ended 30 June 2017, the Consolidated Entity incurred share based payments totaling $3,550,501. 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.	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; - Evaluating management's Black-Scholes Valuation Models and assessing the assumptions and inputs used; - Assessing the amount recognised during the period against the vesting conditions of the options; and

Key audit matter	How our audit addressed the key audit matter
Where necessary, Management used the Black-Scholes option valuation model to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.	- Assessing the adequacy of the disclosures included in the financial report.
Borrowings - $1,000,000 (Refer to Note 8) As disclosed in note 8 of the financial statements for the year ended 30 June 2017, the Consolidated Entity financed $1,000,000 in cash through the issue of 100 convertible notes for a Face Value of $10,000 each. 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 - 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 & equity components of compound instruments. - Evaluating the derivative components that may exist as a result of the issue of these financial instruments. - 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 2017, 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 1], 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 2017. 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 2017, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 29th day of September 2017

Additional information as required by the Australian Securities Exchange Limited and not disclosed elsewhere in this report is set out below. The information is current as at 20 October 2017.

1.1 Ordinary Shares on Issue

There are 2,137,849,924 ordinary shares on issue (GMC).

1.2 Listed Options on issue

There are 1,391,823,972 Listed Options (GMCO) exercisable at $0.005 expiring 21 April 2019.

1.3 Unlisted Options on issue

Terms	Quantity
Exercisable at $0.0196 options expiring 30 Sep 2018	51,925,917
Exercisable at $0.0196 options expiring 21 Feb 2018	10,000,000
Exercisable at $0.0496 options expiring 30 Sep 2018	15,000,000
Exercisable at $0.2496 options expiring 31 Dec 2018	7,500,000
Exercisable at $0.02 options expiring 5 Sep 2021	50,000,000
Exercisable at $0.02 options expiring 5 Sep 2021 (ECSOP)	24,000,000
Exercisable at $0.02 options expiring 5 Sep 2021 (ECSOP)	24,000,000

1.4 Distribution of shareholders and listed option holders

Analysis of numbers of equity security holders by size of holding:

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	45	13,952	0.00%
1,001 - 5,000	25	67,693	0.00%
5,001 - 10,000	10	77,430	0.00%
10,001 - 100,000	368	21,753,996	1.02%
> 100,001	913	2,115,936,853	98.98%
Totals	**1,365**	**2,137,849,924**	**100.000%**

Based on the price per security at $0.007, number of holders with an unmarketable holding: 318, with total 9,678,256, amounting to 0.45% of Issued Capital
Analysis of numbers of listed option holders by size of holding:

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	7	3,236	0.00%
1,001 - 5,000	10	35,482	0.00%
5,001 - 10,000	4	23,880	0.00%
10,001 - 100,000	58	3,343,015	0.24%
> 100,001	402	1,388,418,359	99.76%
Totals	**481**	**1,391,823,972**	**100.00%**

1.5 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes, all fully paid ordinary shares carry one vote per share.

1.6 Twenty largest shareholders

Position	Holder Name	Holding	%
1	Tanah Capital Pte Ltd	175,371,428	8.20%
2	Citicorp Nominees Pty Ltd	137,906,591	6.45%
3	Sam Boon Beng Lee & Jenny Su Lee Lee <BB Lee Super Fund A/C>	86,152,381	4.03%
4	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	49,936,258	2.34%
5	Ali Santoso Halim	43,333,334	2.03%
6	Mr Eduardo Siao & Mrs Evelyn Siao <Es Exec Fund Eduardo A/C>	42,278,000	1.98%
7	Mr Neil Thompson	34,205,050	1.60%
8	Trinity Management Pty Ltd	30,000,000	1.40%
9	HSBC Custody Nominees (Australia) Limited	29,277,334	1.37%
10	Mr Peter David Sheppeard & Mrs Sharon Fay Sheppeard <Sheppeard Family S/F A/C>	28,000,000	1.31%
11	Passio Pty Ltd <G Weston & Assoc S/F A/C>	28,000,000	1.31%
12	Mrs Perla Bailey	26,763,333	1.25%
13	Tan Hwa Poh	23,333,333	1.09%
14	Mrs Helen Jelena Latkovic	21,962,075	1.03%
15	Juliet Comafay & Benedict Comafay <Manaheim SMSF A/C>	20,000,000	0.94%
16	International Business Network (Services) Pty Ltd <Intl Busniess SVCS S/F A/C>	17,000,000	0.80%
17	Mr Milosav Zecevic	15,813,884	0.74%
18	Tepany Pty Ltd <Rj & Pa Ryan Super Fund A/C>	15,500,000	0.73%
19	Mr Joel Chan	15,000,000	0.70%
20	Cappig Finance Pty Ltd	14,700,000	0.69%
	Total	**854,533,001**	**39.97%**
	Total issued capital	**2,137,849,924**	**100.00%**

Substantial Shareholders

Substantial Holder	Size of Holdings	%
Tan Han Swee & Tanah Capital Pte Ltd	186,371,428	8.72%

1.7 Twenty largest listed option holders (GMCO)

Position	Holder Name	Holding	%
1	Citicorp Nominees Pty Limited	100,000,000	7.18%
2	Sam Boon Beng Lee & Jenny Su Lee Lee <BB Lee Super Fund A/C>	85,385,714	6.13%
3	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	77,797,598	5.59%
4	Ali Santoso Halim	65,000,000	4.67%
5	Oska Nominees Pty Ltd <Sheppeard Family A/C>	44,000,000	3.16%
6	Tan Hwa Poh	35,000,000	2.51%
7	Mr Eduardo Siao	32,675,000	2.35%
8	Euthenia Tyche Pty Ltd	31,508,166	2.26%
9	AET SFS Pty Ltd <Peak Opportunities Fund>	23,099,000	1.66%
10	Mr Shane Timothy Ball <The Ball A/C>	22,850,000	1.64%
11	First Investment Partners Pty Ltd	20,788,502	1.49%
12	Mr Mitchell James Burgon	18,895,000	1.36%
13	Tepany Pty Ltd <RJ & PA Ryan Super Fund A/C>	18,750,000	1.35%
14	Paradise Bay International Pty Ltd <The Paradise A/C>	18,000,000	1.29%
15	Mrs Juliet Comafay	15,000,000	1.08%
19	Village Mpire Pty Ltd <Village Partners Unit A/C>	15,000,000	1.08%
19	Mrs Perla Bailey	13,850,000	1.00%
19	1215 Capital Pty Ltd	12,600,000	0.91%
20	Passio Pty Ltd <G Weston & Assoc S/F A/C>	12,500,000	0.90%
20	Imaka Pty Ltd	12,000,000	0.86%
	Total	**674,698,980**	**48.48%**
	Total issued capital - selected security class(es)	**1,391,823,972**	**100.00%**

1.8 Tenement Schedule

Tenement No	Locality	Project	Lease Status
EL10335	NT	Wollongorang	Granted
EL29898	NT	Debbil Debbil Creek	Granted

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