

FIRST QUARTER ACTIVITIES REVIEW

for the period ending 30 September 2009

HIGHLIGHTS

- Plant refurbishment and pit cleanup work started at the East African Vermiculite project.
- First 20t bulk sample sent to European customer for testing, providing a good test of logistics and transport networks.
- Since the end of the quarter, the company has entered into a Heads of Agreement with a European based customer for the delivery of 5,000 tonnes per annum of vermiculite over ten years.
- Independent confirmation that the East African Vermiculite Project contains a JORC inferred resource of 54.9mt at 26.7% Vermiculite (in the greater than 180 micron fraction)
- During the quarter the company placed 35,000,000 shares at \$0.03 per share to raise \$1,050,000 (before expenses). The funds raised will be used to continue the development of the East African Vermiculite project and for working capital purposes.

ABOUT GULF

Gulf is a resource development company that creates value for shareholders through the identification, acquisition and valorisation of resource focused projects, with a particular emphasis on regions where Gulf maintains relationships that provide a strategic advantage.

Gulf's current operations are focused in Eastern Africa.

ACTIVITIES & PROJECT REVIEW

Gulf's prime focus for the remainder of 2009 will be the East African Vermiculite project, specifically restarting open pit operations and refurbishing the processing plant. Gulf will also continue to assess other projects in the region that fit with its industrial minerals strategy.

East African Vermiculite Project ("EAV")

The EAV project exported its first 20 tonne bulk sample to a European customer for product testing. Preparation of the shipment follows successful initial product testing of trial samples previously sent to a number of potential customers in August 2009.

Successful testing of the 20 tonne sample has the potential to generate substantial ongoing sales of vermiculite concentrate from the East African Vermiculite operation.

A number of other potential customers in Middle East, Europe and the USA have been sent initial trial samples for testing and it is expected that they will lead to further orders for concentrate in the coming months.

Since the end of the quarter Gulf successfully negotiated a Heads of Agreement with a European based customer for an initial contract of 5000 tonnes per annum over a period of 10 years of one of the EAV product streams. Specific details of the contract are confidential, however it is a validation of Gulfs philosophy to move into the industrial minerals sector and specifically target Vermiculite which seems to be experiencing supply shortages globally. This was previously announced to market on 6 October 2009

Namekara Vermiculite Resource

The independent confirmation of the size of the substantial vermiculite mineralisation, located within the East African Vermiculite mining lease was announced to the ASX on 23 July 2009.

The review confirms the deposit to contain an inferred resource of 54.9 Mt of contained vermiculite at 26.7% 180_V (% vermiculite content in the +180 micron fraction) and 18.80% 425_V (% vermiculite content in the +425 micron fraction) at a 15% 180_V cut-off.

It can be considered to be one of the world's largest deposits of coarse grained vermiculite, well suited to meet the specifications of both local and world markets.

SRK Consulting – Eastern Africa (Pty) Limited (“SRK-EA”) was engaged by Gulf to review the exploration work and mineral resource estimates completed by Rio Tinto Mining And Exploration Limited (“RTMEL”) on the vermiculite potential of Mining License 4651 and Exploration Licenses 0042 and 0147 in the vicinity of Namekara, Manafwa Province, south-eastern Uganda. SRK-EA sub-contracted SRK Consulting South Africa (SRK-SA) to review the mineral resources and compile a report.

SRK Consulting is a leading international independent mining and minerals consulting practise.

Gulf presented these results to the Ugandan Mining Commissioner and has finalising all outstanding administrative matters on the project.

OTHER PROJECTS

- **Mwingi Iron Copper Aluminum & Coal Prospects (“Mwingi”) – Kenya**

After review of a number of historical copper, iron and industrial mineral prospects, Gulf applied for exploration tenements over vacant ground within 200km of the Kenyan capital, Nairobi. Early indications are that the Company may be able to start activities on the ground in late 2009 or early 2010.

- **Tanz Coal Project – Tanzania**

The company holds a 70% interest in a Tanzanian coal prospect, license PL4510/2007. No work has been carried out on this project during the quarter. Given the noncore nature of the project, Gulf's interest will be disposed of the end of the year.

- **Sudan Copper – Southern Sudan**

The Southern Sudan Copper Gold Project and related logistics and supply project are both joint ventures with locally based partners. No work was completed on these projects during the quarter.

- **Madagascar JV**

Joint Venture operations in Madagascar involved project assessment activities on a mineral sands and other industrial mineral focuses projects.

- **Vietnam Coal to Liquid Project**

No further information has been received this quarter from the company's partners, although Gulf's management and technical team will continue to assist on an as needed basis in Geleximco procuring the coal license under the framework of the existing strategic alliance agreement.

- **Crystalbrook Project, Far North Queensland**

A modest work program was carried out during the quarter.

- **Ewingar, Northern New South Wales**

The company holds the Ewingar Project in Northern New South Wales. The tenement includes a small inferred resource of 31,000 ounces of gold at the Horton's Prospect, which remains open at the northern end, with possible extension to the south. No significant work was carried out during the quarter.

CORPORATE

Share Placement

During the quarter the company completed a placement of 35m shares at \$0.03 to raise \$1,050,000 (before expenses).

FURTHER DETAILS AND INFORMATION

East African Vermiculite Project

The project is situated in eastern Uganda near the towns of Mbale and Tororo close to the Kenyan border.

SRK Consulting – Eastern Africa (SRK-EA) was engaged in March 2009 to independently review the original JORC resource compiled by Rio Tinto in June 2008. The SRK-EA review has included site visits and a fresh assessment of Rio Tinto drill samples/results at the Namekara Mine, including geological assessment in the pit. New resource calculations were undertaken in the SRK office in South Africa.

The mineralisation in the project area was first documented in the 1950s, but it wasn't until 2002 that initial test production commenced with a small scale operation that produced 16,000t of ore between 2002 and 2006. Under Rio Tinto's stewardship a substantial amount of work was completed including drilling of over 64 holes for resource definition, pit optimisation and design, plant redesign, transport and infrastructure studies and market research.

The SRK review has verified that the East African Vermiculite Project contains a JORC inferred resource of 54.9million tonnes @ 26.7% vermiculite in the +180 micron fraction (V_180), and 18.8% Vermiculite in the +425 micron fraction (V_425). This resource calculation has a surface extent of 1km by 1km (location of existing mine/pit). Additional exploration work indicates vermiculite is present over an area of 1km by 5km (pit tested) of which the 1km by 1km area is a part.

The vermiculite deposit extends from near surface to a depth of between 45m and 55m and the can easily be dug using standard mechanical excavating equipment.

World Vermiculite Market

The global vermiculite market is estimated by the United States Geological Survey (USGS) to be 800,000 tonnes, with production from Southern Africa accounting for approximately 39% of this amount.

Uganda Country Profile

Stable
democratic
Government

Uganda, an independent republic with a democratic government, has been largely under utilised in terms of its mineral potential compared to neighbouring countries such as Tanzania.

Right geology,
underexplored

The geology of Uganda is dominated by crystalline basement complex of Precambrian age that underlies over ninety percent of the country. The western part of the country is bounded by the East African Rift Valley.

Supportive
Mineral policy

Interest in Uganda's mineral potential has increased substantially in the recent past since the country made efforts to improve its mining and investment code. In May 2004 the Uganda Government announced its intention to invest US\$4,200,000 in restructuring and development of the mineral sector through a comprehensive five year Mineral Sector Development Program.

Good
investment
opportunity
for mineral
wealth

Uganda presents a good investment opportunity in terms of mineral wealth due mainly to three reasons: lack of investment in the past has left most of Uganda under explored leaving large areas of virgin ground untouched; the diversity of Uganda's geology presents the opportunity for a wide range of possible metallic and non-metallic deposits to be developed; and due to active steps taken recently by the Uganda Government to encourage investment in the country's mineral sector.

Uganda has a well developed road and rail network connecting it to all surrounding countries. And most importantly to the Indian Ocean ports of Mombasa in Kenya and Dar Es Salaam in Tanzania. The country has a pleasant climate despite its equatorial position largely due to its overall higher altitude. Uganda also received adequate annual rain fall for all its needs.

According to the census of 2002 the population of Uganda was just over 24 million people of which 84% were Christians. School in Uganda is free, and Uganda has one of the highest attendance rates in Africa with over 70% of all children attending classes.

For further information on the country of Uganda:

Wikipedia: <http://en.wikipedia.org/wiki/Uganda>

World Fact Book: <https://www.cia.gov/library/publications/the-world-factbook/geos/ug.html>

LOCATION MAP



 Location of Namekara mining operation
in Eastern Uganda, on Kenyan border

FURTHER INFORMATION

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Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Hennie Theart, BSc (Hons), MSc, PhD, Pr. Sci. Nat (SACNASP 400069/88), FSEG, FGSSA, FAAG; Shaun Crisp, BSc (Hons), Pr.Sci.Nat. (SACNASP 400076/09); and Brent Barber, BSc (Hons), MPhil, AusIMM (222559), AAPG (59319-8).

Hennie Theart and Shaun Crisp are registered with the South African Council for Natural Scientific Professions (SACNASP), a JORC Recognised Overseas Professional Organisation "ROPO" and Brent Barber is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). They are full-time employees of SRK Consulting and have experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'.

Hennie Theart, Shaun Crisp and Brent Barber consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this release that relates to the Exploration Process is based on information compiled by Andrew Johnstone who is a member of the Australian Institute of Geoscientists (AIG). Andrew Johnstone provides exploration management consulting services to Gulf Resources Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which Andrew Johnstone has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Andrew Johnstone consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

EAST AFRICAN VERMICULITE



VERMICULITE



Vermiculite
EAV Mine, Uganda

CHEMICAL FORMULA

$(MgFe,Al)_3(Al,Si)_4O_{10}(OH)_2 \cdot 4H_2O$

Color	Bronze-Yellow
Crystal habit	Clay, scaly, aggregate
Crystal system	Monoclinic
Cleavage	Perfect
Fracture	Uneven
Mohs scale hardness	1.5-2
Luster	Vitreous
Streak	Pale yellow
Specific gravity	2.4-2.7
Refractive index	Translucent
Pleochroism	None

VERMICULITE GRADES

Grade	Flake Size
Premium	: 16.0 mm
Large	: 8.00 mm
Medium	: 4.00 mm
Fine	: 2.00 mm
Superfine	: 1.00 mm
Micron	: 0.50 mm

Global Market: 800,000 t
Price: US \$300-550 per t

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LIMITED

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VERMICULITE - Vermiculite is the mineralogical name given to MICA (Silica mineral) that has had water introduced into its structure. Vermiculite is a hydrated laminar magnesium-aluminum-ironsilicate. Vermiculite forms from weathering or hydrothermal alteration of MICAS (phlogopite, biotite or chlorite - loosely bonded plates of silica). Natural shallow weathering processes introduce water into the mica mineral structure, between plates, creating vermiculite. Most vermiculite forms within a 100m of the surface, however there is an important exception of the Libby deposit in Montana, USA (where hydrothermal fluids are thought to have been the altering medium). Almost all known occurrences are associated with basic or ultra-basic igneous rocks, predominantly carbonatites.

Only a few countries in the world have commercial Vermiculite mines, they include: Australia, Brazil, China, Kenya, USA, Zimbabwe and Uganda (largest known resource). The largest vermiculite mine (by production) in the world is Palabora in South Africa.

Vermiculite minerals are characterized by their ability to expand into concertina or long, worm-like strands when heated. This expansion process is called exfoliation. The name vermiculite is derived from a combination of the Latin word vermiculare meaning "to breed worms," exfoliation increases the volume by 8-12 times. The exfoliation occurs as trapped water in the mineral structure flashes into steam when heated forcing the plate layers open. Most vermiculite is used in its exfoliated state.

MINING - Vermiculite Mining operations are open pit surface mines, Ore is easily processed to remove grit and other contaminants using a series of crushers, windowers (large fans - similar process to removing husks from wheat or rice) and screens to grade the vermiculite into different flake/crystal sizes. Larger flakes generally command higher prices. The resultant concentrate is above 90% pure vermiculite by weight. Vermiculite is transported in this concentrated unexpanded state to customers where they exfoliate it using furnaces between 540°-810°C.

USES - Vermiculite has been used for over 80 years in construction, agriculture, horticulture, and many industries. Expanded vermiculite has very low density and thermal conductivity which makes it perfect as a lightweight construction aggregate and thermal insulation filler. It also has a very large chemically active surface area making it useful as an absorbent in chemical processes. Vermiculite is also ground into a fine powder where it is used as a filler in inks, paints, plastics, and other materials, including fireproofing. Vermiculite also has a high cation exchange capacity at 100-150 meq/100g and when exfoliated has a amazing capacity to hold water and slowly release it which can increase crop productivity/yields.

USES OF VERMICULITE

CONSTRUCTION

- Acoustic Finishes
- Air Setting Binder
- Construction Board
- Passive Fire Protection
- Floor & Roof Screeds
- Insulating and Light-Weight Concrete
- Gypsum Plasterboard
- Loose fill Loft Insulation
- Sound Deadening Compounds

INDUSTRIAL

- Absorbent Packing for Hazardous Goods
- Brake Pads & Brake Shoes
- Furnaces and Cast Items
- Dispersions
- Drilling Muds
- Filtration
- Fireproof Safes
- Fixation of Hazardous Material
- Insulation Blocks & Shapes
- Insulation - High & Low Temp
- Molten Metal Insulation
- Moulded Products
- Nuclear Waste Disposal
- Paints and Sealants
- Perfume Absorbent

AGRICULTURE

- Animal Feed
- Anti-Caking Material
- Bulking Agent
- Fertilizer Carrier
- Pesticide Carrier
- Seed Encapsulant
- Soil Conditioner

HORTICULTURAL

- Blocking Mixes
- Hydroponics
- Micro-Propagation
- Potting Mixes
- Root Cuttings
- Seed Germination
- Seedling Wedgemix
- Sowing Composts
- Twin Scaling Bulbs