



ABN 13 115 027 033

## **ANNUAL GENERAL MEETING**

**Thursday 26 November, 2009 at 11:00am**

Dear Shareholder,

On behalf of the Board of Gulf Resources Limited, it gives me great pleasure to invite you to the Annual General Meeting of shareholders.

The Annual General Meeting is to be held in The Canegrass Room, Regus, Level 8 Gold Fields House, 1 Alfred Street, Sydney at 11:00am on Thursday 26 November, 2009.

Please find enclosed the following documents in relation to the Annual General Meeting:

- a) Notice of Annual General Meeting;
- b) Proxy Form for Annual General Meeting together with instructions.

If you are not able to attend the Annual General Meeting in person, you are urged to complete and lodge the enclosed Appointment of Proxy.

Your Directors hope that you will be able to attend the Meeting and commend the resolutions for your support.

Yours sincerely

**Scott Reid**  
**Chairman**

# Notice of Annual General Meeting

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Notice is hereby given that the Annual General Meeting of the Company will be held on Thursday 26 November 2009 commencing at 11:00am in The Canegrass Room, Regus, Level 8 Gold Fields House, 1 Alfred Street, Sydney.

## ORDINARY BUSINESS

### ITEM 1 | Financial Statements and Reports

To receive and consider the Balance Sheet of the Company at 30 June 2009, the Income Statement of the Company for the year ended on that date, together with the consolidated accounts of the Company and its controlled entities and the reports of Directors and Auditors thereon.

### RESOLUTION 2 | Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution:

To adopt the remuneration report forming part of the Directors' Report for the financial year ended 30 June 2009.  
(Note: the vote on this resolution is advisory only and does not bind the Directors or the Company.)

### RESOLUTION 3 | Re-election of a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"In accordance with the Constitution of the Company, Mr Wayne Kernaghan who, being a director of the Company, retires by rotation and being eligible, is re-elected as a Director of Gulf Resources Limited."

### RESOLUTION 4 | Ratification of Share Placement on 4 August 2009

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That, for the purposes of Listing Rule 7.4 of the ASX Listing Rules, the previous issue by the Company of an additional 15,000,000 fully paid ordinary shares in the capital of the Company at a price of 3 cents per share as announced to the Australian Securities Exchange on 4 August 2009 issued to sophisticated investors, and as described further in the attached Explanatory Memorandum, is hereby approved."

### RESOLUTION 5 | Ratification of Share Placement on 12 October 2009

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That, for the purposes of Listing Rule 7.4 of the ASX Listing Rules, the previous issue by the Company of 1,400,000 fully paid ordinary shares in the capital of the Company at a price of 3 cents per share as announced to the Australian Securities Exchange on 12 October 2009 issued to sophisticated investors, and as described further in the attached Explanatory Memorandum, is hereby approved."

### RESOLUTION 6 | Approval for the Issue of Shares

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1 and for all other purposes, approval be given for the Company to allot and issue up to 60,000,000 fully paid ordinary shares in the Company at a price of 3 cents per share as announced to the Australian Securities Exchange on 9 October 2009 within one month (or such longer period as ASX may allow) of the date of the Annual General Meeting and otherwise on the terms and conditions set out in the attached Explanatory Memorandum."

### RESOLUTION 7 | Approval for the Issue of Options

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue 4 million options in the Company exercisable at 5 cents each expiring 31 May 2012 to SA Capital Pty Ltd (and/or its nominee(s)) on the terms and conditions set out in the attached Explanatory Memorandum."

**RESOLUTION 8 | Pro Rata Issue of Options**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of Listing Rule 7.1 and for all other purposes, the Company be authorised to offer and issue to all holders of the Company’s listed options expiring on 31 December 2009 up to 42,629,028 new options expiring on 31 March 2013 with an exercise price of ten cents each at an issue price of \$0.005 in the Company on a pro rata basis of one new option for every listed option held on the terms and conditions set out in the attached Explanatory Memorandum.”

**RESOLUTION 9 | Participation of Directors in Pro Rata Issue of Options**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to passing of Resolution 8, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given for all of the Directors who hold the 31 December 2009 options, being Messrs Scott Reid, Greg Duncan and Wayne Kernaghan, or their respective nominees to participate in the pro rata issue of options on the same terms and conditions as per Resolution 8 and otherwise on the terms and conditions set out in the attached Explanatory Memorandum.”

**ITEM 10 | Further Business**

To transact any further business that may legally be brought forward.

By Order of the Board

**W J Kernaghan**  
Company Secretary  
23 October 2009

# Notes

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1. In respect of Resolutions 4 and 5 the Company will disregard any votes cast on these resolutions by any person who participated in the issue, or any associate of those persons. However, the Company need not disregard a vote if:
  - It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
  - It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
2. In respect of Resolutions 6, 7 and 8 the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of those persons. However, the Company need not disregard a vote if:
  - It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
  - It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In respect of Resolution 9, the Company will disregard any votes cast on these resolutions by all of the Directors (Scott Reid, Greg Duncan and Wayne Kernaghan) and their nominees or any associate of those persons. However, the Company need not disregard a vote if:
  - It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
  - It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
4. A member entitled to attend and vote is entitled to appoint not more than two proxies.
5. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.
6. Appointment of a proxy by a member who is a corporation must be given in accordance with the Corporations Act 2001 (Cwlth) or signed on its behalf by an authorised attorney.
7. If this proxy is executed under a Power of Attorney, the instrument appointing the attorney must accompany the form of proxy.
8. Any instrument of proxy in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the Meeting.
9. A proxy need not be a member of the Company.
10. To be effective, the proxy form must be received by the Company at its registered office, PO Box R745 Royal Exchange NSW 1225, or received by facsimile on (02) 9247 7722 not less than forty-eight (48) hours before the time for holding the meeting.
11. For the purposes of section 1109N of the Corporations Act 2001 (Cwlth), the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the meeting. The snapshot date and time has been set at 7pm EST on 24 November 2009.

# Explanatory Memorandum

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This Explanatory Memorandum has been prepared for the information of shareholders of Gulf Resources Limited ("Gulf") in connection with the business to be transacted at the Annual General Meeting of shareholders of Gulf to be held in Regus, Canegrass Room, Level 8 Gold Fields House, 1 Alfred Street, Sydney NSW on Thursday 26 November 2009 at 11am, Eastern Daylight Savings Time.

The Directors recommend shareholders read the accompanying Notice of General Meeting ("Notice") and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

## ITEM 1 – Financial Statements

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2009 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at [www.gulfresources.com.au](http://www.gulfresources.com.au).

## RESOLUTION 2 – Adoption of Remuneration Report

The Corporations Act requires that at a listed company's Annual General Meeting, a resolution that the remuneration report be adopted must be put to Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company. The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ended 30 June 2009. A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

## RESOLUTION 3 – Re-election of a Director

The Constitution provides that at every annual general meeting, one third of the Directors (other than the managing director) must retire from office by rotation and are eligible for re-election. Mr Wayne Kernaghan retires by rotation and is seeking re-election. The Directors other than Mr Kernaghan recommend Shareholders vote in favour of his re-election.

## RESOLUTION 4 – Ratification of Previous Share Placement on 4 August 2009

On 4 August 2009 the Company announced it had placed 35,000,000 new shares at an issue price of 3 cents per share to sophisticated investors. The first 20,000,000 of these new shares were approved by shareholders at the General Meeting held on 23 July 2009. The balance of 15,000,000 new shares was issued as part of the Company's 15% capacity allowed under Listing Rule 7.1. None of the allottees for the 15,000,000 new shares were related parties or associates of the Company.

The funds raised will be used for the following purposes:

- a) for general corporate and working capital expenses, including the cost of the issue;
- b) to fund exploration and meet the statutory obligations in respect of the Company's existing gold projects in Australia; and
- c) for the development of the East African Vermiculite Project recently acquired from Rio Tinto International Holdings Ltd.

To assist shareholders the following information has been provided:

The Directors are restricted by Listing Rule 7.1 from issuing new securities in the Company, which would dilute existing shareholdings, to a maximum of 15% of the expanded issued capital in any 12 month period. There are exceptions which allow the Directors to issue new securities above that limit which include pro rata rights issues and issues with shareholder approval.

ASX Listing Rule 7.4 allows the Company to seek the approval of shareholders of the Company to an issue of securities after the issue has been made without approval under Listing Rule 7.1, provided the issue did not breach Listing Rule 7.1 and the holders of ordinary shares in the Company subsequently approve the issue.

As the issue was not in breach of Listing Rule 7.1 and was not previously approved by the shareholders of the Company, the Directors are now seeking shareholders' approval and ratification for the issue of the Shares.

If Resolution 4 is passed, the Company will be able to utilise Listing Rule 7.1 for future issues of up to 15% of the expanded issued capital in the next 12 month period without having to convene a shareholders meeting to seek shareholders' approval of any such issues. The Directors believe it is desirable to have the flexibility afforded to the Company to issue securities up to the maximum 15% allowable under Listing Rule 7.1 and accordingly recommend that shareholders vote in favour of the resolution.

The shares issued pursuant to the placement are ordinary fully paid shares and rank equally in all respects with all existing Shares previously issued by the Company.

The Directors recommend that the shareholders vote to approve Resolution 4.

#### **RESOLUTION 5 – Ratification of Share Placement on 12 October 2009**

On 12 October 2009 the Company announced it had placed 1,400,000 new shares at an issue price of 3 cents per share to sophisticated investors being the balance of the Company's 15% placement capacity. None of the allottees for the 1,400,000 new shares were related parties or associates of the Company.

The funds raised will be used for the following purposes:

- a) for general corporate and working capital expenses, including the cost of the issue;
- b) to fund exploration and meet the statutory obligations in respect of the Company's existing gold projects in Australia; and
- c) for the development of the East African Vermiculite Project recently acquired from Rio Tinto International Holdings Ltd.

To assist shareholders the following information has been provided:

The Directors are restricted by Listing Rule 7.1 from issuing new securities in the Company, which would dilute existing shareholdings, to a maximum of 15% of the expanded issued capital in any 12 month period. There are exceptions which allow the Directors to issue new securities above that limit which include pro rata rights issues and issues with shareholder approval.

ASX Listing Rule 7.4 allows the Company to seek the approval of shareholders of the Company to an issue of securities after the issue has been made without approval under Listing Rule 7.1, provided the issue did not breach Listing Rule 7.1 and the holders of ordinary shares in the Company subsequently approve the issue.

As the issue was not in breach of Listing Rule 7.1 and was not previously approved by the shareholders of the Company, the Directors are now seeking shareholders' approval and ratification for the issue of the Shares.

If Resolution 5 is passed, the Company will be able to utilise Listing Rule 7.1 for future issues of up to 15% of the expanded issued capital in the next 12 month period without having to convene a shareholders meeting to seek shareholders' approval of any such issues. The Directors believe it is desirable to have the flexibility afforded to the Company to issue securities up to the maximum 15% allowable under Listing Rule 7.1 and accordingly recommend that shareholders vote in favour of the resolution.

The shares issued pursuant to the placement rank equally in all respects with all existing Shares previously issued by the Company.

The Directors recommend that the shareholders vote to approve Resolution 5.

#### **RESOLUTION 6 - Approval for the Issue of Shares**

The Company proposes to issue up to 60,000,000 new shares at 3 cents each as announced to the Australian Securities Exchange on 9 October 2009 any time no later than three months after the date of the Annual General Meeting.

Listing Rule 7.1 provides that the Company must not, subject to certain exceptions, without the prior approval of shareholders, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option or a right) if the number of those securities issues exceeds 15% of the total ordinary shares on issue at the commencement of that 12 month period.

An issue is not taken into account in the calculation of the 15% limit is where the issue is made with prior approval of shareholders.

The Company is seeking shareholders' prior approval for the issue of up to 60,000,000 new shares at 3 cents each under this resolution to allow this number of shares not to be taken into account in the calculation under Listing Rule 7.1.

If this resolution is passed, the Company will benefit from the flexibility to issue in the future any amount of equity securities as the board chooses fit, up to the 15% limit, and not be in breach of Listing Rule 7.1.

Listing Rule 7.3 requires that the following information be provided to shareholders when seeking approval for the purposes of Listing Rule 7.1:

- a) the maximum number of shares to be issued is 60,000,000 new shares;
- b) the shares will be issued as soon as practicable after the date of the Annual General Meeting and in any event no later than three months after the date of the Annual General Meeting or such later time as ASX may allow;
- c) the shares will be issued to clients of SA Capital Pty Ltd, Bligh Capital Melbourne Pty Ltd, DJ Carmichael Pty Ltd and professional and sophisticated investors. None of the allottees will be related parties or associates of the Company;

- d) the shares will be issued at a price of \$0.03 each;
- e) the shares can be allotted and issued progressively;
- f) the shares to be issued will rank equally with the shares on issue and tradeable on the ASX; and
- g) the Company intends to use the funds raised as follows:
  - (i) for general corporate and working capital expenses, including the cost of the issue;
  - (ii) to fund exploration and meet the statutory obligations in respect of the Company's existing gold projects in Australia; and
  - (iii) for the development of the East African Vermiculite Project recently acquired from Rio Tinto International Holdings Ltd.

The Directors recommend that the shareholders vote to approve Resolution 6.

## **RESOLUTION 7 - Issue of Options**

### **Background to Resolution 7**

Resolution 7 seeks Shareholder approval for the issue of 4 million options in the Company to SA Capital Pty Ltd in consideration for the provision of consultancy services to the Company on the terms detailed below and subject to shareholder approval.

### **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of shareholders is required for an issue of securities by the Company if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of the shares on issues at the commencement of that 12 month period.

Shareholder approval is being sought pursuant to Resolution 7 for the issue of 4 million options in the Company to SA Capital Pty Ltd (and/or its nominee) for the purpose of ASX Listing Rule 7.1. The options are being issued in consideration for corporate advisory and consultancy services provided to the Company in connection with the fundraising the subject of Resolutions 5 and 6. The options proposed to be issued pursuant to Resolution 7 will not be included in the Company's 15% calculation for the purpose of ASX Listing Rule 7.1.

ASX Listing Rule 7.3 sets out a number of matters which must be included in the Notice of Meeting proposing an approval of an issue of securities under ASX Listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 7:

- (a) the maximum number of options to be granted by the Company is 4 million options;
- (b) the options will be issued as soon as possible following, but in any event no later than three months after, the date of the Annual General Meeting;
- (c) the allottee is SA Capital Pty Ltd (and/or its nominee). SA Capital Pty Ltd is not a related party or associate of the Company;
- (d) no funds will be raised from the issue of the options and are proposed to be issued in consideration for the provision of services to the Company, as set out above;
- (e) the options will be allotted as soon as possible following the meeting but in any event no later than three months after the meeting;
- (f) no consideration is payable for the issue of the options but the options, if exercised, will entitle the holder to subscribe for fully paid ordinary shares in the capital of the Company. The funds raised on the exercise of the options will be used for working capital;
- (g) the options have been issued on the following terms:
  - (i) the options issued may be exercised immediately;
  - (ii) the options will expire at 5.00pm on 31 May 2012 ("the Expiry Date");
  - (iii) the amount payable upon exercisable of each option will be \$0.05 ("Exercise Price")
  - (iv) the options shall be exercisable wholly or in part, by notice in writing to the Company, at any time up until the expiry date;
  - (v) the holder of options cannot participate in new issues of capital which may be offered to shareholders during the currency of the options without exercising the option;

- (vi) shares issued on the exercise of options will rank pari passu with the then existing issued ordinary shares of the Company;
- (vii) in a reorganisation of capital of the Company, the exercise price of the options or the number of shares over which the options can be exercised will be reorganised in accordance with the relevant provisions of the ASX Listing Rules in force at the time of the reorganisation;
- (viii) subject to paragraph (vii), neither the exercise price of the options nor the number of shares over which the options can be exercised will be changed to take account of pro rata issues (other than bonus issues);
- (ix) in respect of a bonus issue of shares the options would participate if the options are exercised before the record date for the bonus issue; and
- (x) the options will not be quoted on the ASX.

The Directors recommend that the shareholders vote to approve Resolution 7.

## RESOLUTION 8 – Pro Rata Issue of Options

### Background to Resolution 8

Resolution 8 seeks Shareholder approval for the pro rata offer of up to 42,629,028 new options in the Company to the option holders who hold the existing listed 31 December 2009 options in consideration of \$0.005 cents for each new option on a one for one basis and on the terms detailed below and subject to shareholder approval. The offer is non renounceable. A disclosure document will be issued by the Company in respect of the offer.

### Indicative Timetable

Set out in the table below is the expected timing for completion of the options issue. These dates are indicative only and may be varied without prior notice.

Annual General Meeting	26 November 2009
Lodgement of prospectus and appendix 3B	26 November 2009
Record Date	7 December 2009
Prospectus offer opens	11 December 2009
Prospectus offer closes	29 December 2009
Dispatch of Option Holding Statements	5 January 2010

### Indicative Capital Structure

On completion of the new option offer and allotment of the options contemplated by Resolution 8 the capital structure of the Company will be as follows:

	Shares	Listed Options	Unlisted Options
As at date of General Meeting	125,874,729	42,629,028* 25,449,072**	8,000,000 (ex price \$0.05, expiry date 31/05/12)
Post Option Issue and Resolution 6 Placement	185,874,729	25,449,072** 42,629,028***	8,000,000 (ex price \$0.05, expiry date 31/05/12)

\*Exercise price of \$0.25 and an expiry date of 31/12/09

\*\* Exercise price of \$0.20 and an expiry date of 30/06/11

\*\*\* Exercise price of \$0.10 and an expiry date of 31/03/13

### ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of shareholders is required for an issue of securities by a Company if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of the shares on issues at the commencement of that 12 month period.

Shareholder approval is being sought pursuant to Resolution 8 for the issue of up to 42,629,028 new options in the Company for the purpose of ASX Listing Rule 7.1. The new options are being issued for \$0.005 each. The options proposed to be issued pursuant to Resolution 8 will not be included in the Company's 15% calculation for the purpose of ASX Listing Rule 7.1.

ASX Listing Rule 7.3 sets out a number of matters which must be included in the Notice of Meeting proposing an approval of an issue of securities under ASX Listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 8:

- (a) the maximum number of options to be granted by the Company is 42,629,028 new options and the offer will be non renounceable.
- (b) the options will be issued no later than three months after the date of the Annual General Meeting;
- (c) the allottees are the current holders of 31 December 2009 option holders at the record date (anticipated to be 7 December 2009);
- (d) approximately \$213,000 will be raised from the issue of the new options and are proposed to be issued as set out above;
- (e) the options will be allotted as soon as possible following the meeting but in any event no later than three months after the meeting;
- (f) approximately \$213,000 is payable for the issue of the options. These funds will be used to pay for the costs of the offer (approximately \$15,000) and for working capital purposes, including to fund exploration and meet the statutory obligations in respect of the Company's existing gold projects in Australia and for the development of the East African Vermiculite Project recently acquired from Rio Tinto International Holdings Ltd. The options, if exercised, will entitle the holder to subscribe for fully paid ordinary shares in the capital of the Company at an issue price of \$0.10 each, raising additional funds of up to approximately \$4,260,000;
- (g) the options have been issued on the following terms:
  - (i) the options issued may be exercised immediately;
  - (ii) the options will expire at 5.00pm on 31 March 2013 ("the Expiry Date");
  - (iii) the amount payable upon exercisable of each option will be \$0.10 (" Exercise Price")
  - (iv) the options shall be exercisable wholly or in part, by notice in writing to the Company, at any time up until the expiry date;
  - (v) the holder of options cannot participate in new issues of capital which may be offered to shareholders during the currency of the options without exercising the option;
  - (vi) shares issued on the exercise of options will rank pari passu with the then existing issued ordinary shares of the Company;
  - (vii) in a reorganisation of capital of the Company, the exercise price of the options or the number of shares over which the options can be exercised will be reorganised in accordance with the relevant provisions of the ASX Listing Rules in force at the time of the reorganisation;
  - (viii) subject to paragraph (vii), neither the exercise price of the options nor the number of shares over which the options can be exercised will be changed to take account of pro rata issues (other than bonus issues);
  - (ix) in respect of a bonus issue of shares the options would participate if the options are exercised before the record date for the bonus issue; and
  - (x) the options will be quoted on the ASX.

The Directors recommend that the shareholders vote to approve Resolution 8.

#### **RESOLUTION 9 - Participation of Directors in Pro Rata Issue of Options**

Pursuant to Resolution 8, the Company is seeking approval to undertake a pro rata options issue to holders of the Company's existing listed options which expire on 31 December 2009. The purpose of Resolution 9 is to enable the Company to issue the new options to the Directors who seek to participate in the options issue to the extent of their holding of the existing listed options.

Messrs Scott Reid, Greg Duncan and Wayne Kernaghan, being Directors of the Company, or their respective nominees currently hold an aggregate of 7,456,818 31 December 2009 options. Their right to accept their entitlement to participate in the pro rata issue of options is subject to the passing of Resolutions 8 and 9.

In accordance with the Listing Rules, shareholder approval is required for the issue of equity securities to a related party of the Company. Messrs Scott Reid, Greg Duncan and Wayne Kernaghan are Directors of the Company and are therefore related parties of the Company. Consequently, in accordance with the Listing Rule 10.11, shareholder approval is required for the issue of equity securities to a related party of the Company.

For the purposes of obtaining the approval of shareholders under Listing Rule 10.11 shareholders are advised that:

- a) the maximum number of options which may be issued to related parties is as per the respective holdings of the 31 December 2009 options at the record date, as set out below:

<b>Director</b>	<b>Maximum Number of Options To Be Issued</b>
Wayne Kernaghan	3,334,318
Scott Reid	2,622,500
Greg Duncan	1,500,000
<b>Total</b>	<b>7,456,818</b>

The offer is non renounceable;

- b) the Company may not necessarily issue the full complement of options and may issue a lesser number;
- c) the options will be issued at a price of \$0.005 each;
- d) the options will be allotted and issued to the related parties no later than one month after the date of this General Meeting or such later date to the extent permitted by any ASX waiver of the Listing Rules. The Company has applied to ASX for a waiver from the requirement to issue the options within one month of the meeting, in order to allow the options to be issued on the same date as the options to the unrelated listed option holders under Resolution 8. As at the date of the notice of annual general meeting, the waiver application is yet to be determined by ASX. If the waiver is granted, the options will be issued to the related parties under Resolution 9 on the same date as the options are issued to the unrelated allottees under the entitlement issue pursuant to Resolution 8 and in any event, no later than three (3) months after the meeting. If the waiver is not granted by ASX, the options will be issued to the related parties no later than one month after the meeting;
- e) if approval is given to this resolution for the purposes of Listing Rule 10.11, approval for the issue under this resolution is not required under Listing Rule 7.1. (Subject to Resolution 8 being passed, approval will have in any event been obtained for the purposes of Listing Rule 7.1 for the issue of the shares);
- f) as previously detailed above, any funds raised as a consequence of this resolution will be applied towards the exploration of the various tenements and otherwise for working capital requirements of the Company; and
- g) the terms on which the options will be issued are the same as per Resolution 8.

The Directors do not make a recommendation in respect to this resolution as this relates to them.

## **GLOSSARY**

In this Explanatory Memorandum:

**ASX** means ASX Limited ACN 008 624 691;

**Company** means Gulf Resources Limited ACN 115 027 033;

**Constitution** means the constitution of the Company;

**Corporations Act** means the Corporations Act 2001 (Cth);

**Director** means a director of the Company;

**Explanatory Memorandum** means this Explanatory Memorandum;

**Listing Rules** means the official listing rules of the ASX;

**Meeting** means the Meeting of Shareholders convened by this Notice;

**Notice** and **Notice of Meeting** means the notice of Meeting to which this Explanatory Memorandum is attached;

**Official List** means the official list of ASX;

**Option** means an option to acquire a Share;

**Resolution** means a resolution set out in the Notice;

**Share** means an ordinary fully paid ordinary share in the capital of the Company; and

**Shareholder** has a corresponding meaning.

# Appointment of Proxy

I/We

of

being a member/members of Gulf Resources Limited hereby appoint

The Chairman of the meeting (mark with an 'X') **OR**  Write the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

Or failing the person named attending the meeting, or if no person is named, the Chairman of the meeting as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General meeting of the Company to be held on 26 November 2009 at 11:00am and at any adjournment of that meeting.

### IMPORTANT

If the Chair of the Meeting is appointed as your proxy or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy on each item, please place a mark in this box. By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy even if he has an interest in the outcome of these resolutions and that votes cast by the Chair of the meeting for these resolutions, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on these resolutions and your votes will not be counted in computing the required majority if a poll is called on these resolutions. The Chairman intends to vote undirected proxies in favour of each resolution.

### PROXY VOTING DIRECTIONS

Please mark with an 'X' to indicate your directions.

Resolution	For	Against	Abstain
2 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Wayne Kernaghan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of Share Placement on 4 August 2009	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Ratification of Share Placement on 12 October 2009	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval for the Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval for the Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Pro Rata Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Participation of Directors in Pro Rata Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this  day of  2009.

<b>Individual Securityholder 1</b>	<b>Securityholder 2</b>	<b>Securityholder 3</b>
<input type="text"/>	<input type="text"/>	<input type="text"/>
Individual/Sole Director	Director	Director/Company Secretary

This form must be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a Company, the form must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cwlth).

# Instructions for Completion of Proxy Form

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1. A member entitled to attend and vote is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.
3. Appointment of a proxy by a member who is a corporation must be given in accordance with the Corporations Act 2001 (Cwlth) or signed on its behalf by an authorised attorney.
4. If this proxy is executed under a Power of Attorney, the instrument appointing the attorney must accompany the form of proxy.
5. Any instrument of proxy in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the Meeting.
6. A proxy need not be a member of the Company.
7. To be effective, the proxy form must be received by the Company at its registered office, PO Box R745 Royal Exchange NSW 1225, or received by facsimile on (02) 9247 7722 not less than forty-eight (48) hours before the time for holding the meeting.
8. For the purposes of section 1109N of the Corporations Act 2001 (Cwlth), the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the meeting. The snapshot date and time has been set at 7pm EST on 24 November 2009.