

SECOND QUARTER ACTIVITIES REVIEW

for the period ending 31 December 2009

HIGHLIGHTS

- Small scale production run of vermiculite concentrate was completed to satisfy requests by potential customers for trial samples.
- A 20 tonne bulk sample was sent to Grace Specialty Vermiculite in the United States.
- Site preparation was completed, paving the way for a smooth plant upgrade and re-commissioning process during the first quarter 2010.
- Agreement has been reached with SDV Transami, part of the international logistics company Bollorè to manage freight and logistics to and from the East African Vermiculite operation.
- Review of historical phosphate deposit within 3km of East African Vermiculite operation (on EL147) indicates presence of phosphate. Further assessment will take place in early 2010 to better understand the geology and assess the potential resource size and grade.
- Placement of 60,000,000 shares at \$0.03 per share to raise \$1,800,000 (before expenses) was completed with the funds raised to be used to continue the development of the East African Vermiculite project and for working capital purposes.
- Pro rata entitlement issue of one 2013 option entitlement for every one 2009 option held by eligible option holders, at an issue price of 0.5 cent per option, to raise \$213,000, was undertaken.

EAST AFRICAN VERMICULITE OPERATION

Following the completion of small scale production run of vermiculite concentrate, work started on upgrading and re-commissioning the plant. Full scale production is scheduled to start at the end of the first quarter of 2010.

A 20t bulk sample of vermiculite has been received by Grace Specialty Vermiculite, part of large US industrial corporation, W R Grace. It will be assessed early in the New Year. Initial discussions on the potential to distribute our East African Vermiculite product have been very positive. W R Grace's Specialty Vermiculite division is one of the largest vermiculite exfoliators and distributors in the US accounting for at least one third of vermiculite sales in North America.

Off take agreements are in place for 5,000 tonnes per annum and negotiation are close to concluding with various parties for off take agreements covering a further 10,000 tonnes per year.

Agreement has also been reached with East African based freight and logistics company SDV Transami, for the management and logistics of all concentrate production to and from the East African Vermiculite operation in Uganda. The SDV Transami is part of the Bollorè African Logistics Group, the largest transport and logistics operator in Africa (www.bollorè.com). Given the size and reach of this logistics group we are jointly investigating options to reduce freight costs for our operation. The group also offers sea freight management for potential customers enabling a fully integrated freight solution from mine to any customer in the world.

The East Africa Vermiculite tenement package, including the East African Vermiculite mining lease, covers a large portion of the Bukusu Carbonatite Complex, one of Africa's largest carbonatite complexes with a diameter in excess of 13km. During recent data review the Gulf exploration team identified historical information relating to a phosphate mine operated on the Bukusu Carbonatite Complex from 1944 to 1963. Further investigation has revealed the mine was located only 3km from our existing vermiculite operations. Gulf has conducted preliminary assessment of the phosphate location and found a large excavation and some remnants of concrete footings from old mine and plant buildings.

Independent assessment has been commissioned and results are pending, however, early indications from historical documents suggest phosphate grades were economic, supporting a profitable operation for nearly 20 years. Gulf's exploration team will be following up the potential for this project in the first quarter 2010.

The Bukusu Carbonite Complex also has potential for a number of other commodities including Rare Earth Elements (REES) and plans are being made to re-process a recent Rio Tinto geochemical survey and collect new data to assess the complex for other mineral potential.

Background – Gulf's East African Vermiculite Operation and Project

The East African Vermiculite Project is situated in eastern Uganda near the towns of Mbale and Tororo close to the Kenyan border. The project comprises the East African Vermiculite operation and the regional exploration program.

An Independent SRK review commissioned by Gulf in mid 2009 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 x 1km area is a part. The EAV resource is one of the largest high grade (large crystal size) vermiculite resources in the world.

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 64 holes for resource definition, pit optimisation and design, plant redesign, transport and infrastructure studies and market research. The vermiculite deposit extends from near surface to a depth of between 45m and 55m and is excavated using off the shelf mechanical excavating equipment in a standard shallow open pit operation.

EAV is currently refurbishing the existing plant with production expected to recommence towards the end of Q1 2010. Anticipated production for the first year of steady state operations will be 10,000 tonnes, building up to 16,000 tonnes per annum.

World Vermiculite Market

The global vermiculite market is estimated by the United States Geological Survey (USGS) to be 500,000 tonnes, however other market analysts (Roskill) believe the production to be higher. Production from Southern Africa accounting for approximately 35% 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 with 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 for three main reasons: lack of investment in the past has left most of Uganda under explored and large areas of virgin ground untouched; the diversity of Uganda's geology presents the opportunity for a wide range of potential metallic and non-metallic deposits to be developed; and recent 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, 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 higher altitude. Uganda receives adequate annual rain fall for its needs.

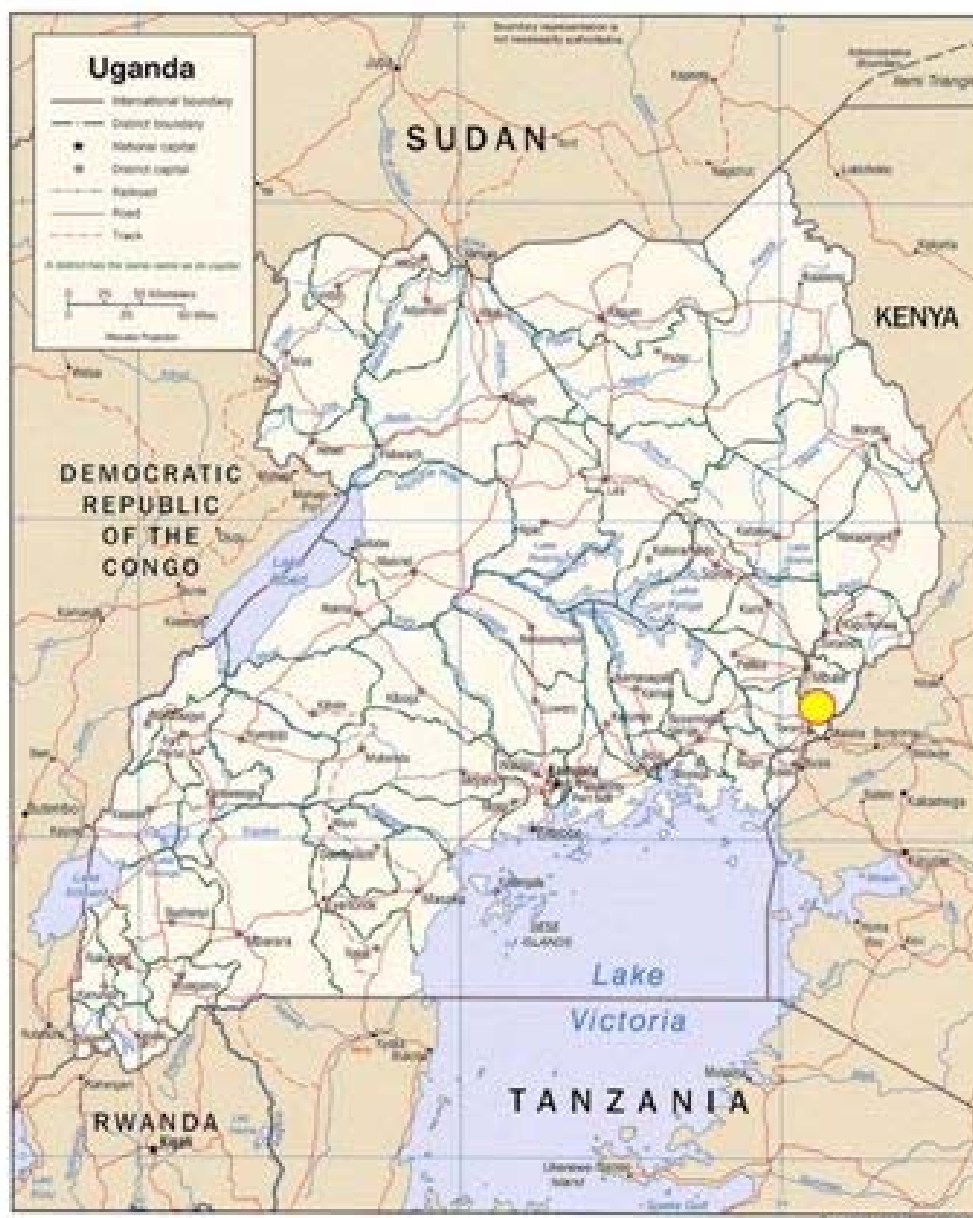
According to the census of 2002 the population of Uganda was just over 24 million people of which 84% were Christians. School in Uganda is free, and Uganda has one of the highest attendance rates in Africa with over 70% of all children attending classes.

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

OTHER PROJECTS

- **Kenyan Exploration Project – Mwingi Prospect**

A 12 month Exclusive Prospecting License (EPL) was issued to Gulf by the Commissioner of Mines and Energy in Kenya on the 4th of September 2009. The tenement enables the holder to explore for base and precious metals, mineral sands, rare earth elements and uranium. Gulf's focus is on the industrial mineral potential of the region and Joint Venture partners will be sought to explore the Base metal, Iron ore and Gold prospects that lie within the license area.

- **Madagascar JV - Austral Malagasy Mining sarlu**

Joint Venture operations in Madagascar involved project assessment activities on a substantial limestone project and review of industrial mineral opportunities. Significant progress was made during the quarter in securing a limestone project in the south east of the country.

- **Divestment and withdrawal from non-core exploration and other projects**

- **Divestment of Australian Projects**

Gulf has accepted a proposal to divest the Ewingar Project in Northern New South Wales and Crystalbrook project in North Queensland to Titus Resources Ltd. Titus is a an unlisted public company that is seeking to list on the ASX in the first half 2010. The terms of sale are confidential at present; however Gulf will receive shares in Titus as part of the transaction and provide technical and operational support to Titus. Gulf shareholders will be given a priority entitlement to the float.

- **Vietnam Coal to Liquid Project**

Following a review of the funding requirements for the project and taking into account Gulf's focus on its industrial minerals strategy, a decision has been made to withdraw from the project. Gulf's interest (95%) in the project holding company, Gulf Future Fuels Corporation, will be transferred to the Gulf Shareholder Trust in order to preserve any potential value for shareholders in the event the project is advanced in the future.

- **Tanzania**

In line with the company's strategy and focus on industrial minerals, the company has withdrawn from the Tanzanian coal prospect, PL4510/2007 and retains no further interest.

- **Southern Sudan**

The company has withdrawn from the Southern Sudan Copper Gold Project and related logistics and supply project and retains no further interest.

CORPORATE

Share Placement and Option Entitlement Issue.

A placement of 60,000,000 shares at \$0.03 per share to raise \$1,800,000 (before expenses) was completed with the funds raised to be used to continue the development of the East African Vermiculite project and for working capital purposes.

A pro rata entitlement issue of one 2013 option entitlement for every one 2009 option held by eligible option holders, at an issue price of 0.5 cent per option, to raise \$213,000, was undertaken.

FURTHER INFORMATION

Scott Reid, Executive Chairman
Wayne Kernaghan, Finance Director and Company Secretary

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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, type of deposits under consideration and to the activity which they have undertaken, to qualify them as a Competent Persons, 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.