gulfresources LIMITED

7 May 2008

NON-RENOUNCEABLE RIGHTS ISSUE

OPTIONS NEED TO BE EXERCISED IF YOU WISH TO PARTICIPATE

Dear Fellow Optionholder

As of the date of this letter you are the registered holder of Options in Gulf Resources Limited (“Gulf”). On 7 May 2008, the directors of Gulf announced a Pro Rata Non-renounceable Rights Issue of Options (“Rights Issue”).

The Rights Issue will be undertaken on a one for two basis to holders of ordinary shares in Gulf (“Shares”) to raise approximately $550,000 (before costs) through the issue of approximately 27,302,363 new options (“New Options”).

Each shareholder eligible to participate in the Rights Issue will be entitled to subscribe for one New Option for every two existing Shares registered in their name at 5:00pm on Wednesday 28 May 2008 (“the Record Date”).

The New Options will be issued at a cost of 2 cents per option. Each New Option will be exercisable at $0.25 for one Share on or before 31 December 2009 and if exercised will receive a bonus option exercisable at 35 cents expiring 30 June 2012.

The net proceeds from the Rights Issue will be used as working capital to finance the further exploration and development of projects in the Company’s existing portfolio as well as to look for new project opportunities.

The Options held by you do not entitle you to participate in the Rights Issue. You may only participate in new issues of securities if your Options are exercised and Shares allotted in respect of the Options before the Record Date for determining entitlements to the new issue.

If you wish to participate in the Rights Issue, I encourage you to exercise your Options as soon as possible by sending a completed exercise form and payment to the Company’s share registrar, Security Transfer Registrars Pty Ltd, at the address set out below, in time to be on the register by the Record Date. Please note a notice of exercise is only effective when the Company has received the full amount of the exercise price in cleared funds or cash.

I recommend you seek independent investment advice from your stockbroker, accountant or other professional financial advisor before making an investment decision with respect to Gulf or the Rights Issue.

On behalf of the Board I encourage you to consider exercising your Options in order to participate in the Rights Issue. The Rights Issue and its timetable have been structured to enable involvement by all shareholders.

Yours faithfully

Scott Reid
Chairman

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