gulfresources LIMITED

ASX ANNOUNCEMENT 24 October 2008

FIRST QUARTER ACTIVITIES REVIEW

for the period ending 30 September 2008

HIGHLIGHTS

- Gulf Resources Limited ("Gulf") has been advised that application has been made by our Vietnamese partner, the Hanoi General Export and Import Group ("Geleximco"), to the Vietnamese Government for substantial coal concessions spanning two provinces in the Red River Delta coal basin near Hanoi.

ACTIVITES & PROJECT REVIEW

Background

Gulf Resources is a resource development and investment company that crosses the divide between Africa and Asia. Gulf has established bases in Tanzania, Kenya and Vietnam and with a team of experienced engineering, project management, legal, financial and resource specialists, is set to foster and develop projects of major significance to both the company and the countries in which Gulf operates.

Activities in this period have continued the work established over the past year in shifting the corporate focus from a domestic exploration portfolio to exposure to large scale energy project and several integrated resource/infrastructure development opportunities in Asia and Africa.

Given the turmoil in the financial markets and its ramification for successful, near term funding options for exploration and early stage development projects, Gulf has reviewed its operations across the board and sought significant cuts in expenditures where possible, whilst retaining Gulf's primary assets and our experienced management team.

A core part of our strategy for sustainable success is to develop relationships, diversify our assets and to foster and secure intellectual capital. This approach forms part of a coherent and logical strategy, designed to capture value at both a corporate and project level.

In keeping with this strategy, we have been laying the foundations to develop a stand alone investment and financial services group focused on the resource, infrastructure and property sectors. This new group will have the capacity to raise and manage funds, enabling it to capitalise on the broader corporate opportunities as they arise in the global mining and financial markets. In this regard, certain initial mandates of the new financial services group will be to specifically assist the funding requirements associated with the large scale mining and infrastructure opportunities Gulf is seeking in Africa and Asia. Further information on this development will be released shortly.

The Gulf Group's Key projects include:

- Coal to Liquid ("CTL") Project in Vietnam in partnership with a major Vietnamese industrial conglomerate
- East African Coal, Power and Infrastructure development project
- African focused gold and base metal project acquisition strategy

VIETNAM

Vietnam Coal to Liquids ("CTL") Project

Following positive and productive meetings with representatives of our Vietnamese CTL project partners ("Geleximco"), who were accompanying the recent Vietnamese Prime Ministerial delegation to Australia, Gulf has been advised that application has been made to the Vietnamese Government for substantial coal concessions spanning two provinces in the Red River Delta coal basin near Hanoi.

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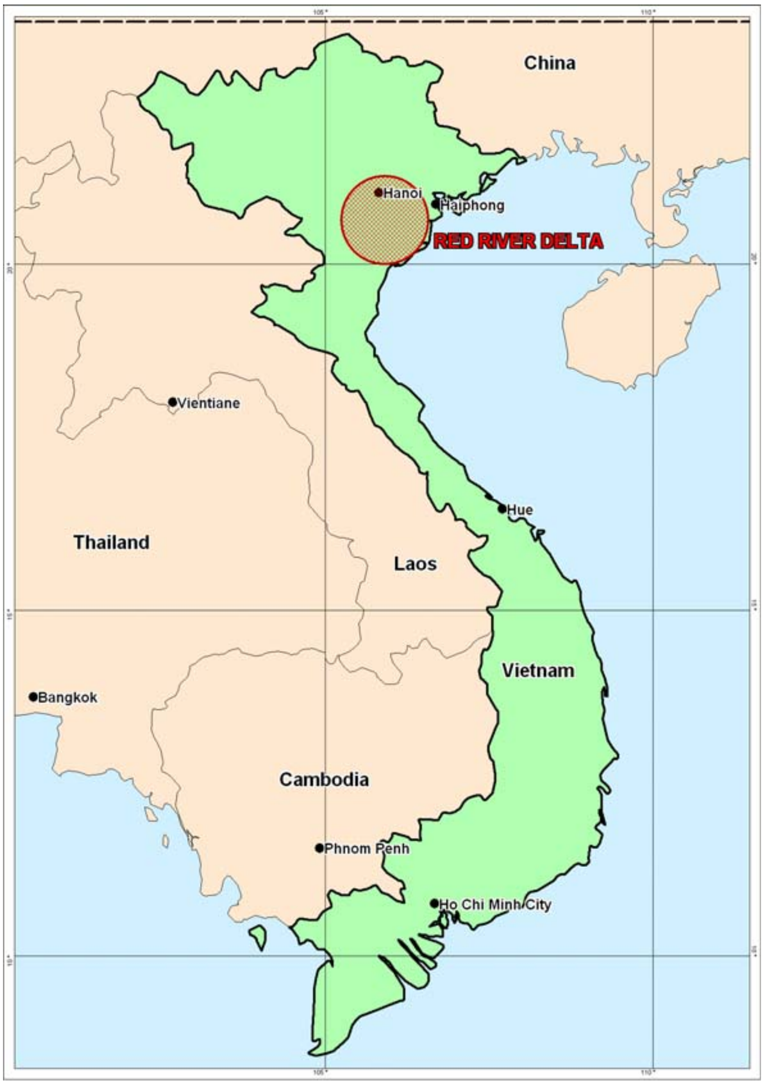

Figure 1: Vietnam showing location of Red River Coal Basin

An initial response is expected by early November 2008. Further information will be released as it becomes available

As previously announced, Gulf and Geleximco appointed Hatch to undertake the Coal to Liquid ("CTL") Fuel Plant Pre-Feasibility study

Hatch is an international consulting and EPCM (Engineering, Procurement and Construction Management) company active in the principal divisions of Mining and Metallurgy, Energy (which includes Oil and Gas), and Infrastructure. The company comprises over 8,000 professional employees spread across the globe. Hatch's hub offices are located in Canada, South Africa and Australia. Hatch currently has projects with a total value of over CAD 50 billion in execution.

The Vietnam CTL Project is a partnership between Gulf and one of Vietnam's largest private industrial conglomerates, Geleximco, to establish the feasibility of, and the development and implementation of an up to 60,000 barrel per day (bpd), Coal to Liquid fuel plant in northern Vietnam ("Vietnam CTL Project").

TANZANIA

During the period Gulf finalised reviews on a number of potential projects in Tanzania. While many of the projects are worthy of further work, the directors have thought it prudent, in light of the current financial crisis and its ramification for successful future short term funding options for exploration and early stage development projects, to rationalise operations in Tanzania.

In this regard and following careful consideration of all data by the Gulf exploration and technical team, the company is in the process of refocusing and/or withdrawing from:

- The Pare Mountains Copper Project (a joint venture with the National Development Corporation of Tanzania),
- Manga Handeni /Bagamoyo Gold Project (a joint venture with Kadolo Investments),
- Iringa Gold Prospect (under a Memorandum of understanding with Kadolo Investments/Msichesta Mining Co. Ltd).

South West Tanzanian Coal Project

Gulf has been investigating the potential of exploiting coal deposits in the south west of Tanzania in line with a power generation strategy for the region.

In this regard a Heads of Agreement ("HoA") with Tan Resources Ltd (TRL) to evaluate the potential of a Public Private Partnership/joint venture between Gulf, the TRL and the National Development Corporation of Tanzania for the development of Liweta and Mbamba Bay Coal Fields in south western Tanzania. Following an initial technical and due diligence study of the projects, Gulf will not be proceeding further with this transaction.

Post quarter, the company has agreed to purchase a 70% interest in a new company to be formed in Tanzania that is the beneficial holder of an unencumbered coal mineral rights license PL4510/2007. The interest will be held by Gulf subsidiary GR Projects Ltd (to be renamed Revuma Energy Company Ltd)

The majority of known coal deposits in southern and south eastern Africa are contained with the sediments of the Karoo Supergroup, so named after the Karoo Basin in South Africa. In Tanzania, coal is found in Tanzanian basins within the Mchuchuma and Mhukuru formations. Whilst the coal fields of Tanzania have been well known for over a century, they have never been fully developed or systemically explored using modern exploration techniques. Gulf's subsidiary, GR Projects Ltd (to be renamed Revuma Energy Company Ltd) will be seeking external funding to reduce the funding risk to the Gulf Group, and will further examine the potential of a power generation strategy, based on stranded coal coal deposits in the region.

Mtwara Infrastructure Development Project

Critically linked to the mining, energy and agriculture sectors is Tanzania's transport infrastructure, the key to developing many of the country's undeveloped resources. Infrastructure is one of the investment drivers Tanzania is focused on improving. Gulf is actively seeking a role in developing key transport infrastructure in Tanzania.

Over the last 18 months, Gulf Resources has developed key relationships with a number of Tanzanian partners including the National Development Corporation of Tanzania (NDC) and the Tanzanian Port Authority (TPA), to assist with its growth plans.

Through these relationships, Gulf has begun a process of project assessment and acquisition which meet the "Tanzanian Investment and Development Plan" (NDC) aimed at building or improving infrastructure to unlock the value of undeveloped mineral resources in Tanzania.

Gulf entered into an MOU with the Tanzania Ports Authority to jointly determine the potential of a public private partnership for the development, modernisation and expansion of the Mtwara Sea Port, including regulating the associated Export Processing Zones and Free Port facility. A detailed a report to the Port authority and presentation to the board of directors was made. However following expiry of the MOU, Gulf understands that the Port Authority elected to mandate an Indian based group to conduct minor port upgrades to facilitate higher container traffic turnover.

Gulf's intellectual property and related assets in this regard will be assigned to a Gulf subsidiary to be known as Mtwara Infrastructure Development Corporation Ltd and Gulf will seek external funding to share the financial risk in further advancing the project.

KENYA

The company has reviewed an advanced copper mineralisation project and reviewed a small scale iron ore production opportunity. Both projects have the potential to generate modest cash income to sustain local operations for minimal capital expenditure.

A review of the Kenyan coal opportunities is planned for the following quarter.

MADAGASCAR

Company management is reviewing potential joint ventures that offer low cost exposure to promising mineral development projects. Minimal expenditure in Madagascar is expected for the next three months.

SOUTHERN SUDAN

The review of the advanced copper/gold resource opportunity in the country continued in this period. A number of opportunities have been examined that may generate modest cash income to sustain local operations.

SOUTH AFRICA

The company has ceased discussions with various BEE groups and other partners in South Africa primarily due to the prevailing financial climate and the associated difficulties in raising exploration funding for early stage projects.

AUSTRALIAN PROJECTS

- Crystalbrook Project, Far North Queensland
  (EPM 13841 and EPM 15707 – GLF 100%)

  Access has been established with the view to conducting ground geophysical surveys to extend the existing grid and provide coverage over EPM 15707. Further work programs over EPM 15707 will be reviewed internally in the next quarter.

- Swan Creek Project Northern Territory
  (EL24764, EL25083 and EL10097 and EL10096 - GLF 100%)

  Following careful consideration of all the exploration data to hand by the Gulf exploration and technical team, the company will be withdrawing from exploration over these projects.

- Ewingar Northern New South Wales
  (EL 6490 - GLF 100%)

  The tenement has been renewed with exploration to commence following finalisation of the Native Title Right to Negotiate process by the New South Wales Department of Natural Resources.

CORPORATE

Post quarter, Gulf confirmed the following personnel appointments.

Andrew Johnstone, Chief Operating Officer (COO)
Mark Treisman, Corporate Counsel
James Tetley, Communications

Further information

Scott Reid, Executive Chairman t 02 8247 5333
Wayne Kernaghan, Finance Director and Company Secretary t 02 8247 5333

Attribution

The information in this report that relates to exploration results is based on information compiled by Andrew Johnstone who is a Fellow of the Financial Services Institute of Australasia, a member of both the Australian and American Societies of Exploration Geophysicists, and member of the Australasian Institute of Geoscientists (AIG). Mr Johnstone provides exploration management services to Gulf Resources Ltd. Mr Johnstone has sufficient experience in the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code 2004 Edition). Mr Johnstone consents to the inclusion of this information in the form and context in which it appears.



APPENDIX 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Gulf Resources Limited

ABN

13 115 027 033

Quarter ended ("current quarter")

30 September 2008

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for:		
	(a) exploration and evaluation	(809)	(809)
	(b) development		
	(c) production		
	(d) administration	(154)	(154)
1.3	Dividends received		
1.4	Interest & other items of a similar nature received	28	28
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(935)	(935)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments	(32)	(32)
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	6	6
	(c) other fixed assets		
1.10	Loans to other entities	(172)	(172)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(198)	(198)
1.13	Total operating and investing cash flows (carried forward)	(1,133)	(1,133)

1.13	Total operating and investing cash flows (brought forward)	(1,133)	(1,133)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	160	160
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) – expense of issue		
	Net financing cash flows	160	160
	Net increase (decrease) in cash held	(973)	(973)
1.20	Cash at beginning of quarter/year to date	2,825	2,825
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	1,852	1,852

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	189
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	400
4.2	Development	-
	Total	400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,852	2,825
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	1,852	2,825

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	69,758,055	69,758,055	-	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Performance Rights**	4,000,000	-	-	Expiring 31 May 2010
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	25,449,072 42,629,028	25,449,072 42,629,028	$0.20 $0.25	30 June 2011 31 December 2009
7.8	Issued during quarter	2,500,000 5,500,000	2,500,000 5,500,000	$0.20 $0.25	30 June 2011 31 December 2001
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance Statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 24 October 2008
(Company Secretary)

Print name: Wayne Kernaghan

NOTES

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards:** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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