gulfresources
LIMITED

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

GULF RESOURCES LIMITED
ABN 13 115 027 033
& CONTROLLED ENTITIES

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& CONTROLLED ENTITIES

DIRECTORS REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2008.

DIRECTORS

The names of the directors who held office during or since the end of the half-year:

	Date Appointed
S Reid	30 June 2005
W Kernaghan	30 June 2005
G Duncan	30 June 2005
P Treisman	14 August 2007

REVIEW & RESULTS OF OPERATIONS

Gulf Resources Limited is involved in mining and mineral exploration and infrastructure projects.

The net loss for the half-year ended 31 December 2008, after providing for income tax amounted to $1,698,909 (31 December 2007: loss of $1,575,067).

The principal activities of the consolidated group during the financial year were mining and mineral exploration and seeking mining infrastructure opportunities.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporation's Act 2001 is set out on page 2 for the half year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors:

Wayne Kernaghan
Director

Sydney,
5 March 2009

A D Danieli
Chartered Accountants

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Auditor's Independence Declaration Under Section 307C

of the Corporations Act 2001

To the Directors of Gulf Resources Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2008 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

A D Danieli
Chartered Accountants

Sam Danieli
Principal

Sydney, 3 March 2009

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	NOTE	31 DEC 2008 $	31 DEC 2007 $
Revenue		479,749	33,590
Depreciation expense		(62,367)	(43,277)
Exploration expenditure written off		(963,881)	(823,114)
Employee benefits expense		(302,407)	(431,823)
Other expenses		(850,003)	(310,443)
Loss before income tax		(1,698,909)	(1,575,067)
Income tax expense		-	-
Loss for the period	2	(1,698,909)	(1,575,067)
Loss attributable to members of Gulf Resources Ltd		(1,698,909)	(1,575,067)
Basic loss per share (cents per share)		(2.4)	(3.3)
Diluted loss per share (cents per share)		(1.2)	(2.2)

(The accompanying notes form part of these financial statements)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	31 DEC 2008 $	30 JUN 2008 $
CURRENT ASSETS			
Cash and cash equivalents	3	1,446,678	2,825,199
Trade and other receivables	4	305,007	265,902
TOTAL CURRENT ASSETS		1,751,685	3,091,101
NON-CURRENT ASSETS			
Deferred exploration costs	5	-	301,650
Financial assets	6	44,786	122,187
Property, plant and equipment	7	207,991	264,740
TOTAL NON-CURRENT ASSETS		252,777	688,577
TOTAL ASSETS		2,004,462	3,779,678
CURRENT LIABILITIES			
Trade and other payables	8	67,390	228,215
TOTAL CURRENT LIABILITIES		67,390	228,215
TOTAL LIABILITIES		67,390	228,215
NET ASSETS		1,937,072	3,551,463
EQUITY			
Issued capital	9	8,958,467	8,958,467
Reserves		1,070,737	986,219
Accumulated losses		(8,092,132)	(6,393,223)
TOTAL EQUITY		1,937,072	3,551,463

(The accompanying notes form part of these financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Economic Entity	Issued Capital	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2007	4,740,963	666,451	(2,314,698)	3,092,716
Issue of share capital	1,342,500	-	-	1,342,500
Share issue expense	(32,662)	-	-	(32,662)
Fair value revaluation	-	(327,661)	-	(327,661)
Loss for the period	-	-	(1,575,067)	(1,575,067)
Balance at 31 December 2007	6,050,801	338,790	(3,889,765)	2,499,826

Economic Entity				
Balance at 1 July 2008	8,958,467	986,219	(6,393,223)	3,551,463
Issue of share option	-	160,000	-	160,000
Fair value revaluation	-	(75,482)	-	(75,482)
Loss for the period	-	-	(1,698,909)	(1,698,909)
Balance at 31 December 2008	8,958,467	1,070,737	(8,092,132)	1,937,072

(The accompanying notes form part of these financial statements)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	31 DEC 2008 $	31 DEC 2007 $
Cash flows from Operating Activities		
Receipts from customers	-	12,453
Interest received	47,670	21,137
Exchange gain realized	432,079	-
Payments to suppliers and employees	(1,196,737)	(1,653,496)
Net Cash (used in) provided by Operating Activities	(716,988)	(1,619,906)
Cash flows from Investing Activities		
Loans to other entities	(170,000)	(300,000)
Disposal of financial assets	110,770	-
Acquisition of financial assets	(94,454)	(333,768)
Exploration expenditure	(662,231)	(301,650)
Payment for plant & equipment	(5,618)	(78,079)
Net Cash (used in) provided by Investing Activities	(821,533)	(1,013,497)
Cash flows from Financing Activities		
Proceeds from share and option issues	160,000	1,309,838
Net Cash provided by (used in) Financing Activities	160,000	1,309,838
Net increase (decrease) in cash held	(1,378,521)	(1,323,565)
Cash at beginning of the period	2,825,199	2,340,621
Cash at end of the period	1,446,678	1,017,056

(The accompanying notes form part of these financial statements)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

The half-year consolidated financial statements of Gulf Resources Ltd are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report of for the year ended 30 June 2008 and any public announcements made by Gulf Resources Ltd and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

2. Loss before income tax has been determined after:

	31 DEC 2008 $	31 DEC 2007 $
Loss before income tax has been determined after:		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
(a) Revenue and other income		
Interest from other persons	47,670	21,137
Foreign Exchange Gain	432,079	-
Other	-	12,453
	479,749	33,590
(b) Charging as expense:		
Depreciation	62,367	43,277
Exploration expenditure written off	963,881	823,114

	31 DEC 2008 $	30 JUN 2008 $
3. Cash and cash equivalents		
Cash at bank and in hand	1,446,678	2,825,199
Reconciliation of cash	1,446,678	2,825,199

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as above.

	31 DEC 2008 $	30 JUN 2008 $
4. Trade and other receivables		
Other receivables	305,007	265,902
	305,007	265,902
5. Deferred exploration expenditure		
Deferred exploration expenditure	-	301,650
	-	301,650
6. Financial Assets		
Listed investments, at fair value:		
Available-for- sale financial assets	44,786	122,187
	44,786	122,187

Available-for-sale financial assets comprise investments in the ordinary issued capital of listed entities. There is no fixed returns or maturity date attached to these investments. The fair value of listed investments have been valued at the quoted market bid price at balance date.

	31 DEC 2008 $	30 JUN 2008 $
7. Property, plant and equipment		
Plant and equipment	55,275	55,856
Less accumulated depreciation	(20,047)	(11,724)
	35,228	44,132
Leasehold improvements	90,982	84,783
Less accumulated amortisation	(43,249)	(27,978)
	47,733	56,805
Motor Vehicles	233,123	233,123
Less accumulated depreciation	(108,093)	(69,320)
	125,030	163,803
Total property, plant & equipment	207,991	264,740
8. Trade and other payables		
Trade creditors	67,390	228,215
	67,390	228,215

	31 DEC 2008 $	30 JUN 2008 $
9. Issued capital		
Ordinary shares (issues and fully paid) 69,758,055 (30 June 2008: 69,758,055)	8,958,467	8,958,467

	31 DEC 2008 No. of Shares	31 DEC 2008 $	30 JUN 2008 No. of Shares	30 JUN 2008 $
Movements in issued shares for the half year:				
Beginning of the financial period	69,758,055	8,958,467	46,559,271	4,740,963
20.11.07 Performance rights	-	-	3,000,000	-
10.12.07 issued at 27.5 cents	-	-	545,454	150,000
10.12.07 issued at 26.5 cents	-	-	4,500,000	1,192,500
27.05.08 exercise of options at 20 cents	-	-	21,666	4,333
28.05.08 exercise of options at 20 cents	-	-	356,664	71,333
28.05.08 issue at 20 cents	-	-	14,775,000	2,955,000
Share issue expenses	-	-	-	(155,662)
	69,758,055	8,958,467	69,758,055	8,958,467

Note 10: Segment information

The consolidated entity operated during the period in two geographical locations, namely Australia and Africa.

Geographical Location	Australia	Australia	Africa	Africa	Consolidated Group	
	31 Dec 2008 $	30 Jun 2008 $	31 Dec 2008 $	30 Jun 2008 $	31 Dec 2008 $	30 Jun 2008 $
Revenue						
Unallocated revenue	479,749	90,895	-	-	479,749	90,895
Total revenue	479,749	90,895	-	-	479,749	90,895
Result						
Segment result	(1,595,876)	(3,909,490)	(103,033)	(169,035)	(1,698,909)	(4,078,525)
Loss before income tax	(1,595,876)	(3,909,490)	(103,033)	(169,035)	(1,698,909)	(4,078,525)
Income tax expense	-	-	-	-	-	-
Loss after income tax	(1,595,876)	(3,909,490)	(103,033)	(169,035)	(1,698,909)	(4,078,525)
Assets						
Total assets	1,924,345	3,638,226	80,117	141,452	2,004,462	3,779,678
Liabilities						
Total liabilities	64,190	228,215	3,200	-	67,390	228,215
Other						
Depreciation and amortisation of segment assets	(43,681)	(82,324)	(18,686)	(19,410)	(62,367)	(101,734)

Note 11: Contingent liabilities

There are no known contingent liabilities. There have been no changes in contingent liabilities or contingent assets since the last annual reporting date.

Note 12: Events subsequent to reporting date

There are no known events subsequent to balance date that would have a material effect on these financial statements.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes as set out on pages 3 to 10:

   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

   (b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Wayne Kernaghan
Director

Sydney
5 March 2009

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Chartered Accountants

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Independent Review Report
To the Members of

Gulf Resources Limited

ABN: 13 115 027 033

Report on the Half–Year Financial Report

We have reviewed the accompanying half-year financial report of Gulf Resources Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the Half–Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Gulf Resources Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Gulf Resources Limited and Controlled Entities on 3 March 2009, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gulf Resources Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

A D DANIELI
Chartered Accountants

Sam Danieli
Principal
Sydney, 5 March 2009