ASX ANNOUNCEMENT **25 JULY 2011**

Despatch of Offer Document and Acceptance Form

Gulf Industrials Limited ("Gulf" or "the Company") (ASX Code: GLF) has today despatched the following documents to shareholders of Gulf Industrials Limited who are eligible to participate in the non-renounceable entitlement offer announced on 14 July 2011:

- Offer Document; and
- Entitlement and acceptance Form.

**** ENDS ****

FURTHER INFORMATION

Vic Fitzmaurice, CEO t | +27 72 778 8889
Wayne Kernaghan, Finance Director t | 02 8247 5333

ABOUT GULF

Gulf Industrials is an African focused mineral developer and producer with exploration and development assets in Uganda, Kenya and Madagascar. It is the company's aim to create value for shareholders through the identification, acquisition and valorisation of resource focused projects, with a particular emphasis on regions where Gulf maintains relationships that provide a strategic advantage.

With a team of experienced engineering, project management, legal, financial and resource specialists, Gulf fosters and seeks to develop projects of major significance to both the company and the countries in which Gulf operates.

NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

GULF INDUSTRIALS LIMITED ACN 115 027 033
("GULF INDUSTRIALS")

A fully-underwritten pro-rata non-renounceable rights issue by Gulf Industrials to Eligible Shareholders of 3 New Shares for every 5 Shares held on the Record Date at an issue price of $0.04 per New Share to raise approximately $11.85 million before costs of the Offer.

Offer Closes: 5.00pm (AEST) on 9 August 2011

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in any doubt about what to do, you should contact your stockbroker, accountant, financial or other professional adviser about its contents without delay.

This document is not a prospectus. It does not necessarily contain all of the information that a prospective investor would find in a prospectus or which may be required in order to make an investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

Important Information

This Offer Document has been prepared by Gulf Industrials and is dated 25 July 2011. This Offer Document is not a prospectus or a product disclosure statement under the Corporations Act and has not been lodged with ASIC. The Offer to which this Offer Document relates complies with the requirements of Section 708AA of the Corporations Act, as modified by ASIC Class Order 08/35.

Neither ASIC nor ASX, nor any of their officers or employees takes responsibility for this Offer or the merits of the investment to which this Offer relates.

The Offer is made only to Eligible Shareholders. No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia and New Zealand. In particular, the New Shares have not been and will not be, registered under the US Securities Act and may not be offered, sold or delivered within the US or to or for the account or benefit of any US Person, except pursuant to applicable exceptions from registration. In addition, hedging transactions with respect to the New Shares may not be conducted unless in accordance with the US Securities Act. The distribution of this Offer Document in any jurisdiction other than Australia or New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Offer Document does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document or make such an offer.

New Zealand investors

The New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of Gulf Industrials with registered addresses in New Zealand to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Offer Document and the Entitlement and Acceptance Form have not been registered, filed or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Future performance and forward looking statements

Applicants should note that the past share price performance of Gulf Industrials provides no guidance as to its future share price performance. Any financial information provided in this Offer Document is for illustrative purposes only and is not represented as being indicative of Gulf Industrials' future financial performance. Any forward looking statements in this Offer Document are based on Gulf Industrials' current expectations about future events. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Gulf Industrials and its Board, which could cause actual results, performance and achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Offer Document.

Investment decisions

The information provided in this Offer Document is not intended to be relied on as advice to investors and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. If, after reading this Offer Document, you have any questions about the Offer, you should contact your stockbroker, accountant or other professional adviser.

There are a number of risk factors that could potentially impact Gulf Industrials. For information about these risks, please refer to Section 4. The potential tax effects of the Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers. Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, sent to Eligible Shareholders with this Offer Document. Applications for Shortfall Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, sent to Eligible Shareholders with this Offer Document.

Disclaimer

No person is authorised to give any information, or to make any representation in connection with the Offer that is not contained in this Offer Document. Any information or representation that is not in this Offer Document may not be relied on as having been authorised by Gulf Industrials in connection with the Offer.

Governing Law

This Offer Document, the Offer and the contracts formed on acceptance of applications are governed by the laws of New South Wales, Australia. Each applicant for New Shares submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

Time and date

Unless otherwise specified, all references to time in this Offer Document and the Entitlement and Acceptance Form are references to Australian Eastern Standard Time, and all references to dates are to dates calculated in accordance with Australian Eastern Standard Time.

Currency

All references to '$' or 'dollar' are to Australian currency.

Definitions and references

Capitalised terms used in this Offer Document and the Entitlement and Acceptance Form are defined in Section 7.

References to Sections are to Sections of this Offer Document, unless stated otherwise.

Contents

Letter from the Chairman

Dear Shareholder

Non-renounceable Rights Issue

On behalf of the Directors of Gulf Industrials Limited (**Gulf Industrials** or **the Company**), I am pleased to offer you the opportunity to participate in the fully-underwritten pro-rata non-renounceable rights issue which was announced by the Company on 14 July 2011 (**Entitlement Offer**).

The Directors wish to provide the opportunity for each Shareholder entitled to participate in the Entitlement Offer (**Eligible Shareholders**) to invest under the Entitlement Offer. Each Eligible Shareholder will be entitled to subscribe for 3 new fully paid ordinary shares (**New Shares**) in the capital of the Company for every 5 existing ordinary shares registered in their name at 7.00 pm AEST on 22 July 2011 (**Record Date**). The New Shares will be issued at a cost of $0.04 per share, which represents a 30% discount to the closing price on 11 July 2011 (the last trading day before the Announcement Date).

The Offer will raise approximately $11.85 million (before costs) through the issue of up to 296,162,837 New Shares (subject to the rounding up of Entitlements and the issue of any further Shares pursuant to the exercise of any options prior to the Record Date).

Eligible Shareholders wishing to take up more than their pro-rata allocation of shares may do so by applying for Shortfall Shares in accordance with the instructions set out in the Entitlement and Acceptance Form (**Shortfall Offer**). Allocation of any Shortfall Shares remains at the discretion of the Board in consultation with the Joint Underwriters.

It is the current intention of all Directors who own shares in Gulf Industrials to take up their Entitlements, either in whole or in part.

Purpose of the Offer

Funds raised from the issue will be applied to:

- Final payment of USD $1,000,000 for the Namekara Vermiculite Mine;
- Carry out a drilling program at Namekara Vermiculite Mine of approximately 3,600 meters;
- Complete Namekara Vermiculite Mine optimisation project to ensure plant production at 30,000 tonnes per annum;
- Conduct a feasibility study for the Namekara Vermiculite Mine Expansion;
- Fund Namekara Vermiculite Mine Expansion long lead items;
- Fund the costs associated with the Offer; and
- Fund working capital and administration costs.

The Company will be looking to extract maximum value from its existing assets and to regenerate its existing core portfolio.

For more information on the recent developments of the Company, please refer to the Company's public announcements that are periodically released to the ASX (available on the Company's website on gulfindustrials.com.au or the ASX website at www.asx.com.au).

I recommend you seek independent investment advice from your stockbroker, accountant or other professional adviser before making any investment decision.

The Board of Gulf Industrials looks forward to your participation in the Offer.

Yours faithfully

Sir Sam Jonah
Chairman

Offer Summary

Rights ratio for Offer	3 new Shares for every 5 shares held on the Record Date
Issue Price for Offer	$0.04 per New Share
Discount of the Issue Price to the closing price on 11 July 2011	30%
Size of Offer	296,162,837* New Shares
Gross proceeds from Offer	$11,846,513*

* These amounts are approximate only and subject to rounding.

Key Dates

Existing Gulf Industrials Shares quoted on an “ex” basis	18 July 2011
Record Date to determine Offer entitlements	22 July 2011 at 7.00pm AEST
Offer opens	25 July 2011
Offer Document dispatched to Eligible Shareholders	25 July 2011
Offer closes	9 August 2011 at 5.00pm AEST
Deferred settlement trading begins	10 August 2011
Notice of under-subscriptions to ASX	12 August 2011
Allotment of New Shares under Offer	16 August 2011
Allotment of Shortfall Shares under Shortfall Offer	16 August 2011
Allotment of Shares to Joint Underwriters	16 August 2011
Commencement of trading on a normal settlement basis	17 August 2011

All dates are subject to change and accordingly are indicative only. Gulf Industrials reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend the indicative timetable and in particular, to extend the closing date or to withdraw the Offer without prior notice. Any extension of the closing date will have a consequential effect on the date of allotment and issue of New Shares.

The Directors reserve the right not to proceed with the whole or part of the Offer at any time prior to allotment and issue of the New Shares. In that event, the application money (without interest) will be returned in full to Applicants.

Shareholders who take no action in respect of their Rights will receive no benefit and their Rights will lapse.

Enquiries

If you are in any doubt as to whether you should participate in the Offer you should consult your stockbroker, accountant, solicitor or other professional adviser. If you have any questions on how to complete the Entitlement and Acceptance Form or take up your Rights, you should contact the registry, on +61 8 9315 2333 at any time from 10.00am to 7.00pm (AEST) Monday to Friday before the Offer closes.

1 Details of the Offer

1.1 The Entitlement Offer

Gulf Industrials is making a fully-underwritten pro-rata non-renounceable rights issue offering Eligible Shareholders 3 New Shares for every 5 Shares held on the Record Date. The issue price of $0.04 per New Share is payable in full on making an Application.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional Entitlements will be rounded up to the nearest whole Share. You may also wish to apply for additional Shortfall Shares under the Shortfall Offer. Details of the Shortfall Offer are contained in Section 1.6.

The total number of New Shares issued under the Offer will be approximately 296,162,837. The gross proceeds (before the costs of the Offer) will be approximately $11.85 million.

The closing date and time for acceptances and payments is 5.00pm AEST on 9 August 2011 (subject to any extension by Gulf Industrials).

1.2 Who is Entitled to Participate in the Offer

The following Shareholders are entitled to participate in the Offer (**Eligible Shareholders**):

- Shareholders registered at 7.00pm (AEST) on 22 July 2011 (**Record Date**) as holders of shares with a registered address in Australia or New Zealand; and
- certain Shareholders registered as holders of shares at the Record Date who are resident in other jurisdictions who contact or are contacted by the Company and can demonstrate to the reasonable satisfaction of the Company that their participation in the Offer is not prohibited, not unduly onerous and not unduly impracticable in that jurisdiction.

1.3 Ineligible Shareholders

All Shareholders who are not Eligible Shareholders are ineligible shareholders (**Ineligible Shareholders**). Ineligible Shareholders will not be entitled to participate in the Offer.

The Company has determined that it would be unreasonable on this occasion to extend the Offer to Ineligible Shareholders having regard to the number of securities held by Ineligible Shareholders and the costs of complying with the legal and regulatory requirements which would apply to an offer of securities to Ineligible Shareholders in various jurisdictions. We trust you understand the Company's position on this matter.

1.4 Rights Trading

This Offer is made on a non-renounceable basis such that Eligible Shareholders may not sell or transfer all or part of their Entitlement.

1.5 Underwriting

The Offer is fully underwritten by Veritas Securities and Ocean Equities as joint underwriters (**Joint Underwriters**). Joint Underwriters will each be paid an underwriting fee of 5% of the amount underwritten by them and a management fee of 1.5% of the amount underwritten by them. A summary of the underwriting agreements is set out in Section 6.

1.6 Shortfall Offer

Subject to the Corporations Act and the requirements of the ASX Listing Rules, Eligible Shareholders may subscribe under the Shortfall Offer for Shortfall Shares in addition to their Entitlement. The issue price of New Shares issued pursuant to an application for Shortfall Shares will be $0.04 per New Share, being the same price for New Shares under the Offer.

Shortfall Shares will be allotted at the same time as the New Shares under the Offer are allotted. Eligible Shareholders may apply for Shortfall Shares by completing an application for Shortfall Shares on the Entitlement and Acceptance Form that accompanies this Offer Document (refer to Section 2.3 for further information).

The Directors do not represent that any Application to participate in the Shortfall Offer will be successful. In relation to the Shortfall Offer, the Directors reserve the right to issue Shortfall Shares to Applicants under the Shortfall Offer in their absolute discretion in consultation with the Joint Underwriters. The Directors may allocate to an Applicant under the Shortfall Offer a lesser number of Shortfall Shares than the number for which the Applicant applies, or reject an Application under the Shortfall Offer, or not proceed with the issue of New Shares under the Shortfall Offer pursuant to this Offer Document. If the number of Shortfall Shares is less than the number applied for, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

1.7 Minimum Subscription

There is no minimum subscription for the Offer.

1.8 ASX Quotation

On the Announcement Date, Gulf Industrials made an application to ASX for admission of the New Shares offered under this Offer Document to the official list of ASX.

If the New Shares are not admitted to Official Quotation on the ASX within three months after the date of this Offer Document, or such longer period as is permitted by the Corporations Act, none of the New Shares will be issued. In that circumstance, all Applications will be dealt with in accordance with Section 724 of the Corporations Act.

1.9 Issue of New Shares

New Shares will be issued as soon as practicable after the Closing Date and holding statements are anticipated to be despatched on 16 August 2011.

Issues of New Shares under the Offer will only be made after permission for their quotation on ASX has been granted.

Subscription money will be held in a subscription account until the New Shares are issued. This account will be established and kept by Gulf Industrials on behalf of each participating Applicant.

Interest earned on the subscription money will be for the benefit of Gulf Industrials, and will be retained by Gulf Industrials irrespective of whether New Shares are issued.

1.10 Rights attaching to New Shares

The New Shares issued will rank equally with the existing ordinary shares on issue. The rights and liabilities attaching to the New Shares are set out in the Constitution of the Company and in the Corporations Act.

1.11 Privacy Statement

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that is held about you. If you wish to do so please contact the Share Registry at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if the information required on the application for New Shares is not provided, the Company may not be able to accept or process your application.

1.12 **Risk Factors**

An investment in Gulf Industrials involves general risks associated with an investment in the share market. The price of New Shares may rise or fall.

There are also a number of risk factors, both specific to Gulf Industrials and of a general nature, which may affect the future operating and financial performance of Gulf Industrials and the value of an investment in Gulf Industrials. The specific and general risk factors are described in Section 4. Before deciding to invest in Gulf Industrials, prospective investors should consider those factors carefully.

1.13 **Impact of the Rights Issue on control of the Company**

The potential effect of the issue of the New Shares under the Rights Issue on the control of the Company, and the consequences of that potential effect, are as follows:

(1) if all Eligible Shareholders take up their entitlements under the Rights Issue then the Rights Issue will have no effect on the control of Gulf;

(2) Jonah Capital BVI Limited, African Lion 3 Limited and Contango Asset Management Limited, which collectively held approximately 36% of the issued capital of Gulf Industrials on the Announcement Date, have indicated that they intend to take up their full entitlement under the Rights Issue; and

(3) if Eligible Shareholders (other than Jonah Capital BVI Limited, African Lion 3 Limited and Contango Asset Management Limited) do not take up their entitlements under the Rights Issue, the Joint Underwriters or their respective sub-underwriters will acquire approximately 189,562,837 New Shares which would will result in the Joint Underwriters collectively obtaining voting power in Gulf Industrials of approximately 24%.

2 What you need to do

2.1 What Eligible Shareholders May Do

The number of New Shares to which Eligible Shareholders are entitled (**Entitlement**) is shown on the accompanying Entitlement and Acceptance Form.

If you take up your full Entitlement under the Entitlement Offer, you will not have your shareholding in Gulf Industrials diluted.

As an Eligible Shareholder, you may:

- take up all of your Entitlement (refer Section 2.2);
- in addition to applying for all of your Entitlement, apply for Shortfall Shares under the Shortfall Offer (refer Section 2.3);
- take up part of your Entitlement and allow the balance to lapse (refer Section 2.4); or
- allow all of your Entitlement to lapse (refer Section 2.5).

2.2 Taking up all of Your Entitlement

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form for the New Shares, in accordance with the instructions set out in that form.

You should then forward your completed Entitlement and Acceptance Form together with your Application Monies in accordance with Section 2.6 to reach the Share Registry no later than the Closing Date. You may also pay your Application Monies by BPAY®.

2.3 Applying for Shortfall Shares

If you wish to subscribe for Shortfall Shares pursuant to the Shortfall Offer, complete an application for Shortfall Shares on the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form. When completing the Entitlement and Acceptance Form, indicate the number of Shortfall Shares you wish to apply for under the Shortfall Offer, and follow steps set out in Section 2.2.

Shortfall Shares will be allotted at the same time as the New Shares under the Entitlement Offer are allotted. All allocations under the Shortfall Offer are at the sole and absolute discretion of the Directors in consultation with the Joint Underwriters. There is no guarantee that any Applications for Shortfall Shares under the Shortfall Offer will be successful. If the number of Shortfall Shares is less than the number applied for, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

2.4 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for the number of New Shares you wish to take up, and follow the steps required in accordance with Section 2.2. If you take no further action, the balance of your Entitlement will lapse.

If you do not take up your full Entitlement, your shareholding in Gulf Industrials will be diluted with respect to your right to future earnings and net assets of Gulf Industrials.

2.5 Allow all of your Entitlement to lapse

If you do nothing, all of your Entitlement will lapse and your shareholding in Gulf Industrials will be diluted with respect to your right to future earnings and net assets of Gulf Industrials.

2.6 How do I accept all, or part, of my Entitlement

You may accept your Entitlement following the despatch of this Offer Document. Gulf Industrials will accept Applications until the Closing Date. You should read this Offer Document in its entirety before deciding to complete and lodge your Entitlement and Acceptance Form.

You may make payment of your Application Monies by BPAY® or by cheque, bank draft or money order.

(1) **Payment by BPAY®**

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Reference Number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form;
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies; and
- if you pay an amount in excess of the amount representing your full entitlement, you will be deemed to have applied for such number of Shortfall Shares which that excess amount represents..

Please make sure to use the specific Biller Code and unique Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Reference Number specific to the Entitlement on that form.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm AEST on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

(2) **Payment by cheque, bank draft or money order**

You should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies drawn on an Australian branch of an Australian bank for the Issue Price multiplied by New Shares for which application is made. All cheques must be made payable to 'Gulf Industrials Limited' and crossed 'Not Negotiable'. Do not forward cash or money orders. Receipts for Application Monies will not be issued.

Completed Entitlement and Acceptance Forms and accompanying cheques, bank drafts or money orders must be returned to the following address and received no later than 5.00pm AEST on the Closing Date.

By mail:

Gulf Industrials Limited
c/o Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6593

A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required.

By delivery:

Gulf Industrials Limited
c/o Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

2.7 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY®, constitutes a binding offer to acquire New Shares and Shortfall Shares (if applied for) on the terms and conditions set out in this Offer Document and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' (or their delegates') decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

2.8 Enquiries concerning Entitlement and Acceptance Form

If you have any questions on how to complete the Entitlement and Acceptance Form or take up your Rights, you should contact the Share Registry on +61 8 9315 2333 at any time from 10.00am to 7.00pm pm (AEST) Monday to Friday before the Offer closes.

3 Purpose of the Offer and use of proceeds

3.1 Funds raised from the Offer

The table below sets out the proposed use of the proceeds of the Offer and is a statement of current intentions as at the date of this Offer only. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Directors reserve the right to alter the way funds are applied on this basis.

Proceeds of the Offer	**$**
Final payment of US$1,000,000 for the Namekara Vermiculite Mine	1,000,000
Carry out a drilling program at Namekara Vermiculite Mine of approximately 3,600 meters	1,500,000
Complete Namekara Vermiculite Mine optimisation project to ensure current plant production at 30,000 tonnes per annum	1,300,000
Conduct feasibility study for the Namekara Vermiculite Mine Expansion	1,500,000
Fund Namekara Vermiculite Mine Expansion long lead items	3,800,000
Expenses of the Offer. Please refer to Section 5.7 of this document for further details of the expenses of the Offer.	919,637
Working capital and administration.	1,826,876
Total	**11,846,513**

3.2 Effect of the Offer

The principal effect of the Offer will be to:

(1) increase the cash reserves by approximately $10,926,876 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and

(2) increase the number of shares on issue from 493,604,729 to approximately 787,767,566 shares following completion of the Offer.

3.3 Pro Forma Consolidated Statement of Financial Position

The unaudited Consolidated Statement of Financial Position as at 31 May 2011 and the unaudited Pro Forma Statement of Financial Position as at 31 May 2011 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all New Shares pursuant to the Offer as a result of the Offer are issued.

The unaudited Consolidated Statements of Financial Position have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Unaudited 31/5/11 AUD $	**Effect of Offer AUD $**	**Pro forma 31/5/11 AUD $**
Current Assets			
Cash	2,113,018	10,926,876	13,039,894
Receivables	394,128		394,128
Inventory	61,130		61,130
Loans – Other	160,000		160,000
	2,728,276		13,655,152
Non-Current Assets			
Fixed Assets	4,841,605		4,841,605
Investments	145,000		145,000
Exploration	1,187,999		1,187,999
	6,174,604		6,174,604
Total Assets	8,902,880		19,829,756
Current Liabilities			
Trade creditors	634,356		634,356
Accruals	2,115,834		2,115,834
Deferred revenue	36,601		36,601
Borrowings	276,288		276,288
	3,063,079		3,063,079
Non-Current Liabilities			
Deferred revenue	846,797		846,797
	846,797		846,797
Total Liabilities	3,909,876		3,909,876
Net Assets	4,993,004		15,919,880
Shareholders Equity			
Equity			
Share capital	20,182,651	10,926,876	31,109,527
Reserves	3,301,273		3,301,273
Retained earnings	(18,490,920)		(18,490,920)
Total Equity	4,993,004		15,919,880

The above pro forma unaudited Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 May 2011 and the completion of the Offer, except:

(1) completion of the Rights Issue to raise $11,846,513 (before expenses of the Offer); and

(2) expenses of the Offer of approximately $919,637 which have been offset against proceeds of the issue.

3.4 **Effect on Capital Structure after Completion of the offer**

The capital structure of the Company following completion of the Offer is summarised assuming that the Offer is fully subscribed and no Options are exercised prior to the Record Date.

(1) **Shares**

Shares	**Number**
Shares on issue at the date Offer Document	493,604,729
New Shares to be issued under the Offer	296,162,837
Total Shares on issue at completion of the Offer	789,767,566

(2) **Options**

Options	**Number**
Listed options exercisable at 10 cents on or before 31 March 2013	52,629,028
Unlisted options exercisable at 5 cents on or before 31 May 2012	12,000,000
Unlisted options exercisable at 3 cents on or before 11 November 2012	6,000,000
Unlisted options exercisable at 5 cents on or before 31 March 2014	15,000,000
Unlisted options exercisable at 8.6 cents on or before 31 March 2014	20,000,000
Unlisted options exercisable at 5 cents on or before 20 July 2015	32,315,000
Unlisted options exercisable at 7.9 cents on or before 31 March 2016	6,000,000
Unlisted options exercisable at 9.4 cents on or before 31 March 2016	2,750,000
Total options on issue at completion of the Offer	146,694,028

Notes:

1. The number of Shares issued assumes that the Offer is fully subscribed and no Options currently on issue are exercised prior to the Record Date.

4 Risk Factors

4.1 Overview

There are a number of factors, both specific to Gulf Industrials and of a general nature, which may affect the future operating and financial performance of Gulf Industrials and the outcome of an investment in Gulf Industrials. There can be no guarantees that Gulf Industrials will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

This Section describes certain, but not all, risks associated with an investment in Gulf Industrials. Prior to making an investment decision, Shareholders should carefully consider the following risk factors, as well as the other information contained in this Offer Document or of which they are otherwise aware.

4.2 Specific Risks

A number of specific risk factors that may impact the future performance of the Company are described below. Shareholders should note that this list is not exhaustive.

(1) General Operational Risks

The business of mineral exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on, amongst other things:

- the discovery and/or acquisition of economically recoverable reserves;
- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to interests;
- obtaining consents and approvals necessary for the conduct of mineral exploration, development and production; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual reserves and commodity prices affect successful project development and operations.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of minerals. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(2) Commodity Price Risk

The Company's revenue comes from sale of product, in particular vermiculite. Therefore, its earnings will be closely related to the price and arrangements it enters into for the sale of its products. Product prices fluctuate and are affected by factors including the relationship between global supply and demand for vermiculite, the cost of production and general global economic conditions. Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues. These factors may have an adverse affect on the Company's exploration, development and production activities as well as its ability to fund those activities.

(3) **Resource and Reserve Estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineral deposits or formations different from those predicted by past sampling and similar examinations, resource estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations.

(4) **Regulation in Uganda and other Overseas Jurisdictions**

Operations by the Group in Uganda and other jurisdictions in which it operates require approvals from regulatory authorities, which include renewals of existing contracts, which may not be forthcoming or which may not be able to obtain on terms acceptable to the Company. While the Company has no reason to believe that all requisite approvals will not be forthcoming and while the Group's obligations for expenditure will be predicated on any requisite approvals being obtained, it should be understood that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

(5) **Export Risk**

Uganda is a land-locked country and as such, the successful export of the Group's product is subject to the stability of and regulation in the countries neighbouring Uganda,

(6) **Ability to Exploit Successful Discoveries**

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. The infrastructure requirements around a successful discovery may also impact on the exploitation of a discovery. Further, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such work may require the Company to meet or commit to financing obligations for which it may have not planned.

(7) **Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(8) **Environmental**

The Company's activities are subject to the environmental risks inherent in the mining industry. The Company is subject to environmental laws and regulations in connection with operations it may pursue in the mining industry. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations on any area.

The Company's operational risks include environmental hazards. The occurrence of any such incident could result in substantial costs to the Company for environmental rehabilitation, damage control and losses.

(9) **Future Capital Needs and Additional Funding**

The funding of any further ongoing capital requirements beyond the requirements as set out in this Offer Document will depend upon a number of factors including the extent of the Company's ability to generate income from activities which the Company cannot forecast with any certainty.

Any additional equity financing will be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional funding as needed, it may not be able to take advantage of opportunities or develop projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

(10) **Insurance**

Insurance against all risks associated with mineral production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Although the Company believes that it will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's insurance may not cover or be adequate to cover the consequences of all events. In addition, the Company may be subject to liability for pollution or other hazards against which the Company does not insure or against which it may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the operations of the Company. There is no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers is reasonable.

4.3 General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(1) **General Economic Climate**

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, commodity prices and stock market prices. The Company's future revenues and Share price may be affected by these factors, which are beyond the Company's control.

(2) **Changes in Legislation and Government Regulation**

Government legislation in Australia, Uganda or any other relevant jurisdictions, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

(3) **Competition**

The Company competes with other companies, including major mining companies. Some of these companies have greater financial and other resources than the Company and, as a result may be in a better position to compete for future business opportunities. There is no assurance that the Company can compete effectively with these competitors.

(4) **Foreign Exchange Risk**

The Company holds interests in operations in Uganda and the costs of and any revenues from these operations will be in United States dollars. As the Company's financial reports are presented in Australian dollars, the Company will be exposed to the volatility and fluctuations of the exchange rate between the United States dollar and the Australian dollar.

Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company’s exploration, project development and production plans and activities together with the ability to fund those plans and activities.

(5) **Reliance on Key Personnel**

The Company's success depends largely on the core competencies of its Directors and management, and their familiarisation with, and ability to operate, in the mining industry and the Company's ability to find and retain key executives.

(6) **Share Market Conditions**

The market price of the Company’s Shares may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular.

4.4 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this the Offer. Therefore, the New Shares offered pursuant to the Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the New Shares.

Shareholders should consider that further investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares.

5 Additional Information

5.1 Reliance on Offer Document

This Offer Document has been prepared pursuant to Section 708AA of the Corporations Act, as modified by ASIC Class Order 08/35, for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document was lodged with the ASX on 25 July 2011.

Section 708AA of the Corporations Act requires companies to lodge a Cleansing Notice with the ASX. The Company lodged a Cleansing Notice with the ASX on 14 July 2011.

In deciding whether or not to apply for New Shares and/or Shortfall Shares under the Offer, you should rely on your own knowledge of the Company, refer to the documents lodged and the disclosures made by the Company on ASX (which are available on the ASX website at www.asx.com.au and seek advice from your financial or professional adviser.

5.2 Interests of the Directors

The interests of the Directors and their related parties in the securities of the Company at the date of this Offer Document are as follows:

Director	Ordinary Shares	Options
Sir Samuel Esson Jonah	60,000,000	19,000,000
Victor-Mark Fitzmaurice	2,133,333	8,025,000
Jonathan Gourlay Best	Nil	2,000,000
Michael David Brook	Nil	2,000,000
Christopher Robert Innis	800,000	2,000,000
Robert George Jurd	Nil	2,000,000
Wayne John Kernaghan	8,750,000	5,334,318

It is the current intention of all of the Directors to take up part or all of their Entitlement under the Entitlement Offer.

Obtaining Copies of Documents

Gulf Industrials will provide free of charge to any Shareholder who asks before the Offer closes, a copy of:

- the annual financial report of Gulf Industrials for the year ended 30 June 2010 being the most recently lodged annual financial report of Gulf Industrials before the date of this Offer Document; and
- any continuous disclosure notices given by Gulf Industrials to ASX after the lodgement of the annual financial report of Gulf Industrials for the year ended 30 June 2010 with ASIC and before lodgement of a copy of this Offer Document with the ASX.

These documents are also available on www.asx.com.au and the Company's website at www.gulfindustrials.com.au.

5.3 CHESS

The New Shares will participate from the date of commencement of quotation in the Clearing House Electronic Subregister System (**CHESS**), operated by ASX Settlement Pty Ltd. They may be held in uncertificated form (i.e. no share certificate will be issued) on the CHESS subregister under sponsorship of a broker or on the issuer-sponsored subregister. New Shares subscribed for under the Offer must be allotted to the registered holder in accordance with the applicable Entitlement and Acceptance Form.

If you wish to hold your Shares on the CHESS subregister under sponsorship of a broker, you should provide your HIN (Holder Identification Number) in the space provided in the Entitlement and Acceptance Form accompanying this Offer Document. If you do not provide an HIN, your Shares will be held on the issuer-sponsored subregister.

Arrangements can be made at any subsequent time to convert your holding from the issuer-sponsored subregister to the CHESS subregister under sponsorship of a broker or vice versa by contacting Gulf Industrials or your broker.

5.4 Taxation

Shareholders should be aware that there may be taxation implications of participating in the Offer. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

5.5 Withdrawal of Offer

The Directors reserve the right to withdraw all or part of the Offer at any time prior to the issue of New Shares, in which case the Company will refund Application Monies in accordance with the Corporations Act without payment of interest.

5.6 Overseas jurisdictions

This Offer Document does not, and is not intended to, constitute an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue. By applying for New Shares, including by submitting the Entitlement and Acceptance Form or making a payment by BPAY® you represent and warrant that there has been no breach of such laws.

The distribution of this Offer Document outside of Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liabilities to such persons. Eligible Shareholders who are not resident in Australia or New Zealand are responsible for ensuring that taking up New Shares under the Offer does not breach the selling restrictions set out in this Offer Document or otherwise violate the securities laws in the relevant overseas jurisdictions.

No action has been taken to register or qualify this Offer Document, the New Shares or the Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and New Zealand.

5.7 Estimated Expenses of the Offer

The estimated expenses of the Offer (excluding GST) are as follows:

Fees/Expenses	**$**
ASX fees	19,614
Legal expenses	60,000
Lead Manager and underwriting fees and expenses	830,023
Printing and other expenses	10,000
Total	**919,637**

6 Summary of Underwriting Agreement

6.1 Summary of Underwriting Agreements

Gulf Industrials has entered into two underwriting agreements with the following parties on the following terms:

(1) Ocean Equities Limited (**Ocean**) to underwrite 30.93% of the Retail Offer ($2,350,000 representing 52,222,222 New Shares); and

(2) Veritas Securities Limited (**Veritas**) to underwrite $9,496,513 of the Offer, representing 69.07% of the Retail Offer ($5,248,513 representing 94,981,419 New Shares) and 100% of the Institutional Offer ($4,248,000 representing 106,200,000 New Shares).

(together, the **Underwriting Agreements**)

Under the Underwriting Agreements the Company has agreed to pay Ocean and Veritas each an underwriting fee (excluding GST) of 5.00% of their respective underwritten amounts and to additionally pay a management fee (excluding GST) of 1.5% of their respective underwritten amounts in the event that the Offer is successful.

The Joint Underwriters may appoint sub-underwriters to sub-underwrite their obligations under the Underwriting Agreements. The terms and conditions of the Underwriting Agreements are substantially the same.

The liability of the Joint Underwriters under their respective Underwriting Agreements is several and not joint.

6.2 Conditions of Underwriting Agreements

Amongst other matters, the obligations of the Joint Underwriters to underwrite the Offer are conditional on:

(1) **Directors certificate**: prior to lodgement of the Cleansing Notice with ASX, the Company providing to the Joint Underwriters the Certificate signed by two Directors on behalf of the Company in relation to the Cleansing Notice and the Offer;

(2) **Certificate**: the Company providing the Certificate, which is complete and accurate in all respects, to the Joint Underwriters on or before the time specified for the delivery of a shortfall notice stated in the Underwriting Agreements;

(3) **Lodgement of Cleansing Notice**: the Company lodging the Cleansing Notice with ASX in accordance with the timetable in a form approved by the Joint Underwriters;

(4) **Permission for Quotation**: ASX indicating in writing that it will grant permission for Quotation of the New Shares (subject only to customary pre-Quotation conditions) on or before 5.00pm on the Quotation Date;

(5) **Representations accurate**: the representations made by the Company in the Underwriting Agreements and the shortfall notice are accurate on and as at each of the date of the shortfall notice and the Shortfall Application Date as if made at that date in relation to the facts then subsisting, except where previously disclosed in writing to and waived in writing by the Joint Underwriters; and

(6) **No termination event**: no event or circumstance has occurred as at the Shortfall Application Date which would entitle the Joint Underwriters to terminate the Underwriting Agreements, and no such event or circumstance would result from or occur at the time of subscription of any Shares.

6.3 Termination of Underwriting Agreements

The Joint Underwriters may terminate their obligations under the Underwriting Agreements, within 10 Business Days of becoming aware of the relevant event but not later than the Shortfall Application Date, upon the happening of the following:

Matters relating to the Cleansing Notice and the Offer

(1) **Delay**: an event specified in the timetable is delayed for more than five Business Days otherwise than as the direct result of actions taken by the Joint Underwriters (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the prior consent of the Joint Underwriters);

(2) **Shortfall Notice and Certificate**: the shortfall notice or certificate is not furnished by the Company in accordance with the terms of the Underwriting Agreement (and in any event no later than 26 August 2011) or a statement in the shortfall notice or certificate is untrue or incorrect in a material respect;

(3) **Repayment**: any circumstance arises after lodgement of the cleansing notice that results in the Company either repaying the money received from Applicants or offering applicants an opportunity to withdraw their Valid Applications and be repaid their application money;

(4) **Approval of terms of issue**: the terms of issue or grant of the shares or other securities of the Company and of their issue or grant (as the case may be) in accordance with the terms of the Cleansing Notice and Offer Document are not approved by the holders of all applicable classes of Shares or other securities of the Company as required by any applicable law;

(5) **ASX approval**: unconditional approval (or conditional approval, provided the conditions would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the Offer) by ASX for quotation of the Shares comprising the Offer is refused, or is not granted on or before the Closing Date (or any later date agreed in writing by the Underwriter at its absolute discretion), or is withdrawn or qualified on or before the Shortfall Application Date;

(6) **Non-compliance**: a court or ASIC concludes that the Cleansing Notice does not, to the extent required by the Corporations Act, contain all the information required to be contained in the Cleansing Notice, or concludes that the Cleansing Notice or Offer Document otherwise fails to comply with the Corporations Act or any other applicable law;

(7) **Class Order**: ASIC or a court concludes that the Offer or the Cleansing Notice does not comply with any ASIC Class Order or modification of the Corporations Act which is applicable to the Offer or the Cleansing Notice;

(8) ***Misleading statement in Cleansing Notice or Offer Document**: a statement contained in the Cleansing Notice or Offer Document is materially misleading or deceptive, or there is a material omission from either such document;

(9) ***Misleading statements generally**: any information supplied by or on behalf of the Company to the Joint Underwriters in relation to the Group or the Offer is materially misleading or deceptive or there is a material omission from it;

(10) **Corrective action**: corrective action is in the reasonable opinion of the Joint Underwriters required to be taken under section 708AA(10) of the Corporations Act, and the Company fails to take that action to the reasonable satisfaction of the Joint Underwriters;

(11) ***Termination of Material Contract**: without the prior written consent of the Joint Underwriters, any material contract is terminated (whether by breach or otherwise), rescinded, revoked, altered or amended in a material respect or any material contract is found to be void or voidable or becomes the subject of litigation or threatened litigation;

(12) ***Breach of material contract**: any party commits a substantial breach of a material contract and that breach is not remedied to the reasonable satisfaction of the Joint Underwriters (acting reasonably);

(13) **ASIC actions**: any of the following actions is taken:

(a) **Disclosure order**: ASIC applies for an order under section 1324B of the Corporations Act and the application is not dismissed or withdrawn before the Closing Date;

(b) **Investigation**: an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or ASIC commences or directs any investigation or hearing under Part 3 Division 1 of the ASIC Act in relation to the Offer; or

(c) **Examination**: ASIC commences an examination of any person or requires any person to produce documents in connection with the Offer under sections 19 or 30, 31, 32A or 33 of the ASIC Act;

(14) ***Unauthorised statement**: the Company or an entity in the Group issues a public statement concerning the Offer, which has not been approved by the Joint Underwriters, such approval not to be unreasonably withheld;

(15) ***Misrepresentation**: a representation or warranty made or given under the Underwriting Agreements or taken to have been made or given by the Company under Underwriting Agreements proves to have been untrue or incorrect in any material respect and the matters rendering the representation or warranty untrue in that respect are not remedied to the satisfaction of the Joint Underwriters before the issue of the Certificate; or

(16) **Key Institutional Investors**: in respect of the underwriting agreement with Veritas only and in respect of the Institutional Offer only, if either or both of African Lion 3 Limited and Jonah Capital BVI Limited do not take up their full entitlements under the Institutional Offer.

Corporate Governance and Internal Regulatory Matters

(17) **Unauthorised alterations**: the Company or a Group company issues shares or reduces, buys back, consolidates or otherwise alters its share capital or its constitution in any respect without the prior written consent of the Joint Underwriters;

(18) **Breach**: the Company fails to perform or observe any of its material obligations under the Underwriting Agreements and that failure is not remedied to the satisfaction of the Joint Underwriters;

(19) **Prescribed occurrence**: an event specified in subsection 652C(1) or subsection 652C(2) of the Corporations Act occurs;

(20) **Insolvency Event**: an Insolvency Event occurs in respect of a Group company;

(21) **Change in Control**: a Change in Control occurs in respect of a Group Company;

(22) **Regulatory requirements**: a Group company contravenes its constitution, the Corporations Act or any other applicable law or regulation, or the Listing Rules or the ASX Operating Rules, and the contravention, if remediable, is not promptly and completely remedied to the reasonable satisfaction of the Joint Underwriters;

(23) ***Disqualification of officers**: a Director ceases to be a Director (other than due to his death or disablement) or is disqualified from managing a corporation, or a Director or other officer named in the Offer Document is charged with a criminal offence, or an offence which is punishable by imprisonment, in his or her capacity as an officer;

(24) ***Legal proceedings**: material legal proceedings are commenced by a person other than the Joint Underwriters against the Company or a Group company or any Director in their capacity as a director of the Company;

(25) ***Regulatory action**: any government agency commences any public action against the Company or any of its Directors or announces that it intends to take any such action;

Business Default and Adverse Change

(26) **Finance default**: an event of default or potential event of default occurs in any banking accommodation or financing facility of the Company or a Group company;

(27) **Material adverse change**: there is a material adverse change in assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), from those respectively disclosed in the Offer Document or the Cleansing Notice or to ASX, or a change in the nature of the business of the Group from that disclosed in the Offer Document or the Cleansing Notice or to ASX, including but not limited to:

(a) **Prospects**: any change in the earnings, future prospects or forecasts of the Company or an entity in the Group;

(b) **Nature of business**: any change in the nature of the business conducted by the Company or an entity in the Group;

(c) **Asset disposal**: any disposal by the Company or agreement by the Company to dispose of the whole, or a substantial part, of its business or property;

(d) **Insolvency**: the insolvency or voluntary winding up of the Company or an entity in the Group or the appointment of any receiver, receiver and manager, liquidator or other external administrator; and

(e) **Financial position**: any significant change in the assets, liabilities, financial position or performance, profits and losses of the Group from those respectively disclosed in the Offer Document or the Cleansing Notice or in the Company's most recently published financial or other information;

(28) **New circumstance**: there occurs a new circumstance in relation to the Company or any entity in the Group or that has arisen since the Cleansing Notice was lodged that would have been required to be included in the Cleansing Notice or required to have been included in a disclosure document (as defined in the Corporations Act) if it had arisen before the Cleansing Notice was lodged and is, likely to have a material adverse effect on the Company or its ability to undertake its businesses;

(29) ***Adverse publicity**: any adverse or negative publicity or findings of any kind against either the Company or any of its Directors or officers which, in the Joint Underwriters' reasonable opinion, is likely to have a material adverse effect on the Company, its reputation or its assets or liabilities, financial position or performance, profits or losses, or prospects;

(30) ***Judgment and execution**: a judgment for more than $100,000 is obtained against the Company or any Group company, or any process, such as distress, attachment or execution, for an amount over $100,000 is issued against, levied or enforced upon any assets of the Company or any Group company and is not paid, set aside or satisfied within 10 Business Days;

(31) **Suspension of trading**: trading in any Quoted securities of the Company is suspended by the ASX for more than three Trading Days, or any quoted securities of the Company cease to be so quoted;

Law and Regulation

(32) ***New law or policy**: there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a Government Agency adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Government Agency that a law or regulation will or may be introduced or policy adopted (as the case may be), which (in any such case) does or is likely to prohibit or restrict the Offer in a manner that materially reduces the level or likely level of Valid Applications;

(33) ***Change in tax law**: any of the following occurs:

(a) any actual proposed or announced amendment, modification or replacement of a Tax Act;

(b) any ruling or decision of a tribunal or court of competent jurisdiction; or

(c) any announcement by any of the Commissioners of Taxation or the Australian Taxation Office of, or any assessment or ruling from the Commissioner of Taxation disclosing, any change in the interpretation or administration of a Tax Act by the Commissioner of Taxation,

which, in any such case, materially adversely affects or would be likely materially adversely to affect the tax position of applicants for New Shares solely in their capacity as the holder of New Shares;

Economic, Political and Market Matters

(34) ***Hostilities**: the outbreak of hostilities not at present existing or a major escalation in existing hostilities (whether war has been declared or not) or the occurrence of political or civil unrest involving any of Australia, New Zealand, Republic of Uganda, Republic of Kenya, United Republic of Tanzania, Republic of Congo and Democratic Republic of Congo (formerly Zaire), Republic of Sudan, Republic of South Africa, Saudi Arabia, United Kingdom, Morocco, Canada and United States of America or an act of terrorism is perpetrated on Australia, New Zealand, United Kingdom, Canada or the United States or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;

(35) ***Trading suspension**: there is a suspension or material limitation in trading in securities on ASX for more than three days on which that exchange is open for trading;

(36) **Suspension of banking services**: a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or securities settlement or clearance services in any of those countries;

(37) **Market conditions**: any material adverse change or disruption to the existing financial markets, political or economic conditions of any of Australia, New Zealand, United Kingdom, Canada and United States of America, or to the international financial markets, or any change in national or international political, financial or economic conditions, the effect of which, in any such case, is to make it, in the reasonable opinion of the Joint Underwriters, impracticable to market the Offer or to enforce contracts to issue and allot the New Shares;

(38) **Proposed change in official interest rates**: The Reserve Bank of Australia makes any announcement proposing an imminent increase in interest rates for the issue of Australian Government or semi-government securities or the Reserve Bank of Australia increases effective interest rates available on those securities by more than 1.0% per annum above the rates being offered as at Trading Close on the last Trading Day before the date of this agreement; and

(39) **Fall in Indices**: before the Closing Date at Trading Close on any 2 consecutive Trading Days, if any of:

(a) the S&P/ASX 300 Metals & Mining Index (AS52XMM);

(b) the FTSE 100 Index (UKX); or

(c) the S&P/TSX Global Mining Index (TXGM),

(each an "Index") as quoted on Bloomberg is more than 10% below that Index as at Trading Close on the last Trading Day before the date of the Underwriting Agreement.

The occurrence of the events marked with an asterisk above will not entitle the Joint Underwriters to terminate the Underwriting Agreements unless, in the reasonable opinion of the Joint Underwriters, the event (or any or all of such events in combination):

(1) **Marketing Offer impracticable**: makes or make it impracticable to market the Offer or to enforce contracts to issue the New Shares;

(2) **Material adverse effect**: has or have, or is or are likely to have, a material adverse effect on the success of the Offer;

(3) **Contravention**: has or have given, or is or are likely to give, rise to a contravention by the Joint Underwriters of, or the Joint Underwriters being involved in, a contravention of, the Corporations Act or any other law;

(4) **Liability**: has or have given, or is or are likely to give, rise to material liability on the part of the Joint Underwriters; or

(5) **Failure in Quotation**: will result in the New Shares to be issued pursuant to the Offer not being quoted.

6.4 Indemnity

As a term of the Underwriting Agreements, Gulf Industrials has agreed to indemnify the Joint Underwriters, and each of their officers, employees, agents and advisers (**Indemnified Parties**) against all liabilities, losses, damages, costs or expenses (including legal costs on a full indemnity) directly or indirectly (but excluding indirect loss of profit or consequential loss) incurred or suffered by an Indemnified Party arising out of:

(1) **Breach**: the Company failing to perform or observe any of its obligations under the Underwriting Agreements or any other obligations binding on it;

(2) **Misrepresentation:** any representation or warranty made or given or taken (by the Underwriting Agreements) to have been made or given by the Company under such agreements proving to have been untrue or incorrect in any material respect;

(3) **Authorised publications**: any announcement, advertisement, or publicity (including any roadshow presentation or announcement) made or distributed by or on behalf of any Indemnified Party in relation to the Offer with the written approval of the Company (which must not be unreasonably withheld);

(4) **Statements made in good faith**: any statement made or issued with the written consent of the Company by an Indemnified Party to the extent the statement is made or issued in good faith and in reliance on the Cleansing Notice or Offer Document or any material or information provided by or on behalf of the Company;

(5) **Misleading statements**: any statement in the Cleansing Notice or Offer Document being misleading or deceptive or contain a material omission; or

(6) **Generally**: any Claim that an Indemnified Party has any liability under the Corporations Act or the Listing Rules or any other law (including Part 2 of the ASIC Act or any similar legislation applying in any State or Territory) in relation to the Offer.

6.5 **Costs and Expenses**

Under the Underwriting Agreements, the Company has agreed to pay up to $25,000 to Veritas Securities and $10,000 to Ocean Equities in respect of their legal costs associated with underwriting the Offer.

6.6 **General**

The Underwriting Agreements contain covenants, warranties and representations and other terms in favour of the Joint Underwriters typical for agreements of this nature.

7 Defined Terms

Acceptance Slip means the detachable Slip on the Entitlement and Acceptance form to be returned with Application Monies.

AEST means Australian Eastern Standard Time;

Announcement Date means 14 July 2011;

Applicant means an Eligible Shareholder who submits an Entitlement and Acceptance Form or where the context requires a person who applies for Shortfall Shares;

Application means an application by way of a completed Entitlement and Acceptance Form to subscribe for New Shares under this Offer Document or where the context requires an application to subscribe for Shortfall Shares;

Application Monies means the monies received from Applicants in respect to their Application;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ABN 98 008 624 691 and where the context permits, the Australian Securities Exchange operated by ASX Limited;

Board means the board of directors of Gulf Industrials;

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, and any other day that ASX declares is not a business day;

Certificate means a certificate in the agreed form provided by the directors of the Company to the Joint Underwriters;

Change in Control, in relation to a corporation, means any circumstance under, or as a result of, which:

(1) a person who does not have a Controlling Interest in the corporation will have a Controlling Interest in the corporation;

(2) a person who has a Controlling Interest in the corporation will cease to have a Controlling Interest in the corporation; or

(3) a person who has a Controlling Interest in the corporation will continue to have a Controlling Interest in that corporation but the Controlling Interest after that circumstance will differ in either or both nature and extent from the Controlling Interest before that circumstance,

and includes any agreement, arrangement or understanding which would give rise to that circumstance.

Cleansing Notice means a notice given in accordance with section 708AA(2) and section 708AA(7) of the Corporations Act;

Closing Date means the last date for accepting an offer for New Shares, being 5.00pm AEST on 9 August 2011;

Company means Gulf Industrials Limited ACN 115 027 033;

Constitution means the constitution of the Company;

Controlling Interest, in relation to a corporation, means each of:

(1) an interest in 30 per cent or more of the issued shares in the corporation;

(2) any right or interest which entitles a person to control 30 per cent or more of the voting power in the corporation; and

(3) where the corporation is a subsidiary of another corporation also means each of:

(a) an interest in 30 per cent or more of the issued shares in a holding company of that corporation; and

(b) any right or interest which entitles a person to control 30 per cent or more of the voting power in a holding company of that corporation.

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

Director means a director of Gulf Industrials;

Eligible Shareholders means a person described in Section 1.2 of this Offer Document;

Entitlement means the non-renounceable right of an Eligible Shareholder to subscribe for New Shares pursuant to this Offer Document as set out in Section 2.1;

Entitlement and Acceptance Form means the personalised form attached to or accompanying this Offer Document;

Entitlement Offer means the pro rata offer of Entitlements to New Shares pursuant to this Offer Document;

Ineligible Shareholder means a Shareholder described in Section 1.3;

Government Agency means:

(1) a government or government department or other body;

(2) a governmental, semi-governmental or judicial officer or person; or

(3) a person (whether autonomous or not) who is charged with the administration of a law;

Group means the Company and its subsidiaries;

Gulf Industrials means Gulf Industrials Limited ACN 115 027 033;

Institutional Offer means the Offer to Institutional Shareholders for approximately 106,000,000 Shares to raise approximately $$4,248,000;

Institutional Shareholder means African Lion 3 Limited, Jonah Capital BVI Limited and Contango Asset Management Limited and their respective related bodies corporate and associates (as defined in the Corporations Act);

Insolvency Event means being in liquidation or provisional liquidation or under administration, having a controller (as defined in the Corporations Act) or analogous person appointed to it or any of its property, being taken under section 459F(1) of the Corporations Act to have failed to comply with a statutory demand, being unable to pay its debts or otherwise insolvent, the taking of any step that could result in the person becoming an insolvent under administration (as defined in section 9 of the Corporations Act), entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors, or any analogous event;

Issue Price means $0.04 per New Share;

Joint Underwriters means Veritas Securities and Ocean Equities;

Listing Rules means the official listing rules of ASX;

Namekara Vermiculite Mine means the mine, mining lease and exploration licences held by the Group in Uganda;

Namekara Vermiculite Mine Expansion means the project to be carried out by the Group to increase the production of the Namekara Vermiculite Mine by a further 100,000 tonnes per annum (by the construction of two modular plants of 50,000 tonnes per annum each);

New Shares means, where the context requires, Shares to be issued pursuant to the Offer or a Shortfall Share;

Ocean Equities means Ocean Equities Ltd.;

Offer means the Entitlement Offer and the Shortfall Offer;

Offer Document means this document, including the Entitlement and Acceptance Form;

Official Quotation means official quotation by ASX in accordance with the Listing Rules;

Quotation Date means the proposed date of Quotation of New Shares as referred to in the Timetable, or such other date as agreed between the parties;

Record Date means 7.00pm AEST on 22 July 2011;

Retail Offer means the Offer to Shareholders other than the Institutional Shareholders for approximately 190,000,000 Shares to raise approximately $7,598,513;

Right means the right to subscribe for 3 New Shares for every 5 Shares held on the Record Date and 'Rights' has a corresponding meaning;

Rights Issue means the issue of New Shares upon receipt of valid acceptances under this Offer;

Share means an ordinary share in the capital of Gulf Industrials and 'Shares' has a corresponding meaning;

Shareholder means the registered holders of Shares in the Company;

Share Registry means Security Transfer Registrars Pty Ltd ABN 95 008 894 488;

Shortfall means the number of New Shares for which Applications in response to Entitlements under the Offer Document have not been received by the Closing Date;

Shortfall Application Date means the date not being less than three Business Days after receipt by the Underwriter of the shortfall notice on which the Company requires the Underwriter to lodge applications in respect of the Shortfall.

Shortfall Offer means the offer of Shortfall Shares pursuant to this Offer Document as set out in Section 1.7;

Shortfall Shares means, subject to any Shortfall, the number of Shares for which persons may apply for under the Shortfall Offer;

Soalara means the exploration leases held by the Group in Madagascar;

Tax Act means the *Income Tax Assessment Act* 1936 (C'th) or the *Income Tax Assessment Act* 1997 (C'th);

Timetable means the timetable for the Offer as set out in the Offer Document;

Trading Close has the meaning given under section 7 of the ASX Operating Rules;

Trading Day means a day which is a trading day under section 7 of the ASX Operating Rules;

Valid Application means an application by an Eligible Shareholder for New Shares that is made under and in accordance with the Offer, which is received by the Company (together with the applicable application money in cleared funds) on or before the Closing Date; and

Veritas Securities means Veritas Securities Limited.

8 Corporate Directory

DIRECTORS

Sir Samuel Esson Jonah, B.Sc. (Syd), Grad. Dip. Sci. (Geophys), MAIG, FFin, MAICD, Chairman

Victor-Mark Fitzmaurice, Pr Eng, B.Sc. (Min Eng), GDE (Min Econ), AMM (Assoc.), SAIMM (Fellow), Cert Dir (IOD),CEO and Executive Director

Jonathan Gourlay Best, ACIMA, ACIS, MBA, Non-Executive Director

Michael David Brook, BSc (Mining Geology), CEng MIMMM MAusimm, Fund manager, African Lion, Non-Executive Director

Christopher Robert Innis, B.A., LLB (Syd), Non-Executive Director

Robert George Jurd, PrEng, BSc Eng (Mining), MComm, Non-Executive Director

Wayne John Kernaghan B.Bus, ACA, FAICD, ACIS, Finance Director and Company Secretary

COMPANY SECRETARY

Wayne John Kernaghan, B.Bus, ACA, FAICD, ACIS

REGISTERED OFFICE

Gulf Industrials Limited
Level 10
Gold Fields House
1 Alfred Street
Sydney NSW 2000
Australia

BUSINESS OFFICE

Level 10
Gold Fields House
1 Alfred Street
Sydney NSW 2000
Australia
Telephone: +61 2 8247 5333
Fax: +61 2 9247 7722
Email: info@gulfindustrials.com.au

POSTAL ADDRESS

PO Box R745
Royal Exchange NSW 1225
Australia

AUDITORS

A D Danieli Audit Pty Ltd
Level 14
275 George Street
Sydney NSW 2000
Australia

SOLICITORS

Norton Rose Australia
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

WEBSITE ADDRESS

www.gulfindustrials.com.au

ENTITLEMENT AND ACCEPTANCE FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

REGISTERED OFFICE:
LEVEL 10
GOLD FIELDS HOUSE
1 ALFRED STREET
SYDNEY NSW 2000

GULF INDUSTRIALS LIMITED

ABN : 13 115 027 033

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

INFORMATION ONLY

Code:	GLF
Holder Number:	
Eligible Holding as at 7:00pm AEST on 22 July 2011:	
Entitlement to New Shares 3:5:	
Amount payable on acceptance @ $0.04 per New Share:	

NON-RENOUNCEABLE RIGHTS ISSUE CLOSING AT 5.00PM AEST ON 9 AUGUST 2011

(1) I/We the above named being registered at 7:00pm AEST on 22 July 2011 as holder(s) of Shares in the Company hereby accept as follows:

	NUMBER OF NEW SHARES ACCEPTED/APPLIED FOR	AMOUNT ENCLOSED @ $0.04 PER SHARE
Entitlement or Part Thereof	, ,	$, , .
Shortfall Shares*	, ,	$, , .
TOTAL	, ,	TOTAL $, , .

(* refer to section 2.6 of the Offer Document)

(2) I/We have enclosed/made payment for amount shown above (following the payment instructions as detailed overleaf).
(3) I/We hereby authorise you to place my/our name(s) on the register of members in respect of the number of New Shares allotted to me/us.
(4) I/We agree to be bound by the Constitution of the Company.
(5) I/We understand that if any information on this form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept this form, and how to construe, amend or complete it shall be final.
(6) I/We authorise the Company to send me/us a substituted form if this form ceases to be current.
(7) I/We declare that I/we have received a full and unaltered version of the Offer Document either in an electronic or paper format.
(8) My/Our contact details in case of enquiries are:

NAME

TELEPHONE NUMBER

( )

EMAIL ADDRESS

@

BPAY PAYMENT OR THE RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR ACCEPTANCE OF THE OFFER.

PAYMENT INFORMATION - Please also refer to payment instructions overleaf.

Biller Code: 159483

Ref:

BPAY® this payment via internet or phone banking.
Your **BPAY®** reference number is unique to this offer and is not to be used for any other offer.

CHEQUE/MONEY ORDER

All cheques (expressed in Australian currency) are to be made payable to **GULF INDUSTRIALS LIMITED** and crossed "Not Negotiable".

REGISTRY DATE STAMP

E & O.E.

6180619966

4643619968

LODGEMENT INSTRUCTIONS

PAYMENT INSTRUCTIONS

Biller Code: 159483

BPAY® this payment via internet or phone banking.
Your reference number is quoted on the front of this form.

Multiple acceptances must be paid separately.

Applicants should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the closing date of the offer. BPAY applications will only be regarded as accepted if payment is received by the registry from your financial institution on or prior to the closing date. It is the Applicant's responsibility to ensure funds are submitted correctly by the closing date and time.

You do not need to return this form if you have made payment via BPAY.

Your BPAY reference number will process your payment to your entitlement electronically and you will be deemed to have applied for such New Shares and Shortfall Shares (if applicable) for which you have paid.

CHEQUE/MONEY ORDER

All cheques should be drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid.

Do not forward cash as receipts will not be issued.

When completed, this form together with the appropriate payment should be forwarded to the share registry:

Security Transfer Registrars Pty Ltd
PO Box 535, APPLECROSS WA 6953.

Applications must be received by Security Transfer Registrars Pty Ltd no later than 5.00pm AEST on the Closing Date.

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of New Shares and the price payable on acceptance of each New Share.

2. Your Entitlement may be accepted either in full or in part. There is no minimum acceptance.

3. You may apply for New Shares in excess of your Entitlement (Shortfall Shares) as set out in Section 2.6 of the Offer Document.

INFORMATION ONLY

ENQUIRIES

All enquiries should be directed to the Company's share registry:

Security Transfer Registrars Pty Ltd

PO Box 535, Applecross WA 6953 AUSTRALIA

770 Canning Highway, Applecross WA 6153 AUSTRALIA

Telephone **+61 8 9315 2333**

Facsimile **+61 8 9315 2233**

Email **registrar@securitytransfer.com.au**