



ASX ANNOUNCEMENT

17 AUGUST 2011

## FUNDING UPDATE

### Summary of equity capital initiatives

Gulf Industrials Limited (**Gulf**) is pleased to announce the substitution of the rights issue with the following equity capital initiatives which, subject to shareholder approval, will raise a minimum of A\$10m. This change has been necessitated by the recent volatility uncertainty in global capital markets. A summary of these initiatives are as follows, with further details set out below.

- 1. Withdrawal of Rights Issue and termination of Underwriting Agreements:** Gulf announces that it has withdrawn its recent rights issue following the termination of the underwriting agreements by both Veritas Securities Limited (**Veritas**) and Ocean Equities Limited (**Ocean**) as a result of recent adverse movements in global equity markets. Application monies will be returned in full to any shareholders who have applied for shares under the rights issue.
- 2. Loans from Major Shareholders:** Gulf has received loans totalling \$A3.36m from its two largest shareholders, Jonah Capital BVI Limited (**Jonah**) and African Lion 3 Limited (**African**). The principal amounts outstanding under the loans will be repayable through the issue of a total of 134.4 million shares at 2.5 cents per share (**Placement Shares**) and attaching free one-for-one options exercisable at 2.5 cents expiring on 31 December 2012 (**Placement Options**), subject to shareholder approval.
- 3. Placement:** Gulf has received unconditional commitments from clients of Veritas (Lead Manager) and Ocean to subscribe under a proposed placement for 400 million Placement Shares and attaching free one-for-one Placement Options, subject to shareholder approval. At the completion of this placement Gulf will have a new major shareholder, Richmond Capital LLP, holding a relevant interest in approximately 18% of the issued capital of Gulf following the placement and before the proposed share purchase plan (as described in point 4 below).
- 4. Share Purchase Plan:** A share purchase plan (**SPP**) will offer eligible shareholders the opportunity to purchase up to \$15,000 worth of shares in Gulf at 2.5 cents per share to raise approximately A\$3.7m. Subject to shareholder approval, successful applicants for SPP Shares will also be entitled to receive a free attaching option with an exercise price of 2.5 cents and an expiry date of 31 December 2012 for every share that they are issued under the SPP (**SPP Option**), provided that their shareholding as at 7.00pm AEST on the Option Record Date (expected to be 6 October 2011) is not less than their shareholding as at 7.00pm AEST at the SPP Record Date (16 August 2011).

A shareholders' meeting is likely to be held in late September 2011 to seek the approval of shareholders on a number of matters, including in respect of the equity capital initiatives outlined in points 2, 3 and 4 above. Shareholders can expect to receive a notice of meeting and explanatory memorandum setting out the details of the resolutions in late August 2011.

Commenting on these developments the Chairman Sir Sam Jonah said *"Whilst, market conditions meant that we could not proceed with the rights issue as planned, I am pleased that the support of the major shareholders, the proposed placement and SPP will still enable us to meet our funding objectives, provide all shareholders the opportunity to participate in the funding, and importantly, allow us to commission the plant at a time when the market and prices for vermiculite remain strong. The placement will also strengthen our shareholder base with the addition of Richmond Capital whose confidence in our assets is welcomed. We are pleased to have them on board."*

### **Purpose of equity capital initiatives**

Funds raised from the above capital raising initiatives 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 metres;
- Complete Namekara Vermiculite Mine optimisation project to ensure sustained plant production of 30,000 tonnes per annum; Conduct feasibility study for expansion of the Namekara Vermiculite Mine;
- Fund Namekara Vermiculite Mine expansion long lead items;
- Fund the costs associated with equity capital initiatives; and
- Fund working capital and administration costs.

### **Further details of the equity capital initiatives**

#### **Termination of Rights Issue**

Gulf has received notification from Veritas and Ocean that they have terminated their underwriting agreements with Gulf dated 14 July 2011 (**Underwriting Agreements**).

Veritas and Ocean have terminated the Underwriting Agreements on the grounds that the termination events relating to the “market conditions” and “fall in indices” have arisen as a consequence of the recent adverse movements in the global equity markets (as detailed in section 6.3 of the Rights Issue Offer Document dated 25 July 2011 (**Offer Document**)).

The directors of Gulf have considered a range of options in relation to raising the capital required to pursue the objectives set out in the Offer Document and have decided to withdraw the rights issue and undertake the capital initiatives detailed in this announcement. Application monies will be returned in full to any shareholders who have subscribed for shares under the rights issue

#### **Loans from two major Shareholders**

Gulf has received loans totalling \$A3.36m from its two largest shareholders, Jonah and African (**Shareholder Loans**). The principal amounts outstanding under the Shareholder Loans will be repayable through the issue of a total of 134.4 million Placement Shares and Placement Options to Jonah and African as part of a proposed placement, subject to shareholder approval.

Under the terms of the agreements governing the Shareholder Loans, Gulf has undertaken to apply for a waiver from ASX in respect of ASX Listing Rule 10.1, and if granted, procure that a first ranking fixed and floating charge over all of the assets of the Gulf, in a form acceptable to Jonah and Gulf, is granted to and registered with ASIC to secure the amounts loaned.

#### **Placement**

Gulf has received unconditional commitments from clients of Veritas and Ocean to subscribe under the proposed placement for 400 million Placement Shares and free attaching one-for-one Placement Options, subject to shareholder approval. At the completion of this placement Gulf will have a new major shareholder, Richmond Capital LLP, which would hold a relevant interest in approximately 18% of the issued capital of Gulf following the placement and before the Share Purchase Plan.

Richmond Capital is a London based fund that focuses on resources, especially early stage exploration and development

#### **Share Purchase Plan**

The SPP will offer eligible shareholders the opportunity to purchase up to \$15,000 worth of shares in Gulf at 2.5 cents per share (**SPP Share**) to raise approximately A\$3.7m. Subject to shareholder approval, successful applicants for SPP Shares will also be entitled to receive a free attaching option with an exercise price of 2.5 cents and an expiry date of 31 December 2012 for every share that they are issued under the SPP (**SPP Option**) provided that their shareholding

as at 7.00pm AEST on the Option Record Date (expected to be 6 October 2011) is not less than their shareholding as at 7.00pm AEST at the SPP Record Date (16 August 2011).

The offer of the SPP Shares and SPP Options are made under the following separate offer documents that will be sent to shareholders on or around 21 September 2011 :

- SPP Offer Booklet;
- Prospectus for the SPP Options; and
- Combined application form for the SPP Shares and SPP Options.

The proposed timetable for the offer of SPP Shares and SPP Options under the SPP is as follows:

Record date to determine entitlements for SPP Shares	7.00pm on 16 August 2011
Announcement of SPP	17 August 2011
SPP Opens and relevant documents mailed to shareholders	21 September 2011
Extraordinary General Meeting to approve the issue of the SPP Options (and other resolutions)	26 September 2011
Offer for SPP Share and SPP Options closes	4 October 2011
SPP Option Record Date	7.00pm on 6 October 2011
Expected allotment of SPP Shares and SPP Options	11 October 2011
Commencement of trading in SPP Shares and SPP Options on ASX	14 October 2011

These dates are indicative only and are subject to change. Gulf Industrials reserves the right to amend this indicative timetable without notice.

### **Shareholders' Meeting**

A shareholders' meeting is likely to be held in late September 2011 to seek the approval of shareholders on a number of matters, including in relation to the equity capital initiatives set out above. Shareholders can expect to receive a notice of meeting and explanatory memorandum setting out the details of the resolutions in late August 2011.

### **FURTHER INFORMATION**

Vic Fitzmaurice, CEO  
Wayne Kernaghan, Company Secretary

t | +27 72 778 8889  
t | +61 2 8247 5333

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

## Appendix 3B

### NEW ISSUE ANNOUNCEMENT, APPLICATION FOR QUOTATION OF ADDITIONAL SECURITIES AND AGREEMENT

*Information or documents not available now must be given to ASX as soon as available.  
Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

GULF INDUSTRIALS LIMITED

ABN

13 115 027 033

We (the entity) give ASX the following information.

#### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |  |   |
|---|--|---|
| 1 | +Class of +securities issued or to be issued   | Options to acquire fully paid ordinary shares                       |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | Up to 148,081,418 options   |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options exercisable at 2.5 cents each and expiring 31 December 2012 |

+ See chapter 19 for defined terms.

<p>4 Do the <sup>+</sup>securities rank equally in all respects from the date of allotment with an existing <sup>+</sup>class of quoted <sup>+</sup>securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>All shares issued upon the exercise of the options will rank equally in all respects with the existing fully paid shares.</p>								
<p>5 Issue price or consideration</p>	<p>Nil</p>								
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The options are being issued to shareholders who are allotted shares under the Share Purchase Plan announced on 17 August 2011 on the condition that their shareholding as at 7.00pm AEST on the Option Record Date (expected to be 6 October 2011) is not less than their shareholding as at 7.00pm AEST on the SPP Record Date (16 August 2010).</p> <p>The funds raised from the exercise of the options will be used for mine development, exploration activities and working capital purposes.</p>								
<p>7 Dates of entering <sup>+</sup>securities into uncertificated holdings or despatch of certificates</p>	<p>Approximately 11 October 2011</p>								
<p>8 Number and <sup>+</sup>class of all <sup>+</sup>securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="716 1444 883 1478">Number</th> <th data-bbox="883 1444 1310 1478"><sup>+</sup>Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="716 1478 883 1512">493,604,729</td> <td data-bbox="883 1478 1310 1512">Ordinary Shares</td> </tr> <tr> <td data-bbox="716 1512 883 1545">52,629,028</td> <td data-bbox="883 1512 1310 1545">Options expiring 31 March 2013</td> </tr> <tr> <td data-bbox="716 1545 883 1579">148,081,418</td> <td data-bbox="883 1545 1310 1579">Options expiring 31 December 2012</td> </tr> </tbody> </table>	Number	<sup>+</sup> Class	493,604,729	Ordinary Shares	52,629,028	Options expiring 31 March 2013	148,081,418	Options expiring 31 December 2012
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148,081,418	Options expiring 31 December 2012								

+ See chapter 19 for defined terms.

	Number	+Class	
9	Number and +class of all	12,000,000	Options expiring 31 May 2012
	+securities not quoted on ASX	6,000,000	Options expiring 11 November 2012
	(including the securities in clause	32,315,000	Options expiring 20 July 2015
	2 if applicable)	6,000,000	Options expiring 10 March 2016
		2,750,000	Options expiring 10 March 2016
		15,000,000	Options expiring 31 March 2014
		20,000,000	Options expiring 31 March 2014
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

**Part 2 - Bonus issue or pro rata issue**

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the +securities will be offered	
14	+Class of +securities to which the offer relates	
15	+Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has +security holders who will not be sent new issue documents  Note: Security holders must be told how their entitlements are to be dealt with.  Cross reference: rule 7.7.	
19	Closing date for receipt of acceptances or renunciations	

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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20	Names of any underwriters	<input type="text"/>
21	Amount of any underwriting fee or commission	<input type="text"/>
22	Names of any brokers to the issue	<input type="text"/>
23	Fee or commission payable to the broker to the issue	<input type="text"/>
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of <sup>+</sup> security holders	<input type="text"/>
25	If the issue is contingent on <sup>+</sup> security holders' approval, the date of the meeting	<input type="text"/>
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	<input type="text"/>
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	<input type="text"/>
28	Date rights trading will begin (if applicable)	<input type="text"/>
29	Date rights trading will end (if applicable)	<input type="text"/>
30	How do <sup>+</sup> security holders sell their entitlements <i>in full</i> through a broker?	<input type="text"/>
31	How do <sup>+</sup> security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	<input type="text"/>

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+ See chapter 19 for defined terms.

- 32 How do <sup>+</sup>security holders dispose of their entitlements (except by sale through a broker)?
- 33 <sup>+</sup>Despatch date

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

- 34 Type of securities  
(tick one)
- (a)  Securities described in Part 1
- (b)  All other securities  
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

#### Entities that have ticked box 34(a)

#### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

- 35  If the <sup>+</sup>securities are <sup>+</sup>equity securities, the names of the 20 largest holders of the additional <sup>+</sup>securities, and the number and percentage of additional <sup>+</sup>securities held by those holders
- 36  If the <sup>+</sup>securities are <sup>+</sup>equity securities, a distribution schedule of the additional <sup>+</sup>securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over
- 37  A copy of any trust deed for the additional <sup>+</sup>securities

+ See chapter 19 for defined terms.

**Entities that have ticked box 34(b)**

38	Number of securities for which +quotation is sought	-				
39	Class of +securities for which quotation is sought	-				
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	-				
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	-				
42	Number and +class of all +securities quoted on ASX ( <i>including</i> the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 2px;">Number</th> <th style="width: 50%; padding: 2px;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 5px;">-</td> <td style="text-align: center; padding: 5px;">-</td> </tr> </tbody> </table>	Number	+Class	-	-
Number	+Class					
-	-					

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**Quotation agreement**

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
  
- 2 We warrant the following to ASX.
  - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
  - There is no reason why those +securities should not be granted +quotation.
  - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.  
  
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
  - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
  
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
  
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: ..... Date: 17 August 2011  
(Director/Company secretary)

Print name: Wayne Kernaghan

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+ See chapter 19 for defined terms.