EXTRAORDINARY GENERAL MEETING

30 July 2013 at 11am (AEST)

Dear Shareholder,

On behalf of the Board of Gulf Industrials Limited ("Gulf"), we invite you to the Extraordinary General Meeting of shareholders.

The Extraordinary General Meeting is to be held on 30 July 2013 at Norton Rose Fulbright, Level 18, Grosvenor Place, 225 George Street, Sydney at 11am.

As announced on 28 March 2013, Gulf's wholly owned subsidiary, GLF Holdings Limited ("GH") has amended the terms of 2 bridge loan facilities from entities controlled by 2 of its major shareholders, being Richmond Partners Masters Limited ("Richmond") and Jonah Capital (BVI) Limited ("Jonah") (together the "Lenders"). The amendments to the terms of the facilities:

- extended the maturity date to 30 September 2013 ("Expiry Date"); and
- provide for further advances of up to $2.135 million,

("Amended Loans").

In addition, pursuant to subscription deeds entered into between the Lenders, Gulf and GH ("Subscription Deeds"), subject to shareholder approval being obtained, the Lenders will be entitled to elect to be issued shares in Gulf at $0.002 per share as an alternative to being repaid under the terms of the Loans. Importantly, there is no obligation on the Lenders to make this election, and as such there is no guarantee that they will be issued shares pursuant to the terms of the Amended Loans.

Under the terms of the Subscription Deeds, provided that shareholder approval is obtained, at any time prior to 5 business days before the Expiry Date, either or both of the Lenders may request to be issued shares in Gulf in satisfaction of the amount advanced under the Amended Loans, the Arrangement and Commitment Fee, and any interest incurred or any part of such amounts under the terms of the Amended Loans, at $0.002 per share. If there are undrawn amounts under the Amended Loans, the Lenders may also request to be issued shares in Gulf at a price of $0.002 per share for a maximum aggregate subscription price equal to any undrawn commitment under the Amended Loans.

This meeting is being held to consider, and if thought fit approve, the issue of shares to each of Richmond and Jonah pursuant to the terms of the Subscription Deeds should they make an election to receive shares in Gulf instead of being repaid in cash under the Amended Loans. At the meeting, resolutions will also be put to consider, and if thought fit approve, the issue of shares on the conversion of the options currently held by Richmond and Jonah. The background in relation to each of the resolutions is provided in the Explanatory Memorandum and also provided is an Independent Expert's Report which relates to the issue of shares to Richmond and Jonah. **The Independent Expert has opined that the issue of the shares to Jonah and Richmond is fair and reasonable to non-associated shareholders.**

A copy of the Independent Expert's Report is included as Annexure A to this Notice of Meeting and can be found on the Company's website www.gulfindustrials.com.au or will be provided in hard copy form at no cost to shareholders if requested.

This meeting will also consider, and if thought fit approve, the issue of shares to a number of Gulf's current and former directors in lieu of payment of director's fees.

Please find enclosed the following documents in relation to the Extraordinary General Meeting:

Gulf Industrials Limited
Suite 1, level 5, 71 Macquarie Street, Sydney NSW 2000 PO Box R745 Royal Exchange NSW 1225 Australia
t +61 2 8206 1740 f +61 2 8233 6199
ACN 115 027 033
www.gulfindustrials.com.au

- Notice of Extraordinary General Meeting together with the Explanatory Memorandum and Independent Expert's Report; and
- Proxy Form for the Extraordinary General Meeting together with instructions.

If you are not able to attend the Extraordinary General Meeting in person, you are urged to complete and lodge the enclosed Appointment of Proxy. The Proxy Form must be received by the Company no later than 48 hours before the meeting.

Your Directors hope that you will be able to attend the Extraordinary General Meeting and recommend that you vote in favour of the resolutions.

Yours sincerely,

Mr Jonathan Best
Interim Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the Extraordinary General Meeting of Gulf Industrials Limited ("the Company") will be held on 30 July 2013 at Norton Rose Fulbright, Level 18, Grosvenor Place, 225 George Street, Sydney at 11am. The attached Explanatory Memorandum should be read in conjunction with the Notice of Extraordinary General Meeting.

ORDINARY BUSINESS

Resolution 1 │ Issue of shares to Jonah Capital (BVI) Limited at the election of Jonah Capital (BVI) Limited under terms of the Amended Loan and Subscription Agreement

"That, with or without amendment, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, the members approve:

(a) the issue to Jonah Capital (BVI) Limited of up to 1,039,161,297 fully paid ordinary shares in the Company, at the election of Jonah Capital (BVI) Limited, for consideration of $0.002 per share on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting; and

(b) any subsequent transfer of any equity securities in the Company held by Jonah Capital (BVI) Limited to Jonah Resource Holdings Limited".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by Jonah Capital (BVI) Limited and any associate of Jonah Capital (BVI) Limited. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 │ Issue of shares to Richmond Partners Master Limited at the election of Richmond Partners Master Limited under terms of the Amended Loan and Subscription Agreement

"That, with or without amendment, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, the members approve the issue to Richmond Partners Master Limited of up to 1,374,733,827 fully paid ordinary shares in the Company, at the election of Richmond Partners Master Limited, for consideration of $0.002 per share, and otherwise on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 2 by Richmond Partners Master Limited and any associate of Richmond Partners Master Limited. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 │ Issue of shares following exercise of options held by Jonah Capital (BVI) Limited

"That, with or without amendment, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth), and for all other purposes, the members approve:

(a) the issue to Jonah Capital (BVI) Limited of up to 172,500,000 fully paid ordinary shares in the Company, pursuant to the exercise of 172,500,000 options and for consideration of $0.002 per share and otherwise on the terms described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting; and

(b) *any subsequent transfer of any equity securities in the Company held by Jonah Capital (BVI) Limited to Jonah Resource Holdings Limited".*

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by Jonah Capital (BVI) Limited and any associate of Jonah Capital (BVI) Limited. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 │ Issue of shares following exercise of options held by Richmond Partners Master Limited

"That, with or without amendment, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth), and for all other purposes, the members approve the issue to Richmond Partners Master Limited of up to 287,500,000 fully paid ordinary shares in the Company pursuant to the exercise of 287,500,000 options and for consideration of $0.002 per share, and otherwise on the terms described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by Richmond Partners Master Limited and any associate of Richmond Partners Master Limited. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 │ Issue of shares to Sir Sam Jonah in lieu of directors' fees

"That, with or without amendment, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the members approve the issue to Sir Sam Jonah of up to 15,000,000 fully paid ordinary shares in the Company at an issue price of $0.002 per share, and otherwise on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by Sir Sam Jonah and any associate of Sir Sam Jonah. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 │ Issue of shares to Mr Robert Jurd in lieu of directors' fees

"That, with or without amendment, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the members approve the issue to Mr Robert Jurd of up to 10,500,000 fully paid ordinary shares in the Company at an issue price of $0.002 per share, and otherwise on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 6 by Mr Robert Jurd and any associate of Mr Robert Jurd. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 │ Issue of shares to Mr Christopher Innis in lieu of directors' fees

"That, with or without amendment, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the members approve the issue to Mr Christopher Innis of up to 10,958,500 fully paid ordinary shares in the Company at an issue price of $0.002 per share, and otherwise on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 7 by Mr Christopher Innis and any associate of Mr Christopher Innis. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 │ Issue of shares to Mr Jonathan Best in lieu of directors' fees

"That, with or without amendment, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the members approve the issue to Mr Jonathan Best of up to 18,000,000 fully paid ordinary shares in the Company at an issue price of $0.002 per share, and otherwise on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 8 by Mr Jonathan Best and any associate of Mr Jonathan Best. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9 │ Issue of shares to Mr Mark Arnesen in lieu of part salary

"That, with or without amendment, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the members approve the issue to Mr Mark Arnesen of up to 43,600,000 fully paid ordinary shares in the Company at an issue price of $0.002 per share, and otherwise on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 9 by Mr Mark Arnesen and any associate of Mr Mark Arnesen. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10 │ Issue of shares to Mosman Corporate Services Pty Ltd in lieu of consulting fees

"That, with or without amendment, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the members approve the issue to Mosman Corporate Services Pty Ltd of up to 10,000,000 fully paid ordinary shares in the Company at an issue price of $0.002 per share, and otherwise on the terms and conditions, and in the circumstances described in the Explanatory Memorandum which accompanies this Notice of Extraordinary General Meeting".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 10 by Mosman Corporate Services Pty Ltd and any associate of Mosman Corporate Services Pty Ltd, including Mr Wayne Kernaghan. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further Business

To transact any further business that may legally be brought forward.

An Explanatory Memorandum to shareholders follows this Notice.

By Order of the Board

Anne Adaley
Company Secretary
26 June 2013

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Gulf Industrials Limited ("Gulf" or "the Company") in connection with the business to be transacted at the Extraordinary General Meeting of shareholders of Gulf to be held on 30 July 2013 at Norton Rose Fulbright, Level 18, Grosvenor Place, 225 George Street, Sydney at 11am.

The Directors recommend shareholders read the accompanying Notice of Extraordinary General Meeting ("Notice") and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

ITEM 1 │ Resolutions 1 to 4 inclusive

Background

As announced to ASX on 15 November 2012, Gulf's wholly owned subsidiary, GLF Holdings Limited ("GH") entered into two bridge loan facilities for an aggregate of $2 million (the "Bridge Loans") from two of its major shareholders, being Richmond Partners Masters Limited ("Richmond") and Jonah Capital (BVI) Limited ("Jonah"). The Bridge Loans are secured over Gulf's Ugandan assets, including the shares in its Ugandan subsidiary, Gulf Resources Uganda Limited ("GRUL"), the mining lease and the exploration licences.

The security for these Bridge Loans is as follows:

- a first ranking charge over GRUL's Mining Lease and property comprised in ML 4651 at Namekara in Manafwa District in the Republic of Uganda;
- a first fixed charge over GRUL's exploration licences No. EL 0620,EL 066 and EL 0713 in the Manafwa District; and
- a first floating charge over all other undertaking and assets of GRUL present or future including those for the time being charged by way specific charge to secure the loan.

Following shareholder approval obtained at an extraordinary general meeting of members of Gulf on 4 January 2013, GH assigned this security, and granted a pledge over the shares that it holds in GRUL, to Richmond and Jonah. Following this approval the Bridge Loans became limited recourse.

The Bridge Loans had a maturity date of 31 January 2013. Gulf and GH sought, but were unable to secure, alternate financing arrangements on an ongoing basis on expiry of the Bridge Loans. On 25 March 2013, GH agreed to amend the terms of the Bridge Loans to extend the maturity date, for the Lenders to advance further sums totalling $2.135 million and, subject to shareholder approval being obtained, to introduce an ability for GH's repayment obligations to Jonah or Richmond to be satisfied by the issue of shares in Gulf at $0.002 per share ("Amended Loans"). The Amended Loans are now due and payable on 30 September 2013 ("Expiry Date"). If shareholder approval is obtained, at any time up to and including 5 Business Days before the Expiry Date, Richmond and/or Jonah may request to be issued shares in Gulf at $0.002 per share in satisfaction of the amount advanced, or any part of any amount advanced, under the terms of the Amended Loans, or any amounts undrawn but committed under the terms of the Amended Loans. However, there is no guarantee that Jonah or Richmond will make such an election. If shares are issued by Gulf to the Lenders, Gulf will either subscribe for additional equity in GH or GH will be deemed to have made a loan to Gulf, in each case, in an amount equal to the aggregate subscription price for the shares issued by Gulf to the Lenders. Gulf, GH and each of the Lenders have entered into separate subscription deeds giving effect to these arrangements ("Subscription Deeds").

The final day on which a request can be made by either Jonah or Richmond for shares to be issued is the date that is 5 business days before the Expiry Date. Allowing a period of 1 week to arrange for the issue of shares, the last date on which shares may be issued to either Jonah or Richmond pursuant to a request under the Subscription Deeds is on or around 14 October 2013.

Under the terms of the Amended Loans, GH must apply all amounts borrowed by it to fund its operations, the operations of Gulf or the operations of GRUL, in each case, in the ordinary course of the relevant company's business consistent with an agreed budget, including:

- making payments to creditors of Gulf, Industrial Minerals International Corporation, a wholly owned subsidiary of Gulf, GH or any of GH's subsidiaries, including but not limited to landlords, advisors and independent experts;
- paying employee wages;
- working capital expenditure;
- payment of the amount payable by Gulf and GRUL to Dupré Minerals Limited ("Dupré") under a termination deed between Dupré, Gulf and GRUL;
- exploration and capital expenditure; and
- expenditure required in connection with the Amended Loans and EGM.

The key terms of the Jonah Amended Loan are as follows:

Total Commitment	$1,801,000.
Arrangement and Commitment Fee	$73,570
Interest rate	15% per annum.
Maturity date	30 September 2013 or such other date as agreed between the parties.
Use of funds	To fund the operations of Gulf including GRUL including: • payments to creditors of any member of the Gulf Group, including but not limited to landlords, advisors and an independent expert; • payments required under the Dupre Termination Deed; • payment of salaries of its employees; • working capital expenditure; • exploration and capital expenditures; and • expenditures required in connection with the Amended Loans.
Security	The existing fixed and floating charge which Richmond as trustee for Richmond and Jonah holds over the assets of GRUL and the existing pledge over the shares that GH holds in GRUL will continue. No additional security has been granted.
Default	The events of default include: • Failure to pay Jonah in accordance with GH's obligations under the transaction documents; • Failure to perform any of GH's material obligations under the transaction documents; • Material misrepresentation of any representation or warranty under the transaction documents; • Insolvency event; and • Cross default under GH's loan agreement with GRUL as described above.
Warranties	Warranties given include: • Corporations registered; • Power to enter into and perform its obligations under the transaction documents; • The transaction documents are valid and binding subject to any stamping and registration; • All information provided by GH was true and accurate in all material respects; • There has been no material adverse change in the business or financial condition of GH since the most recent financial information provided to Jonah; • It has no material assets other than shares in GRUL and its rights under the transaction documents; and • Other than disclosed to Jonah, GH has not incurred any financial indebtedness.
Default Fee	If an event of default occurs then a fee equal to 30% of the total commitment under the Jonah Amended Loan (including accrued interest and outstanding fees) is payable.
Change of Control Fee	If there is a Change of Control Event in Gulf then a fee equal to 30% of the total commitment under the Jonah Amended Loan (including accrued interest and outstanding fees) is payable. Change of Control Event means an event the occurrence of which has the effect that any person (other than Richmond or Jonah or their associates, affiliates or related entities) acquires a relevant interest in 30% or more of Gulf's issued share capital, other than as the result of a rights issue.
Early Repayment Fee	30% of the Total Commitment.
No Approval Fee	30% of the Total Commitment if shareholder approval not received for the issue of shares pursuant to the terms of the Subscription Deeds.

Mandatory Prepayment	The net proceeds from any equity financing is to be used to pay down the Amended Loan and associated costs.
Capitalisation	Jonah can elect to capitalise the Arrangement and Commitment Fee and all interest payable under the Amended Loan so that they become part of the Principal Outstanding.
Subscription for shares	At any time up to and including the Expiry Date, Jonah may request that all or part of the Principal Outstanding (including any accrued (but unpaid) interest or capitalised fees) under the Amended Loan be satisfied by the issue of shares in Gulf. The number of shares to be issued will be calculated on a price of $0.002 per share for the amount in respect of which Jonah makes a request. The amount payable under the Loan will be applied against the subscription price for the shares issued to Jonah. Jonah may at any time also elect to subscribe for shares in Gulf directly. Jonah may subscribe for an amount of shares equal to the value of any amount of the undrawn Total Commitment.
Maximum number of shares to be issued	If Jonah elects to capitalise all interest and the Arrangement and Commitment Fee under the terms of the Amended Loan, then the maximum number of shares that will be issued to Jonah is 1,039,161,297.

The key terms of the Richmond Amended Loan are as follows:

Total Commitment	$2,334,000.
Arrangement and Commitment Fee	$75,880
Interest rate	15% per annum.
Maturity date	30 September 2013 or such other date as agreed between the parties.
Use of funds	To fund the operations of Gulf including GRUL including: • payments to creditors of any member of the Gulf Group, including but not limited to landlords, advisors and an independent expert; • payments required under the Dupre Termination Deed; • payment of salaries of its employees; • working capital expenditure; • exploration and capital expenditures; and • expenditures required in connection with the Amended Loans.
Security	The existing fixed and floating charge Richmond as trustee for Richmond and Jonah holds over the assets of GRUL and the existing pledge over the shares that GH holds in GRUL will continue. No additional security has been granted.
Default	The events of default include: • Failure to pay Richmond in accordance with GH's obligations under the transaction documents; • Failure to perform any of GH's material obligations under the transaction documents; • Material misrepresentation of any representation or warranty under the transaction documents; • Insolvency event; and • Cross default under GH's loan agreement with GRUL as described above.

Warranties	Warranties given include: • Corporations registered; • Power to enter into and perform its obligations under the transaction documents; • The transaction documents are valid and binding subject to any stamping and registration; • All information provided by GLF Holdings was true and accurate in all material respects; • There has been no material adverse change in the business or financial condition of GH since the most recent financial information provided to Richmond; • It has no material assets other than shares in GRUL and its rights under the transaction documents; and • Other than disclosed to Richmond, GH has not incurred any financial indebtedness.
Default Fee	If a default occurs then a fee equal to 30% of the total commitment under the Richmond Bridge Loan (including accrued interest and outstanding fees) is payable.
Change of Control Fee	If there be a Change of Control Event in Gulf then a fee equal to 30% of the total commitment under the Richmond Bridge Loan (including accrued interest and outstanding fees) is payable. Change of Control Event means an event the occurrence of which has the effect that any person (other than Richmond or Jonah or their associates, affiliates or related entities) acquires a relevant interest in 30% or more of Gulf's issued share capital, other than as the result of a rights issue.
Early Repayment Fee	30% of the Total Commitment.
No Approval Fee	30% of the Total Commitment if shareholder approval not received for the issue of shares pursuant to the terms of the Subscription Deeds.
Mandatory Prepayment	The net proceeds from any equity financing must be used to pay down the Amended Loan and associated costs.
Subscription for Shares	At any time up to and including the Expiry Date, Richmond may request that all or part of the Principal Outstanding (including any accrued (but unpaid) interest or capitalised fees) under the Amended Loan be satisfied by the issue of shares in Gulf. The number of shares to be issued will be calculated on a price of $0.002 per share for the amount in respect of which Richmond makes a request. The amount payable under the Loan will be applied against the subscription price for the shares issued to Richmond. Richmond may at any time also elect to subscribe for shares in Gulf directly. Richmond may subscribe for an amount of shares equal to the value of any amount of the undrawn Total Commitment.
Maximum number of shares to be issued	If Richmond elects to capitalise all interest and the Arrangement and Commitment Fee under the terms of the Amended Loan, then the maximum number of shares that will be issued to Richmond is 1,374,733,827.

Exercise of Options

At the Extraordinary General Meeting held on 4 January 2013, Gulf also obtained shareholder approval to issue a total of 460,000,000 unlisted options to Richmond and Jonah. Due to Richmond and Jonah's current shareholding in Gulf, and the fact that should shareholder approval be granted under Resolutions 1 and 2 and they exercise their rights to be issued shares instead of being repaid in cash under the terms of the Amended Loans, their respective holdings in Gulf are likely to exceed 20% of the issued voting shares of Gulf (which cannot occur without shareholder approval). Therefore, at this shareholders' meeting Gulf is also seeking shareholder approval to permit the issue of shares to Jonah and Richmond upon exercise of those options. This notice of meeting contains an Independent Expert's Report which also provides an opinion in respect of the issue of shares to each of Richmond and Jonah upon exercise of the options.

Richmond's Intentions

If resolutions 2 and 4 are passed, Richmond intends to nominate a director to the Board of Gulf. Richmond has no intention to change the business of Gulf. Richmond will possibly consider injecting further capital into Gulf, depending on market and business conditions as well as company cash requirements. However there is no firm commitment at the moment for any future capital injection. Richmond currently does not foresee any material change in the current number of employees. Richmond does not have any intention to transfer assets between Gulf and Richmond or any intention to otherwise redeploy the fixed assets of Gulf. Richmond has no short term intention to change the financial or dividend distribution policies of Gulf, which so far has been that no dividends are paid. However, any potential changes to this policy will depend on future cash flow generation.

All information provided by Richmond is correct at the date of this Notice of Meeting and is reliant upon this accuracy of available public information, as well as certain future expected operational developments of Gulf and its subsidiaries.

Richmond retains the right to review its position depending on the evolution of the market and of Gulf's operations and of its results.

Jonah's Intentions

Jonah's intention is for the Gulf Group to operate sustainably whilst continuing to comply with relevant regulatory requirements wherever it operates.

If resolutions 1 and 3 are passed, Jonah intends to appoint a director to the Board of Gulf, but Jonah has no intention to change the business of Gulf. It is not envisaged that there will be any significant changes in the existing staffing numbers. Jonah does not have any intention to transfer assets between Gulf and Jonah or any intention to otherwise redeploy the fixed assets of Gulf. Jonah has no intention to significantly change the financial or dividend distribution policies of Gulf, noting that to the best of Jonah's knowledge and belief, Gulf has never paid a dividend.

Jonah has no intention to inject further capital into Gulf at present. Jonah has however not dismissed a further capital injection, subject to regulatory and governance approvals and the Gulf Group's operational performance and prospects.

In the future Jonah has informed Gulf that it intends to transfer some or all of its holding in Gulf to Jonah Resource Holdings Limited (**JRH**) as part of a proposed internal restructure. Jonah and JRH are effectively owned by the same parent entities, and Jonah and JRH are associates in relation to Gulf. Any transfer of the shares held by Jonah to JRH will not result in JRH obtaining more voting power than Jonah may obtain under the transactions proposed by resolutions 1 and 3.

Advantages and disadvantages of the transactions

Although there is no guarantee that Jonah or Richmond will elect to be issued shares pursuant to the terms of the Amended Loans, if the transactions are completed and they do make such an election for the full amount, the advantages and disadvantages to the Company are likely to be as follows.

1 – Advantages

Secures finance for continued operation of Gulf and GH

The Amended Loans provide essential finance for the continued operation of both Gulf and GH. Under the terms of the Amended Loans, a further advance of up to $2.135 million will be provided to GH and part of this advance has already been received by GH. If the Options are exercised, the payment of the exercise price of $0.002 per share will contribute up to $920,000 into the capital of Gulf which will be used to repay part of the Amended Loans. These sums are significant and their receipt is essential for both Gulf and GH to continue as going concerns.

Allows termination of the Dupre Distribution Agreement

Gulf and GRUL were parties to an agreement with Dupre to sell vermiculite to Dupre. Under the terms of the Dupre Distribution Agreement Gulf was not able to sell to third parties despite the fact that Dupre had dramatically reduced the amount of vermiculite it purchased from Gulf. Termination of the Dupre Distribution Agreement will allow Gulf to sell its product to third parties other than Dupre, and if sufficient demand can be found, will enable Gulf to restart its plant.

No decrease in price of securities

Shares in Gulf were trading at $0.001 on the date before the date of this Notice. This is the lowest that they can trade on ASX. Despite the dilution which will affect each shareholder's voting rights, there can be no decrease in the trading price of any shares held by shareholders as a result of any or all of the resolutions being approved.

50% premium to current trading price

The subscription price for the shares to be issued to Richmond and Jonah under the terms of the Subscription Deeds is a 50% premium to the current trading price of Gulf shares.

2 – Disadvantages

Terms of the Amended Loans are onerous

Fees of 30% of the total commitment under the relevant Amended Loan, plus fees and interest may be incurred in the event of approval not being obtained from Shareholders for the issue of shares pursuant to the terms of the Amended Loans, or for early repayment, a Change of Control in Gulf, or on default under the terms of the Amended Loans.

Potential for either lender to obtain a significant shareholding in Gulf

If the Resolutions are approved and an issue of shares pursuant to the terms of the Amended Loans or on exercise of the Options occurs, either or both of Jonah and Richmond will increase their shareholdings in Gulf. A table setting out the maximum voting power that may be obtained by either Jonah or Richmond in various approval circumstances in set out in table 1 below. There is a possibility that depending which Resolutions are passed, and the elections made by each of the Lenders, either Jonah or Richmond may accrue a relevant interest in over 50% of the shares on issue, which would give it the ability to block or pass ordinary resolutions of shareholders.

Risks if shareholder approval not obtained

No approval fee

Under the terms of the Amended Loans, if either or both of Resolutions 1 or 2 are not approved, GH will be required to pay Jonah or Richmond (or both, in the case of both Resolutions not being approved) an amount equal to 30% of the total commitment under the relevant Amended Loan, plus fees and interest. If both Resolutions 1 and 2 are not approved, this figure could be as high as $1,398,469.80.

Likelihood of securing alternate financing arrangements

If the Resolutions are not passed, there is no certainty that Gulf will be able to secure alternate financing arrangements to repay the loan, the no approval fee and to fund its ongoing operations. Even if the resolutions are passed, there is no certainty that Gulf will be able to secure financing arrangements to repay the Amended Loans if Jonah and Richmond do not elect to be issued shares in Gulf. As noted above, the ability of Gulf and GH to continue operating as going concerns is largely dependent on their ability to raise funds.

Reasons for seeking approval

1 – Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of that transaction, that person's or someone else's voting power increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act.

The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person has a relevant interest in securities of a company if they individually, or jointly:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in excess of 20% of the voting shares in a company if shareholders of the company approve the acquisition.

The issue of shares to either Jonah or Richmond pursuant to the terms of the Amended Loan or the exercise of the Options is likely to increase the voting power of both Jonah and Richmond each from below 20% to above 20%. Under the terms of the Options and the Amended Loans, issues of shares to Jonah or Richmond may occur in several tranches over time. If the issues of shares pursuant to the terms of the Amended Loan and on exercise of the Options do not occur at the same time, any subsequent issues may take the voting power of Jonah or Richmond from a starting point above 20% to below 90%,which would again breach section 606.

For the exception in item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the company, that is material to the decision of how to vote on the resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to shareholders in these circumstances.

The Company has engaged BDO Corporate Finance to prepare an Independent Expert's Report in relation to the proposed transactions. The Independent Expert's Report is attached to this Notice of Extraordinary General Meeting and Explanatory Memorandum as Appendix A and has concluded it is **fair and reasonable to the non associated shareholders.**

2 – ASX Listing Rules

As shareholder approval under s 611 item 7 is being sought, ASX Listing Rule 7.1 approval is not required for the issue of shares to Jonah and Richmond, based on exception 16 to Listing Rule 7.1 in Listing Rule 7.2.

Gulf previously informed shareholders that Sir Sam Jonah was an associate of Jonah in relation to the company, making Jonah a related party of Gulf under section 228 of the Corporations Act. This was an error and for clarification, Sir Sam Jonah, while a beneficiary of a discretionary trust which controls Jonah, is not considered by Jonah to be an associate of Jonah.

Table 1 - Effect of the Resolutions on voting power of Jonah and Richmond if Resolutions 5-10 are passed

The table below outlines the effect that the passing of each of Resolutions 1-4 will have on the voting power of Jonah and Richmond, assuming that all shares permitted to be issued by Resolutions 1-4 are issued. If there is a tick in a column, this indicates that the relevant resolution is passed and the shares are issued, and if there is a cross this indicates that the relevant resolution is not passed. For the purposes of the table below, it is assumed that Resolutions 5-10 are passed and the shares as contemplated by Resolutions 5-10 are issued.

Resolution 1	Resolution 2	Resolution 3	Resolution 4	Voting Power Jonah	Voting Power Richmond
✓	✓	✓	✓	33.98%	46.61%
×	✓	✓	✓	10.10%	63.47%
✓	×	✓	✓	52.38%	17.69%
✓	✓	×	✓	30.93%	48.76%
✓	✓	✓	×	36.67%	42.38%
×	×	✓	✓	19.36%	29.96%
×	✓	×	✓	4.35%	67.53%
×	✓	✓	×	11.22%	59.41%
✓	×	×	✓	48.91%	18.98%
✓	×	✓	×	59.08%	7.17%
✓	✓	×	×	33.51%	44.50%
×	×	×	✓	8.87%	33.86%
×	×	✓	×	23.96%	13.33%
×	✓	×	×	4.87%	63.66%
✓	×	×	×	55.68%	7.77%
×	×	×	×	11.33%	15.54%

Table 2 - Effect of the Resolutions on voting power of Jonah and Richmond if Resolutions 5-10 are not passed

The table below outlines the effect that the passing of each of Resolutions 1-4 will have on the voting power of Jonah and Richmond, assuming that all shares permitted to be issued by Resolutions 1-4 are issued. If there is a tick in a column, this indicates that the relevant resolution is passed and the shares are issued, and if there is a cross this indicates that the relevant resolution is not passed. For the purposes of the table below, it is assumed that no shares are issued to directors as contemplated by Resolutions 5-10.

Resolution 1	Resolution 2	Resolution 3	Resolution 4	Voting Power Jonah	Voting Power Richmond
✓	✓	✓	✓	34.94%	47.94%
×	✓	✓	✓	10.49%	65.95%
✓	×	✓	✓	54.71%	18.48%
✓	✓	×	✓	31.85%	50.21%
✓	✓	✓	×	37.80%	43.68%
×	×	✓	✓	20.87%	32.29%
×	✓	×	✓	4.54%	70.34%
×	✓	✓	×	11.71%	62.00%
✓	×	×	✓	51.25%	19.89%
✓	×	✓	×	62.06%	7.53%
✓	✓	×	×	34.59%	45.93%
×	×	×	✓	9.66%	36.86%
×	×	✓	×	26.30%	14.63%
×	✓	×	×	5.10%	66.64%
✓	×	×	×	58.73%	8.19%
×	×	×	×	12.64%	17.35%

Maximum Voting Power

The maximum voting power that may be obtained by Jonah is 62.06% in circumstances where Resolutions 1 and 3 are passed, and Resolutions 2, 4, 5, 6, 7, 8, 9 and 10 are not passed.

The maximum voting power that may be obtained by Richmond is 70.34% in circumstances where Resolutions 2 and 4 are passed, and Resolutions 1, 3, 5, 6, 7, 8, 9 and 10 are not passed.

Recommendations by Directors

Having considered the advantages and disadvantages of the issue of shares to Richmond and Jonah, and the Independent Expert's Report, each of the Directors recommend that you vote in favour of each of the Resolutions.

Resolution 1 – Issue of shares to Jonah Capital (BVI) Limited on election by Jonah Capital (BVI) Limited under terms of the Amended Loan and Subscription Agreement

In respect of the shares to be issued to Jonah at its election under the terms of the Amended Loan and Subscription Agreement, Gulf is seeking shareholder approval under section 611, item 7 of the Corporations Act.

Gulf is not seeking approval under Listing Rule 7.1 for issue to Jonah because of exception 16 to Listing Rule 7.1 in Listing Rule 7.2.

Table 3: Details of the shares to be issued to Jonah

Name of the allottee	Jonah Capital (BVI) Limited
The maximum number of shares to be issued	1,039,161,297 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued on receipt of notice in writing from Jonah, and in any event no later than six months after the date of the Extraordinary General Meeting. Notice may be given in respect of any or all of the principal outstanding under the Amended Loan, and multiple notices may be given at different times. The shares will be issued no later than 14 October 2013
The price at which the shares will be issued	$0.002 per share. Any amount payable by GH under the Amended Loan at the time a request for conversion is made by Jonah will be applied against the subscription price for the shares issued in accordance with the Subscription Deeds and not paid to Gulf. Jonah may also request to be issued with shares directly in an amount equal to any amount undrawn under the Amended Loan, for these shares the subscription price will be paid directly to Gulf.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	The funds advanced under the terms of the Amended Loan or received directly for the issue of shares will be used to fund the operations of Gulf including GRUL including: • payments to creditors of any member of the Gulf Group, including but not limited to landlords, advisors and an

	independent expert; • payments required under the Dupre Termination Deed; • payment of salaries of its employees; • working capital expenditure; • exploration and capital expenditures; and • expenditures required in connection with the Exchangeable Loans. It is likely that no funds will be received on issue of shares following an election by Jonah to be issued shares in satisfaction of the amounts outstanding under the Amended Loan.

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

A – The Identity of the person proposing to make the acquisition and their associates

The Company will issue the shares to Jonah Capital (BVI) Limited. Jonah has indicated to Gulf that it intends to undertake an internal restructure under which Jonah intends to transfer its equity securities in Gulf to Jonah Resource Holdings Limited (JRH), which is effectively owned by the same parent entities as Jonah. As a result of the proposed restructure, JRH will become an associate of Jonah in relation to the Company and will have a relevant interest in any shares acquired by Jonah. Details of JRH are:

Name	Address
Jonah Resource Holdings Limited	C/o NinetyEast Corporate (Mauritius) Ltd, Ebène House 3rd Floor 33 Cybercity, Ebène, Mauritius

B – Voting Power

Section 610 of the Corporations Act sets out the following formula for calculation of a person's voting power in a company:

$$\frac{\textbf{Person's and associate's votes}}{\textbf{Total votes in company}} \times 100$$

The following table sets out the effect that exchange of the maximum amount would have on the voting power of Jonah and its associates.

Table 4: Effect of issue of shares on voting power of Jonah if only Resolution 1 is passed

Shares held by Jonah at the date of this Notice	117,600,000
Total shares held by Jonah's Associates at the date of this Notice	Nil
Voting power of Jonah and its Associates at the date of this Notice	12.64%
Maximum number of shares to be issued to Jonah on request made pursuant to the terms of the Jonah Amended Loan	1,039,161,297
Total voting power of Jonah after issue of maximum number of shares pursuant to the terms of the Jonah Amended Loan	58.73%
Increase in voting power of Jonah after issue of maximum number of shares pursuant to the terms of the Jonah Amended Loan	46.09%

These figures only represent the effect that the approval of Resolution 1 will have on the shareholding in Gulf. See Table 1 above for details of the effect that various Resolutions will have on the shareholding in Gulf.

The Directors recommend Shareholders vote in favour of Resolutions 1 and 3 in respect of the issue of these shares.

Resolution 2 – Issue of shares to Richmond Partners Master Limited on election by Richmond Partners Master Limited under terms of the Amended Loan and Subscription Agreement

In respect of the shares to be issued to Richmond at its election under the terms under the terms of the Amended Loan and Subscription Agreement, Gulf is seeking shareholder approval under section 611, item 7 of the Corporations Act.

Gulf is not seeking approval under Listing Rule 7.1 for issue to Richmond because of exception 16 to Listing Rule 7.1 in Listing Rule 7.3.

Table 5: Details of the shares to be issued to Richmond

Name of the allottee	Richmond Partners Master Limited
The maximum number of shares to be issued	1,374,733,827 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued on receipt of notice in writing from Richmond, and in any event no later than six months after the date of the Extraordinary General Meeting. Notice may be given in respect of any or all of the principal outstanding under the Amended Loan, and multiple notices may be given at different times. The shares will be issued no later than 14 October 2013
The price at which the shares will be issued	$0.002 per share. Any amount payable by GH under the Amended Loan at the time a request for conversion is made by Richmond will be applied against the subscription price for the shares issued in accordance with the Subscription Deeds and not paid to Gulf. Jonah may also request to be issued with shares directly in an amount equal to any amount undrawn under the Amended Loan, for these shares the subscription price will be paid directly to Gulf.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	The funds advanced under the terms of the Amended Loan or received directly for the issue of shares will be used to fund the operations of Gulf including GRUL including: • payments to creditors of any member of the Gulf Group, including but not limited to landlords, advisors and an independent expert; • payments required under the Dupre Termination Deed; • payment of salaries of its employees; • working capital expenditure; • exploration and capital expenditures; and • expenditures required in connection with the Exchangeable Loans. It is likely that no funds will be received on issue of shares following an election by Jonah to be issued shares in satisfaction of the amounts outstanding under the Amended Loan.

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

A – The Identity of the person proposing to make the acquisition and their associates

The Company will issue the shares to Richmond Partners Master Limited. Richmond has no associates in relation to the Company and no other entity will have a relevant interest in any shares acquired by Richmond.

B – Voting Power

Section 610 of the Corporations Act sets out the following formula for calculation of a person's voting power in a company:

$$\frac{\textbf{Person's and associate's votes}}{\textbf{Total votes in company}} \times 100$$

The following table sets out the effect that the maximum conversion would have on the Voting Power of Richmond and its associates.

Table 6: Effect of issue of shares on voting power of Richmond if only Resolution 2 is passed

Shares held by Richmond at the date of this Notice	161,400,000
Total shares held by Richmond's Associates at the date of this Notice	0
Percentage voting power of Richmond at the date of this Notice	17.35%
Maximum number of shares to be issued to Richmond on request made pursuant to the terms of the Richmond Amended Loan	1,374,733,827
Total voting power of Richmond after issue of maximum number of shares pursuant to the terms of the Richmond Amended Loan	66.64%
Increase in voting power of Richmond after issue of maximum number of shares pursuant to the terms of the Richmond Amended Loan	49.29%

These figures only represent the effect that the approval of Resolution 2 will have on the shareholding in Gulf. See Table 1 above for details of the effect that various Resolutions will have on the shareholding in Gulf.

The Directors recommend Shareholders vote in favour of the issue of these shares.

Resolution 3 - Approval of issue of shares following exercise of options held by Jonah Capital (BVI) Limited

At the Extraordinary General Meeting held on 4 January 2013, the Company received shareholder approval under Listing Rule 10.11 to issue up to 172,500,000 Options to Jonah in consideration for the provision of the Jonah Bridge Loan to the Company. Jonah now wishes to have the ability to exercise these Options and be issued with shares in the Company. This issue may result in Jonah acquiring a relevant interest in voting shares of the Company, and therefore Jonah's voting power would likely increase from below 20% to above 20% if resolution 1 is passed and Jonah elects to be issued Shares.

In order for Jonah to exercise all of its options, shareholder approval under item 7 of section 611 of the Corporations Act must be obtained to allow Jonah's voting power to move from below 20% to above 20%.

Relevant Information

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

A – The Identity of the person proposing to make the acquisition and their associates

If the Options are exercised, the Company will issue the shares to Jonah Capital (BVI) Limited. As at the date of this Notice, Jonah has no associates in relation to the Company and no other entity will have a relevant interest in any shares acquired by Jonah. Jonah has, however, notified the Gulf of its intention to undertake an internal restructure under which it intends to transfer some or all of the equity securities that it holds to a sister entity, Jonah Resource Holding Limited ("JRH"), which is effectively owned by the same parent entities as Jonah. As a result of the proposed restructure, JRH will become an associate of Jonah in relation to the Company and will have a relevant interest in any shares acquired by Jonah.JRH's details are set out below:

Name	Address
Jonah Resource Holdings Limited	C/o NinetyEast Corporate (Mauritius) Ltd, Ebène House 3rd Floor 33 Cybercity, Ebène, Mauritius

B – Voting Power

Section 610 of the Corporations Act sets out the following formula for calculation of a person's voting power in a company:

$$\frac{\textbf{Person's and associate's votes}}{\textbf{Total votes in company}} \times 100$$

The following table sets out the effect that the issue of shares following exercise of the Options would have on the voting power of Jonah and its associates.

Table 7: Effect of exercise of Options on voting power of Jonah if only Resolution 3 is passed

Shares held by Jonah at the date of this Notice	117,600,000
Percentage voting power of Jonah at the date of this Notice	12.64%
Voting power of Jonah's Associates at the date of this Notice	Nil
Shares to be issued to Jonah if all Jonah Options are exercised	172,500,000
Total shares held by Jonah if all Jonah Options are exercised	290,100,000
Voting power of Jonah following exercise of Jonah Options	26.30%
Increase in voting power of Jonah following exercise of Jonah Options	13.66%

These figures only represent the effect that the approval of Resolution 3 will have on the shareholding in Gulf. See Table 1 above for details of the effect that various Resolutions will have on the shareholding in Gulf.

The Directors recommend Shareholders vote in favour of the resolution to approve the issue of these shares on the exercise of the options.

Resolution 4 - Approval of issue of shares following exercise of options held by Richmond Partners Master Limited

At the Extraordinary General Meeting held on 4 January 2013, the Company received shareholder approval under Listing Rule 7.1 to issue up to 287,500,000 Options to Richmond in consideration for the provision of the Richmond Bridge Loan to the Company. Richmond now wishes to have the ability to exercise these Options and be issued with shares in the Company. This issue may result in Richmond acquiring a relevant interest in voting shares of the Company, and therefore Richmond's voting power would likely increase from below 20% to above 20% if resolution 4 is passed and Richmond elects to be issued shares.

In order for Richmond to exercise all of its Options, shareholder approval under item 7 of section 611 of the Corporations Act must be obtained to allow Richmond's voting power to move from below 20% to above 20%.

Relevant Information

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

A – The Identity of the person proposing to make the acquisition and their associates

The Company will issue the shares to Richmond Partners Master Limited. Richmond has no associates in relation to the Company and no other entity will have a relevant interest in any shares acquired by Richmond.

B – Voting Power

Section 610 of the Corporations Act sets out the following formula for calculation of a person's voting power in a company:

$$\frac{\textbf{Person's and associate's votes}}{\textbf{Total votes in company}} \times 100$$

The following table sets out the effect that the issue of shares following exercise of the Options would have on the voting power of Richmond and its associates.

Table 8: Effect of exercise of Options on voting power of Richmond if only Resolution 4 is passed

Shares held by Richmond at the date of this Notice	161,400,000
Total shares held by Richmond's Associates at the date of this Notice	Nil
Percentage voting power of Richmond at the date of this Notice	17.35%
Shares to be issued to Richmond if all Richmond Options are exercised	287,500,000
Total shares held by Richmond if all Richmond Options are exercised	448,900,000
Voting power of Richmond following exercise of Richmond Options	36.86%
Increase in voting power of Richmond following exercise of Richmond Options	19.51%

These figures only represent the effect that the approval of Resolution 4 will have on the shareholding in Gulf. See Table 1 above for details of the effect that various Resolutions will have on the shareholding in Gulf.

The Directors recommend Shareholders vote in favour of the resolution to approve the issue of these shares on the exercise of the options.

ITEM 2 | Resolutions 5 to 10 inclusive

Background

A number of current and former directors of Gulf have not been paid director's fees, salary and consulting fees due to Gulf's recent financial difficulties. The directors and former directors concerned have consented to receive shares in Gulf of an amount equal to the value of director's fees owing to them in lieu of payment of those fees.

There will be no funds raised by the issue of shares to these current and former directors, but a current liability of Gulf (the outstanding directors' fees) will be satisfied, improving the company's financial position.

Reasons for seeking approval

Mr Jonathan Best, Mr Mark Arnesen and Mr Wayne Kernaghan are related parties of Gulf under s 228 of the Corporations Act because they are directors of Gulf at the date of this Notice of Extraordinary General Meeting. Mosman Corporate Services Pty Ltd is a related party of Gulf under s 228 of the Corporations Act because it is controlled by Mr Wayne Kernaghan, who is himself a related party.

Mr Christopher Innis was a director of Gulf until 9 January 2013. Under section 228 of the Corporations Act, Mr Christopher Innis is a related party of Gulf because he was a director of Gulf at a time within the 6 months prior to the date of this Notice of Extraordinary General Meeting.

At the date of this Notice, Sir Sam Jonah and Mr Robert Jurd are no longer related parties of Gulf, however the ASX has determined their relationship with Gulf is such that shareholder approval under ASX Listing Rule 10.11 should be obtained.

ASX Listing Rule 10.11 requires the approval of shareholders where an entity proposes to issue equity securities to a related party. As Mr Christopher Innis, Mr Jonathan Best, Mr Mark Arnesen and Mr Wayne Kernaghan are related parties of the Company at the date of this Notice, shareholder approval is required. If each of these directors was not a related party of the Company or determined by the ASX to be a person whose relationship with Gulf is such that shareholder approval under ASX Listing Rule 10.11 should be obtained, shareholder approval for the issues would ordinarily be required under ASX Listing Rule 7.1 if the Company were to preserve its placement capacity. However, exception 14 to Listing Rule 7.2 provides that if shareholder approval for a transaction is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Commercial Imperative

The Company presently has a shortage of liquid resources. Paying present and past directors via the issue of shares negates further outflows of liquid resources. This benefit is further enhanced by the fact that the price the shares will be issued at is at a premium to current prices.

Resolution 5 – Issue of shares to Sir Sam Jonah in lieu of directors' fees

In respect of the shares to be issued to Sir Sam Jonah in lieu of payment of directors' fees, Gulf is seeking shareholder approval under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 requires that certain information is included in a notice of meeting to approve a transaction for the purpose of ASX Listing Rule 10.11. This information is provided in the table below.

If Sir Sam Jonah was not a person who the ASX determined to be a person whose relationship with Gulf is such that shareholder approval under ASX Listing Rule 10.11 should be obtained, shareholder approval for the issue would ordinarily be required under ASX Listing Rule 7.1. However, exception 14 to Listing Rule 7.2 provides that if shareholder approval for a transaction is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Table 10: Details of the shares to be issued to Sir Sam Jonah

Name of the allottee	Sir Sam Jonah
The maximum number of shares to be issued	15,000,000 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued within one month after the date of the meeting.
The price at which the shares will be issued	$0.002 per share. The amounts payable by Gulf to Sir Sam Jonah in respect of directors' fees up to and including 11 October 2012, being $30,000, will be applied against the subscription price for the shares.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	No funds will be received by Gulf for this issue. However, this issue will relieve Gulf of its outstanding liability to pay directors' fees to Sir Sam Jonah.

The Directors recommend Shareholders vote in favour of Resolution 5 in respect of the issue of these shares.

Resolution 6 – Issue of shares to Mr Robert Jurd in lieu of directors' fees

In respect of the shares to be issued to Mr Robert Jurd in lieu of payment of directors' fees, Gulf is seeking shareholder approval under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 requires that certain information is included in a notice of meeting to approve a transaction for the purpose of ASX Listing Rule 10.11. This information is provided in the table below.

If Mr Robert Jurd was not a person who the ASX determined to be a person whose relationship with Gulf is such that shareholder approval under ASX Listing Rule 10.11 should be obtained, shareholder approval for the issue would ordinarily be required under ASX Listing Rule 7.1. However, exception 14 to Listing Rule 7.2 provides that if shareholder approval for a transaction is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Table 10: Details of the shares to be issued to Mr Robert Jurd

Name of the allottee	Mr Robert Jurd
The maximum number of shares to be issued	10,500,000 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued within one month after the date of the meeting.
The price at which the shares will be issued	$0.002 per share. The amounts payable by Gulf to Mr Robert Jurd in respect of directors' fees up to and including 6 November 2012, being $21,000, will be applied against the subscription price for the shares.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	No funds will be received by Gulf for this issue. However, this issue will relieve Gulf of its outstanding liability to pay directors' fees to Mr Robert Jurd.

The Directors recommend Shareholders vote in favour of the issue of these shares.

Resolution 7 – Issue of shares to Mr Christopher Innis in lieu of directors' fees

In respect of the shares to be issued to Mr Christopher Innis in lieu of payment of directors' fees, Gulf is seeking shareholder approval under ASX Listing Rule 10.11. Mr Christopher Innis was a director of Gulf until 9 January 2013. Under section 228 of the Corporations Act, Mr Christopher Innis is a related party of Gulf at the date of this Notice because he was a director of Gulf at a time within the 6 months prior to the date of this Notice.

ASX Listing Rule 10.13 requires that certain information is included in a notice of meeting to approve a transaction for the purpose of ASX Listing Rule 10.11. This information is provided in the table below.

If Mr Christopher Innis was not a related party of the Company shareholder approval for the issue would ordinarily be required under ASX Listing Rule 7.1. However, exception 14 to Listing Rule 7.2 provides that if shareholder approval for a transaction is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Table 11: Details of the shares to be issued to Mr Christopher Innis

Name of the allottee	Mr Christopher Innis
The maximum number of shares to be issued	10,958,500 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued within one month after the date of the meeting.
Relationship between Mr Christopher Innis and the Company giving rise to the related party status	Mr Christopher Innis was a director of Gulf until 9 January 2013.

The price at which the shares will be issued	$0.002 per share. The amounts payable by Gulf to Mr Christopher Innis in respect of directors' fees up to and including 9 January 2013, being $21,917, will be applied against the subscription price for the shares.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	No funds will be received by Gulf for this issue. However, this issue will relieve Gulf of its outstanding liability to pay directors' fees to Mr Christopher Innis.

The Directors recommend Shareholders vote in favour of the issue of these shares.

Resolution 8 – Issue of shares to Mr Jonathan Best in lieu of directors' fees

In respect of the shares to be issued to Mr Jonathan Best in lieu of payment of directors' fees, Gulf is seeking shareholder approval under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 requires that certain information is included in a notice of meeting to approve a transaction for the purpose of ASX Listing Rule 10.11. This information is provided in the table below.

If Mr Jonathan Best was not a related party of the Company shareholder approval for the issue would ordinarily be required under ASX Listing Rule 7.1. However, exception 14 to Listing Rule 7.2 provides that if shareholder approval for a transaction is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Table 12: Details of the shares to be issued to Mr Jonathan Best

Name of the allottee	Mr Jonathan Best
The maximum number of shares to be issued	18,000,000 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued within one month after the date of the meeting.
Relationship between Mr Jonathan Best and the Company giving rise to the related party status	Mr Jonathan Best is a director of Gulf.
The price at which the shares will be issued	$0.002 per share. The amounts payable by Gulf to Mr Jonathan Best in respect of directors' fees up to and including 31 May 2013, being $36,000, will be applied against the subscription price for the shares.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	No funds will be received by Gulf for this issue. However, this issue will relieve Gulf of its outstanding liability to pay directors' fees to Mr Jonathan Best.

The Directors other than Mr Jonathan Best recommend Shareholders vote in favour of the issue of these shares.

Resolution 9 – Issue of shares to Mr Mark Arnesen in lieu of part salary

In respect of the shares to be issued to Mr Mark Arnesen in lieu of payment of part salary, Gulf is seeking shareholder approval under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 requires that certain information is included in a notice of meeting to approve a transaction for the purpose of ASX Listing Rule 10.11. This information is provided in the table below.

If Mr Mark Arnesen was not a related party of the Company shareholder approval for the issue would ordinarily be required under ASX Listing Rule 7.1. However, exception 14 to Listing Rule 7.2 provides that if shareholder approval for a transaction is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Table 13: Details of the shares to be issued to Mr Mark Arnesen

Name of the allottee	Mr Mark Arnesen
The maximum number of shares to be issued	43,600,000 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued within one month after the date of the meeting.
Relationship between Mr Mark Arnesen and the Company giving rise to the related party status	Mr Mark Arnesen is a director of Gulf.
The price at which the shares will be issued	$0.002 per share. The amounts payable by Gulf to Mr Mark Arnesen in respect of part salary up to and including 31 May 2013, being $87,200, will be applied against the subscription price for the shares.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	No funds will be received by Gulf for this issue. However, this issue will relieve Gulf of its outstanding liability to pay part salary to Mr Mark Arnesen.

The Directors other than Mr Mark Arnesen recommend Shareholders vote in favour of the issue of these shares.

Resolution 10 – Issue of shares to Mosman Corporate Services Pty Ltd in lieu of consulting fees

In respect of the shares to be issued to Mosman Corporate Services Pty Ltd (**Mosman**) in lieu of payment of consulting fees, Gulf is seeking shareholder approval under ASX Listing Rule 10.11. Mosman is 100% owned (and therefore controlled) by Mr Wayne Kernaghan, a director of Gulf.

ASX Listing Rule 10.13 requires that certain information is included in a notice of meeting to approve a transaction for the purpose of ASX Listing Rule 10.11. This information is provided in the table below.

If Mr Wayne Kernaghan was not a related party of the Company shareholder approval for the issue would ordinarily be required under ASX Listing Rule 7.1. However, exception 14 to Listing Rule 7.2 provides that if shareholder approval for a transaction is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Table 14: Details of the shares to be issued to Mosman

Name of the allottee	Mosman Corporate Services Pty Ltd
The maximum number of shares to be issued	10,000,000 fully paid ordinary shares
The date on which the shares will be issued	The shares will be issued within one month after the date of the meeting.

Relationship between Mosman and the Company giving rise to the related party status	Mosman is 100% owned by Mr Wayne Kernaghan, who is a director of Gulf.
The price at which the shares will be issued	$0.002 per share. The amounts payable by Gulf to Mosman in respect of consulting fees up to and including 10 May 2013, being $20,000, will be applied against the subscription price for the shares.
The terms of the shares	All shares issued will rank equally in all respects with the existing fully paid ordinary shares.
The intended use of the funds raised	No funds will be received by Gulf for this issue. However, this issue will relieve Gulf of its outstanding liability to pay consulting fees to Mosman.

The Directors other than Mr Wayne Kernaghan recommend Shareholders vote in favour of the issue of these shares.

GLOSSARY

In this Notice and Explanatory Memorandum:

Amended Loans means the Jonah Amended Loan and the Richmond Amended Loan;

ASX means the financial market operated by the Australian Securities Exchange;

ASX Listing Rules means the listing rules of the ASX;

Board means the board of Directors;

Bridge Loans means the Richmond Bridge Loan and the Jonah Bridge Loan collectively;

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

Directors means the directors of the Company from time to time;

Dupre means Dupre Minerals Limited;

Dupre Distribution Agreement means the distribution agreement between GRUL, Dupre and Gulf dated 25 July 2010;

Dupre Termination Deed means the agreement entered into by Gulf, GRUL and Dupre on 6 March 2013 terminating the Dupre Distribution Agreement;

Explanatory Memorandum means the explanatory memorandum which accompanies, and is incorporated as part of, the Notice;

GH means GLF Holdings, a limited liability company incorporated under the laws of the British Virgin Islands;

GRUL means Gulf Resources Uganda Limited, a limited liability company incorporated under the laws of Uganda;

Gulf or **Company** means Gulf Industrials Limited;

Gulf Group means Gulf and each of its wholly-owned subsidiaries;

Jonah means Jonah Capital (BVI) Limited;

Jonah Amended Loan means the Jonah Bridge Loan as amended and restated by letter from Jonah to GH on 25 March 2013;

Jonah Bridge Loan means the Loan Agreement dated 15 November 2012 between Jonah and GH;

JRH means Jonah Resource Holdings Limited;

Meeting means the Extraordinary General meeting of shareholders in Gulf, to be held on 30 July 2013 at Norton Rose Fulbright, Level 18, Grosvenor Place, 225 George Street, Sydney at 11am.;

Richmond means Richmond Partners Master Limited;

Richmond Amended Loan means the Richmond Bridge Loan as amended and restated by letter from Richmond to GH on 25 March 2013;

Richmond Bridge Loan means the Loan Agreement dated 15 November 2012 between Richmond and GH; and

Subscription Deeds means the Subscription Deeds entered into between Gulf, GH and each of Jonah and Richmond.

ANNEXURE A - Independent Expert's Report

INDEPENDENT EXPERT'S REPORT
Gulf Industrials Limited

25 June 2013

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 10, 1 Margaret St
SYDNEY NSW 2000
Australia

FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to an independent expert's report (Report or IER) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDO) at the request of the directors of Gulf Industrials Limited (GIL or the Company) in relation to the issue of shares to Jonah Capital (BVI) Ltd and Richmond Partners Master Limited (Share Issue) and the exercise of 460,000,000 options granted to the same parties previously (Exercise of Options) are fair and reasonable to GIL's non-associated shareholders (Non-associated Shareholders) under the Corporations Act 2001 (Cth) (Act). The Report is intended to accompany the notice of meeting and accompanying explanatory memorandum (Documents) that are to be provided by the directors (Directors) of GIL.

Financial Services Guide

BDO holds an Australian Financial Services Licence (License No: 247420) (Licence). As a result of our Report being provided to you BDO are required to issue to you, as a retail client, a Financial Services Guide (FSG). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDO is licensed to provide

The Licence authorises BDO to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDO provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Share Issue and Exercise of Options described in the Documents may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO may receive

BDO has charged fees for providing our Report. The basis on which our fees will be determined has been agreed with, and our fees will be paid by the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

BDO will receive a fee based on the time spent in the preparation of this Report in the amount of approximately $37,000 (plus GST and disbursements). BDO will not receive any fee contingent upon the outcome of the Share Issue and Exercise of Options, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Share Issue and Exercise of Options.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

BDO does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO is licensed to provide.

Associations and relationships

BDO is the licensed corporate advisory arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDO may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers are comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDO's contact details are as set out on our letterhead.

BDO is unaware of any matter or circumstance that would preclude it from preparing the Report on the grounds of independence under regulatory or professional requirements. In particular, BDO has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (ASIC).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (FOS). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free:	1300 78 08 08
Email:	info@fos.org.au

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 10, 1 Margaret St
SYDNEY NSW 2000
Australia

25 June 2013

The Directors
Gulf Industrials Limited
Suite 1, Level 5
71 Macquarie Street
Sydney NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT

Introduction

The directors (Directors) of Gulf Industrials Limited (GIL or the Company) have appointed BDO Corporate Finance (East Coast) Pty Ltd (BDO, we, us or our) to prepare an independent expert's report (Report or IER) setting out our opinion as to whether the following is fair and reasonable to GIL's non-associated shareholders (Non-associated Shareholders):

- The issue of up to 1,039,161,297 new fully paid ordinary shares in GIL (Shares) to Jonah Capital (BVI) Ltd (JC) at the election of JC, under the terms of the Amended Loans (defined below), being Resolution 1 of the notice of meeting (Resolution 1).
- The issue of up to 1,374,733,827 Shares to Richmond Partners Master Limited (RC) at the election of RC under the terms of the Amended Loans (defined below), being Resolution 2 of the notice of meeting.
  Both Resolutions 1 and 2 are defined hereafter as Share Issue (Resolution 2).
- The right to exercise of 172,500,000 GIL unlisted options with a strike price of $0.002 (Options) currently held by JC, being Resolution 3 of the notice of meeting (Resolution 3).
- The right to exercise of 287,500,000 Options with a strike price of $0.002 currently held by RC, being Resolution 3 of the notice of meeting. Both Resolutions 3 and 4 are defined hereafter as Exercise of Options (Resolution 4).

We note that even if Resolutions 1 to 4 are approved, there is no obligation for JC or RC to either elect to receive Shares or exercise the Options.

GIL is listed on the Australian Securities Exchange (ASX) and engages in vermiculite exploration and production in Uganda, Africa and limestone exploration in Madagascar, Africa.

Share Issue

On 15 November 2012, GIL's wholly owned subsidiary, GLF Holding Limited (GH), entered into two bridge loan facilities (Loan Agreements) for an aggregate of $2 million (Existing Bridge Loans) with JC and RC (collectively Lenders). The maturity date of the Existing Bridge Loans was 31 January 2013.

On 25 March 2013, GIL amended the terms of the Loan Agreements by extending the maturity date and adding a further advance of $2.135 million (Amended Loans). GIL, GH and each of the Lenders have also entered into separate subscription agreements under which GIL has agreed to issue Shares to each of JC and RC (subject to shareholders' approval) to satisfy the repayment obligations of GH under the terms of the Amended Loans.
This provides the Lenders the right to elect for repayment of the Amended Loans of $4.135 million in the form of Shares at $0.002 each (Issue Price) at any time until 30 September 2013, being the maturity date of the Amended Loans (Maturity Date).

Exercise of Options

On 4 January 2013, GIL's shareholders approved the issue of 460,000,000 Options to the Lenders over Shares exercisable at $0.002 each (Exercise Price) with an expiry date of 8 January 2018. The Company seeks to obtain shareholders' approval for the right of the Lenders to exercise the Options at the forthcoming meeting.

The Share Issue and Exercise of Options are not inter-conditional upon each other. A summary of the terms of the Amended Loans and Exercise of Options are set out in Section 1 of this Report. Full details of the Share Issue and Exercise of Options are set out in the explanatory statement accompanying the notice of meeting (Documents) to shareholders of GIL (Shareholders) in relation to an extraordinary general meeting to be convened (Meeting).

Purpose

The Directors have engaged us to prepare this Report in relation to the Share Issue and Exercise of Options to opine on whether they are fair and reasonable to Non-associated Shareholders for the purposes of:

- Section 606 and Section 611 of the Corporations Act 2001 (Cth) (Act)
- Australian Securities and Investments Commission (ASIC) Regulatory Guide 74 *Acquisitions approved by members* (RG 74).

All amounts in this Report are stated in Australian dollars ($) unless otherwise stated.

Summary of opinion

In our opinion, the Share Issue in accordance with Resolution 1 of the Documents is fair and reasonable to the Non-associated Shareholders.

In our opinion, the Share Issue in accordance with Resolution 2 of the Documents is fair and reasonable to the Non-associated Shareholders.

In our opinion, the Exercise of Options in accordance with Resolution 3 of the Documents is fair and reasonable to the Non-associated Shareholders.

In our opinion, the Exercise of Options in accordance with Resolution 4 of the Documents is fair and reasonable to the Non-associated Shareholders.

Fairness assessment

We have formed our opinion in relation to fairness by comparing our assessed value of a Share (on a control basis) prior to the Share Issue or the Exercise of the Options to:

- The Issue Price of the Shares pursuant to the Amended Loans.
- The Exercise Price of the Options.

The Share Issue and the Exercise of Options will be fair if the consideration per Share payable for either of the transactions is equal to or greater than the value of a Share (on a control basis).

In arriving at the value of the Shares we have had regard to ASIC Regulatory Guide 111 *Content of expert reports* (RG 111).

The result of our fairness analysis is summarised below.

Table 1: Fairness analysis

$ unless stated otherwise	Ref	Low	High
Fairness of Share Issue			
Issue Price of a Share	1.1	0.002	0.002
Fair market value of a Share (control)	6.2	$nil	$nil
Fairness of Exercise of Options			
Exercise Price per Option	1.3	0.002	0.002
Fair market value of a Share (control)	6.2	$nil	$nil

Source: BDO analysis

In our valuation of a Share set out in Section 6, we have considered the restrictions and penalties applicable to the Amended Loans as a result of specified events occurring. In particular, we have included in our assessment of the fair market value of the Amended Loans the payment of a penalty in the event the Non-associated Shareholders do not approve the Share Issue. This in turn results in an assessed fair market value of a Share which represents the value to the Shareholders prior to the Share Issue or the Exercise of the Options.

Other than the above, we have not included any other penalties applicable to the Amended Loans as any additional penalty fees will not result in a lower fair market value of a Share and our fairness opinion would not differ.

Reasonableness assessment

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, as we have concluded that Resolutions 1 to 4 are fair respectively, they are also considered to be reasonable.

Nevertheless, we have also considered various factors that we believe Non-associated Shareholders should consider when deciding whether or not to approve the Share Issue or Exercise of Options. The factors that we have considered are set out in Section 7.2. Below is a summary of the factors considered:

- If the Share Issue is not approved, GIL may not have the ability to meet its debts as and when they fall due
- If the Share Issue is approved and the Lenders do not elect for Share Issue, GIL may not have the ability to meet its debts as and when they fall due
- If the Exercise of Options is approved and the Lenders elect to exercise the Options, it will provide short term working capital
- Potential dilution of existing Shareholders' interests
- Further capital initiatives may be required
- Debt funding not available
- Shareholders would have to pay No Approval Fee if they do not approve the Share Issue
- Uncertainty in securing alternate financing arrangements
- Transaction costs.

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. Accordingly, we have not considered the effect of the Share Issue and Exercise of Options on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Share Issue and Exercise of Options from that adopted in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Share Issue or Exercise of Options is fair and reasonable in their individual circumstances. As the decision of an individual Shareholder in relation to the Share Issue and Exercise of Options may be influenced by their particular circumstances (including their taxation position), Shareholders are advised to seek their own independent advice.

Approval or rejection of the Share Issue and Exercise of Options is a matter for individual Shareholders based on their expectations as to the expected value, future prospects, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Documents. Shareholders who are in doubt as to the action they should take in relation to the Share Issue and Exercise of Options should consult their professional adviser.

Summary

This summary should be read in conjunction with the attached Report that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Glossary

Capitalised terms used in this Report have the meanings set out in the glossary.

Sources of information

Appendix 1 identifies the information referred to, and relied upon by us during the course of preparing this Report and forming our opinion.

Financial services guide

BDO holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached at the start of this Report.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Dan Taylor
Director

David McCourt
Director

TABLE OF CONTENTS

1. PROPOSALS

1.1. Amended Loans

Key terms of the Amended Loans and the related agreements as compared to the Existing Bridge Loans are as follows:

Table 2: Loan Agreements

Item	Existing Bridge Loans	Amended Loans and related agreements
Borrower	GLF Holdings Limited	GLF Holdings Limited
Lenders	• $1.25 million from RC • $0.75 million from JC	• $2.33 million from RC • $1.80 million from JC • Operating costs and working capital facility: 62.5% RC / 37.5% JC • Dupré settlement: 100% JC
Total Commitment	• Tranche A and B of $2.0 million • Tranche C refers to an amount as agreed between the Lender in its absolute discretion and the Borrower to the extent such amount exceeds the total outflow in the agreed budget	Total commitment of $2.0 million pursuant to the Existing Bridge Loans plus extension and an additional $2.135 million made up as follows: • $1.266 million to cover operating costs until 30 June 2013 • $0.469 million for working capital for Namekara Vermiculite Project to start production • $0.4 million to settle Dupré Minerals Limited (Dupré) on 31 March 2013 in accordance with Termination Deed (Termiantion Deed) • Interest and fees on Existing Bridge Loans to be accrued up to the effective date of the Amended Loans to give effect to the terms set out in the Amended Loans and to then comprise the 'opening balance' of the Amended Loans.
Share Issue	n/a	The Lenders may request for the repayment of: • The loan outstanding in the form of Shares at $0.002 per Share at any time until maturity. The loan outstanding at that time includes the Existing Bridge Loans and new advances drawn down under the $2.135 million facilities (Maximum Subscription); or • If the Lenders have already been issued the Maximum Subscription at a certain point in time and GIL had not drawn down any further funds, the Lenders may request for repayment of the total committed amount of $4.135 million less the Maximum Subscription such that the total Share Issue does not exceed the total committed amount of $4.135 million divided by $0.002 per Share.
Drawdown	n/a	• $1.266 million to be drawn down based on the management budget until 30 June 2013. • $0.469 million to be available from 1 June 2013 to 31 August 2013 as a working capital facility, draw down of which is subject to the satisfaction of the Lenders with the terms of any new distribution/off-take agreements entered into by GIL to replace the Dupré distribution agreement. GIL may only approach other parties to fund this $0.469 million working capital requirement, should the Lenders decline to provide part/all of the $0.469 million. • $0.4 million to be drawn down on 31 March 2013 for payment to Dupré.

Table 2: Loan Agreements

Item	Existing Bridge Loans	Amended Loans and related agreements
Security	The Security provided by GH comprises: • Fixed and floating charge over the assets of Gulf Resources Uganda Limited (GRUL) • A pledge of the shares held in GRUL	The Security provided by GH comprises: • Fixed and floating charge over the assets of GRUL • A pledge of the shares held in GRUL
Maturity Date	Repayable on 31 January 2013 or such later date as agreed between the parties	30 September 2013 or such later date as agreed between GIL and the Lenders
Extension Fee	$nil for extension of existing bridge loan	$nil for extension of Existing Bridge Loan
Arrangement and Commitment Fee	7% of the Total Commitment to the Lender on the date of the Loan Agreements. This fee shall be capitalised and form part of the principal outstanding.	$149,450. This fee shall be capitalised and form part of the principal outstanding.
Interest Rate	15% per annum accrued daily on the principal outstanding and calculated on a 365 days per year basis. Interest is payable in arrears on the Maturity Date.	15% per annum accrued daily on the principal outstanding and calculated on a 365 days per year basis. Interest is payable in arrears on the Maturity Date.
Mandatory Prepayment	n/a	If GIL receives proceeds from equity financing or other capital raising, it must use the net proceeds to firstly repay the interest, costs, fees and expenses to the Lenders and secondly utilise the remaining net proceeds to prepay the principal outstanding.
Default Event	As defined in the Loan Agreements	As defined in the Loan Agreements
Default Fee	If a Default Event occurs, a Default Fee is payable. The Default Fee is equal to 30% of the aggregate of: • The principal outstanding • All interest accrued thereon and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).	The Default Fee is equal to 30% of the aggregate of: • The Total Commitment • All interest accrued on the principal outstanding and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).
Non-assignment Fee	If the Shareholders do not approve the assignment and grant of Security in favour of the Lenders, then a Non-assignment Fee is payable. The Non-assignment Fee is equal to 30% of the aggregate of: • The principal outstanding • All interest accrued thereon and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).	n/a
No Approval Fee	n/a	The No Approval Fee is equal to 30% of the aggregate of: • The Total Commitment • All interest accrued on the principal outstanding and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).
No Option Fee	If Shareholders do not approve the issue of the Options (defined below) to the Lenders, a No Option Fee is payable. The No Option Fee is equal to 30% of the aggregate of: • The principal outstanding • All interest accrued thereon and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).	n/a

Table 2: Loan Agreements

Item	Existing Bridge Loans	Amended Loans and related agreements
Early Repayment Fee	n/a	The Early Repayment Fee is equal to 30% of the aggregate of: • The Total Commitment • All interest accrued on the principal outstanding and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).
Change of Control Fee	A change of control in GIL will trigger a Change of Control Fee. The Change of Control Fee is equal to 30% of the aggregate of: • The principal outstanding • All interest accrued thereon and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).	The Change of Control Fee is equal to 30% of the aggregate of: • The Total Commitment • All interest accrued on the principal outstanding and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).
Legal costs	The Lenders will each be entitled to reimbursement of all legal costs	The Lenders will each be entitled to reimbursement of all legal costs
Lenders' entitlement to Options	Subject to Non-associated Shareholder approval being obtained and all relevant ASX Listing Rule waivers being granted, GIL will issue 460,000,000 unlisted options to the Lenders (287,500,000 to RC and 172,500,000 to JC) on the date that is 5 business days after the date that such Non-associated Shareholder approval is obtained. The Options will entitle the holder to subscribe for one ordinary share in GIL for each Option held and will be exercisable at any time prior to the expiry date (5 years from the date of issue) on payment of the strike price ($0.002 per Option) (subject to compliance by the Lenders with the Act)	n/a

Source: Loan Agreements

Details of the above are set out in the Documents.

1.2. Share Issue

As noted above, the Lenders have the right but not the obligation to convert up to the total committed amount of $4.135 million into Shares at $0.002 each at any time until 30 September 2013.

If the Shareholders do not approve the Share Issue, GH will be required to pay a penalty of 30% on the Amended Loans of $4.135 million plus interest accrued and fees payable. The Lenders also have the right to notify GH that the penalty shall be capitalised and form part of the total principal outstanding and interest will be accrued on the amount capitalised as though it was part of the loans.

1.3. Exercise of Options

On 4 January 2013, Shareholders approved the issue of 460,000,000 GIL unlisted options over Shares exercisable at $0.002 each with an expiry date of 8 January 2018. The options were issued for no consideration. The Company seeks to obtain Shareholders' approval for the right to exercise the Options at the forthcoming Meeting. We note that there is no obligation for RC or JC to exercise the Options.

1.4. Pro forma capital structure

Below are various scenarios setting out the pro forma capital structure of GIL if the right to convert the loan commitment or the Options is granted. However, there is no obligation for RC or JC to either convert the loan or exercise the Options and as such, the pro forma capital structures below may not eventuate even if the Share Issue or Exercise of Options is approved.

GIL's pro forma capital structures are set out below:

Table 3: Pro forma shareholding

'000s unless stated otherwise	Ordinary Shareholders	RC	JC	Total
Number of additional Shares pursuant to the Share Issue		1,374,734	1,039,161	2,413,895
Number of additional Shares on Exercise of Options		287,500	172,500	460,000
Current shareholding	651,346	161,400	117,600	930,346
	70.01%	*17.35%*	*12.64%*	*100.00%*
If Resolution 1 is approved and Shares are issued	651,346	161,400	1,156,761	1,969,507
	33.07%	*8.19%*	*58.73%*	*100.00%*
If Resolution 2 is approved and Shares are issued	651,346	1,536,134	117,600	2,305,080
	28.26%	*66.64%*	*5.10%*	*100.00%*
If Resolution 3 is approved and Shares are issued	651,346	161,400	290,100	1,102,846
	59.06%	*14.63%*	*26.30%*	*100.00%*
If Resolution 4 is approved and Shares are issued	651,346	448,900	117,600	1,217,846
	53.48%	*36.86%*	*9.66%*	*100.00%*
If Resolutions 1 and 2 are approved and Shares are issued	651,346	1,536,134	1,156,761	3,344,241
	19.48%	*45.93%*	*34.59%*	*100.00%*
If Resolutions 3 and 4 are approved and Shares are issued	651,346	448,900	290,100	1,390,346
	46.85%	*32.29%*	*20.87%*	*100.00%*
If Resolutions 1 and 4 are approved and Shares are issued	651,346	448,900	1,156,761	2,257,007
	28.86%	*19.89%*	*51.25%*	*100.00%*
If Resolutions 2 and 3 are approved and Shares are issued	651,346	1,536,134	290,100	2,477,580
	26.29%	*62.00%*	*11.71%*	*100.00%*
If Resolutions 1 and 3 are approved and Shares are issued	651,346	161,400	1,329,261	2,142,007
	30.41%	*7.53%*	*62.06%*	*100.00%*
If Resolutions 2 and 4 are approved and Shares are issued	651,346	1,823,634	117,600	2,592,580
	25.12%	*70.34%*	*4.54%*	*100.00%*
If Resolutions 1, 2 and 3 are approved and Shares are issued	651,346	1,536,134	1,329,261	3,516,741
	18.52%	*43.68%*	*37.80%*	*100.00%*
If Resolutions 2, 3 and 4 are approved and Shares are issued	651,346	1,823,634	290,100	2,765,080
	23.56%	*65.95%*	*10.49%*	*100.00%*
If Resolutions 1, 3 and 4 are approved and Shares are issued	651,346	448,900	1,329,261	2,429,507
	26.81%	*18.48%*	*54.71%*	*100.00%*
If Resolutions 1, 2 and 4 are approved and Shares are issued	651,346	1,823,634	1,156,761	3,631,741
	17.93%	*50.21%*	*31.85%*	*100.00%*
If Resolutions 1, 2, 3 and 4 are approved and Shares are issued	651,346	1,823,634	1,329,261	3,804,241
	17.12%	*47.94%*	*34.94%*	*100.00%*

Source: Management, Appendix 3B dated 9 January 2013, AR2012, BDO analysis

From the above, RC's interest in GIL could increase from 17.35% up to a maximum of 70.34% and JC's interest in GIL could increase from 12.64% up to a maximum of 62.06%. The above pro forma capital structure does not include the following:

- Issue of Shares to Sir Sam Jonah, other current and former Directors of GIL in lieu of payment of directors' fees.
- Exercise of GIL's options held by Non-associated Shareholders.

The issue of other Shares or the exercise of GIL options under the above two bullet points would have the impact of diluting RC and JC, and would reduce their holdings summarised in the table above. Under no circumstances would the issue of Shares or exercise of GIL options increase the percentage holding of either RC or JC.

2. SCOPE AND LIMITATIONS

The Directors have engaged us to prepare a Report in relation to the Share Issue and Exercise of Options to satisfy the requirements of:

- Section 606 and Section 611 of the Act.
- RG 74.

2.1. Section 606, Section 611 of the Act and RG 74

Section 606 of the Act does not allow a person to acquire a relevant interest in shares such that they would control 20% or more of the voting shares in a company without making a takeover offer.

Section 611 provides an exemption to Section 606 if the acquisition is approved by a resolution of the shareholders at a general meeting called for that purpose. Section 611 requires shareholders to be given all relevant information known to the person making the acquisition, their associates or the company, which is material to the acquisition, prior to general meeting taking place.

JC

JC currently owns 117,600,000 (12.64%) Shares.

As illustrated in Section 1.4 above, depending on whether the resolutions are approved and Shares are issued and/or Options are subsequently exercised, JC's interest in GIL could increase from 12.64% up to a maximum of 62.06%.

Therefore, the approval by Non-associated Shareholders of either of the resolutions could result in JC increasing its voting power from below 20% to more than 20%.

RC

RC currently owns 161,400,000 (17.35%) Shares.

As illustrated in Section 1.4 above, depending on whether the resolutions are approved and Shares are issued and/or Options are subsequently exercised, RC's interest in GIL could increase from 17.35% up to a maximum of 70.34%.

Therefore, the approval by Non-associated Shareholders of either of the resolutions could result in RC increasing its voting power from below 20% to more than 20%.

RG 74 issued by ASIC sets out the obligation to supply shareholders with all information that is material by either:

- The Directors undertaking a detailed examination of the proposal themselves, if they consider that they have sufficient expertise; or
- By commissioning an independent expert's report.

In compliance with the above the Directors have decided to commission an independent expert's report regarding the 'fairness and reasonableness' of each of the Resolutions 1 to 4 of the Documents to the Non-associated Shareholders.

2.2. Scope

The procedures we have undertaken have been limited to those procedures that we believe were required in order to form our opinion. Our procedures in the preparation of the Report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with Auditing Standards applicable to review engagements.

The assessment of whether the Share Issue and Exercise of Options are fair and reasonable necessarily involves determining the 'fair market value' of various securities, assets and interests.

For the purposes of our opinion, the term 'fair market value' is defined as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length."

2.3. Basis of Assessment

In determining whether the Share Issue and Exercise of Options are fair and reasonable to Shareholders, we have had regard to the following ASIC guidelines:

- RG 111 'Content of expert reports'
- Regulatory Guide 112 'Independence of experts' (RG112).

In particular, RG 111 establishes guidelines in respect of independent expert reports under the Act.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is it 'fair'; and
- Is it 'reasonable'?

That is, the terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

Fair

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

For situations that involve financial distress, ASIC's interpretation in RG 111 is that:

- In assessing fairness, the expert should assume an orderly market for the asset being valued, even if such market circumstances do not exist at the time of the fairness assessment.
- Factors such as financial distress of the asset and the current state of the market in which the asset operates are appropriate matters to be taken into account when assessing the reasonableness of the proposal under consideration.

If the expert uses the market price of securities as a measure of the value of the offered consideration, the expert should consider and comment on:

- The depth of the market for those securities
- The volatility of the market price
- Whether or not the market value is likely to represent the value if the takeover bid is successful.

In our opinion, the Share Issue and Exercise of Options will be fair to the Non-associated Shareholders if the consideration, being:

- the Issue Price, or
- the Exercise Price of the Options,

is greater than or equal to the assessed value of GIL per share (on a control basis) prior to the Share Issue or the exercise of the Options.

Reasonable

RG 111.12 indicates that an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to vote for the proposal.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- The bidder's pre-existing voting power in securities in the target
- Other significant security holding blocks in the target
- The liquidity of the market in the target's securities
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target
- Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc
- The likely market price if the offer is unsuccessful
- The value to an alternative bidder and likelihood of an alternative offer being made.

We have taken the following matters into account in regard to the Share Issue and Exercise of Options:

- The likelihood of an improved or alternative offer or alternative transactions
- The conditions of the Share Issue and Exercise of Options
- The risk of not approving the Share Issue and Exercise of Options
- Any known intentions of the Shareholders, the Lenders and the recommendation of the Directors
- Other advantages and disadvantages for Shareholders of accepting and implementing or rejecting the Share Issue and Exercise of Options.

2.4. Limitations

General

In preparing the Report, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Share Issue and Exercise of Options. In preparing the Report we considered the necessary legal requirements and guidance of the Act, ASIC Regulatory Guides and commercial practice.

The Report also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDO (or antecedent firms) and any of the parties to the Share Issue and Exercise of Options.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the Report.
- We have been appointed as independent expert for the purposes of providing a Report for the Documents.
- That we have relied on information provided by the Directors and management of GIL and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our Report.

Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any opinion becoming quickly out dated and in need of revision. We reserve the right to revise any opinion, in the light of material information existing at the Report date that subsequently becomes known to us.

Reliance on Information

This Report is based upon financial and other information provided by GIL, the Directors and management of GIL. We have considered and relied upon this information. We believe the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

Our procedures in the preparation of the Report involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly we do not express an audit or review opinion.

It was not our role to undertake, and we have not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities or valuations in respect of the Share Issue and Exercise of Options. We understand that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary. We do not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors and/or their advisors.

We do not provide any warranty or guarantee that our inquiries have identified or verified all of the matters which an audit, extensive examination or 'due diligence' investigation might disclose. An opinion as to whether a corporate transaction is 'fair and reasonable' is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that we advise that we are not in a position, nor is it practical for us, to undertake such an extensive verification exercise.

It is understood that except where noted, the accounting information provided to us was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by GIL in previous accounting periods.

2.5. APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

2.6. Assumptions

In forming our opinion, we have made certain assumptions as outlined below:

- Assumptions addressed in the valuation section.
- We have had full access to GIL management to obtain information as required.
- Matters such as compliance with laws and regulations and contracts in place are in good standing, and will remain so. There are no material legal proceedings, other than as publicly disclosed.
- Information in relation to the Share Issue and Exercise of Options that is distributed to Shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects.
- Any publicly available information relied on by us is accurate, up to date and not misleading.
- If the Share Issue and Exercise of Options are implemented, they will be implemented in accordance with the publicly stated terms.
- The legal mechanisms to implement the Share Issue and Exercise of Options are valid and effective.
- There are no undue changes to the terms and conditions of the Share Issue and Exercise of Options or complex issues unknown to us from the date of issue of this Report.

3. PROFILE OF THE GIL

3.1. Overview

GIL was incorporated on 30 June 2005 and subsequently listed on the ASX on 10 August 2006 as a vermiculite focused exploration company. GIL's primary project is the Namekara Vermiculite Project in Uganda which was acquired for approximately $1 million in May 2009 from Rio Tinto.

The Namekara Vermiculite Project is situated in eastern Uganda near the towns of Mbale and Tororo close to the Kenyan border and on the main logistics route to the Port of Mobasa. The project comprises the Namekara Vermiculite operation and the regional exploration properties.

An independent SRK review commissioned by GIL in mid 2009 verified that Namekara contained a JORC inferred resource of 54.9 million tonnes @ 26.7% vermiculite in the +180 micron fraction and 18.8% vermiculite in the +425 micron fraction. This resource calculation has a surface extent of 1km by 1km but additional exploration work by the company indicates that vermiculite is present over an area of 1km by 5km. GIL publically stated that these results are a clear indication that the Namekara resource is one of the largest reported high grade vermiculite resources in the world.

In 2010 GIL also purchased the Soalara Limestone Project – a large, high quality limestone deposit demonstrating a chemical composition suitable for application in the cement, mineral processing and fertiliser industries. It covers an area of 12.5 square kilometres and is located near Tulear in the south-west of Madagascar.

At the date of this Report US$420,000 remains outstanding for the purchase of the company that holds the limestone deposit in Madagascar. This amount is payable when the first commercial shipment from the project has occurred.

3.2. Production Activities

On 25 May 2010, GIL announced a company milestone with the move from explorer to producer with the recommissioning of the Namekara processing plant following a period of extensive and detailed design, re-engineering, customer trials and test work.

The Company announced in July 2010 that it had extended its existing European ten year exclusive distribution contract with leading UK based vermiculite distributor Dupré, to a global 25 year agreement. Dupré which is wholly owned by London listed Goodwin Plc. (LON: GDWN) is a leading vermiculite processing and manufacturing company in the UK which has over 40 years of industry experience. The contract covered full global distribution rights and, in addition, in the event of the sale of the business and the acquirer terminating the agreement, Dupré was entitled to a termination fee of up to USD$7 million. Dupré paid the Company USD$1 million for the contract. This contract however did not place Dupré under any obligation to purchase the off take but gave Dupré exclusive distribution rights to sell the off take.

On 24 September 2012 GIL announced to the market that Dupré was unable to guarantee any distribution of vermiculite until the vermiculite markets improve. Following this, the Directors decided to put the Namekara Vermiculite Project on care and maintenance. Despite not taking production, Dupré declined to release GRUL from its contract.

The Directors have negotiated an exit from its exclusive distribution agreement with Dupré through the execution of a Termination Deed.

Management advised they are continuing with the planning and evaluation of the limestone deposit in Madagascar.

3.3. Historical Financial Information

Financial performance

The statements of comprehensive income of the GIL for the year ended 30 June 2011 (FY2011), for the year ended 30 June 2012 (FY2012) and for the half year ended 31 December 2012 are set out below:

Table 4: Consolidated Statements of Comprehensive Income

$	FY2011 Audited	FY2012 Audited	6 months ended 31 December 2012
Revenue	2,193,698	3,189,548	1,093,655
Depreciation expense	(403,724)	(769,271)	(320,065)
Exploration expenditure	(471,060)	(1,587,066)	(43,527)
Employee benefits expense	(2,498,742)	(3,525,468)	(1,487,691)
Finance costs	-	(33,596)	-
Foreign exchange profit/(loss)	(1,660,313)	(57,249)	(165,090)
Share based payments	(1,992,200)	(316,605)	-
Operating expenses	(4,029,183)	(5,941,142)	(1,658,032)
Loss before income tax expense	**(8,861,524)**	**(9,040,849)**	**(2,580,750)**
Income tax expense	-	-	-
Net loss for year attributable to members of parent entity	**(8,861,524)**	**(9,040,849)**	**(2,580,750)**
Other comprehensive income			
Exchange differences on translating foreign controlled entities	530,674	(1,949,631)	(457,657)
Net change in fair value of available for sale assets	(18,850)	18,850	-
Other comprehensive income for the year, net of tax	(511,824)	(1,930,781)	(457,657)
Total comprehensive income for the year attributable to members of parent entity	**(8,349,700)**	**(7,110,068)**	**(3,038,407)**

Source: GIL Annual Report 2012, Interim Financial Report for the 6 months ended 31 December 2012

We note the following:

- In FY2012 GIL incurred $1.6 million in exploration expenditure which was written off in full against profit in the year as Management did not expect to recoup these costs through future development activities.
- Revenue for the 6 months ended 31 December 2012 was affected by the reduction in demand for vermiculite. In September 2012, Dupré informed GIL that it was unable to guarantee the purchase of any vermiculite until the markets improved. This resulted in an overall reduction in revenue for the 6 months ended 31 December 2012 on an annualised basis as compared to FY2012.

Financial position

The statements of financial position of GIL as at 30 June 2011, 30 June 2012 and 31 December 2012 are set out below:

Table 5: Consolidated Statements of Financial Position

$	As at 30 June 2011 (Audited)	As at 30 June 2012 (Audited)	As at 31 Dec 2012 (Reviewed)
Current assets			
Cash and cash equivalents	1,168,347	1,000,698	312,151
Trade and other receivables	502,113	746,294	196,066
Inventory	15,632	577,660	539,999
Total current assets	**1,686,092**	**2,324,652**	**1,048,216**
Non current assets			
Financial assets	126,150	-	-
Property, plant and equipment (PPE)	4,171,159	5,517,284	4,598,327
Exploration expenditure	1,187,455	1,187,455	1,187,455
Total non current assets	**5,484,764**	**6,704,739**	**5,785,782**
Total assets	**7,170,856**	**9,029,391**	**6,833,998**
Current liabilities			
Trade and other payables	2,082,580	1,376,873	617,644
Deferred revenue	32,461	37,119	33,556
Loan - Dupré	-	-	289,200
Loans - JC and RC	-	-	1,561,590
Provisions	13,707	149,500	-
Total current liabilities	**2,128,748**	**1,563,492**	**2,501,990**
Non current Liabilities			
Trade and other payables	1,168,299	1,238,476	420,000
Deferred revenue			723,086
Provisions	24,885	37,283	37,189
Total non current Liabilities	**1,193,184**	**1,275,759**	**1,180,275**
Total liabilities	**3,321,932**	**2,839,251**	**3,682,265**
Net assets	**3,848,924**	**6,190,140**	**3,151,733**
Equity			
Issued capital	20,182,651	30,605,337	30,605,337
Reserves	4,437,166	5,394,397	4,936,740
Accumulated losses	(20,770,893)	(29,809,595)	(32,390,344)
Total equity	**3,848,924**	**6,190,140**	**3,151,733**

Source: GIL Annual Report 2012, Interim Financial Report for 6 months ended 31 December 2012

We note the following:

- The reduction in cash and cash equivalents by $0.69 million as at 31 December 2012 was mainly due to a cash outflow for payments made for exploration and evaluation expenditure of $0.27 million and development expenditure of $0.43 million.
- The reduction in trade and other receivables by $0.55 million as at 31 December 2012 was due to reduction in demand for vermiculite.
- Financial assets of $126,150 as at 30 June 2011 related to GIL's investment in shares of listed corporations. These were disposed in FY2012.
- PPE comprises plant and equipment, leasehold improvements and motor vehicles. The increase in PPE between 30 June 2011 and 30 June 2012 of $1.3 million was driven primarily by additions in plant and

equipment of $1.0 million, additions in motor vehicles of $0.5 million and favourable net exchange differences in leasehold improvements of $0.5 million; which were partially offset by disposals and depreciation. The decrease in PPE between 30 June 2012 and 31 December 2012 of $0.92 million was due to foreign exchange fluctuations and depreciation.

- The reduction in trade and other payables by $0.76 million as at 31 December 2012 was due to cessation of production in October 2012 at Namekara Vermiculite Project until stock levels are reduced to a manageable level and demand improves.
- The current and non-current liability for deferred revenue relates to the amount outstanding for the purchase of the company that holds the limestone deposit in Madagascar. It is payable when the first shipment of limestone from the project has occurred.
- The loan from Dupré of $0.29 million as at 31 December was an interest free loan provided for the purchase of a plant and equipment.
- The loans from Richmond and Jonah of $1.56 million relates to the Existing Bridge Loans previously provided by the Lenders to be used as working capital.
- On 30 September 2011 GIL completed a placement of 405,600,000 ordinary shares to sophisticated, professional and institutional investors which raised $10.1 million.

3.4. Going Concern

Set out below is an extract from GIL's Interim Financial Report for the 6 months ended 31 December 2012:

"Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business. It should be noted that the vermiculite operation is on care and maintenance until that market improves while concentrating on exploration.

The consolidated group had cash assets of $312,151 at 31 December 2012. The directors acknowledge that continued exploration and development of the consolidated group's mineral exploration projects and the further development of its vermiculite operations in Uganda may necessitate further capital raisings.

The company may be dependent on its ability to raise funding in volatile capital markets. However, the directors continue to believe that the going concern basis of accounting by the parent entity and consolidated group is appropriate for the following reasons:

- *The company and the consolidated group have successfully borrowed $2m from two of its major shareholders during the half year which have had the repayment date extended to 30 September 2013 from 31 January 2013.*
- *Since the end of the half year, the company and the consolidated group have successfully borrowed an additional $2.135m from two of its major shareholders with a repayment date of 30 September 2013. The loans are subject to finalisation of documentation between Gulf and the two lenders. The lenders also would like to have the option to convert the loans into equity in the company however this would require approval from shareholders at a general meeting.*
- *The company and consolidated group have successfully completed capital raisings during the year to 30 June 2012, notwithstanding the challenging conditions in equity markets.*

In consideration of the above matters, the directors have determined that it is reasonably foreseeable that the company and consolidated group will continue as going concerns and that it is appropriate that the going concern method of accounting be adopted in the preparation of the financial statements. In the event that the consolidated group is unable to continue as a going concern (due to inability to raise future funding *requirements), it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.*

Accordingly, the financial statements do not include adjustments relating to the recoverability and classification of assets or to the amounts and classification of liabilities that might be necessary if the company and consolidated group do not continue as going concerns."

Premised on the above, we note that the ability of GIL to continue operating on a going concern basis is largely dependent on its ability to raise funds. As such, the approval of the Share Issue and Exercise of Options by the Non-associated Shareholders is important and would assist GIL in meeting its debts as and when they fall due as well as provide short term working capital.

3.5. Capital Structure and Ownership

As at 7 April 2013 GIL had the following securities on issue:

Table 6: GIL Securities on Issue

	No. of Securities on Issue	Details
Ordinary shares on issue	930,346,062	
Listed options	52,629,028	Exercise price of $0.10 expiring on 31 March 2013
Unlisted options	460,000,000	Exercise price of $0.002 expiring 8 January 2018
Unlisted options	67,315,000	Exercise price of $0.019- $0.086 expiring at various dates

Source: Management, GIL Annual Report 2012

The top 10 shareholders and total Shares of GIL as at 7 April 2013 are summarised in the table below:

Table 7: Top 10 Shareholders Before Grant of the Options Pursuant to the Loan Agreements

Shareholder	Number of Ordinary Shares held	Percentage of Total Ordinary Shares held
RC	161,400,000	17.35%
African Lion 3 Limited	156,800,000	16.85%
JC	117,600,000	12.64%
Wan How Ng	46,355,500	4.98%
Mooi Fah Lee	26,719,332	2.87%
National Nominees Limited	10,590,800	1.14%
DBS Vickers Securities	10,130,749	1.09%
Yuk Ting Lucille Tong	8,500,809	0.91%
SA Capital Funds Management	8,100,000	0.87%
Locope Pty Ltd	8,000,000	0.86%
Top 10 Shareholders	554,197,190	59.57%
Other Shareholders	376,148,872	40.43%
Total	**930,346,062**	**100.00%**

Source: Management

3.6. Share Price Analysis

We have considered the trading activity and the ASX market price for GIL in the period leading up to 6 March 2013 (being 1 day prior to the date of announcement of the Amended Loans on 7 March 2013). GIL was placed in a trading halt on 3 October 2012 and was subsequently suspended from quotation on the ASX between 5 October 2012 and 15 November 2012. The table below summarises trades over the year up to 6 March 2013:

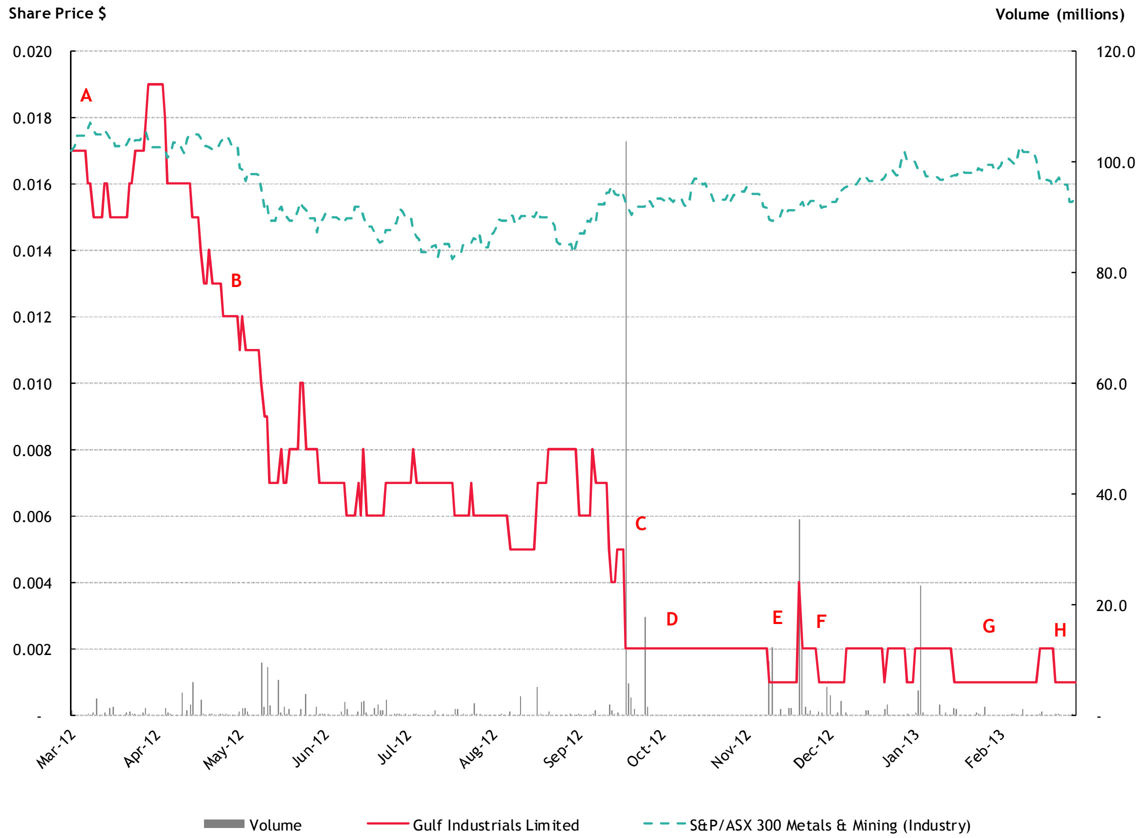
Table 8: Volume Weighted Average Share Price of Daily Trades

	High ($)	Low ($)	VWAP ($)	Total Volume Traded ('000s)	Annualised Turnover (%)	Average Bid/Ask Spread (%)
As at 6 March 2013	n/a	n/a	n/a	n/a	n/a	n/a
1 month to 6 March 2013	0.002	0.001	0.001	2,865	3.9%	41.1%
3 months to 6 March 2013	0.003	0.001	0.002	50,378	22.8%	34.4%
6 months to 6 March 2013	0.008	0.001	0.002	270,364	58.8%	27.5%
12 months to 6 March 2013	0.019	0.001	0.004	376,421	40.5%	17.3%

Sources: *Capital IQ, BDO analysis*
Legend: VWAP denotes volume weighted average share price.

Below is a graph depicting the volume of the Shares traded daily for the 1 year up to 6 March 2013 (being 1 day prior to the date of announcement of the Amended Loans on 7 March 2013) and a comparison of the Share price to the ASX 300 Metals & Mining Industry.

Figure 1: Daily Closing Share Prices and Volumes from 7 March 2012 to 6 March 2013



Source: Capital IQ, BDO analysis

We note that there has been no significant movement in the Share price since the announcement of the Amended Loans on 7 March 2013 up to 2 April 2013, being the latest practicable date prior to the issue of this Report. The closing Share price as at 2 April 2013 was $0.001.

Factors which may have had an impact on trading in the Shares and Options are detailed below:

Table 9: GIL ASX Announcements

Note	Date	Announcement Details	Opening Share Price ($)	Closing Share Price (1 day after announcement) ($)	Volume of shares traded (over 2 days) ('000s)	% Movement
A	6 Mar 12	GIL obtains 12% increase in Vermiculite sales price	0.019	0.017	2,905	(10.5)
B	30 Apr 12	Quarterly activities and cash flow reports	0.013	0.012	265	(7.7)
C	24 Sep 12	Operations update - Dupré, the distributor of 100% of the off take at Namekara Vermiculite Project advised the company that they are unable to guarantee any distribution of vermiculite until the vermiculite market picks up. The Board is reviewing its various options which could include putting the Namekara Vermiculite Project on care and maintenance.	0.005	0.002	109,187	(60.0)
D	3 Oct 12	GIL placed in a trading halt	0.002	0.002	-	0.0
E	15 Nov 12	Reinstatement onto ASX	0.002	0.001	21,950	(50.0)
F	26 Nov 12	Confirmation of High Grade Phosphate Discovery - Busumbu	0.001	0.002	49,049	100.0
G	31 Jan 13	Quarterly activities and cash flow report	0.001	0.001	1,400	0.0
H	6 Jan 13	1 day prior to the Amended Loans announcement	0.001	0.001	-	0.0

Source: Capital IQ, ASX

We note the following with respect to the share trading of GIL over the trading period:

- The last closing price in the above trading period was $0.001 per share on 5 March 2013. There were no trades on 6 March 2013.
- The Shares traded between $0.001 per share and $0.019 per share in the year prior to 6 March 2013.
- VWAP prices are observed to be on a downward trend.
- There is low trading volume over the period, as the total traded volume of shares over the 12 months to 6 March 2013 was approximately 40.5% of the total weighted average number of Shares on issue over the period.
  - The volume of shares traded on 24 September 2012 and 25 September 2012 (on the day of announcement and one day after that Dupré is unable to guarantee distribution) accounted for approximately 29.0% of the shares traded in the 12 months to 6 March 2013.
  - Excluding the trading on 24 September 2012 and 25 September 2012, the number of Shares traded over the 12 months to 6 March 2013 was approximately 28.7% of the total weighted average number of shares on issue over the period.
- Over the year analysed, there were 136 days of trading activity out of a total of 233 trading days.
- The average bid-ask spread over each period ranged from 17.3% to 41.1% which typically indicates a low level of liquidity. However, we note that for shares trading on the ASX at less than $0.10 the minimum price movement between trades is $0.001. As such, the large bid/ask spreads observed over the period are possibly a result of the higher percentage change due to the reduction in value over time. We also note that the Shares are currently trading at $0.001 which is the lowest possible traded price.

4. INDUSTRY OVERVIEW

4.1. Vermiculite Overview

Vermiculite is a hydrated magnesium aluminium silicate mineral which resembles mica in appearance. It is relatively light, and has capacity to absorb and slowly release liquid and insulates against heat and sound.

Exfoliated vermiculite has various uses and is applied in various industries such as construction, industrial, agriculture and horticulture.

Major vermiculite producers are located in South Africa, USA, China and Brazil. In 2009, China and South Africa produced 62% of global supply of vermiculite. America and Europe represent the major consumers of the product.

Vermiculite is mined using open cut mining techniques where the ore is separated from other minerals and then screened or classified into several basic particle sizes.

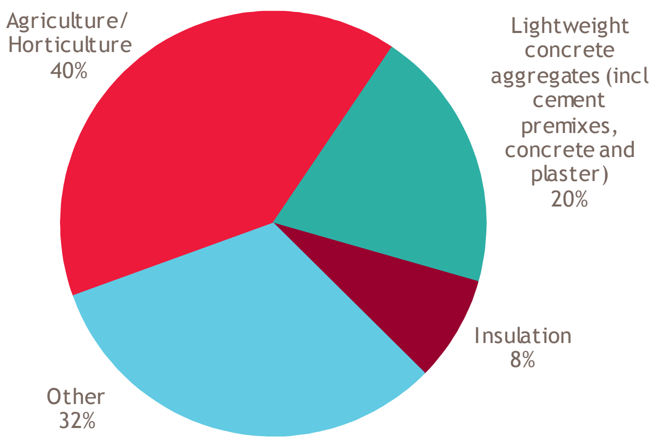
4.1.1. Vermiculite Usage

Set out below are some of the main applications of vermiculite (Industry):

- Horticulture – Vermiculite improves soil aeration while retaining moisture and nutrients thus encouraging maximum growth of plants.
- Packaging – Used in packaging fragile products. Exfoliated vermiculite provides a cushion against shock during handling and transportation. In addition, being highly absorbent, it is an ideal material should leakage occur.
- Animal feed – Used in animal feed as a support and carrying medium.
- Fire protection – Vermiculate has a low density and is generally deemed to have good insulation properties. As such, exfoliated vermiculite is used in the production of building boards, which are then used as a 'core' in firedoors.
- Refractories and high temperature insulation – Exfoliated vermiculite is used in the production of insulation shapes.
- Lightweight concretes – Finer grade vermiculite is used in conjunction with other insulation materials to produce roof and floor concrete.

Set out below is the end usage for exfoliated vermiculite in the US:

US end uses for exfoliated vermiculite

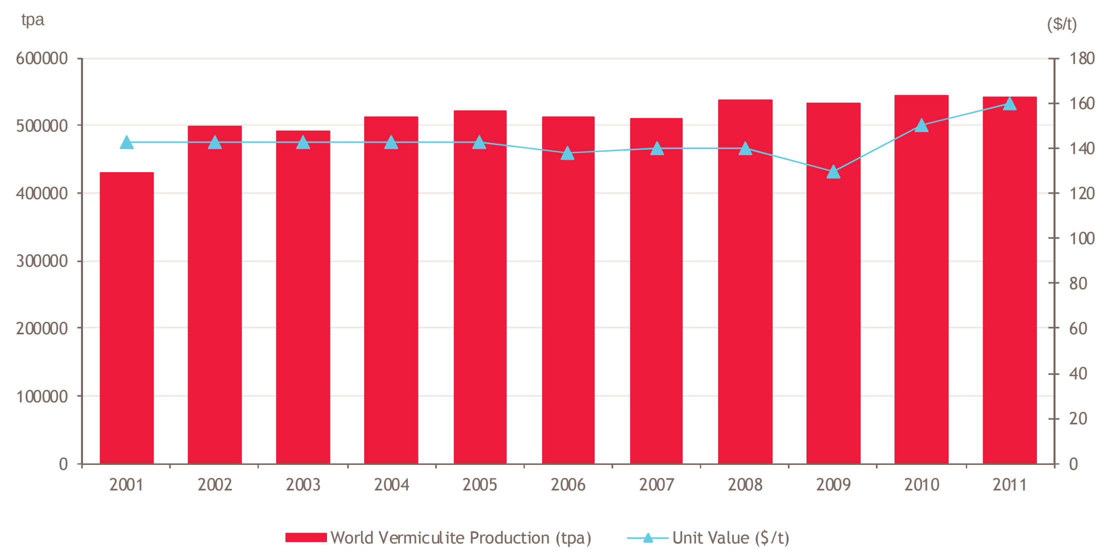


Source: U.S Bereau of Mines, U.S. Geological Survey

4.1.2. Vermiculite Global Supply

Set out below is the world vermiculite production from 2001 to 2011.

World Vermiculite Production



Source: U.S Bureau of Mines, U.S. Geological Survey

Note 1: World Vermiculate Production refers to vermiculite (concentrate)

Note 2: Unit Value was estimated for the United States in actual dollars for prices for vermiculite (concentrate) sold and used per metric ton (t).

Based on the above, we note that:

- World wide vermiculite production has been on an uptrend since 2001 with production peaking at 544,000 tpa in 2010.
- Vermiculite prices dipped to $130 per ton in 2009 but subsequently increased to $160 per ton in 2011.

4.1.3. Vermiculite Outlook

As at the time of drafting this Report, we note that Industry is expected to face downward pressure from a fall in vermiculite prices, particularly for finer grades. This is mainly due to new vermiculite producers ramping up production. As the Industry is relatively small with a global market at approximately 500,000 tpa, an increase in supply without a corresponding increase in demand would generally result in price decreases.

4.2. Limestone Overview

Limestone is a relatively common sedimentary rock composed of calcium carbonate ($CaCO_3$). Limestone is formed by the accumulation and subsequent solidification of marine fossil debris.

Set out below are some of the main applications of limestone:

- Used as a raw material in manufacturing cement and mortar. This constitutes the largest application of limestone (approximately 15%-25% of consumption).
- Used in glass making.
- Used in blast furnaces to extract iron from its ore.
- Used in manufacturing medicines and cosmetics.
- Used in manufacturing paint.

- Used as a material for soil treatment. Calcium carbonate, quicklime and hydrated lime can be used to adjust the pH of soil to ensure optimum growing conditions and hence improve crop yields.
- Used as a material for soil stabilisation. Quicklime and lime kiln dust is used to dry wet soils at construction sites, reducing downtime and providing an improved working surface.
- Used to remove temporary hardness from drinking water and to adjust its pH for optimum purification conditions by precipitating out the heavy metals.

Given the large number of industrial applications and the large quantity of limestone consumed, limestone is deemed as one of the most important industrial mineral. However, the level of international limestone trade is relatively small as compared to other types of minerals given that limestone occurs widely throughout the world and transportation costs account for a large portion of the product value.

Global production data for limestone industry is not readily available but is estimated to be large (less than 100 million tpa).

5. VALUATION METHODOLOGY

5.1. Overview

In assessing the fairness of the Share Issue and Exercise of Options, we have determined the value of GIL. We have considered the following valuation methods:

- Capitalisation of earnings
- Discounted cash flow (DCF)
- Asset-based valuations
- The most recent quoted market price of listed securities (share market trading method).

Set out in Appendix 3 is a summary description of the valuation methodologies we have considered.

Set out below is a discussion of the valuation method we consider appropriate for the purposes of undertaking our valuation assessment of GIL.

5.2. Asset based approach

GIL consists predominantly of mining tenements and accordingly the net assets method on a going concern basis is considered most appropriate methodology.

Since there is illiquidity in the traded shares and options of GIL, the observed market prices do not provide evidence of the fair market value of the Shares. The quoted prices are often used as a cross-check of the assessment of fair market value determined using a primary valuation approach.

We note that existing GIL tenements make up the majority of its assets.

5.3. Selected valuation methodology

The fair market value of net assets is based on a sum-of-parts of the assets and liabilities set out in GIL's reviewed balance sheet as at 31 December 2012 plus the assets and liabilities resulting from the Amended Loans. The following assets and liabilities have been assessed independently and aggregated to arrive at the equity value of GIL prior to the Share Issue and Exercise of Options:

- The fair market value of the tenements of GIL as assessed in the independent valuation report by AL Maynard & Associates Pty Ltd (Maynard) dated 25 June 2013 (GIL Tenements Report). GIL engaged Maynard to prepare a valuation of the tenements of GIL (excluding stock on hand) in accordance with the VALMIN Code. A copy of the GIL Tenements Report is provided in Appendix 4.
- The face value of the Amended Loans based on the drawdowns of GIL up to the latest practicable date prior to the issue of this Report.
- The fair market value of other assets and liabilities of GIL.
- The fair market value of unlisted options.
- Pro forma adjustments arising from the payments to Dupré for the termination of the distribution agreement.
- Capitalised overheads and costs associated with the Share Issue and Exercise of Options.

5.4. Valuation Cross-Check

In order to provide additional evidence of the value of GIL, it is reasonable to consider the most recent quoted market prices of listed GIL securities (share market trading method) as a valuation cross-check.

6. VALUATION OF GIL

6.1. Overview

To determine the fair market value of GIL, we have considered the following:

- GIL will remain a going concern and will be able to organise an equity raising to repay the Amended Loans if the Share Issue is not approved by the Non-associated Shareholders. Therefore, the valuation below assumes that the Share Issue is not approved.
- Following the termination of the Dupré distribution agreement, GIL will successfully commence production and sale of the vermiculite in accordance with its budget.
- No further payments to Dupré.
- No material contingent liabilities exist as at the time of drafting this Report other than those considered below.
- The company does not require additional funding in the short term to that provided by the Amended Loans.

6.2. Valuation Summary

Our assessment of the fair market value of GIL is set out below:

Table 10: Valuation summary of the fair market value of the Shares prior to Share Issue and Exercise of Options

$'000s unless stated otherwise	Ref	Low	High
Net assets	6.3	3,152	3,152
Add/(less):			
Less: Book value of Property, plant and equipment	6.4	(4,598)	(4,598)
Less: Book value of Exploration expenditure	6.4	(1,187)	(1,187)
Add: Fair market value of GIL's tenements	6.5	1,500	2,300
Add: Value of plant and equipment	6.6	500	4,598
Add: Adjustment to net assets arising from termination of Dupré	6.7	170	170
Add: Book value of loan from JC and RC	6.8	1,562	1,562
Less: Face value of the Amended Loans	6.9	(2,805)	(2,805)
Less: No Approval Fee	6.10	(1,242)	(1,242)
Less: Capitalised corporate costs	6.11	(3,900)	(3,250)
Less: Transaction costs	6.12	(264)	(264)
Equity value of GIL (control)		**(7,113)**	**(1,565)**
Number of ordinary shares on issue - undiluted ('000s)	3.5	930,346	930,346
Equity value of GIL per share (control) ($)		**(0.008)**	**(0.002)**
Equity value of GIL per share (say) (control) ($)		**nil**	**nil**

Source: *BDO analysis*
Note: *The above may include rounding differences*

We note that GIL is a public company limited by shares. This means that the liability of its Shareholders is limited to the balance amount (if any) which remains unpaid on the Shares held. Accordingly, if the Shareholders have paid for their Shares in full and the Company has debts greater than the total value of its assets, the Shareholders are not required to contribute towards to paying for the debts.

Based on the above, we have estimated the fair market value of an issued share of GIL to be $nil on a controlling interest basis.

6.3. Net assets

We have relied on the book value of the net assets of GIL as at 31 December 2012 as our starting point for the valuation (refer Section 3.3).

6.4. Book value of Property, plant and equipment and Exploration expenditure

We have relied on the fair market values of the tenements set out in the GIL Tenements Report as part of our valuation. Accordingly, we have deducted the book value of these assets to avoid double counting.

6.5. Fair market value of GIL tenements

GIL has engaged Maynard to prepare the GIL Tenements Report in accordance with the VALMIN Code for the purpose of this Report. Maynard has a history of preparing similar reports for various listed entities on the ASX. We have reviewed the GIL Tenements Report and are satisfied that the methodologies adopted are in accordance with industry practices.

Namekara Vermiculite Project

Maynard has assessed the current cash value of the Namekara Vermiculite Project on a 100% equity interest basis based on the empirical method. The value is derived in terms of dollar value per unit area or dollar value per unit of resource in the ground and adjustments are applied according to the independent expert's knowledge of the particular property.

We have considered Maynard's definition of current cash value to be equivalent to the term fair market value. The assessed fair market value of the Namekara Vermiculite Project ranged from $1.5 million to $2.3 million.

Soalara Limestone Project

Maynard has assessed the current cash value of the Soalara Limestone Project on a 100% equity interest basis based on the empirical method.

The assessed fair market value of the Soalara Limestone Project ranged from $0.03 million to $0.05 million.

6.6. Value of plant and equipment

Management advised that the plant and equipment has been placed on care and maintenance and requires some restoration in order to be fully functional and operate efficiently. Without any restoration, management estimates the scrap value of the plant and equipment to be approximately $0.5 million.

For the purposes of our valuation, we have assumed a scrap value of $0.5 million as our low value and the book value of $4.6 million as our high value for these assets.

6.7. Adjustment to net assets arising from termination of Dupré distribution agreement

Management advised that the costs in terminating the Dupré distribution agreement are as per table below. The non-cash settlements as part of the termination costs are adjusted as follows:

Table 11: Dupré termination costs and adjustments to assets and liabilities as at 31 December 2012

$'000s unless stated otherwise		Ref	
Payment to Dupré for termination of distribution agreement			
Stock payment to Dupré	(a)	(i)	770
Cash payment to Dupré for termination of agreement		(ii)	400
Cancellation of trade receivables from Dupré		(iii)	105
Cancellation of loan owing to Dupré		(iv)	(289)
Total termination costs			**986**
Adjustments to assets and liabilities as at 31 December 2012			
Cancellation of trade receivables from Dupré		(iii)	(105)
Cancellation of loan owing to Dupré		(iv)	289
Reversal of the deferred revenue recognised in relation to Dupré		(v)	757
Inventory balance as at 31 December 2012 to be transferred to Dupré	(b)	(i)	(540)

Table 11: Dupré termination costs and adjustments to assets and liabilities as at 31 December 2012

$'000s unless stated otherwise		Ref	
Adjustment to assets and liabilities			**400**
Shortfall in stock payment to Dupré	(a) - (b)	(i)	(230)
Net adjustment to assets and liabilities			**170**

Source: BDO analysis

(i) Stock payment to Dupré

Dupré has agreed to accept $0.77 million worth of stock as payment in kind for the termination of the distribution agreement. The book value of stock amounts to $0.54 million as at 31 December 2012. Therefore, GIL is required to fund the remaining balance of $0.23 million in cash and an adjustment has been made to reflect the liability.

(ii) Cash payment to Dupré for termination of agreement

In accordance with the Dupré Termination Deed, GIL is required to pay $0.40 million in cash to Dupré for the termination of the distribution agreement. GIL has obtained funding of $0.40 million from JC packaged as part of the Amended Loans. We note that the payment of $0.40 million has been made and therefore, no further adjustment is required other than the liability recorded as part of additional drawdowns in Section 6.9 below.

(iii) Cancellation of trade receivables from Dupré

GIL has agreed to cancel the trade receivables owing from Dupré as part of the payment for the termination of the distribution agreement. As such, we have reflected the reversal of the balance as at 31 December 2012.

(iv) Cancellation of loan owing to Dupré

As at 31 December 2012, GIL owed Dupré $0.29 million. In accordance with the Dupré Termination Deed, Dupré waives the loan in exchange for the other forms of payment discussed above and this has been reflected as an adjustment to the net assets as at 31 December 2012.

(v) Reversal of the deferred revenue recognised in relation to Dupré distribution agreement

As at 31 December 2012, GIL recorded $0.76 million as deferred revenue being the balance of the US$1.0 million fee received in respect of the Dupré distribution agreement recognised over the 25 year term of the agreement. We have adjusted the deferred revenue against the net assets as at 31 December 2012 as a result of the termination of agreement.

6.8. Book value of loan from JC and RC

We have considered the fair market value of the Amended Loans from JC and RC as part of our valuation. Accordingly, we have deducted the book value of the liability as at 31 December 2012 from the net assets of GIL.

6.9. Face value of the Amended Loans

Management advised that as at the time of drafting this Report, the following amount has been drawn todate:

Table 12: Face value of the Amended Loans

$'000s unless stated otherwise	
Principal outstanding in relation to Existing Bridge Loan	2,000
Capitalised interest and fees in relation to Existing Bridge Loan as at 24 March 2013	233
Additional drawdowns up to 31 March 2013	422
Capitalised arrangement and commitment fee	149
Total	**2,805**

Source: JC and RC Amendment Letters dated 25 March 2013, Management

The amount currently drawn down is $2.8 million. We have been advised by Management that the additional funds able to be drawn down under the Amended Loans will be used to fund working capital and will not directly increase the value of tangible assets. As such, any further loan drawdowns will not increase the value of the net tangible assets of GIL. Hence, the impact of further loan drawdowns would reduce our fair market valuation which is already negative and therefore, the overall impact on our conclusion of the value of a Share would not change.

6.10. No Approval Fee

If the Shareholders do not approve the Share Issue and waiver of requirement to make minority offer, GIL must pay the No Approval Fee to the lenders. The No Approval Fee is equal to 30% of the aggregate of:

- The total commitment of $4.135 million; and
- All interest accrued on the principal amount of outstanding loans at that time pursuant to the Amended Loans.

For the purposes of the Report, we have assumed that the Shareholders do not approve the Share Issue.

We have assumed the penalty will take effect as at 31 March 2013, being the latest practicable date prior to the issue of this Report. We have not capitalised the No Approval Fee on the assumption that the Lenders will not request the penalty to be accrued even though they have the discretion to do so. If the No Approval Fee is capitalised and interest accrues on the amount, the fair market value of GIL will be lower.

6.11. Capitalised corporate costs

The corporate costs of GIL are not included in the fair market value of the Company's tenements. In assessing the value of GIL on a going concern basis, an appropriate capitalised allowance for corporate overheads is required. These costs include, but are not limited to:

- Compliance costs such as reporting and taxation costs
- Professional and consultant fees
- Insurance
- Salaries and wages of administration staff
- Directors fees

Based on our review of the income statement and discussions with GIL management, we have assessed required ongoing corporate overheads to be approximately $0.65 million on an annualised basis (pre-tax).

We have assessed a multiple of 5.0x to 6.0x to be appropriate in capitalising the corporate costs. On this basis, we have included in the valuation of GIL capitalised corporate costs of between $3.25 million to $3.90 million.

6.12. Transaction costs

GIL management have advised that the Company will incur costs associated with the Share Issue and Exercise of Options of approximately $0.26 million (including GST). These costs relate to legal fees, consultancy fees, geologist's valuation fees and fees associated with the preparation of this Report.

These costs will be incurred by GIL regardless of whether the Share Issue and Exercise of Options proceed. As such, we have considered an adjustment for the amount of $0.26 million (including GST) to reflect these costs.

6.13. Contingent liability – Madagascar

Management advised that the trade and other payables as at 31 December 2012 reflect the fair market value of the amount payable to the vendors for the purchase of the Soalara Limestone Project upon first commercial shipment of limestone. Therefore, no further adjustments have been made.

6.14. Fair market value of unlisted options

GIL has 579.9 million options on issue of which 52.6 million options are quoted on ASX expiring on 31 March 2013. GIL also has 29.0 million employee options on issue.

As our assessed controlling undiluted fair market value of a Share is lower than the exercise price of all GIL options, the options are deemed to be ‘out-of-the-money’. As a result, we have assumed that these options would not be exercised.

6.15. Valuation cross-check

As noted in Section 3.6 above, the share trading observations indicate a low level of liquidity. As such, we do not consider the Share price as an appropriate cross-check.

We note that there is potential value to Shareholders arising from the options inherent in the decision-making by the Company, such as successful exploration resulting in an increase of the JORC resource for both the Namekara Vermiculite Project and the Soalara Limestone Project or increases in prices or demand for vermiculite allowing for early production to be viable.

Options convey value to shareholders, however, we have not ascribed any value to the optionality of the decisions the Company could make as we are required to form an opinion based on reasonable assumptions. We also note that the closing Share price of $0.001 as at 9 April 2013, being the latest practicable date prior to the issue of this Report, is the lowest possible price able to be traded on ASX indicating that Shareholders assign little value to the optionality.

7. EVALUATION

7.1. Fairness

In order to determine whether the Share Issue and Exercise of Options are "fair", we compared the respective consideration with our assessed value of a Share (on a control basis).

The result of our fairness analysis is summarised below.

Table 13: Fairness analysis

$ unless stated otherwise	Ref	Low	High
Fairness of Share Issue			
Issue Price of a Share	1.1	$0.002	$0.002
Fair market value of a Share (control)	6.2	$nil	$nil
Fairness of Exercise of Options			
Exercise Price per Option	1.3	$0.002	$0.002
Fair market value of a Share (control)	6.2	$nil	$nil

Source: BDO analysis

From the above, the Issue Price and Exercise Price are higher than the fair market value of a Share, inclusive of a premium for control. Accordingly, in our opinion:

- The Share Issue in accordance with Resolution 1 of the Documents is fair to the Non-associated Shareholders.
- The Share Issue in accordance with Resolution 2 of the Documents is fair to the Non-associated Shareholders.
- The Exercise of Options in accordance with Resolution 3 of the Documents is fair to the Non-associated Shareholders.
- The Exercise of Options in accordance with Resolution 4 of the Documents is fair to the Non-associated Shareholders.

7.2. Reasonableness

For the purposes of RG 111, an offer is considered to be reasonable, if it is fair.

Not withstanding the above, set out below is a summary of our separate assessment of the factors which we believe should be considered by Non-associated Shareholders in their assessment of the Share Issue and Exercise of Options respectively.

Table 14: Reasonableness

Share Issue	Exercise of Options
If the Share Issue is not approved, GIL may not have the ability to meet its debts as and when they fall due The Directors have advised that GIL requires immediate short term funding for working capital expenditure, creditor payments, salaries, transaction costs and exploration and capital expenditure. To provide the maximum possibility for short term viability of the business and to enable GIL to meet its debts as they fall due, the Share Issue is a reasonable option in the absence of alternative funding.	***If the Exercise of Options is approved and the Lenders elect to exercise the Options, it will provide short term working capital*** The Exercise of Options will provide an additional $0.92 million cash injection to GIL to meet short term working capital.

Table 14: Reasonableness

Share Issue	Exercise of Options
If the Share Issue is approved and the Lenders do not elect for repayment in the form of Shares, GIL may not have the ability to meet its debts as and when they fall due If the Share Issue is approved but the Lenders do not extend the Amended Loans nor elect for repayment in the form of Shares by the Maturity Date, GIL may not be able to repay the Amended Loans and may default unless it is able to undertake equity raising prior to the Maturity Date.	
Debt funding not available GIL is currently unable to obtain bank debt funding for its exploration activities.	
No approval fee If the Shareholders do not approve the Share Issue, GH will be required to pay the No Approval Fee to either JC or RC or both of up to a maximum amount of $1,398,469.80.	
Uncertainty in securing alternate financing arrangements If the Shareholders do not approve the Share Issue, there is no certainty that GIL will be able to obtain alternate financing arrangements to repay the loan, the No Approval Fee and to fund its ongoing operations.	
Potential dilution of existing Shareholders' interest If the Share Issue is approved and the Lenders elect for repayment in the form of Shares immediately, it allows for an immediate dilution of approximately 50.5% of the voting power currently held by the Non-associated Shareholders, excluding future capital raisings. This will give JC and RC a significant level of control over the Company in comparison to other Shareholders including the capacity to block or pass ordinary or special resolutions. Regardless of the shareholding structure, given the assessed $nil fair market value of the Company a Share dilution at this stage does not improve the value held by the Shareholders.	***Potential dilution of existing Shareholders' interest*** If the Exercise of Options is approved and the Options are exercised immediately, it allows for an immediate dilution of approximately 23.2% of the voting power currently held by the Non-associated Shareholders, excluding future capital raisings. This will give JC and RC greater control over the Company in comparison to other Shareholders including the capacity to block or pass ordinary or special resolutions. Regardless of the shareholding structure, given the assessed $nil fair market value of the Company a Share dilution at this stage does not improve the value held by the Shareholders.
Further capital initiatives may be required Regardless of whether the Share Issue and Exercise of Options are approved and implemented or not, GIL will continue to have a working capital deficiency and a shortage of exploration funding. Further capital management initiatives (including a rights issue or a convertible note issue) may be required.	
Transaction costs Management advised that GIL will incur transaction costs for the Share Issue and Exercise of Options. A large part of these costs will have been incurred before the Meeting and will be incurred regardless of whether the Share Issue and Exercise of Options are approved and implemented.	

Source: BDO analysis

7.3. Conclusion

Based on the above, we conclude that:

- The Share Issue in accordance with Resolution 1 of the Documents is fair and reasonable to the Non-associated Shareholders.
- The Share Issue in accordance with Resolution 2 of the Documents is fair and reasonable to the Non-associated Shareholders.
- The Exercise of Options in accordance with Resolution 3 of the Documents is fair and reasonable to the Non-associated Shareholders.
- The Exercise of Options in accordance with Resolution 4 of the Documents is fair and reasonable to the Non-associated Shareholders.

8. QUALIFICATIONS AND DECLARATIONS

8.1. Qualifications

BDO has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions. BDO holds an Australian Financial Services Licence, issued by ASIC, for giving expert reports pursuant to the Listing Rules of the ASX and the Act.

Dan Taylor has a B.Com from the University of Adelaide, is a fellow of the Institute of Chartered Accountants in Australia and a fellow of the Financial Services Institute of Australia. Mr Taylor is a director of BDO. Mr Taylor is also a partner of BDO East Coast Partnership. Mr Taylor is the director responsible for the preparation of this Report.

Mr Taylor has over 18 years experience in the chartered accountancy profession and has undertaken numerous corporate finance assignments involving acquisitions, divestments, valuations, independent expert reports and financial due diligence. Accordingly, Mr Taylor is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, BBus, CA, is a director of BDO. Mr McCourt is also a partner of BDO East Coast Partnership. Mr McCourt is the director responsible for the review of this Report.

Mr McCourt has over 14 years experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

8.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this Report on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

We were not involved in advising on, negotiating, setting, or otherwise acting in any capacity for GIL in relation to the Share Issue and Exercise of Options, other than the preparation of this Report. Further, we have not held and, at the date of this Report, do not hold any shareholding in, or other relationship with GIL that could be regarded as capable of affecting our ability to provide an unbiased opinion in relation to the Share Issue and Exercise of Options. We consider ourselves to be independent in terms of RG 112 Independence of experts (RG 112), issued by ASIC.

On 26 November 2012, we issued an independent expert's report in relation to the Existing Bridge Loans. We do not consider this to impact our independence.

We will receive a fee based on the time spent in the preparation of this Report in the amount of approximately $37,000 (plus GST and disbursements). We will not receive any fee contingent upon the outcome of the Share Issue and Exercise of Options, and accordingly, we do not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion in relation to the Share Issue and Exercise of Options.

Three drafts of this Report were provided to the Directors for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the draft Reports. However, no changes were made to the methodology, conclusions or recommendations made to the Non-associated Shareholders.

8.3. Disclaimer

This Report has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this Report. This Report has been prepared for the sole benefit of the Directors and Non-associated Shareholders. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and Non-associated Shareholders without our written consent. We accept no responsibility to any person other than the Directors, and Non-associated Shareholders in relation to this Report.
The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Directors, executives and management of GIL.

APPENDIX 1 : SOURCES OF INFORMATION

In preparing this Report, we have had access to and relied upon the following principal sources of information:

- GIL final draft Documents
- Loan Agreements
- GIL Tenements Report
- Dupré's Termination Deed
- GIL Annual Report 2012, GIL half-year ended 31 December 2012 results and management's accounts for 6 months period to 31 December 2012
- GIL ASX announcements
- GIL website, http://www.gulfindustrials.com.au
- Discussions with GIL management
- Industry data from publicly available resources
- Information and research sourced from Bloomberg and Capital IQ
- Information generally available and provided by major Australian economic forecasting bodies
- Information on vermiculite, http://www.vermiculite.org/

APPENDIX 2 : GLOSSARY

Act	Corporations Act 2001 (Cth)
Amended Loans	On 25 March 2013, GIL entered into an agreement with JC and RC for an extension of the Existing Bridge Loans and an increment of principal outstanding by $2.135 million
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO, we, us or our	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Borrower or GH	GLF Holdings Limited
DCF	Discounted cash flow
Directors	Directors of GIL
Documents	Notice of Meeting and accompanying Explanatory Memorandum that are to be provided by the Directors in relation to the Share Issue and Exercise of Options
Dupré	Dupré Minerals Limited
Exercise Price	$0.002 per Option
Exercise of Options	Being Resolutions 3 and 4
Existing Bridge Loans	On 15 November 2012, GIL's wholly owned subsidiary, GH, entered into 2 bridge loan facilities for an aggregate of $2 million with JC and RC. The maturity date of the Existing Loan lapsed on 31 January 2013
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY20XX	Financial year ended/ing 30 June 20XX
GH	GLF Holding Limited
GIL or the Company	Gulf Industrials Limited
GIL Tenements Report	The fair market value of the tenements of GIL as assessed in the independent valuation report by Maynard dated 26 April 2013
GRUL	Gulf Resources Uganda Limited
Industry	Vermiculite industry
Issue Price	$0.002 per Share
JC	Jonah Capital (BVI) Ltd
Lenders	JC and RC
Licence	Australian Financial Services Licence (License No: 247420)
Loan Agreements	Agreements between GH and each of the Lenders in relation to the Amended Loans
Maturity Date	30 September 2013
Management	GIL management
Maynard	AL Maynard & Associates Pty Ltd
Maximum Subscription	The loan outstanding can be converted into Shares at $0.002 per Share at any time until maturity. The loan outstanding at the time of Share Issue includes the Existing Bridge Loans, new advances drawn down under the $2.135 million facilities, capitalised interest, costs and fees
Meeting	Extraordinary general meeting to be convened
Non-associated Shareholders	Shareholders other than those directly involved in the Share Issue and Exercise of Options or associated with such persons
No Approval Fee	The No Approval Fee is equal to 30% of the aggregate of: • The total commitment • All interest accrued on the principal outstanding and any fees payable under the Loan Agreements (to the extent not included in the principal outstanding).
Options	460,000,000 options issued to the Lenders in accordance with the Existing Bridge Loans
PPE	Property, plant and equipment
RC	Richmond Partners Master Limited
Report or IER	This independent expert's report
Resolution 1	The issue of up to 1,039,161,297 Shares to JC on election under the terms of the Amended Loans
Resolution 2	The issue of up to 1,374,733,827 Shares to RC on election under the terms of the Amended Loans
Resolution 3	The right to exercise of 172,500,000 Options with a strike price of $0.002 currently held by JC
Resolution 4	The right to exercise of 287,500,000 Options with a strike price of $0.002 currently held by RC
RG 74	ASIC Regulatory Guide 74 *Acquisitions approved by members*
RG 111	ASIC Regulatory Guide 111 *Content of expert reports*
RG 112	ASIC Regulatory Guide 112 *Independence of experts*

Shares	Fully paid ordinary shares in GIL
Shareholders	Shareholders of GIL
Share Issue	Being Resolutions 1 and 2
Termination Deed	The agreement entered into by GIL, GRUL and Dupré on 6 March 2013 terminating the Dupré distribution agreement
VWAP	Volume weighted average trading prices

APPENDIX 3 : VALUATION METHODS

In conducting our assessment of the fair market valuation, the following commonly used business valuation methods have been considered:

Discounted cash flow

The DCF method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- The forecast of future cash flows of the business asset for a number of years (usually five to ten years)
- The discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value

DCF is appropriate where:

The businesses' earnings are capable of being forecast for a reasonable period (preferably five to ten years) with reasonable accuracy

- Earnings or cash flows are expected to fluctuate significantly from year to year
- The business or asset has a finite life
- The business is in a 'start up' or in early stages of development
- The business has irregular capital expenditure requirements
- The business involves infrastructure projects with major capital expenditure requirements
- The business is currently making losses but is expected to recover

Capitalisation of earnings

This method involves the capitalisation of estimated normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable earnings that can be derived by the business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies or transactions.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net realisable value of assets

Asset based valuations involve the determination of the market value of a business based on the net realisable value of the assets used in the business.

The net realisable value of assets involves:

- Separating the business or entity into components which can be readily sold, such as individual business units or collections of individual items of plant and equipment and other assets
- Ascribing a value to each based on the net amount that could be obtained for this asset if sold

Share market trading history

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- The shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares
- The market for the company's shares is active and liquid

Constant growth dividend discount model

The dividend discount model works best for:

- Firms with stable growth rates
- Firms that pay out dividends that approximate free cash flow to equity
- Firms with stable leverage
- Firms where there are significant or unusual limitations on the rights of shareholders

APPENDIX 4 : GIL TENEMENTS REPORT

AL MAYNARD & ASSOCIATES Pty Ltd

Consulting Geologists

www.geological.com.au *ABN 75 120 492 435*

9/280 Hay Street, *SUBIACO, WA, 6008* *Australia*	*Tel: (+618) 9388 1000* *Fax: (+618) 9388 1768*	*Mob: 04 0304 9449* *al@geological.com.au*

Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT VALUATION OF GULF INDUSTRIALS LIMITED

MINERAL ASSETS

Located in the Republic of Uganda

and the

Republic of Madagascar.

PREPARED FOR

BDO Corporate Finance (East Coast) Pty Ltd

Author: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company: Al Maynard & Associates Pty Ltd
Date: 25th June, 2013

EXECUTIVE SUMMARY

Uganda

Mining License ("ML") 4651 and Exploration Licenses ("EL") 0620, 0666 and 0713 are in the vicinity of Namekara, Manafwa Province, SE Uganda where the bulk of the available project data was generated by Rio Tinto Mining and Exploration Limited ("RIO") covering exploration work and Mineral Resource estimates completed on the vermiculite potential. Later SRK Consulting – Eastern Africa (Pty) Limited ["SRK-EA"] were engaged by Gulf Industrials Limited ("Gulf") to conduct a site visit in 2009 and then review and comment on the resource statement.

The Vermiculite mineralisation at Namekara is understood to be closely associated with the occurrence of alkali and carbonatite intrusives in ultramafic rock. RIO concluded that vermiculite formation is predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction with downward percolating surface water. Best vermiculite development occurred to a depth of >50m below surface. The overburden in the Namekara area is up to ≤12m, but on average 6.5m thick.

Exploration work completed indicated that vermiculite occurs in flat lying zones near surface which contain sub-vertical, coarse-grained, high grade zones. It was concluded that an area of over 1km^2 within ML4651 contains an average thickness of 31m containing >10% vermiculite, free of phlogopite, from a depth of 10-53m below surface. This zone may extend for over another ±2.3km northwards with vermiculite, although probably at reduced grade.

In the open pit the enriched, often very coarse-grained zones developed contain ±80% vermiculite as compared with a consistent ±25% elsewhere. A deposit of high, coarse grade vermiculite, with a low strip ratio also occurs to the ESE of the present open pit;

When previously exploited, since the processing plant required disaggregating large or premium grade feed to yield the medium grade product required to be marketed, only coarser-grained, higher grade material was processed. As a result, the waste generated characteristically contained ±35% vermiculite. Approximately 15 – 20% of this waste is medium grade.

SRK-EA were engaged by Gulf to review the exploration work and Mineral resource estimates completed by RIO on the vermiculite potential of the project SE Uganda. A site visit was undertaken by SRK-EA from the 16th to the 18th of May 2009.

The Mineral Resource Estimate for the Namekara projects as reported by RIO is presented in Table 1.

Classification	Mt	180_V (%)	425_V (%)
Inferred	54.9	26.7	18.8

Table 1: Mineral Resources for the Namekara Project based on a 15% vermiculite (180_V) cut-off.

Grade Tonnage curves recently calculated by SRK supports the Mineral Resource inventory reported by RIO. Uncertainties in the data quality support the SRK decision to classify the Namekara estimates into the JORC Code compliant Inferred category. SRK also made several suggestions pertaining to collection of additional data in order to upgrade the resource category.

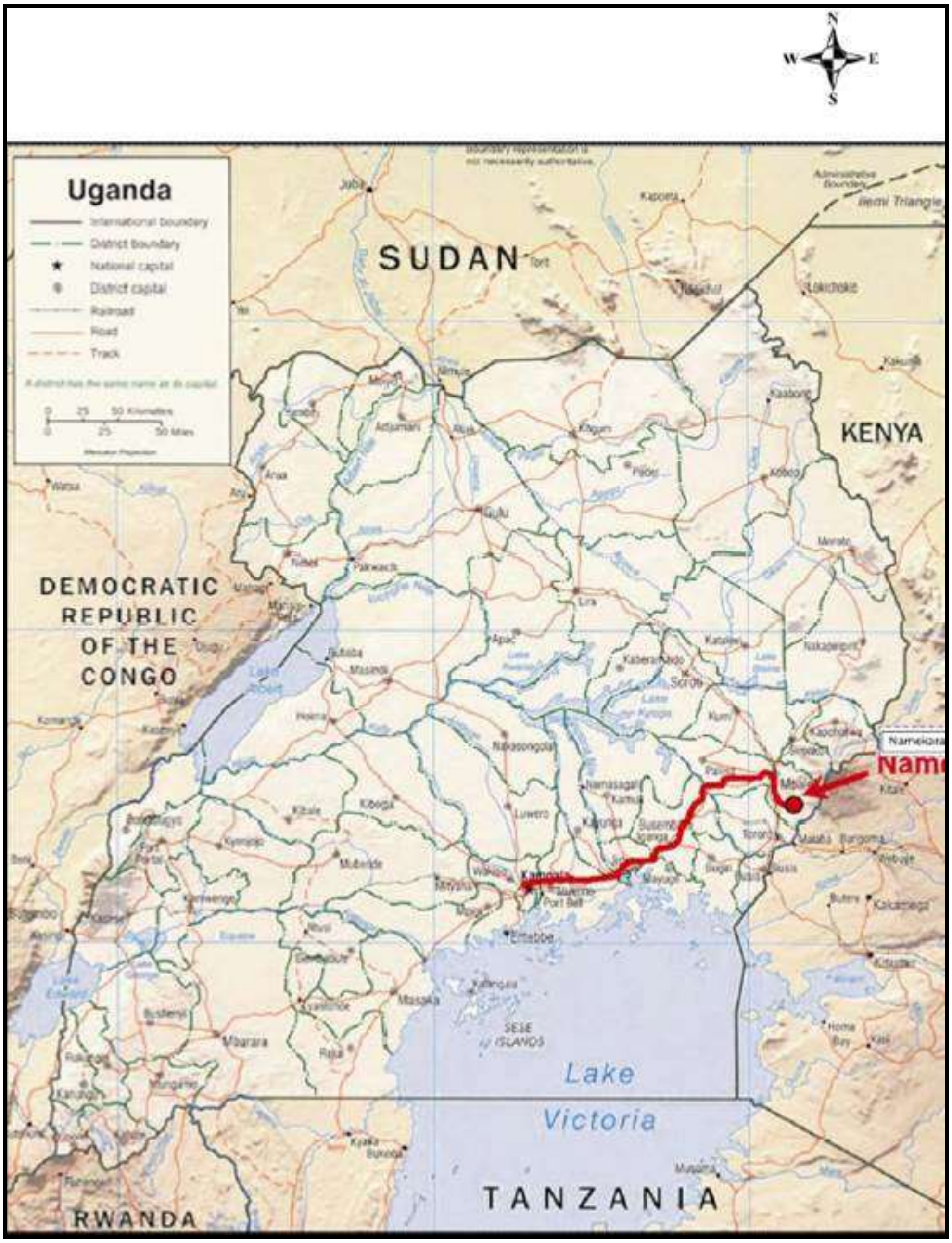


Figure 1: Location of the Namekara Vermiculite Prospect

Madagascar

The Soalara Limestone deposit of the Toliara Province is located close to a deep water bay in SW Madagascar near the historic Soalara port site (Fig 2). Ownership is with Soalara Calcaire SARL ("SolCal") that is 100% owned by Gulf through its Malagasy subsidiary, Austral Malagasy Mining SARL ("Austral") that holds concessions over 18.75km^2 adjacent to the port. The deposit is logistically conveniently located.

The Soalara Limestones are primarily composed of shell beds as Tertiary Eocene Deposits that form a plateau throughout the coastal areas of the district. This plateau varies in elevation between 100-138m within coastal cliffs and several kilometres of strike potential outcrop within the concession.

There is a good local market for limestone aggregate, demand for dimension stone for overseas markets and also local cement, metallurgical and fertiliser industrial offtake possibilities. The presence of local coal and gypsum deposits may facilitate establishment of local industry.

For this valuation report a potential of one billion tonnes of limestone has been accepted.

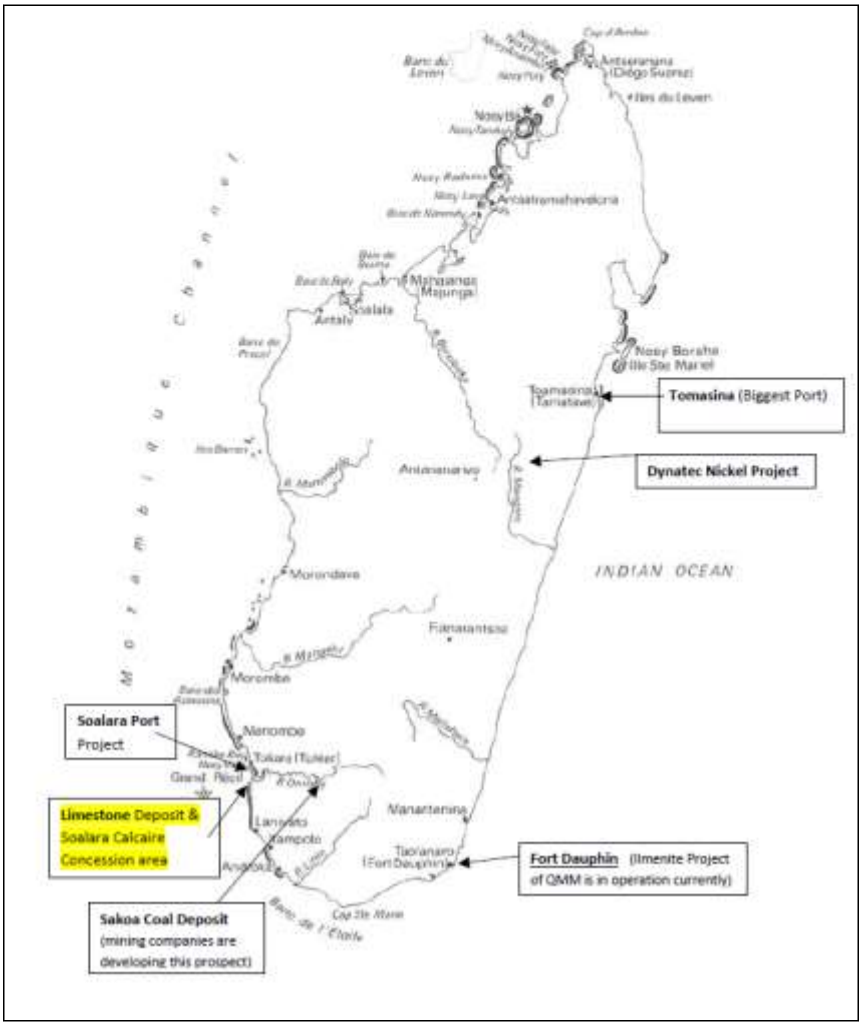


Figure 2: Soalara Project Location in SW Madagascar.

Valuation

For the Inferred Resources and the exploration potentials at both projects, it is the writer's opinion that the current cash value for 100% of tenements is considered to be A$1.92 million from within the range of A$1.52 million to A$2.32 million as at 25th June 2013.

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The Directors
BDO Corporate Finance (East Coast) Pty Ltd
Level 10, 1 Margaret St,
Sydney, NSW, 2000
Australia Fax 02 9240 9821 email: dan.taylor@bdo.com.au
Attn: Mr. D Taylor

25th June, 2013

Dear Sirs,

1.0 Introduction

This report has been prepared by Al Maynard and Associates ("AM&A") at the request of Mr D. Taylor of BDO Corporate Finance (East Coast) ("BDO") to provide an independent appraisal of the cash value of the Gulf Industrials Limited ("Gulf") relevant interests in Uganda and the Limestone Project in Madagascar as at 25th June, 2013.

1.1 Scope and Limitations

This independent valuation and its accompanying geological description have been prepared at the request of BDO to provide the writer's opinion of the current cash value of the vermiculite and limestone projects listed in this report.

This valuation has been prepared in accordance with the requirements of the Valmin code (2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

This valuation is valid as at 25th June, 2013 and refers to the writer's opinion of the value of the mineral assets at this date. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and experience in the mining industry. The opinions expressed represent the writer's fair professional opinion at the time of this report. These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation will be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The valuation presented in this document is restricted to a statement of the fair value of the tenement package. The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code.

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved. The information presented in this report is based on technical reports provided by Gulf supplemented by our own inquiries. At the request of AM&A copies of relevant technical reports and agreements were made available.

Gulf will be invoiced and expected to pay a fee for the preparation of this report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent of the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writer nor his family nor associates have any interest neither in the property reported upon nor in Gulf. Gulf has confirmed in writing that all technical data known to be in the public domain is available to the writer.

It should be noted that in all cases, the fair valuation of the mineral properties presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Section 5.0. Regarding the project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the area to enable an understanding of the geology. This, coupled with general knowledge of the area provides sufficient information to form an opinion as to the current value of the mineral assets.

1.2 Statement of Competence

This report has been prepared by Allen J. Maynard BAppSc (Geol) MAusIMM and Member of AIG, a geologist with over 30 years in the industry and 25 years in mineral asset valuation. The writer holds the appropriate qualifications, experience and independence to qualify as an independent “Expert” under the definitions of the Valmin Code. No field trips were made to the project areas as the most useful information (in both countries) is provided by the drill database and resource estimates.

2.0 Valuation of the Mineral Assets – Methods and Guides

With no proven ore reserves on the tenements it is very difficult to place a singular dollar value on any mining tenement portfolio. However, with due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (updated 1999 & 2005) – we have derived the estimates listed below using the appropriate method for the current technical value of the mineral exploration properties as described.

The following ASIC publications have also been duly referred to and considered in relation to the valuation procedure: 'Regulatory Guidelines' 111 & 112.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms' length purchaser will pay for a mining (or other) property in a transaction devoid of "forced sale" circumstances.

2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms' length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Empirical Method (Rule of thumb or Yardstick approach).

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. The discount is subjective according to the valuer's opinion. The percentages used will vary according to the details of any particular deposit such as grade, waste: ore ratio, metallurgical recovery and other relevant factors. Alternatively a value can be assigned on a royalty basis commensurate with the *insitu* contained metal value.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

2.4 Similar Transactions

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEEs can typically range from 0 to 3.0 and occasionally up to 5.0 (where exceptional results are yielded) applied to previous exploration expenditure to derive a dollar value.

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the tenement that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a "fair value" for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for this report have been concluded after taking into account:-

- The general geological environment of the property under consideration is taken into account to determine the exploration potential;
- Current market values for properties in similar or analogous locations;
- Current commodity prices.

2.9 Environmental implications

Information to date indicates that the project areas have not been reviewed by an environmental specialist for their fauna or flora species regarded as being rare, threatened or endangered. This will need to be reviewed.

2.10 Other Claims

No other claims against the tenement are known.

2.11 Commodities-Metal prices

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews. (eg; "Kitco.com").

2.12 Resource/Reserve Summary

There are identified JORC Code compliant resources within the Uganda Project the details of which are contained below. No resources have been declared for the Limestone Project in Madagascar

2.13 Previous Valuations

No other valuation of these projects has been commissioned.

2.14 Encumbrances/Royalty

No royalty payments are considered in this valuation.

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed study of information provided by Gulf on both of the projects up to 26th March, 2013.

3.2 Specific Valuation Methods

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Reserves to the more subjective rule-of-thumb assessments such as the Yardstick or Empirical methods or Comparative Value/Similar Transactions method. These methods are discussed above in Section 2.0.

4.0 Background Information

4.1 Uganda Introduction

ML4661 and ELs0042 and 0147 are in the vicinity of Namekara, Manafwa Province, SE Uganda where the bulk of the available project data was generated RIO covering exploration work and Mineral Resource estimates completed on the vermiculite potential. Later SRK-EA were engaged by Gulf to conduct a site visit in 2009 and then review and comment on the resource statement.

4.2 Location, Access and Infrastructure

The Namekara vermiculite deposit is located in Manafwa Province in SE Uganda (Fig. 1). The nearest major towns are Tororo (27km SW), situated adjacent to the international border with Kenya and Mbale (40km NW). The area is connected by a well maintained gravel road to the tarred highway which heads westwards via Mbale and Jinja to Kampala and eastwards to the major coastal port of Mombasa in Kenya. A spur of the main railroad, which also serves the port at Mombasa, passes within 20km of the deposit. The main electricity power line to Mbale traverses the area and the plant is already connected to the grid.

4.3 Tenement Details

Four tenements, one ML and three ELs are held over the Namekara prospect area by Gulf Resources Uganda Limited ("GRUL"), a wholly owned subsidiary of Gulf (Fig 1). Copies of the current licenses and permits, details of which are provided in Table 2, are in a report by Ugandan legal firm Kusaasira & Co dated 23rd March, 2012.

Licence	Name	Area (km²)	Issued	Holder	Expiry
ML4651	Namekara	19.5	15-May-03	GRUL 100%	14-May-24
EL0620	Bugerbo	31.1	25-May-10	"	05-Dec-17
EL0666	Bugerbo	1.1	15-Jul-10	"	05-Dec-17
EL0713	Busumbu	15.7	17-Jan=11	"	16-Jan-19

Table 2: Exploration and Mining Licenses held over the Namekara Vermiculite Area

In 2006 the tenements were provisionally evaluated by RIO with the objective of establishing a sales and marketing agreement between Canmin Resources Limited ("CRL") and the Palabora Mining Company ("PMC"). However, it was subsequently determined that the RIO interests would be best served by purchase.

Following transfer of ownership on 31st March 2007, in order that a technical evaluation could be undertaken, permission to suspend mining operations, as required under Section 53 of the Mine and Minerals Act of Uganda (2003), was obtained from the Government of Uganda for a period of one year. A renewal of this suspension was granted by the Commissioner of Mines, Minerals and Energy, in the Geological Survey and Mines Department of Uganda, until 30th September 2008. A further extension was successfully applied for as listed in Table 2.

4.4 Geological setting

The regional and project geology presented here is summarised from Hester (1996), RIO (2008) and Van Stratten (1988).

4.4.1 Regional geology

Seven carbonatite complexes occur along a ±65km long NNE-trend in south-eastern Uganda (Fig. 3). The most extensive of these is the Busuku Carbonatite Complex which, with a diameter of ±13km, is the world's largest known carbonatite (Fig. 4). The older group of carbonatites, which include Busuku, have been dated at 26 ±2.5Ma. These carbonatites are typified by having central vent agglomerate surrounded by poorly exposed broad zones of ijolite, melteigite and nephaline syenites and an outer fringe of pyroxenite, micro-pyroxenite and hornblendite. Discontinuous rings of carbonatite and arcuate masses of carbonatised silicate rock, phoscorite and magnetite-melanite syenite occur within both the ultramafic and alkaline rocks.

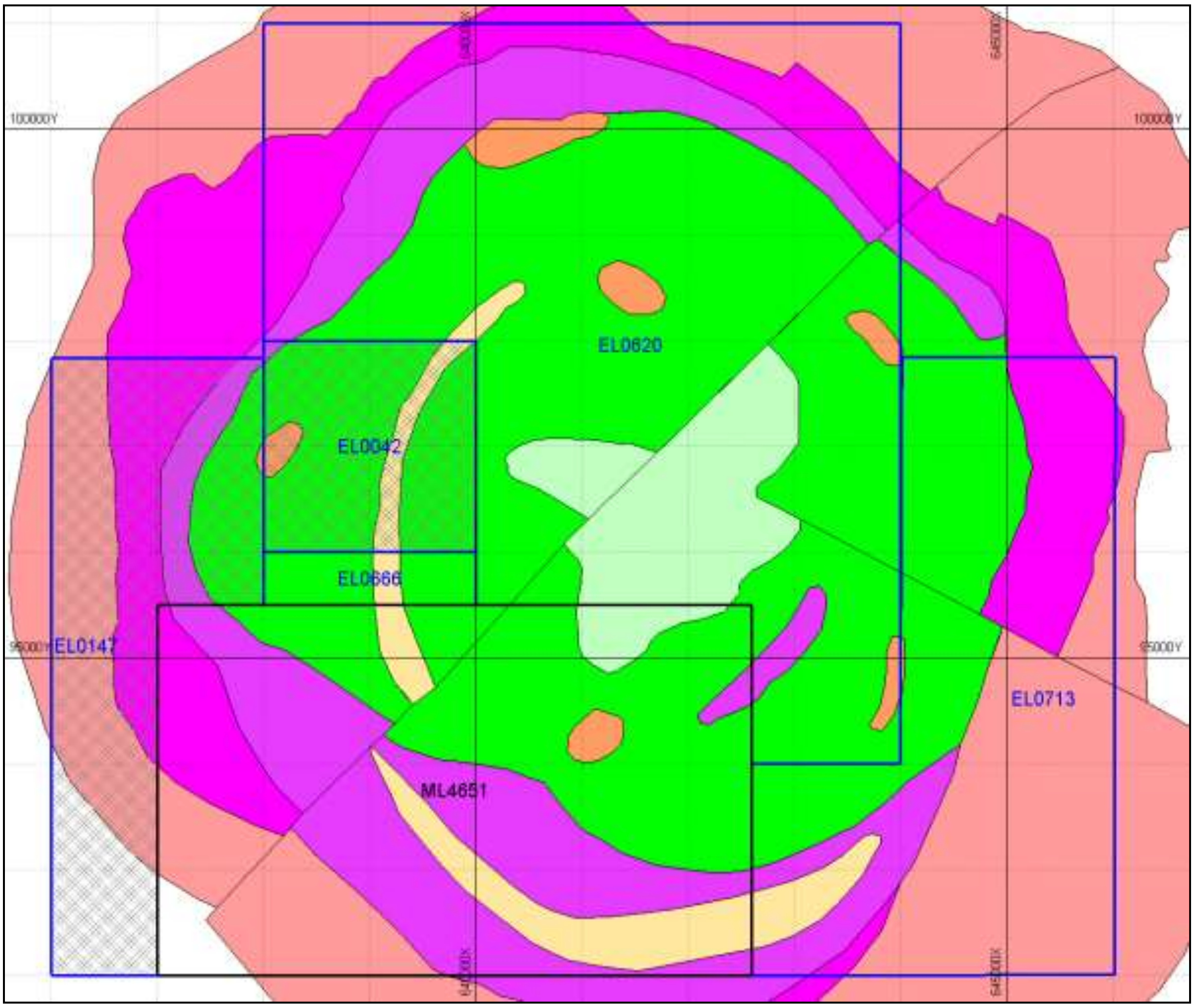

Figure 3: Gulf Tenements at the Namekara Vermiculite Prospect, SE Uganda.

The Busuku Carbonatite Complex consists of alkaline and ultrabasic ring structures surrounding an agglomerate vent (Fig. 5). It is surrounded by a broad zone of feldspathisation in which leucocratic granite, syenite and quartz pegmatoid have developed from the alteration of the gneissic granodiorite basement. The rocks of the complex, which are commonly concealed beneath a cover of residual soil, are generally poorly exposed. Van Stratten (1988) reported that the average depth to unweathered bedrock is some 40 – 45 metres below surface.

It has been established that the Busuku Carbonatite Complex contains economically significant deposits of carbonate, phosphate and vermiculite with sub-economic copper, iron and pyrochlore mineralisation. RIO reported that chalcopyrite, coincident with a known copper soil anomaly, was observed in rock chips of basement rock intersected during the Reverse Circulation ("RC") drilling program undertaken to evaluate the vermiculite potential of the Namekara area (Baldock, 1966).

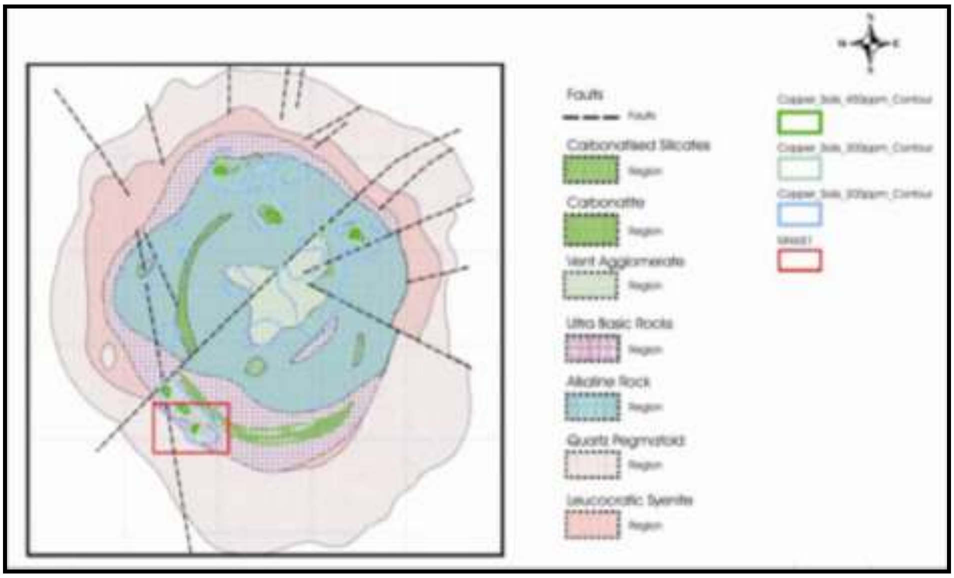

Figure 4: Geology of the Bukusu Carbonatite Complex, SE Uganda, and the Namekara Prospect to its SW.

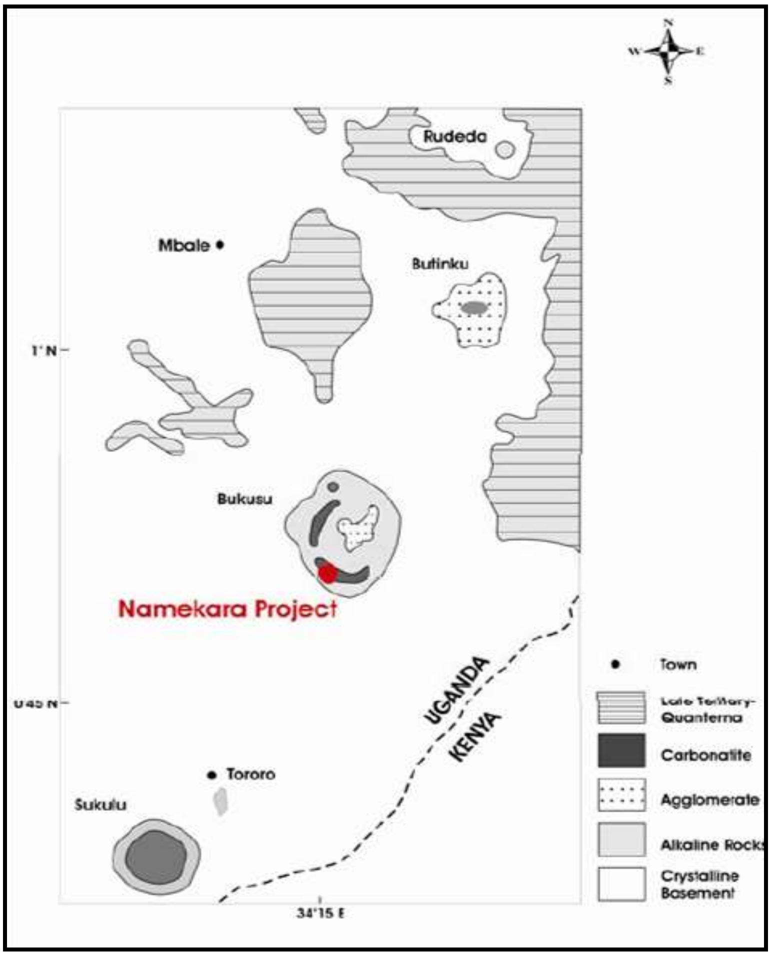

Figure 5: Carbonatites and Alkali Igneous Complexes in SE Uganda.

4.4.2 Project Geology

The Namekara Prospect occurs in a region of low rolling hills on the south-western margin of the Bukusu Carbonatite Complex (Fig. 5). RIO (2008) observed that vermiculite formation, as developed at the contact between mica-rich pyroxenites and carbonatite, is closely associated with the occurrence of localised alkali and carbonatite intrusives in ultramafic rock.

This is a similar geological setting to that of many of the better documented worldwide vermiculite deposits, including Libby in the USA and Palabora in South Africa. These, like Namekara, formed within a concentrically zoned complex of earlier ultramafic intrusive bodies, which include biotite-pyroxenite and biotite that are cut by later intrusions of carbonatite and syenite (RIO 2008). Such syenitic rocks, which are more resistant to erosion, form low lying hills such as those in the vicinity of Bukusu.

At Namekara, as common throughout the Bukusu Carbonatite Complex, bedrock is concealed beneath a ≤12m, but on average 6.5m thick layer of overburden. This includes a hematite-rich goethite, locally termed 'murram', development of which indicates significant ferruginisation and laterisation. As a consequence vermiculite mineralisation is best observed in the surface pit developed by CRL.

Figure 6: Murram overburden - north side of the Namekara open pit.

Fresh vermiculite from the Namekara Prospect area is a pale golden colour, with a silvery sheen, and is highly reflective. A pinkish tinge is developed upon weathering (Figs 6 & 7). Fresh flakes are readily delaminated and although pliable commonly break moderately easily along small cracks visible on the surface. When exfoliated the vermiculite becomes a dark cream colour.

RIO (2008) concluded that vermiculite formation was predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction over time with a downward percolating water surface.

The work completed established that phlogopite is almost completely altered to vermiculite to a depth of 50-55m below surface. Vermiculite mineralisation is followed by a transitional zone of 'vermiculitised' phlogopite, and presumably unaltered phlogopite, at greater depth.

RIO recorded that phlogopite bearing material was encountered in 16 drillholes. In one of these holes a low phlogopite/high vermiculite bearing 'raft' was intersected within a vermiculite dominant mass. The borehole logs indicate that the boundary between non-phlogopite and phlogopite bearing vermiculite is sharp, with the phlogopite content commonly increasing from nil to >10% over a distance of ±5m.

Figure 7: Slightly weathered very coarse grained vermiculite - north wall of the Namekara Prospect open pit.

The exploration completed indicates that the vermiculite in the Namekara Prospect occurs in flat lying zones which contain sub-vertical, coarse-grained, high grade developments (Fig. 7). The underlying biotite is cut by carbonatite and mica-pyroxenite dykes. It is postulated that these structures acted as conduits for hydrothermal fluids which mobilised and re-crystallised coarse grained biotite in zones which, being permeable to groundwater flow, were subsequently altered to vermiculite.

In addition RIO also concluded that:

• in the open pit the enriched, often very coarse-grained zones developed contain ±80% vermiculite as opposed to a consistent ±25% elsewhere.

• when exploited by CRL, as the processing plant required disaggregating large or premium Grade feed to yield the Medium Grade product required by market, only coarser grained, higher grade material was processed. As a result the waste generated characteristically contained ±35% vermiculite. Approximately 15 – 20% of this waste material is medium grade.

Figure 8: Very coarse grained vermiculite zone - NW wall of the Namekara Prospect open pit.

4.5 Exploration History

Van Stratten (1988) recorded that vermiculite was discovered near Namekara, approximately 1km west of the Busumbu Phosphate Mine, in the early 1950s by the British Geological Survey in conjunction with the Uganda Geological Survey.

The investigations included trenching, the excavation of 71 shallow pits and the drilling of 10 diamond drillholes that delineated a limited tonnage of vermiculite. Mining on a restricted scale in the late 1950s proved uneconomic. Records indicate that the quality of the vermiculite at Namekara was good with a cation exchange capacity >110cmol$_{+}$/kg and an exchangeable Mg_{2+} content of ≤4,390mg/kg. The trenching and pitting was deemed to have indicated the presence of ±500,000 tonnes of vermiculite beneath up to 15m of overburden. The amount of recoverable vermiculite was then estimated at ±350,000 tonnes.

Investigations completed to greater depth in the late 1980s are reported to have delineated additional quantities of vermiculite. Van Stratten (1988) noted that the occurrence of vermiculite in the Namekara area is spatially related to mica-rich rocks in the pyroxenite zone of the Busuku Carbonatite Complex.

CRL, a Ugandan registered subsidiary of the IBI Corporation in Canada who initially focused on the phosphate potential of Busumbu, investigated the apparent high grade vermiculite potential of the Namekara area by means of 17 trenches and/or pits and 12 NQ size diamond drillholes totalling 490m, which were drilled to depths ranging from 22.5–51.0m at unknown locations. Based on the results of these investigations a processing plant was installed in 2001.

The location of the processing plant in relation to the open pit developed is indicated in Fig 5. Plant feed, reputedly obtained by mining higher quality areas of vermiculite mineralisation, was obtained from the open pit developed nearby. Between 2002 and 2006 a total of 16,000 tonnes of predominantly medium grade vermiculite was exported, while in addition a small tonnage of micron grade vermiculite exfoliated on-site was sold on the local market, as a soil conditioner and insulating material in the manufacture of fuel efficient stoves, under the product name of V-Gro.

4.5.1 Investigation undertaken by Rio Tinto

RIO completed acquisition of the property in 2007/8 and instituted a technical study designed to evaluate the quality and quantity of vermiculite mineralisation and review options for mine development.

The project team that undertook the work included experienced personnel from Rio Tinto Exploration, Rio Tinto Minerals, the Palabora Mining Company ("PMC") and outside consultants. During these investigations a total of 72 vertical RC drillholes totalling 3,490m were drilled in two phases within an area of ±1.3km^2 to depths of predominantly 40- 60m at spacings of 50-150m. No twinned holes were drilled to investigate geological and analytical variance.

RIO concluded that the exploration completed determined that:

- Vermiculite enriched and phlogopite depleted mineralisation occurs near surface;
- Lower grade vermiculite occurs between coarser grained, higher grade zones;
- Unweathered bedrock is encountered at depths of 41-56m;
- An area of over 1 km^2 within Mining Lease 4651 contains an average thickness of 31m of >10% vermiculite, free of phlogopite, from a depth of 10-53m below surface. This may extend over a length of ±5km;
- A deposit of high, coarse grade vermiculite, with a low strip ratio, occurs to the ESE of the present open pit;
- Further work is required to establish the potential of vermiculite intersected in drillholes NAM-027, -029 and elsewhere;

Despite this, during the global rationalisation completed by Rio Tinto in November 2007, the strategic decision was made by the group to divest out of a significant portion of its Industrial Minerals holdings including the Namekara Vermiculite Prospect. RIO stressed that this, "in no way implies a negative view regarding the quality of the Namekara resource".

4.5.2 SRK- EA

SRK-EA were engaged by Gulf to review the exploration work and Mineral resource estimates completed by RIO on the vermiculite potential of the project. A site visit was undertaken by SRK-EA from the 16th to the 18th of May 2009.

SRK-EA sub-contracted SRK Consulting South Africa (SRK-SA) to review the Mineral Resources and compile a report. The vermiculite mineralisation at Namekara is understood to be closely associated with the occurrence of alkali and carbonitic intrusives in ultramafic rock. Rio concluded that vermiculite formation, predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction with downward percolating surface water, occurred to a depth of >50m below surface. The overburden in the Namekara area is up to ≤12m, but on average 6.5m thick.

The exploration work completed indicated that vermiculite occurs in flat lying zones near surface. It was concluded that:

• an area of over $1km^2$ within ML4651 contains an average thickness of 31m containing >10% vermiculite, free of phlogopite, from a depth of 10- 53m below surface. This zone may extend over for another ±2.3km northwards with vermiculite, although probably at reduced grade, extending over a total distance of ±5km;

• in the open pit the enriched, often very coarse-grained zones developed contain ±80% vermiculite as opposed to a consistent ±25% elsewhere;

• a deposit of high, coarse grade vermiculite, with a low strip ratio, occurs to the ESE of the present open pit;

Work undertaken on an unidentified number of samples collected in the current open pit, which had an average vermiculite content of 49%, tentatively indicated that 59% of the vermiculite reported to the +2mm size fraction. This finding is supported by the results obtained on bulk samples of selectively mined medium grade +2mm product by the reported recoveries of 47.1% and 61.7% vermiculite.

Grit contents ranging from 8.1% to 9.5% by weight, consisting of non-exfoliating mica and gangue minerals, were reported in the bulk samples of medium grade vermiculite investigated. Some of these materials occur as inclusions within vermiculite flakes. Investigations completed on a -4mm to +2.8mm sample of vermiculite, from which the grit fraction was hand removed, indicated an inherent grit flake content of 1.8%. This result, as grit content may vary from location to location and with coarseness and depth, etc. requires additional investigation.

The RIO assessment indicated that fibres identified were mineralogically not presently classified as asbestiform. In addition, the occurrence of these fibres was considered to be associated with geological lineations and to be of localised extent only which, to mitigate risk, could be avoided during mining if required.

The relatively low exfoliation yields reported on the bulk samples of vermiculite evaluated were attributed to the high Loss-On-Ignition and grit contents. It was noted that significant improvement could be attained by additional drying, screening and heating.

This is supported by the increased exfoliation yield of $9.3m_3/t$ that was obtained when the temperature of exfoliation was raised from 720-±800^{0}C. It was concluded that, at the industry standard temperature range, the exfoliation yields for the medium grade vermiculite evaluated from Namekara was <$10m_3/t$.

A reviewing the RIO exploration completed concluded that:

• Namekara could be considered to be the world's largest resource of coarser grained vermiculite, and;

• The overall quality of the vermiculite investigated was well suited to meet the specifications of both local and world markets.

The review of the Mineral Resource estimates indicated that the Namekara database contains the logging descriptions of 72 RC holes, of which only 66 have analytical data available. The database is subdivided into 2 drilling phases; each one sampled using different criteria. The Phase 1 drilling samples were collected at 1m intervals, and then composited over 5m covering all mineralised and non-mineralised intervals regardless of the grade, and shipped to the PMC labs for assaying. The Phase 2 drilling samples were collected over 1m intervals and only intervals logged as containing visible vermiculite were analysed.

A "gap-fill value" was applied to the non-analysed intervals within the mineralised zone of the Phase 2 drilling. This "gap-fill value" was obtained by extracting all the samples within the Phase 1 drilling with vermiculite content in the 180 µm fraction ("180_V") less than 20% and calculating the average grade of these samples.

The database was domained using lithological as well as grade definitions. Lithologically the database is domained into the overburden ("OVB"), an ore section ("OS"), a lower grade ore section ("OSNV") and a biotite or basement unit ("BTT"). The OS lithological unit in turn is sub-domained into OS domain, containing <10% vermiculite, an ("OSM") unit, containing >10vermiculite, and an ("OSL") unit which is described as lenses of OS within the OSM unit.

Two potential shortcomings were identified in the sampling procedures that could influence confidence of the grade estimation. These are compositing of samples during the first drilling phase and sections of the drillholes inside the ore section that were not sampled during the second phase of drilling. It is expected that the inconsistent sampling criteria used between the two drilling phases could influence the sub-domaining of the OS lithological unit. OSL layers that are visible within the Phase 2 drilling database ("gap-fill values" removed), are in some instances not seen within the Phase 1 drilling. This is due to the mixing of high grade and lower grade samples during the Phase 1 sample compositing, the latter being upgraded by the former.

All the data falling within the OSM upper and lower contact wireframes where selected. In an ideal situation all the selected data should have the OSM unit code but Instances were found where the unit codes are given as OS, BT, and OSNV. The design of the OSM unit wireframe has to be re-considered, taking into account that the Phase 2 drilling, with the "gap-filled" values removed, indicated a higher number of low grade lenses, the "OSL" unit, occurring within the OSM unit.

Density determination is an important aspect of the Mineral Resources because it is used to convert measured volumes into tonnes. In the Namekara resource model the blocks with the highest vermiculite grade (180_V) have the lowest density value assigned to it. SRK felt that more samples across a broader grade range needed to be analysed for bulk densities.

The percentage difference in mean grade between the estimates and the sample data is 1%, which is considered good. The interpolation method used was IDS. Whereas the estimates compare well with the data, SRK is of the opinion that the use of geostatistical techniques would provide robust local estimates.

4.6 Namekara Vermiculite Conclusions

The Mineral Resource for the Namekara project as reported by Rio has been presented in Table 1 above and is repeated here as Table 3.

Classification	Mt	180_V (%)	425_V (%)
Inferred	54.9	26.7	18.8

Table 3: Mineral Resources for the Namekara Project based on a 15% vermiculite (180_V) cut-off.

Grade Tonnage curves recently calculated by SRK supports the Mineral Resource inventory reported by RIO. Uncertainties in the data quality and application support the SRK decision to classify the Namekara estimates into the JORC Code compliant

Inferred category. SRK also made several suggestions pertaining to collection of additional data in order to upgrade the resource category.

The Vermiculite mineralisation at Namekara is understood to be closely associated with the occurrence of alkali and carbonatite intrusives in ultramafic rock. RIO concluded that vermiculite formation, predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction with downward percolating surface water, occurred to a depth of >50m below surface. The overburden in the Namekara area is up to ≤12m, but on average 6.5m thick.

The exploration work completed indicated that vermiculite occurs in flat lying zones near surface which contain sub-vertical, coarse-grained, high grade developments. It was concluded that an area of over 1km^2 within ML4651 contains an average thickness of 31m containing >10% vermiculite, free of phlogopite, from a depth of 10-53m below surface. This zone may extend over for another ±2.3km northwards with vermiculite, although probably at reduced grade, extending over a total distance of ±5km.

In the open pit the enriched, often very coarse-grained zones developed contain ±80% vermiculite as compared with a consistent ±25% elsewhere. A deposit of high, coarse grade vermiculite, with a low strip ratio also occurs to the ESE of the present open pit;

When previously exploited, since the processing plant required disaggregating large or premium grade feed to yield the medium grade product required to be marketed, only coarser-grained, higher grade material was processed. As a result, the waste generated characteristically contained ±35% vermiculite. Approximately 15–20% of this waste is medium grade.

4.7 Madagascar

4.7.1 Madagascar Introduction

The Soalara Limestone deposit of the Toliara Province is located close to a deep water bay in SW Madagascar near the historic Soalara port site. Ownership is with SolCal that is 100% owned by Gulf through its Malagasy subsidiary Austral that holds concessions over 18.75km^2 adjacent to the port. The deposit is logistically conveniently located.

There is a good local market for limestone aggregate, demand for dimension stone for overseas markets and also local cement, metallurgical and fertiliser industrial offtake possibilities. The presence of local coal and gypsum deposits may facilitate establishment of local industry.

4.7.2 Location, Access and Infrastructure

The Soalara Limestone deposit abuts the Soalara port 28km south of Toliara in SW Madagascar. Toliara is the major business hub for the district and is serviced by daily flights. The site can be reached by a one hour boat trip from Toliara or from the bitumen Toliara to Antananarivo highway (Fig. 9).

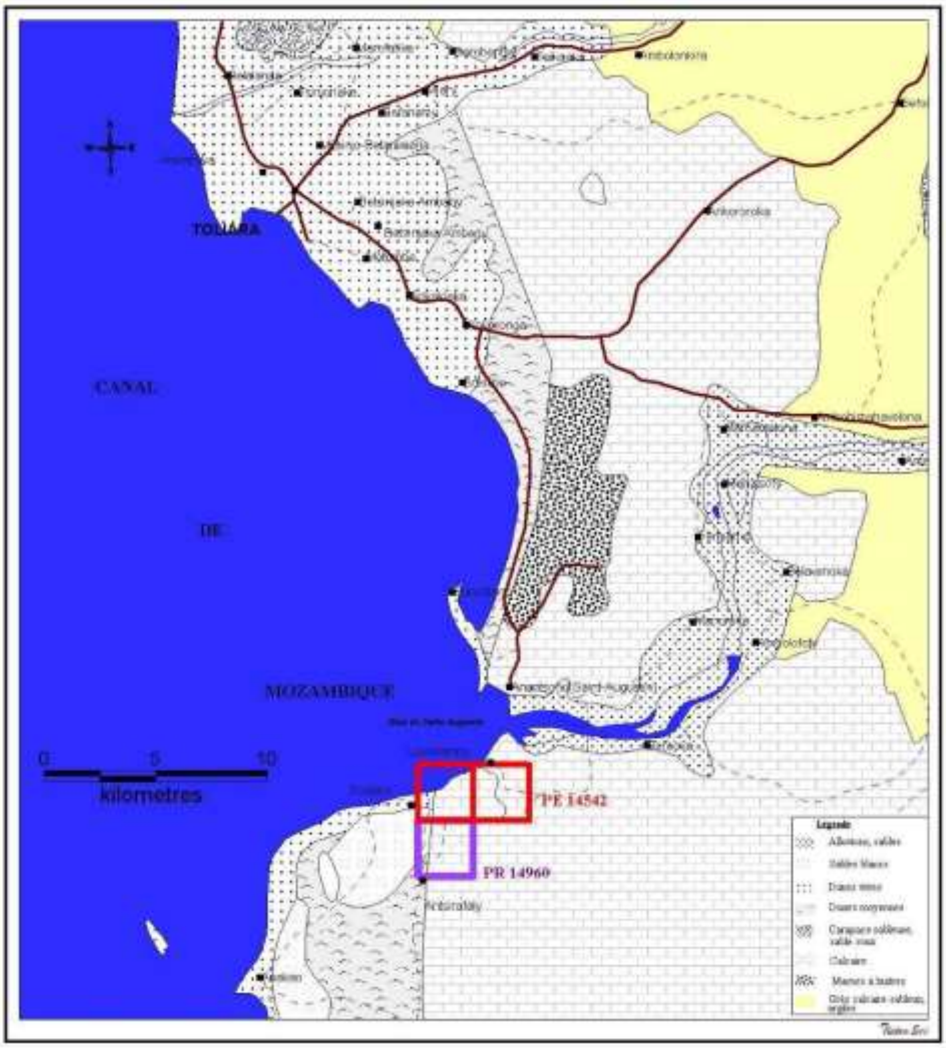

Figure 9: Soalara Project Tenements on Local Geology.

4.7.3 Tenement Details

The licence is held by SolCal and can be renewed three times and then for a further 40years. The current usage for the concession is described as “Research” stage but an application for exploitation has been submitted for PE14542. All licences in Madagascar are under review by the Ministry of Mines.

Licence	Area (km^2)	Issued	Years Valid	Expiry
PE14542	12.5	March 2005	10	March 2015
PR14960	6.25	March 2005	10	March 2015
Total	18.75			

Table 4: Soalara Limestone Deposit Tenement Details.

4.7.4 Local Geological setting

The Soalara Limestones are primarily composed of shell beds as Tertiary Eocene Deposits that form a plateau throughout the coastal areas of the district. This plateau varies in elevation between 100-138m within coastal cliffs (Fig. 10). Locally, but not within the concession area, interlayered beds of basalt have been recorded. The horizontal limestone beds are buff coloured tending towards white in outcrops that have a fine sugary texture.

Within the concession individual beds vary from 0.5-3.0m in thickness and they are consistent over several kilometres of strike. There are very few, minor structural dislocations by faults. Investigations have proven a minimum of 60m overall thickness with minor weathering occurring in the top 13m. Overall the setting is ideal for exploitation from an open pit operation.

Several chemical analyses have been undertaken and average quality is stated to be CaO 53.81%, MgO 0.39%, Fe_2O_3 0.785, SiO_2 1.31%, Al_2O_3 0.43%, LOI 42.31% and all other elements <0.1%. Specific gravity determinations are >2.0. This limestone is suitable for cement, metallurgical processing and the fertilizer industries. Although dimension stone has been recorded further detailed mapping is required to quantify the extent of these zones.

Local mapping indicates that the limestone is uniform and apparently of high grade composition over a minimum area of $5km^2$.

Figure 10: Views of Limestone Cliffs at Soalara Project.

Figure 11: Soalara Project Limestones Beds.

4.7.5 Potential

With a minimum mapped area of 5km^2 and a thickness to 60m, using a conservative specific gravity of 2.0 there is potential for several billion tonnes of limestone. Definitive estimates are not possible until the dimensions and grade are defined by drilling.

For this valuation report a figure of one billion tonnes of limestone potential has been accepted.

4.7.6 Limestone Conclusion

There is undoubtedly very good potential to outline a substantial high quality limestone deposit at Soalara in its coastal setting.

There is a good local market for limestone aggregate, demand for dimension stone for overseas markets and also local cement, metallurgical and fertiliser industrial offtake possibilities. The presence of local coal and gypsum deposits may facilitate establishment of local industry.

For this valuation report a potential of one billion tonnes of limestone has been accepted.

5.0 Valuation of the Projects

5.1 Introduction

To determine a fair market value several aspects need to be considered. As there is only exploration potential the DCF method is not applicable. The Kilburn Method is considered to generate such a wide range of values that it is not relevant here. Therefore a form of the Empirical Method is considered appropriate and described below.

5.2 Empirical Method

We consider Inferred Resources or Exploration Potential as a measure of worth by applying a very high discount to the theoretical potential value of insitu mineralisation to then represent a cash value range for the various properties.

Each project was considered from the geological point of view; firstly for the area of outcropping or sub-cropping mineralised sequences and then, appropriate discounting factors were applied to reduce the total volume potential of each licence including any relevant mining, grade variation or plant recovery factors, if applicable, to a volume

Various internet sites were checked to establish the current price for vermiculite products, and resources were accepted from the SRK-EA report. The product of resource tonnes, grade and mining recovery provides a valuation tonnage estimate.

This tonnage estimate was then further modified by the application of a low, medium or high intrinsic value in order to derive the cash range of values.

For the vermiculite the range in values per tonne of insitu vermiculite was from 20-30 cents for the inferred resource and between 1-3 cents for additional potential.

For the limestone the range in values per tonne of insitu material was from 0.1-0.2 cents.

The results from this estimation process are summarised in Table 5. Comparable transactions or other methods are not considered applicable here as we are valuing the Inferred Resource or the exploration potential and not higher category resources and have not sighted any recent similar comparable transactions.

Accordingly, for the Inferred Resources and the exploration potentials, it is the writer's opinion that the current cash value for 100% of tenements is considered to be A$1.92 million from within the range of A$1.52 million to A$2.32 million as at 25th June, 2013.

Tenement Type	Preferred	Low	High
	A$M	A$M	A$M
Vermiculite	1.88	1.49	2.27
Limestone	0.04	0.03	0.05
Combined	**1.92**	**1.52**	**2.32**

Table 5: Current Value Ranges for the Gulf Vermiculite and Limestone Projects.

6.0 CONCLUSION

The current cash values, as at 25th June, 2013, for the relevant variable proportions are summarised in Table 5 with the combined vermiculite and limestone values ascribed at A$1.92M within the range of A$1.52M to A$2.32M.

Yours faithfully,

Allen J. Maynard BAppSc(Geol), MAIG, MAusIMM.

7.0 Selected References

AusIMM, (2004): "Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA), effective December 2004.

AusIMM. (2005): "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code)" 2005 Edition.

AusIMM, (1998): "Valmin 94 - Mineral Valuation Methodologies". Conference Proceedings.

CIM, (April 2001), "CIM Special Committee on Valuation of Mineral Properties (CIMVAL)" Discussion paper.

ClM, (2003): - "Standards and Guidelines for Valuation of Mineral Properties. Final Version, February 2003".Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties (CIMV AL).

Gulf Industrials Limited, Various ASX Releases and Annual and Quarterly Reports.

Kilburn, LC, 1990: "Valuation of Mineral Properties which do not contain Exploitable Reserves" CIM Bulletin, August 1990.

SRK Consulting (2009): “Review of the Exploration and Mineral Resource estimates of the Namekara Vermiculite Deposit in south east Uganda”

8.0 Glossary

Basalt	A fine-grained volcanic rock composed primarily of plagioclase feldspar and mafic minerals.
Bedding	A rock surface parallel to the surface of deposition.
Cleavage	The tendency of a rock and minerals to split along closely spaced, parallel planes.
Country rock	A general term applied to rock surrounding or penetrated by mineral veins.
Dip	The angle at which a rock layer, fault of any other planar structure is inclined from the horizontal.
Domain	The areal extent of given lithology or environment.
Dyke	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Fold	A bend in the rock strata or planar structure.
Foliation	The laminated structure resulting from the parallel arrangement of different minerals.
Footwall	Rocks underlying mineralisation .
Igneous	Formed by solidification from a molten or partly molten state.
Inferred Resource	A resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
Isocline	An anticline or syncline so closely folded that the two sides have the same dip.
JORC Code	Joint Ore Reserves Committee- Australasian Code for Reporting for Identified Resources and Ore Reserves.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Open pit	Descriptive of a mine worked open from the surface.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Orebody	A continuous, well-defined mass of ore.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Plunge	Angle of the axis of folding with a horizontal plane.
Primary mineralisation	Mineralisation which has not been affected by near-surface oxidising process.
RAB	**R**otary **A**ir **B**last (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	**R**everse **C**irculation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Reverse Fault	A fracture in rocks in which the strata above the fracture have been displaced up the fracture plane relative to the strata below the fracture.

Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Silicified	Containing a high proportion of silicon dioxide.
Soil sampling	Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Strike-slip fault	Faults parallel to the strike of the rock strata.
Stringer	A narrow vein or irregular filament of mineral traversing a rock mass.
Subcrop	The surface expression of a mostly concealed rock layer.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Vein	A narrow intrusive mineral body.

Abbreviations

Au	Gold
Pb	Lead
g	gram
kg	kilogram
km	kilometre
km^2	square kilometre
m	metre
m^2	square metre
m^3	cubic metre
mm	millimetre
MMI	Mobile Metal Ions
t	tonne
oz	troy ounce, equivalent to 31.1035g.
ppb	parts per billion
ppm	parts per million

EXTRAORDINARY GENERAL MEETING

STEP 1 APPOINTMENT OF PROXY

I/We ....

of ....

being a member/members of Gulf Industrials Limited hereby appoint

☐	The Chairman of the meeting (mark with an 'X')		Write the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

Or failing the person named attending the meeting, or if no person is named, the Chairman of the meeting as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held on 30 July 2013 at Norton Rose Fulbright, Level 18, Grosvenor Place, 225 George Street, Sydney at 11am. and at any adjournment of that meeting.

IMPORTANT: If you appoint a proxy, we encourage you to direct your proxy how to vote on each item of business.

Important - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default and you do not mark any of the boxes in step 2 below you will be deemed to have directed the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions as set out below and in the Notice of Meeting. Please note you can direct the Chairman of the Meeting to vote for, against or abstain from voting on any Resolution by marking the appropriate box in step 2 below. **The Chairman of the Meeting intends to vote in favour of each item of business.**

STEP 2 VOTING DIRECTIONS TO YOUR PROXY – PLEASE MARK AN 'X' TO INDICATE YOUR DIRECTIONS.

Resolution	For	Against	Abstain
1. Issue of shares to Jonah on election under terms of the Amended Loan	☐	☐	☐
2. Issue of shares to Richmond on election under terms of the Amended Loan	☐	☐	☐
3. Issue of shares following exercise of options held by Jonah	☐	☐	☐
4. Issue of shares following exercise of options held by Richmond	☐	☐	☐
5. Issue of shares to Sir Sam Jonah in lieu of directors' fees	☐	☐	☐
6. Issue of shares to Mr Robert Jurd in lieu of directors' fees	☐	☐	☐
7. Issue of shares to Mr Christopher Innis in lieu of directors' fees	☐	☐	☐
8. Issue of shares to Mr Jonathan Best in lieu of directors' fees	☐	☐	☐
9. Issue of shares to Mr Mark Arnesen in lieu of part salary	☐	☐	☐
10. Issue of shares to Mosman in lieu of consulting fees	☐	☐	☐

Signed this ………………………………………………………………………………………….……………………… day of 2013

Individual Securityholder 1	Securityholder 2	Securityholder 3
Individual/Sole Director	**Director**	**Director/Company Secretary**

This form must be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cth).

INSTRUCTIONS FOR COMPLETION OF PROXY FORM

Appointing a proxy

A shareholder who is entitled to attend and vote can appoint a proxy to attend and vote at the Extraordinary General Meeting on their behalf. A proxy need not be a shareholder of the Company.

A shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If proportions or numbers are not specified, each proxy may exercise half the available votes.

You may complete and return the Appointment of Proxy included with this Notice. If you require a second proxy form, please contact the Company Secretary or you may copy the Proxy Form.

If you do not provide proxy instructions electronically, proxy forms may be lodged by mail, by hand or by facsimile in accordance with the instructions on the Proxy form.

For an appointment of a proxy to be effective, the Proxy form must be received by the Company at its registered office, Suite 1, Level 5, 71 Macquarie Street, Sydney NSW 2000, or received by facsimile on +61 2 8233 6199 by not later than 11.00am (AEDST) on 28 July 2013.

Corporate Shareholders

Corporate shareholders wishing to appoint a representative to attend the meeting on their behalf must provide that person with a property executed letter confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this meeting only or for all meetings of the Company.

Eligibility to vote at the meeting

For the purpose of regulation 7.11.37 of the *Corporations Regulations* 2001, the Company has determined, for the purposes of voting entitlements at the meeting, that Gulf shares are taken to be held by those shareholders registered at 7:00pm (AEST) on 28 July 2013. Accordingly, only those persons will be entitled to attend and vote at the meeting.

How undirected proxies held by the Chairman of the meeting will be voted

If you appoint the Chair of the Meeting as your proxy and you do not specify in the proxy form the manner in which you wish the Chair to vote on the resolutions to be considered at the meeting, **you will be deemed to have directed the Chair to vote in accordance with the voting intentions of the Chair to vote in favour of all resolutions.**

If you appoint the Chair of the Meeting as your proxy and wish to direct the Chair how to vote on some or all of the resolutions to be considered at the Meeting, you must complete the directed proxy part of the proxy form (Step 2 on the proxy form).

The Directors encourage all shareholders who submit proxies to direct their proxy how to vote on each resolution.