
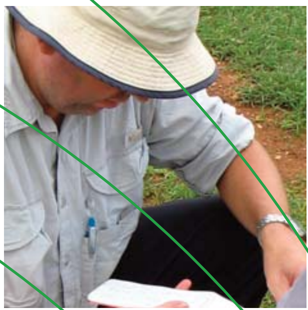


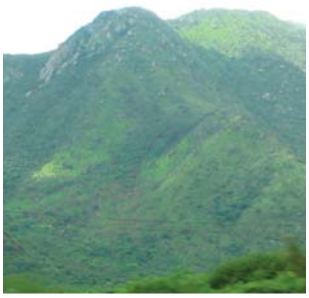

gulfresources
LIMITED

annualreport**2008**

THE COMPANY

Gulf Resources is a resource development and investment company that crosses the divide between Africa and Asia. Gulf's strategic position aims to maximise the natural development synergies that exist between Africa and Asia. Gulf operates at this new frontier of developed and developing markets in order to uplift shareholder value on a sustainable basis.

We seek Sustainable Success through:

- Partnerships for Prosperity
- Diversification of Assets
- Intellectual Expertise and Capital

Gulf has established bases in Tanzania and Vietnam and with a team of experienced engineering, project management, legal, financial and resources specialists, is set to foster and develop projects of major significance to both the company and the countries in which Gulf operates.

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CHAIRMAN'S LETTER

Dear Fellow Shareholder,

It gives me great pleasure to present the company's 2008 annual report to shareholders.

During the last financial year Gulf's management team has achieved a number of significant milestones in shifting the corporate focus from a domestic exploration portfolio to large scale energy and integrated resource/ infrastructure opportunities in Vietnam and Tanzania.

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

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

Of course, just as with all listed companies, Gulf has not been immune from the Global Financial Crisis and the meltdown of some of the larger 'household name' investment banking institutions worldwide. Due largely to a credit crisis brought about by over-enthusiastic marketing of products that synthetically and theoretically balanced financial risks, their failures have pushed investor confidence to its limits. We sincerely appreciate the strong support shareholders have provided over the last 12 months.

From a personal perspective, I am very pleased to be part of a team of committed, dedicated and experienced engineering, project management, legal, financial, administration and resource specialists.

In these turbulent times it will be the proficiency with which Gulf's team seek, review and secure opportunities that will stand us in good stead and set the company apart from other players.

This is exemplified by a couple of stand out achievements in the past financial year.

In Vietnam, the group has partnered with a major industrial conglomerate to investigate the potential for a large scale Coal to Liquid Fuel conversion plant.

At the same time, the company has been busy in Tanzania, reviewing and building a coal and iron ore focused project base and partnering with key Government agencies to investigate regional infrastructure development opportunities.

I congratulate our staff and management team on the excellent work achieved this year and look forward to working with them as we continue to expand and grow the business.

Yours sincerely,

Scott A Reid
Executive Chairman

ACTIVITIES & PROJECT REVIEW

During the year Gulf Resources' corporate focus has shifted from a domestic exploration portfolio to a large scale energy project and several integrated resource/infrastructure development opportunities in Vietnam and Tanzania.

The board, together with external consultants, has continued confidential discussions with a number of potential partners in relation to the company's ongoing project acquisition strategy. During the year your board and management team reviewed a number of advanced status projects that potentially provide the company with opportunities for participation in development stage projects.

The geographical areas reviewed included West Africa, Eastern and Southern Africa (including Madagascar). In the face of the very high prices wanted by vendors for these projects, we did not proceed with any further acquisitions. Given the market down turn and subsequent weaker commodity prices in the base metals sector, we will potentially revisit some opportunities in these sectors at more favourable terms.

Vietnam Coal to Liquids ("CTL") Project

In Vietnam, Gulf entered into a Strategic Alliance and Mutual Cooperation Agreement with the Hanoi General Export and Import Corporation, a member of the Hanoi General Export and Import Group ("Geleximco") one of Vietnam's largest private industrial conglomerates with interests across a broad range of sectors including, mining, finance, manufacturing, commodity trading, agricultural processing, energy and resources. The boards of Geleximco and Gulf have resolved to implement a broad programme for further developing complimentary business activities in the mining, energy, finance, commodities and infrastructure fields.

Since year end Gulf entered into a Joint Development agreement with Geleximco to establish the feasibility of, and the development and implementation of an up to 60,000 barrel per day (bpd), Coal To Liquid fuel plant in northern Vietnam. Jointly, Gulf and Geleximco appointed Hatch, a world leading engineering group, to undertake the Vietnam CTL plant pre-feasibility study.

Background to CTL Process

Oil supply security and price concerns have led to a renewed interest in coal as an alternative feedstock for the production of transport fuels and chemicals. By using coal conversion technologies, such as coal-to-liquids, the world's vast coal resources could become an important alternative to crude oil.

CTL describes both coal gasification, combined with Fischer-Tropsch (FT) synthesis to produce liquid fuels, and the less developed, direct coal liquefaction technologies. Coal gasification is applied widely in the production of chemicals and fertilisers, notably in China where 8,000 coal gasifiers are operating. FT synthesis, first developed in Germany during the early part of the 20th century, has been further developed and improved in South Africa by Sasol.

In the past, CTL has been a substitute for imported oil: during the 1930s and 1940s, when coalrich Germany needed a secure source of transport fuels; and, since the 1950s in South Africa, where 40 million tonnes of coal per year are still converted into 160,000 barrels per day of crude oil equivalent.

Today, with the return of high oil prices, China is constructing a 60,000 bpd CTL plant and, with plans for further projects, aims to produce one million barrels per day by 2020. In the USA, new incentives have been introduced for coal-based transport fuels and coal companies are now assessing the commercial viability of new projects as one component of a wider vision to make greater use of the country's vast coal resource.

Sources:

- Workshop Notes: IEA Coal Industry Advisory Board workshop
- IEA Headquarters in Paris, 2 November 2006
- National Mining Association, www.futurecoalfuels.org
- Coal Liquefaction, Technology Status Report 010, DTI/Pub URN 99/1120, London: Department of Trade and Industry, October 1999
- Commercialisation of Coal to Liquid Technology, www.EnergyBusinessReports.com

ACTIVITIES & PROJECT REVIEW

Tanzanian Resource & Infrastructure Projects

Overview

During the year Gulf reviewed a number of potential projects in Tanzania. Projects worthy of further work included;

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

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

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

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

ACTIVITIES & PROJECT REVIEW

Pare Mountains Copper Project

Gulf has signed an MoU with the NDC to asses the Pare Mountains Copper Project located in the north east of the country. The copper mineralisation was first reported in 1955 and in the late 1950's limited trenching and diamond drilling was completed. Two small open pits were established to extract ore. A total of 247 tonnes of ore was extracted at an average grade of 10.18% copper. During the period a review of published and unpublished information was undertaken together with a visit to the project by the Gulf Technical Team.

Greg Duncan, Gulf's Technical Director at the Pare Mountains Copper Project

Manga Handeni / Bagamoyo Gold Project

Gulf has entered into a JV with Kadolo Investments Limited to earn up to 70% of the Manga Handeni / Bagamoyo gold project by spending US$700,000 over three years (at US$150,000 Gulf will earn 51%). The project is situated at Manga in the Handeni and Bagamoyo District in north east Tanzania, and is contained within Prospecting Licence PL4164/2007, which covers some 123 sq km.

Iringa Gold Project

Gulf has signed an MoU with Msichesta Mining Co Ltd over its Iringa Gold leases (PML, 720, 721 and 722) in central Tanzania, an area with a history of gold mining. Previous work includes tonnage and grade estimates based on trenching and substantial pitting, but which are not in compliance with the current JORC Code. However, the exploration work revealed four reef systems at depths varying from 5 to 43m; recent channel sampling of the mineralised system has revealed the results in the table below.

Initial appraisal indicates the mineralised zone is open in all directions and previous exploration work has only tested up to 200 metres of an estimated 1.5 km zone. Plans are under way for a sampling program in late 2008.

Dr Matt Cobb examining artisanal gold working at the Iringa Gold Prospect

Pit No	Depth (m)	Sample Number	Assay Results
1	5	MS/01	9.69 g/t Au
2	5	MS/02	9.74 g/t Au
3	15	MS/03	14.16 g/t Au
4	7	MS/04	8.20 g/t Au
5	43	MS/05	138.65 g/t Au

East Tanzanian Gold

Gulf has signed an MoU with Agri Min Limited that holds several prospective gold licences (PL 4453, 4454, 4768) in eastern Tanzania, but no further work will be carried out on these projects.

South West Tanzanian Coal Project

Gulf has signed a Heads of Agreement ("HoA") with Tan Resources Ltd (TRL) to evaluate the potential of a Public Private Partnership/joint venture between Gulf, the TRL and the NDC for the development of Liweta and Mbamba Bay Coal Fields in south western Tanzania.

Under the HoA, Gulf is entitled to purchase an effective 60% interest in Liweta and Mbamba Bay Coal Fields subject to a positive review by the company of an initial technical study planned for later this year.

Mtwara Development Project - Port Development Project

Gulf has entered into an MOU with the Tanzania Ports Authority to jointly determine the potential of a public private partnership for the development, modernisation and expansion of the Mtwara Sea Port, including regulating the associated Export Processing Zones and Free Port facility.

The Mtwara Sea Port is part of the Mtwara Development Corridor, which will also includes development of power generation and transmission, transport infrastructure, telecommunications, water, agriculture, mining (including iron ore and coal), tourism, forestry and fisheries.

Other African Projects

During Gulf's project development in Tanzania a number of other opportunities have surfaced through having a presence in the region. Gulf is opportunistically assessing projects that initially seem to meet the company's investment criteria.

Madagascar

Gulf has agreed with Mauritius based Madagascar Holdings Ltd to jointly seek opportunities in the Madagascar resources sector through local entity Austral Malagasy Mining SARL. Activities will focus on advanced mineral projects covering gold, chromite, iron ore and other minerals.

Southern Sudan

Company management was invited to meet a high level delegation from the Government of Southern Sudan in the capital Juba. Agreement was reached to review a number of advanced copper/gold resource opportunities in the country.

Australian Projects

During the last 12 months Gulf has continued to explore and develop its Australian projects in Queensland and the Northern Territory.

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

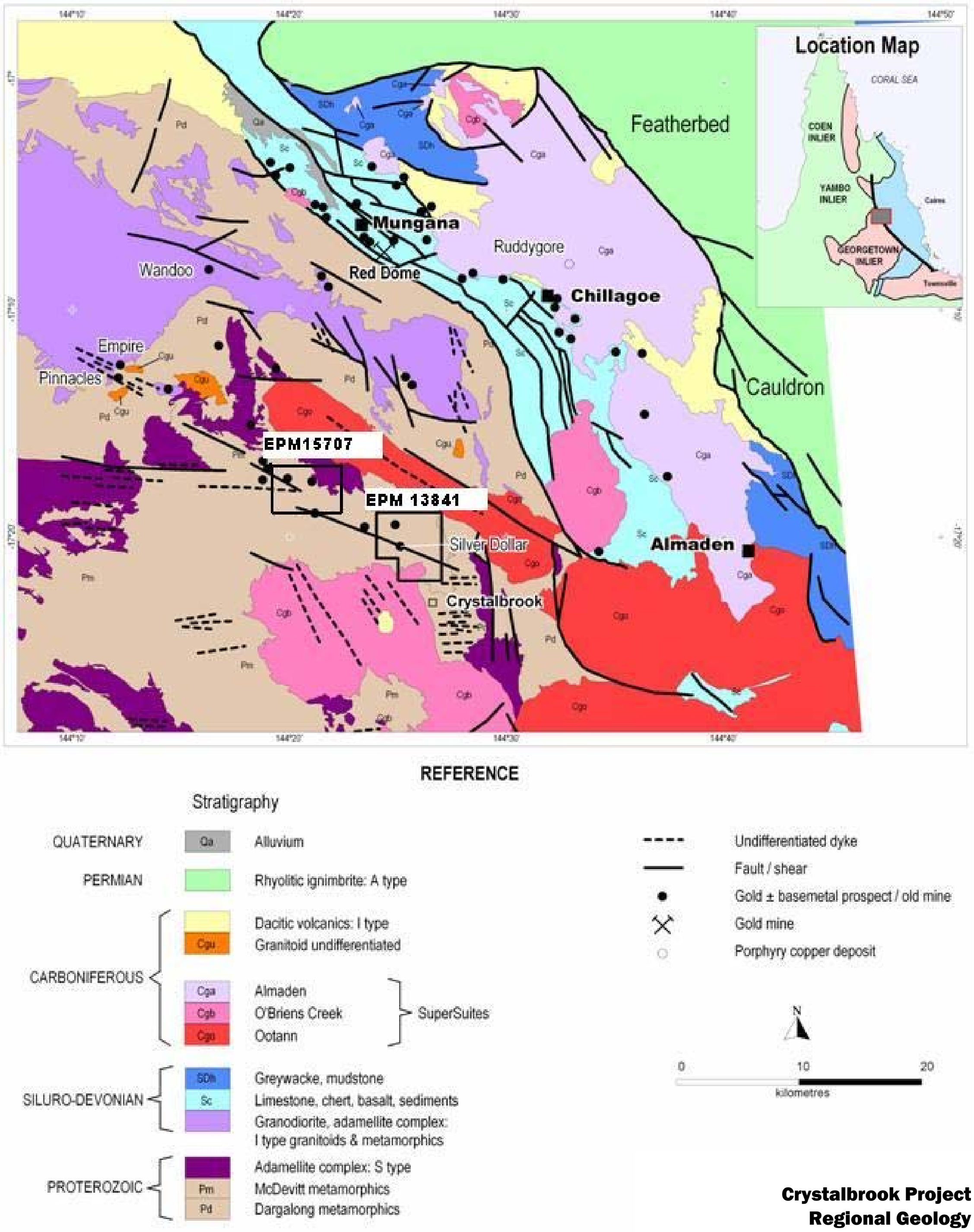
The Crystalbrook Project in the Chillagoe District of North Queensland is located approximately 25km south west of Chillagoe and 150km west of Cairns.

The Gulf tenements cover an essentially untested intrusive related gold and base metal system focused on a major north west trending basement structure. The province contains the Red Dome copper–gold and Kidston (3.4 Moz Au) porphyry style deposits. The Gulf tenement covers the dominantly mineralised 5 km of this fault zone in the region with gold in rock chips to 10g/t Au. Exploration by Gulf has defined a buried mineralised intrusive which requires further drill testing.

During the past year Gulf has expanded its tenement coverage with the purchase of EPM 15707. The tenement covers the westward extension of the Silver Dollar Fault Zone in an area with an elevated (12 ppb) stream sediment gold anomaly and surface rock chip sampling to 27 g/t gold.

ACTIVITIES & PROJECT REVIEW

The primary focus of exploration during the year was on the interpretation and assessment of encouraging assay results received from the initial diamond drilling program. New drilling intersected zones of anomalous copper (to 0.4 %) and zinc (to 0.3 %) mineralisation within an extensive intrusive related silica–pyrite–pyrhhotite alteration zone.



Crystalbrook Project
Regional Geology
Gold Mineralisation

Compiled by RobSearch Australia Pty Ltd

The initial two holes into a previously untested blind target confirmed the presence of a large intrusive system with associated copper, zinc, lead and silver mineralisation. Results of 21m @ 248 ppm copper and 436 ppm zinc from 272m in CBDD-2 demonstrates the potential of the system to host economic mineralisation.

Crystalbrook drill rig

The two drill holes, drilled 380m apart, targeted a large (2 km diameter) geophysical anomaly 1400m to the north of the mineralised Silver Dollar Fault Zone. This zone was detected utilising an Induced Polarisation Survey (IP) which indicated a chargeable anomaly at depth to the north of the regional fault and resistive anomaly to the south. The anomaly is co-incident with the regional northwest Silver Dollar Fault intersection with a radial fracture system.

The extensive widths of alteration present in both holes, CBDD-1 was drilled to 380.6m and CBDD-2 to 452m and progression to a higher temperature alteration assemblage in CBDD-2 from 170m depth are considered indicative of an extensive system with zoned metal distribution. Mineralisation increased in CBDD-2 with the broadest zone of anomalous + 300 ppm zinc from 272m.

Crystalbrook drill core samples

The results are considered very encouraging with confirmation of a large intrusive related mineralised system warranting continued exploration. Petrology and further assays will be undertaken on the drill core with results to be combined with previous drill results and IP data remodeled to target further drilling.

ACTIVITIES & PROJECT REVIEW

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

The Swan Creek Project is located at the northern end of the Tanami Gold Province in the Northern Territory. Previous base metal exploration sampled anomalous gold to 32 ppb in stream sediment shedding from an area of quartz veined meta sediments and associated high magnetic signature. The basement rocks correlate with sediments that have yielded over 16 million ounces of gold in the Northern Territory in the Tanami, Tennant Creek and Pine Creek Provinces.

Exploration for gold and base metal mineralisation was undertaken on the Swan Creek Project in the Northern Territory. The project is located to the north of the gold rich Tanami Province with exploration targeting copper and gold mineralisation in coeval basement metasediments. Equivalent rock types host the majority of the Northern Territory's gold mineralisation in the Tanami, Pine Creek and Tennant Creek districts. The company is currently awaiting assays results and will update shareholders once these have been received and reviewed.

The area has been subject to previous drill testing for Mt Isa style lead – zinc mineralisation in the Limbunya Group. Drilling intersected low grade lead and zinc. Follow up of copper intersections in drilling and gold stream sediment anomalies to 31 ppb was not conducted.

Drilling by GeoPeko intersected graphitic shales with chalcopyrite in historical hole LMDH8 and haematitic sericitic shale and "chert" + haematite with quartz, carbonate and haematite veining, rare pyrite and chalcopyrite in historical drill hole LMDH12.

These mineralised basement intersections indicate the prospective nature of this area which has seen minimal exploration.

Regionally the area has shallow soil cover which limited historic exploration. Airborne magnetics indicates folded magnetic basement rocks interpreted to be iron rich sediments which are being targeted for the gold mineralisation shedding into local streams.

Positive exploration results were received from the field work undertaken during October, 2007. Stream sediment and soil sampling programmes reported anomalies for gold and copper consistent with previous exploration results. Soil samples reported copper to 64 ppm in transported sediment proximal to a north west trending structure with copper mineralisation associated with quartz veining in carbonaceous shales. The soil sample grid will be extended to aid in drill targeting. Further field work is scheduled for late 2008

Note: Drillhole information reported in Exploration Licences 7140 & 7141 Combined Final Report on Exploration. Peko Wallsend Operations Ltd. Geopeko Division. By A Hurrell December 1993. Open File Report DME Library, Darwin.

Ewingar Northern New South Wales
(EL 6490 - Gulf 100%, 31,000 oz Au (Inferred))

The Ewingar Gold Project is centered on the gold mineralised Timbarra granite in northern NSW. Modern exploration in this district to date has focused on the low grade granite hosted Timbarra 417,000 oz Au deposit. The area remains prospective for both high grade granite hosted and granite margin deposits. The Hoortons Deposit remains open along strike and several prospects which have been extensively mined historically for both alluvial and hardrock gold remain untested.

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

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Gulf Resources Limited ("the company") have adhered to the principles of corporate governance. A description of the main corporate governance practices, as well as any disclosures required by the Australian Stock Exchange's "Principles of Good Corporate Governance and Best Practice Recommendations", is set out below. Unless otherwise stated, the practices were in place for the entire year.

1. Board of Directors

The Board of Directors of the company is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuing arrangements are in place to adequately manage those risks.

The primary responsibilities of the Board include:

- formulation and approval of the strategic direction, objectives and goals of the company;
- monitoring the financial performance of the company, including approval of the company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of executive directors; and
- the establishment and maintenance of appropriate ethical standards.

The responsibility for the operation and administration of the company is carried out by two of the directors, who operate in an executive capacity, supported by senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the board.

The directors of the company are as follows:

Mr Scott Reid	- Executive Chairman
Mr Wayne Kernaghan	- Finance Director
Mr Greg Duncan	- Technical Director
Mr Philip Treisman	- Director of Strategy & Counsel

For information in respect to each director refer to the directors' report.

2. Independent Directors

Under ASX guidelines all of the current board members are considered not to be independent directors. The Board is satisfied that the structure of the Board is appropriate for the size of the company and the nature of its operations and is a cost effective structure for managing the company.

3. Board Composition

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the company. Any director so appointed must then stand for election at the next Annual General Meeting of the company.

4. Terms of Appointment as a Director

The constitution of the company provides that a director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the directors must retire each year and are eligible for re-election. The directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

5. Board Committees

In view of the size of the company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management. Accordingly audit matters, the nomination of new directors and the setting, or review, of remuneration levels of directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

6. Remuneration

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by the non-executive directors. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

7. Conflict of Interest

The directors must keep the company informed, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the Board believes a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

8. Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

9. Code of Conduct

In view of the size of the company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

10. Make Timely and balanced disclosures

The Board has in place written policies and procedures to ensure the Company complies with its obligations under the continuous disclosure rule 3.1 and other ASX Listing Rule disclosure requirements

11. Communication to Market & Shareholders

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors and the company. Information is communicated to shareholders and the market through:

- the Annual Report is available to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate;
- the annual general meeting and other meetings called to obtain approval for board action as appropriate; and
- the company's website.

12. Share Trading

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

13. External Auditors

The external auditor is Alcock Davis Danieli. The external auditor is invited to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Full details of the company's corporate governance practices can be viewed at its website – www.gulfresources.com.au.

Your Directors submit their report on the company and its controlled entities for the financial the year ended 30 June 2008.

Directors

The names of directors in office at any time during or since the end of the year are:

Director	Appointed	Resigned
S Reid	30 June 2005	-
W Kernaghan	30 June 2005	-
G Duncan	30 June 2005	-
P Treisman	14 August 2007	-

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on Current Directors

Scott Andrew Reid B.Sc. (Syd), Grad. Dip. Sci. (Geophys), MAIG, FFin, MAICD ● Executive Chairman

Scott Reid has over 18 years experience in the exploration and mining finance sectors. His technical experience in the mineral and oil & gas industry was gained in a wide variety of geological and geographical settings including Australia, Asia, West and Eastern Africa and North and South America during his time with large multinational French Geophysical Contracting Corporation (CGG) including managing World Bank and United Nations sponsored geophysical projects.

Scott Reid holds graduate and postgraduate qualifications in geophysics, applied finance and mineral economics. During the past three years Mr Reid has held the following listed company directorships:

- AIM Resources Limited from 16 May 2002 to 31 March 2007
- Discovery Nickel Limited from 30 May 2003 to 31 July 2006
- MXL Limited from 5 June 2007 to 2 May 2008

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

Wayne Kernaghan is a member of the Institute of Chartered Accountants in Australia with over 20 years experience in various areas of the mining industry. He is a Fellow of the Australian Institute of Company Directors and a Chartered Secretary. During the past three years Mr Kernaghan has held the following listed company directorships:

- Cullen Resources Limited from 11 November 1997
- Goldlink Incomeplus Limited from 18 December 2003 to 29 November 2007
- Australia Motor Finance Group Limited from 7 September 2006

Mr Kernaghan was appointed company secretary on 30 June 2005.

Gregory Neil Duncan B.Sc., MAusIMM ● Technical Director

Greg Duncan is an exploration geologist with extensive experience in gold, base metal and diamond exploration in Australia. He combines field experience with technical expertise in the planning and management of exploration programs in remote locations and has successfully advanced conceptual models to exploration success during his career.

Currently a consulting geologist based in Brisbane he brings solid exploration credentials to the Board.

Philip Treisman B.A., LLB (Wits) ● Director of Strategy & Counsel

Philip Treisman has over 10 years experience in the international finance and mining and resource industries and has been the principal advisor for strategic business development in international finance, mining and resource projects and various government sponsored infrastructure development projects throughout Africa, the Caribbean, Asia, Oceania and Australia. His close relationship with London's finance community and his role in advising companies listing on the Johannesburg Stock Exchange, Botswana Stock Exchange and London's Alternative Investment Market has provided him with extensive experience in corporate activities relating to junior mining companies expanding their activities and increasing their shareholder value as they move into the multinational arena.

Directors' Interests

At 30 June 2008, directors' interests in the shares and options of the company were:

Director	Direct			Indirect		
	Shares	Various Options	Performance Rights	Shares	Various Options	Performance Rights
S Reid	5,245,000	3,672,500	1,000,000	-	-	-
W Kernaghan	5,150,005	4,875,003	1,000,000	1,518,632	1,109,807	-
G Duncan	1,000,000	-	1,000,000	4,815,000	4,595,416	-
P Treisman	410,000	-	1,000,000	-	-	-

Principal Activities

The principal activities of the consolidated group during the financial year were mining and mineral exploration and seeking mining infrastructure opportunities. There was no significant change in the nature of the consolidated group's principal activities during the financial year.

Review & Results of Operations

Gulf Resources Limited is involved in mining and mineral exploration and infrastructure projects. The net loss after providing for income tax amounted to $4,078,525 (2007: $2,122,121). The consolidated entity has been actively exploring on its properties and has undertaken an IP survey and a follow up drilling program on the Crystalbrook property.

The company expanded its tenement coverage at Crystalbrook to cover the Westwood extension of the Silver Dollar Fault Zone. Development opportunities were reviewed in Uganda, Southern Sudan, Tanzania, Madagascar, South Africa and Vietnam.

Memorandums of Understanding are signed over projects in Tanzania and Vietnam.

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend for this financial year. No dividend has been declared or paid by the company since the end of the previous financial year.

Financial Position

The net assets of the consolidated group have increased by $458,747 from 30 June 2007 to $3,551,463 in 2008. This increase has largely resulted from equity raisings during the year to fund the consolidated group's activities.

Future Developments, Prospects & Business Strategies

Exploration activities will continue on the current tenement package which offers the opportunity to explore in areas of known mineral occurrences that have not been fully exploited through modern advanced exploration activities. The consolidated group will also focus on low cost – high return exploration and corporate strategies to capture significant value for shareholders.

Environmental Issues

The exploration activities of the consolidated entity in Australia are subject to environmental regulation under the laws of the Commonwealth and the States in which those exploration activities are conducted. The environmental laws and regulations generally address the potential impact of the consolidated entity's activities in the areas of water and air quality, noise, surface disturbance and the impact upon flora and fauna. The directors are not aware of any environmental matter which would have a materially adverse impact on the overall business of the consolidated entity.

Significant Changes in State of Affairs

The significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review were:

- The issue of shares and options during the year to raise a net $4,915,085.
- The incorporation of a number of overseas consolidated entities. (Refer to Note 16)

After Balance Date Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the parent entity, to affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the subsequent financial years, other than:

- Signing a Heads of agreement with Tan Resources Ltd to evaluate the potential of a Public Private partnership/Joint venture between Tan and Tanzania's National development corporation for the development of Liweta and Mbamba coal fields in south western Tanzania.

- The company and Hanoi General Export Import JSC have appointed HATCH to undertake the Coal to Liquid Fuel Plant Pre-feasibility study.

- An additional 8,000,000 options have been issued since the end of the financial year which has raised $160,000.

Directors Meetings

The number of Directors Meetings of Gulf Resources Limited held during the financial period ended 30 June, 2008 and the number of meetings attended by each director are as follows:

	Directors Meetings	
Name	Eligible to Attend	Attended
S Reid	5	5
W Kernaghan	5	5
G Duncan	5	5
P Treisman	5	5

As well as formal directors' meetings, executive and non-executive directors are in frequent communication.

Options

At 30 June 2008 the company had 60,078,100 (2007: 23,327,402) listed and unlisted options on issue and the details are as follows:

Type	Number	Exercise Price	Expiry Date
Listed	37,129,028	$0.25	31 December 2009
Listed	16,199,072	$0.20	30 June 2011
Unlisted	6,750,000	$0.20	30 June 2011

During the year, 378,330 (2007: 19,266) fully paid ordinary shares were issued by virtue of the exercise of options. Since the end of the financial year no shares have been issued by virtue of the exercise of options.

Remuneration Report

This report details the nature and amount of remuneration for each director of Gulf Resources Limited.

Remuneration Policy

The remuneration policy of Gulf Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Gulf Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group as well as create goal congruence between directors and shareholders.

Company performance, shareholders wealth and director remuneration

The remuneration policy, setting the terms and conditions for the executive directors was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience), options and incentives. The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Compensation practices

The board's policy for determining the nature and amount of compensation of key management for the company is:

The remuneration for executive officers, including executive directors is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, specified directors and executives are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination lapse.

Key Management Personnel Remuneration

The remuneration for each director received during the year was as follows:

Director 2008	Short Term Directors Fees $	Short Term Consulting Fees $	Non Monetary Benefit $	Post Employment Superannuation $	Total $
S Reid	59,240	375,000	33,760	5,320	473,320
W Kernaghan	58,000	180,000	-	5,220	243,220
G Duncan	58,000	170,000	-	5,220	233,220
P Treisman	50,000	130,000	-	4,500	184,500

Director 2007	Primary Salary/Fee $	Motor Vehicle $	Post Employment Superannuation $	Total $
S Reid	164,799	18,201	2,393	185,393
W Kernaghan	173,000	-	2,970	175,970
G Duncan	143,000	-	2,970	145,970
P Treisman	-	-	-	-

There have been payments made to director related entities for services provided to the economic entity which have been included in the above amounts.

The executive role is performed by the directors.

Options Granted as Part of Remuneration for the year ended 30 June 2008

There were no options granted as part of director and executive emoluments during the year.

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Gulf Resources Limited support and adhere to the principles of good corporate governance. The company's corporate governance statement can be found on pages 9 to 10.

Indemnifying Officers

The company has not, during or since the end of the financial year, in respect of any person who is or has been an officer of the company or related body corporate indemnified against liability incurred as an officer including costs and expenses in successfully defending legal proceedings or paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2008 has been received and can be found on page 15.

Signed in accordance with a resolution of the Board of Directors:

S Reid
Chairman
Sydney, 25 September 2008

Alcock Davis Danieli

Chartered Accountants
ABN 27 056 471 099

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GULF RESOURCES LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

ALCOCK DAVIS DANIELI
Chartered Accountants

Sam Danieli
Partner

Sydney, 25 September 2008

Alcock Davis Danieli

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

GULF RESOURCES LIMITED AND CONTROLLED ENTITIES

A.B.N. 13 115 027 033

Report on the Financial Report

We have audited the accompanying financial report of Gulf Resources Limited (the company) and Gulf Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 13 to 14 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

...continued over

Auditor's Opinion

In our opinion:

a. the financial report of Gulf Resources Limited and Gulf Resources Limited and Controlled Entities is in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International financial Reporting Standards as disclosed in Note 1; and

c. the remuneration disclosures that are contained in pages 13 to 14 of the directors' report comply with Accounting Standard AASB 124.

ALCOCK DAVIS DANIELI
Chartered Accountants

Sam Danieli
Partner

Sydney, 25 September 2008

DIRECTORS' DECLARATION

The directors of the company declare that:

(a) The financial statements and notes, as set out on pages 19 to 33, are in accordance with the Corporations Act 2001 and:

  (i) comply with Accounting Standards and the Corporations Regulations 2001; and

  (ii) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated group;

(b) The Executive Chairman and Finance Director have each declared that:

  1. the financial records for the company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;

  2. the financial statements and notes for the financial period comply with the Accounting Standards; and

  3. the financial statements and notes for the financial year give a true and fair view.

(c) In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

S Reid
Chairman
Sydney, 25 September 2008

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Revenue		90,895	80,926	90,895	80,926
Employee benefits expense		(474,839)	(440,483)	(369,570)	(440,483)
Depreciation expense		(101,734)	(7,287)	(82,324)	(7,287)
Exploration expenditure		(1,483,972)	(1,531,366)	(1,482,273)	(808,053)
Other operating expenses		(2,108,875)	(223,911)	(2,062,470)	(215,972)
Loss from continuing activities before income tax		(4,078,525)	(2,122,121)	(3,905,742)	(1,390,869)
Income tax expense		-	-	-	-
Net loss attributable to members of Gulf Resources Limited		(4,078,525)	(2,122,121)	(3,905,742)	(1,390,869)
Basic loss per share (cents per share)	17	(7.8)	(5.6)		
Diluted loss per share (cents per share)		(5.3)	(4.0)		

(The accompanying notes form part of these financial statements.)

BALANCE SHEET
AT 30 JUNE 2008

	Note	Consolidated Group 2008	Consolidated Group 2007	Parent Entity 2008	Parent Entity 2007
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	4	2,825,199	2,340,621	2,817,539	2,339,900
Trade and other receivables	5	265,902	116,682	190,975	96,682
TOTAL CURRENT ASSETS		3,091,101	2,457,303	3,008,514	2,436,582
NON-CURRENT ASSETS					
Trade and other receivables	5	-	-	659,137	34,000
Financial assets	6	122,187	612,225	844,305	1,332,927
Property, plant and equipment	7	264,740	263,141	174,274	263,141
Deferred exploration costs	8	301,650	-	-	-
TOTAL NON-CURRENT ASSETS		688,577	875,366	1,677,716	1,630,068
TOTAL ASSETS		3,779,678	3,332,669	4,686,230	4,066,650
CURRENT LIABILITIES					
Trade and other payables	9	228,215	239,953	228,003	239,953
TOTAL CURRENT LIABILITIES		228,215	239,953	228,003	239,953
TOTAL LIABILITIES		228,215	239,953	228,003	239,953
NET ASSETS		3,551,463	3,092,716	4,458,227	3,826,697
EQUITY					
Issued capital	10	8,958,467	4,740,963	8,958,467	4,740,963
Reserves	11	986,219	666,451	986,219	666,451
Accumulated losses		(6,393,223)	(2,314,698)	(5,486,459)	(1,580,717)
TOTAL EQUITY		3,551,463	3,092,716	4,458,227	3,826,697

(The accompanying notes form part of these financial statements.)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Consolidated Group	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2006	1,252,151	95,700	(192,577)	1,155,274
Issue of share capital	3,488,812	-	-	3,488,812
Share based payment	-	378,000	-	378,000
Issue of options	-	192,751	-	192,751
Loss for the year	-	-	(2,122,121)	(2,122,121)
Balance at 30 June 2007	4,740,963	666,451	(2,314,698)	3,092,716
Balance at 1 July 2007	4,740,963	666,451	(2,314,698)	3,092,716
Issue of share capital	4,217,504	-	-	4,217,504
Issue of options	-	697,581	-	697,581
Fair value revaluation	-	(377,813)	-	(377,813)
Loss for the year	-	-	(4,078,525)	(4,078,525)
Balance at 30 June 2008	8,958,467	986,219	(6,393,223)	3,551,463

Parent Entity	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2006	1,252,151	95,700	(189,848)	1,158,003
Issue of share capital	3,488,812	-	-	3,488,812
Share based payment	-	378,000	-	378,000
Issue of options	-	192,751	-	192,751
Loss for the year	-	-	(1,390,869)	(1,390,869)
Balance at 30 June 2007	4,740,963	666,451	(1,580,717)	3,826,697
Balance at 1 July 2007	4,740,963	666,451	(1,580,717)	3,826,697
Issue of share capital	4,217,504	-	-	4,217,504
Issue of options	-	697,581	-	697,581
Fair value revaluation	-	(377,813)	-	(377,813)
Loss for the year	-	-	(3,905,742)	(3,905,742)
Balance at 30 June 2008	8,958,467	986,219	(5,486,459)	4,458,227

(The accompanying notes form part of these financial statements.)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash flows from Operating Activities					
Interest received		62,625	80,926	62,625	80,926
Receipts from customers		28,270	-	28,270	
Payments to suppliers and employees		(4,131,330)	(1,324,858)	(3,923,242)	(1,316,919)
Net Cash (used in) provided by Operating Activities	21	(4,040,435)	(1,243,932)	(3,832,347)	(1,235,993)
Cash flows from Investing Activities					
Exploration expenditure		(301,650)	-	-	-
Proceeds from sale of financial assets		398,679	-	398,679	-
Acquisition of financial assets		(383,768)	(612,225)	(383,768)	(612,225)
Acquisition of subsidiaries		-	-	(1,416)	(2)
Proceeds for plant and equipment		51,184	-	51,184	-
Payment for plant and equipment		(154,517)	(270,428)	(44,641)	(270,428)
Net Cash (used in) provided by Investing Activities		(390,072)	(882,653)	20,038	(882,655)
Cash flows from Financing Activities					
Loans to controlled entities		-	-	(625,137)	(6,000)
Proceeds from share and option issues		4,915,085	4,059,563	4,915,085	4,059,563
Net Cash provided by (used in) Financing Activities		4,915,085	4,059,563	4,289,948	4,053,563
Net increase in cash held		484,578	1,932,978	477,639	1,934,915
Cash at beginning of the year		2,340,621	407,643	2,339,900	404,985
Cash at end of the year	4	2,825,199	2,340,621	2,817,539	2,339,900

(The accompanying notes form part of these financial statements.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. Statement of significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity and controlled entities and as an individual parent entity Gulf Resources Limited is a public listed company incorporated and domiciled in Australia.

The financial report of Gulf Resources Limited and its controlled entities and Gulf Resources Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared using the accrual basis of accounting and is based on historical cost and does not take account of changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

a. Principles of consolidation

A controlled entity is any entity controlled by the Company. Control exists where the Company has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company.

A list of controlled entities is contained in Note 16 to the Financial Statements. All controlled entities have a June financial year end. All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

b. Mining tenements & deferred exploration, evaluation & development expenditure

Mining tenements are carried at cost, less accumulated impairment losses.

Mineral exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest or sale of that area of interest, or exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

c. Goods & services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

d. Impairment of assets

At each reporting date, the consolidated group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

e. Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates and tax laws that have been enacted or are subsequently enacted by the reporting date.

Current tax losses for current and prior periods are not recognised as an asset as the future income tax benefit can be carried forward only as an asset where realisation of the benefit can be regarded as being probable.

f. Share-based payments

The fair value determined at the grant date of equity-settled share-based payments is treated as the cost of assets acquired or expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Vesting is not conditional upon a market condition. No asset or expense is recognised for share-based payments that do not vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

g. Cash

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

h. Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

i. Impact of pending accounting standards

There are no material impacts to the financial statements known from pending accounting standards that have not been adopted in the preparation of these financial statements.

j. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

k. Joint Venture Interests

An interest in a joint venture operation is brought to account by including in the respective financial statement categories:

- the consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture including the economic entity's share of any liabilities for which the consolidated entity is jointly and/or severally liable; and
- The consolidated entity's share of expenses of the joint venture.

l. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are erecognized where the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the assets. Financial liabilities are erecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(i) *Financial assets at fair value through profit and loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realized and unrealized gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
2 Loss for the Year				
Revenue from ordinary activities:				
Interest	62,625	80,926	62,625	80,926
Other	28,270	-	28,270	-
	90,895	80,926	90,895	80,926
Expenses from ordinary activities:				
Loss on sale of financial assets	97,314	-	97,314	-
Consulting	489,300	21,770	489,300	21,770
Compliance	100,140	30,986	100,140	30,350
Legal	71,180	23,276	71,180	23,276
Travel	295,215	39,471	295,215	39,471
Rental expense – minimum lease payments	161,185	13,388	161,185	13,388

3. Income tax

Operating (loss) before income tax	(4,078,525)	(2,122,121)	(3,905,742)	(1,390,869)
Prima facie income tax (benefit) calculated at 30% (2007:30%)	(1,223,557)	(636,636)	(1,171,723)	(417,261)
Less income tax benefits not brought to account at balance date	1,223,557	636,636	1,171,723	417,261
Total income tax expense	-	-	-	-

Potential future income tax benefits estimated at $1,917,966 (2007: $694,409) attributable to Australian tax losses carried forward by the company and future benefits to exploration expenditure and other timing differences allowable for deduction have not been brought to account in the consolidated accounts at 30 June 2008 because the Directors do not believe it is appropriate to regard full realisation of the future income tax benefits as probable. These benefits will only be obtained if:

(a) the company derives future assessable income of a nature and of sufficient amount to enable the benefit from the deductions to be realised; and
(b) the company continues to comply with the conditions for deductibility imposed by tax legislation; and
(c) no changes in tax legislation adversely affect the company in realising the benefit from the deduction in losses.

4. Cash & cash equivalents

Cash and cash equivalents at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash on hand and at bank	2,825,199	2,340,621	2,817,539	2,339,900
	2,825,199	2,340,621	2,817,539	2,339,900

5. Trade & other receivables

Current				
Other debtors	245,902	96,682	190,975	96,682
Security deposits	20,000	20,000	-	-
	265,902	116,682	190,975	96,682
Non-Current				
Loans to controlled entities	-	-	659,137	34,000
	-	-	659,137	34,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
6. Financial assets				
Available for sale financial assets comprise:				
Unlisted investments at cost				
- shares in controlled entities	-	-	722,118	720,702
Listed investments at fair value				
- shares in listed corporations	122,187	612,225	122,187	612,225
	122,187	612,225	844,305	1,332,927

The fair value of unlisted available for sale financial assets cannot be reliably measured, and are therefore measured at cost. Available for sale financial assets comprise investments in the ordinary capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
7. Property, Plant & Equipment				
Plant and equipment	55,856	2,900	47,542	2,900
Less accumulated depreciation	(11,724)	(159)	(11,091)	(159)
	44,132	2,741	36,451	2,741
Leasehold improvements	84,783	135,967	84,783	135,967
Less accumulated amortisation	(27,978)	-	(27,978)	-
	56,805	135,967	56,805	135,967
Motor Vehicles	233,123	131,561	131,561	131,561
Less accumulated depreciation	(69,320)	(7,128)	(50,543)	(7,128)
	163,803	124,433	81,018	124,433
Total Property, Plant & Equipment	264,740	263,141	174,274	263,141
Movements in the carrying amounts for each class of property, Plant and equipment between the beginning and the end of the current financial year.				
Plant and Equipment				
Balance at the beginning of year	2,741	-	2,741	-
Additions	52,955	2,900	44,642	2,900
Disposals	-	-	-	-
Depreciation	(11,564)	(159)	(10,932)	(159)
Carrying amount at the end of year	44,132	2,741	36,451	2,741
Leasehold improvements				
Balance at the beginning of year	135,967	-	135,967	-
Additions	-	135,967	-	135,967
Disposals	(51,184)	-	(51,184)	-
Amortisation	(27,978)	-	(27,978)	-
Carrying amount at the end of year	56,805	135,967	56,805	135,967
Motor Vehicles				
Balance at the beginning of year	124,433	-	124,433	-
Additions	101,562	131,561	-	131,561
Disposals	-	-	-	-
Depreciation	(62,192)	(7,128)	(43,415)	(7,128)
Carrying amount at the end of year	163,803	124,433	81,018	124,433

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
8. Deferred exploration costs				
Costs carried forward in respect of areas of interest in the exploration and evaluation phase				
Opening balance	-	723,313	-	-
Expenditure incurred during the year	1,785,622	808,053	1,482,273	808,053
	1,785,622	1,531,366	1,482,273	808,053
Less expenditure written off during the year	(1,483,972)	(1,531,366)	(1,482,273)	(808,053)
Closing balance	301,650	-	-	-
9. Trade & other payables				
Trade creditors	228,215	239,953	228,003	239,953
	228,215	239,953	228,003	239,953
10. Issued Capital				
Issued capital				
69,758,005 (2007: 46,559,271) fully paid shares	8,958,467	4,740,963	8,958,467	4,740,963

The company has authorised share capital amounting to 69,758,005 ordinary shares of no par value.

Movements during the year	2008 Number of Shares	2007 Number of Shares	2008 $	2007 $
Beginning of the financial year	46,559,271	28,040,005	4,740,963	1,252,151
10/8/06 issued at 20 cents	-	10,500,000	-	2,100,000
23/5/07 issued at 26 cents	-	5,755,152	-	1,496,340
23/5/07 exercise of options at 20 cents	-	933	-	187
20/6/07 exercise of options at 20 cents	-	13,333	-	2,667
29/6/07 exercise of options at 20 cents	-	5,000	-	1,000
29/6/07 issued at 26 cents	-	2,244,848	-	583,660
20/11/2007 Performance Rights	3,000,000	-	-	-
10/12/2007 issued at 27.5 cents	545,454	-	150,000	-
10/12/2007 issued at 26.5 cents	4,500,000	-	1,192,500	-
27/05/2008 exercise of options at 20 cents	21,666	-	4,333	-
28/05/2008 exercise of options at 20 cents	356,664	-	71,333	-
28/05/2008 issue at 20 cents	14,775,000	-	2,955,000	-
Share issue expenses	-	-	(155,662)	(695,042)
End of the financial year	69,758,055	46,559,271	8,958,467	4,740,963

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure to include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

Options

At 30 June 2008 there are 60,078,100 (2007: 23,327,372) unissued shares in respect of which options were outstanding and the details of them are as follows:

Type	Number	Exercise Price	Expiry Date
Listed	37,129,028	$0.25	31 December 2009
Listed/Unlisted	22,949,072	$0.20	30 June 2011

11. Reserves

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Share Option Reserve	1,364,032	666,451	1,364,032	666,451
Fair Valuation Reserve	(377,813)	-	(377,813)	-
	986,219	666,451	986,219	666,451
(i) Share Option Reserve				
This relates to the recognition on the issue of options.				
Beginning of the financial year	666,451	95,700	666,451	95,700
Share based payment	-	378,000	-	378,000
Issue of options to shareholders	697,581	192,751	697,581	192,751
End of the financial year	1,364,032	666,451	1,364,032	666,451
(ii) Fair Valuation Reserve				
This relates to the movement in the fair valuation of financial assets.				
Beginning of the financial year	-	-	-	-
Fair value of financial assets	(377,813)	-	(377,813)	-
End of the financial year	(377,813)	-	(377,813)	-

12. Share Based Payments

(i) There were no share based payments for the year.

(ii) On 10 August 2006 3,000,000 options were issued to Paradigm Capital Pty Ltd and were valued at $378,000 using a Black Scholes option valuation methodology for assisting the parent entity in becoming listed on the Australian Stock Exchange.

	Consolidated Group		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
13. Auditors remuneration				
Remuneration of the auditor of the parent entity for:				
– auditing or reviewing the financial report	43,712	12,500	43,712	12,500
– other services	-	-	-	-
	43,712	12,500	43,712	12,500

14. Key management personnel compensation

(a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Name	Appointed	Position
S Reid	30 June 2005	Executive Chairman
W Kernaghan	30 June 2005	Finance Director
G Duncan	30 June 2005	Technical Director
P Treisman	14 August 2007	Director of Strategy & Counsel

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

(b) Number of options held by key management personnel and their related parties

Company Director	Balance 1/7/2007	Options Issued	Options Exercised	Balance 30/6/2008
S Reid	967,116	2,622,500	-	3,672,500
W Kernaghan	2,653,825	3,334,318	-	5,984,810
G Duncan	3,095,416	1,500,00	-	4,595,416
P Treisman	-	-	-	-

	Balance 1/7/2006	Options Issued	Options Exercised	Balance 30/6/2007
S Reid	750,000	226,116	-	976,116
W Kernaghan	1,000,000	1,653,825	-	2,653,825
G Duncan	1,500,000	1,595,416	-	3,095,416

(c) Number of shares held by key management personnel and their related parties

Company Director	Balance 1/7/2007	Options Exercised	Net Change Other	Balance 30/6/2008
S Reid	3,288,464	-	1,956,536	5,245,000
W Kernaghan	5,178,632	-	1,500,000	6,668,637
G Duncan	4,815,000	-	1,250,000	6,065,000
P Treisman	-	-	410,000	410,000

	Balance 1/7/2006	Options Exercised	Net Change Other	Balance 30/6/2007
S Reid	2,500,000	-	788,464	3,288,464
W Kernaghan	4,750,005	-	428,627	5,178,632
G Duncan	4,700,000	-	115,000	4,815,000

15. Related party transactions

(a) Payments to director related companies

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Consultancy payments were made to Mosman Corporate Services Pty Ltd totaling $180,000 (2007: $140,000) which is a company controlled by Mr W Kernaghan. Consultancy payments were made to J A Hobson & Associates Pty Ltd totaling $130,000 (2007: $Nil) which is a company controlled by Mr P Treisman. Geological payments were made to Pacific Consulting Services Pty Ltd totaling $170,000 (2007: $110,000) which is a company controlled by Mr G Duncan and was reimbursed geological services of $ $10,813 (2007: $133,759).

(b) Transactions with partially and wholly owned controlled entities

During the financial year there have been transactions between Gulf Resources Limited, and its partially and wholly owned controlled entities which have been eliminated for consolidation purposes.

Interest free loans have been provided by the company to its partially and wholly owned controlled entities $659,137 (2007: $34,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. Economic entity accounts include a consolidation of the following companies:

	Contribution to consolidated operating loss		Details of investment in shares Cost of parent entity's investment in subsidiaries	
	2008	2007	2008	2007
	$	$	$	$
Gulf Resources Ltd	(3,905,742)	(2,114,182)	-	-
Dingo Resources Pty Ltd	(650)	(7,085)	251,100	251,100
Chillagoe Resources Pty Ltd	(585)	(852)	469,600	469,600
Bonanza Uranium Ltd	(2,513)	(2)	2	2
Gulf Resources Uganda Limited	(500)	-	400	-
Gulf Resources Logistics (Southern Sudan) Limited	(100)	-	400	-
Gulf Resources (Southern Sudan) Limited	(500)	-	400	-
GLF Holdings Limited	(1,900)	-	108	-
GR Services Limited	(1,900)	-	108	-
Nile Fresh Produce Limited	(500)	-	-	-
GR Projects Limited	(1900)	-	-	-
GLFR308 Holdings Limited	(1,900)	-	-	-
GLFR508 Holdings Limited	(1,900)	-	-	-
URT Development Co. Limited	(157,935)	-	-	-
	(4,078,525)	(2,122,121)	722,118	720,702

Company	Place of incorporation	Date of acquisition	Class of Shares	2008	2007
Dingo Resources Pty Ltd	Australia	28.02.06	Ordinary	100%	100%
Chillagoe Resources Pty Ltd	Australia	28.02.06	Ordinary	100%	100%
Bonanza Uranium Ltd	Australia	23.05.07	Ordinary	100%	-
URT Development Co. Limited	Tanzania	27.03.08	Ordinary	80%	-
Gulf Resources Uganda Limited	Uganda	29.04.08	Ordinary	90%	-
Gulf Resources Logistics (Southern Sudan) Limited	Southern Sudan	29.04.08	Ordinary	80%	-
Gulf Resources (Southern Sudan) Limited	Southern Sudan	29.04.08	Ordinary	80%	-
Nile Fresh Produce Limited	Southern Sudan	29.04.08	Ordinary	68%	-
GLF Holdings Limited	British Virgin Islands	30.04.08	Ordinary	100%	-
GR Services Limited	British Virgin Islands	30.04.08	Ordinary	100%	-
GR Projects Limited	British Virgin Islands	30.04.08	Ordinary	100%	-
GLFR308 Holdings Limited	British Virgin Islands	30.04.08	Ordinary	100%	-
GLFR508 Holdings Limited	British Virgin Islands	30.04.08	Ordinary	100%	-

17. Earnings per share

	2008	2007
(a) Net loss: Net loss used in the calculation of basic earnings per share	(4,078,525)	(2,122,121)
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	52,552,892	37,972,510
Weighted average number of options outstanding	24,635,505	15,107,164
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	77,188,397	53,079,674

18. Capital and Leasing Commitments

(i) The consolidated entity has certain obligations to perform mining exploration work and expend minimum amounts of money on mineral exploration tenements. The consolidated entity has committed to expend a minimum of $365,000 (2007: $458,200) over the next year to keep its current tenements in good standing.

(ii) Lease expenditure commitments	Consolidated Group		Parent Entity	
Lease expenditure commitment Operating lease for premises	2008 $	2007 $	2008 $	2007 $
Minimum lease payments:				
– not later than one year	167,633	160,650	167,633	160,650
– later than one year and not later than five years	527,956	629,212	527,956	629,212
Aggregate lease expenditure contracted for at reporting date but not provided for	695,589	789,862	695,589	789,862

The property lease is a non – cancellable lease with a five year term (1 June 2007 to 31 May 2012), with rent payable monthly in advance.

19. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries. The main risks the group is exposed to through its financial instruments are interest rate risk and liquidity risk. The Board of Directors is responsible for overseeing the establishment , implementation and ongoing monitoring and review of an effective risk management framework for the group . The group's risk management policies and objectives are designed to minimise the potential impacts of these risks on the results of the group where such impacts may be material.

i) Interest Rate Risk

The economic exposure to interest rate risk and the effective weighted interest for classes of financial assets and financial liabilities are set out below:

2008	Note	Floating interest rate $	One year or less $	Over one to 5 years $	Non interest bearing $	Total $	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	4	2,825,199	-	-	-	2,825,199	7.0
Trade and other Receivables	5	-	-	-	265,902	265,902	N/A
Financial Assets	6	-	-	-	122,187	122,187	N/A
		2,825,199	-	-	388,089	3,213,288	
Financial Liabilities							
Trade and other payables	9	-	-	-	228,215	228,215	N/A
		-	-	-	228,215	228,215	

2007	Note	Floating interest rate $	One year or less $	Over one to 5 years $	Non interest bearing $	Total $	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	4	2,340,621	-	-	-	2,340,621	6.0
Trade and other Receivables	5	-	-	-	116,682	116,682	N/A
Financial Assets	6	-	-	-	612,225	612,225	N/A
		2,340,621	-	-	728,907	3,069,528	
Financial Liabilities							
Trade and other payables	9	-	-	-	239,953	239,953	N/A
		-	-	-	239,953	239,953	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The parent entity exposure to interest rate risk and the effective weighted interest for classes of financial assets and financial liabilities are set out below:

2008	Note	Floating interest rate $	One year or less $	Over one to 5 years $	Non interest bearing $	Total $	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	4	2,817,539	-	-	-	2,817,539	7.0
Trade and other Receivables	5	-	-	-	850,112	850,112	N/A
Financial Assets	6	-	-	-	844,305	844,305	N/A
		2,817,539	-	-	1,694,417	4,511,956	
Financial Liabilities							
Trade and other payables	9	-	-	-	228,003	228,003	N/A
		-	-	-	228,003	228,003	

2007	Note	Floating interest rate $	One year or less $	Over one to 5 years $	Non interest bearing $	Total $	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	4	2,339,900	-	-	-	2,339,900	6.0
Trade and other Receivables	5	-	-	-	96,682	96,682	N/A
Financial Assets	6	-	-	-	612,225	612,225	N/A
		2,339,900	-	-	708,907	3,048,807	
Financial Liabilities							
Trade and other payables	9	-	-	-	239,953	239,953	N/A
		-	-	-	239,953	239,953	

ii) Net fair values

Monetary financial assets and financial liabilities not readily traded in an organised financial market have been valued at cost, which approximate fair value. The carrying amounts of bank deposits, accounts receivable and, accounts payable approximate net fair value.

iii) Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows.

iv) Sensitivity Analysis

The group has not performed a sensitivity analysis relating to its exposure to interest rate risk at balance date and as it is not material and would have limited effect on the current year results.

20. After balance date events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the parent entity, to affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the subsequent financial years. Other than:

- Signing a Heads of agreement with Tan Resources Ltd to evaluate the potential of a Public Private partnership/Joint venture between Tan and Tanzania's National development corporation for the development of Liweta and Mbamba coal fields in south western Tanzania.
- The company and Hanoi General Export Import JSC have appointed Hatch to undertake the Coal to Liquid Fuel Plant Pre-feasibility study.
- An additional 8,000,000 options have been issued since the end of the financial year which raised $160,000.

21. Cash flow information

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Loss from ordinary activities after income tax	(4,078,525)	(2,122,121)	(3,905,742)	(1,390,869)
Non cash flows in loss:				
Depreciation	101,734	7,287	82,324	7,287
Exploration expenditure	-	723,313	-	-
Loss on sale of financial asset	97,314	-	97,314	-
Changes in assets and liabilities:				
(Increase)/Decrease in Trade receivables	(149,220)	(82,349)	(94,293)	(82,349)
Increase/(Decrease) Trade and other payables	(11,738)	229,938	(11,950)	229,938
Operating cash flow	(4,040,435)	(1,243,932)	3,832,347	(1,235,993)

22. Segment information

The economic entity operates in one business segment being the mining industry and in two geographical locations, namely Australia and Africa.

Geographical Location	Australia	Australia	Africa	Africa	Consolidated Group	
	2008	2007	2008	2007	2008	2007
	$	$	$	$	$	$
Revenue						
Unallocated revenue	90,895	80,926	-	-	90,895	80,926
Total revenue	90,895	80,926	-	-	90,895	80,926
Result						
Segment result	(3,909,490)	(2,122,121)	(169,035)	-	(4,078,525)	(2,122,121)
Loss before income tax	(3,909,490)	(2,122,121)	(169,035)	-	(4,078,525)	(2,122,121)
Income tax expense	-	-	-		-	-
Loss after income tax	(3,909,490)	(2,122,121)	(169,035)	-	(4,078,525)	(2,122,121)
Assets						
Total assets	3,638,226	3,332,669	141,452	-	3,779,678	3,332,669
Liabilities						
Total liabilities	228,215	239,953	-	-	228,215	239,953
Other						
Depreciation and amortisation of segment assets	(82,324)	(7,287)	(19,410)	-	(101,734)	(7,287)

AUSTRALIAN STOCK EXCHANGE INFORMATION

Shareholdings

(a) Analysis of holdings as at 19 September 2008.

	Ordinary Shares	Options 31/12/2009	Options 30/06/2011
1-1,000	2	1	1
1,001-5,000	60	72	88
5,001-10,000	143	31	24
10,001-100,000	222	135	61
100,001 and over	108	52	32
	535	192	206
Less than marketable parcels	62	-	-

(b) Substantial shareholders:

The company has the following substantial shareholders as at 19 September 2008:

	No. of Shares	% of Total
Pacific Consulting Services Pty Ltd	5,815,000	8.34%
Scott Reid	5,245,000	7.52%
Wayne Kernaghan	6,668,637	9.55%

(c) Voting rights:

No restrictions. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote.

(d) The names of the twenty largest shareholders of ordinary shares as at 19 September 2008.

	No. of Shares	% of Total
Wayne Kernaghan	5,150,005	7.38
Pacific Consulting Services Pty Ltd	4,515,000	6.47
Merrill Lynch (Australian) Nominees Pty Limited	4,194,515	6.01
Proto Resources & Investments Ltd	3,150,000	4.52
Scott Andrew Reid	2,611,000	3.74
Scott Reid	2,450,000	3.51
ANZ Nominees Limited	2,000,000	2.87
West African Exploration Services Pty Ltd	1,950,000	2.80
Katherine Louise Reid	1,441,000	2.07
Morrice Cordiner	1,310,000	1.88
M & S Super Investments Pty Ltd	1,300,000	1.86
WJK Investments Pty Ltd	1,118,632	1.60
Gregory Neil Duncan	1,000,000	1.43
HSBC Custody Nominees (Australia) Limited	1,000,000	1.43
Andrew William Blackman	775,000	1.11
Kate Reid	750,000	1.08
Katherine Louise Reid	709,348	1.02
Andrew Lorne Johnston & Helen Louise Morrison	650,000	0.93
Impala Superannuation Nominees Pty Ltd	600,000	0.86
Karema Capital Pty Ltd	600.000	0.86

(e) The name of the twenty largest option holders for option expiring 31/12/2009

		No. of Options	% of Total
1	Merrill Lynch (Australia) Nominees Pty Limited	11,166,726	26.20
2	Wayne Kernaghan	2,575,002	6.04
3	Superstructure International Pty Ltd	1,750,000	4.11
4	Proto Resources & Investments Ltd	1,550,000	3.64
5	Pacific Consulting Services Pty Ltd	1,500,000	3.52
6	Scott Andrew Reid	1,300,000	3.05
7	Scott Reid	1,225,000	2.87
8	Peter Gebhardt & Carlene Gebhardt	1,100,000	2.58
9	Proto Resources & Investments Ltd	1,000,000	2.35
10	ANZ Nominees Limited	1,000,000	2.35
11	Morrice Cordiner	655,000	1.54
12	M & S Super Investments Pty Ltd	650,000	1.52
13	West African Exploration Services Pty Ltd	575,000	1.35
14	WJK Investments Pty Ltd	559,316	1.31
15	Kumova Securities Pty Ltd	520,000	1.22
16	Toby Caddick & Kerstin Elisabeth Rylander Caddick	500,000	1.17
17	HSBC Custody Nominees (Australia) Limited	500,000	1.17
18	Jacobs Corporation Pty Ltd	500,000	1.17
19	SA Capital Funds Management Limited	500,000	1.17
20	Goffacan Pty Ltd	470,980	1.10

(f) The name of the twenty largest option holders for option expiring 30/06/2011

		No. of Options	% of Total
1	Paradigm Capital Pty Ltd	3,000,000	11.79
2	Merrill Lynch (Australia) Nominees Pty Limited	2,500,000	9.82
3	Wayne Kernaghan	2,300,001	9.04
4	Pacific Consulting Services Pty Ltd	1,528,750	6.01
5	Marc Flory	1,500,000	5.89
6	Pacific Consulting Services Pty Ltd	1,383,333	5.44
7	West African Exploration Services Pty Ltd	1,150,000	4.52
8	Morrice Cordiner	1,000,000	3.93
9	Craig Naysmith	942,943	3.71
10	Scott Reid	750,000	2.85
11	M & S Super Investments Pty Ltd	750,000	2.95
12	The Health Information Services Pty Ltd	650,000	2.55
13	Picturebook Pty Ltd	416,666	1.64
14	John Larking	383,749	1.51
15	Paul Cox	350,000	1.38
16	Karen Mitchell	350,000	1.38
17	Craig Naysmith & Karen Mitchell	311,682	1.22
18	Scott Andrew Reid	300,000	1.18
19	Impala Superannuation Nominees Pty Ltd	290,000	1.14
20	WJK Investments Pty Ltd	283,333	1.11

(g) The interests of each director and/or associate are listed in the Directors Report.

(h) i) The name of the Company Secretary is Wayne Kernaghan

ii) The business and registered office address is
Level 10
Gold Fields House
1 Alfred Street
Sydney NSW 2000
Telephone (02) 8247 5333
Facsimile (02) 9247 7722

iii) Gulf Resources Limited is listed on the Australian Stock Exchange.
ASX Code: GLF – Fully Paid Shares
GLFOA option expiring 31 December 2009
GLFO option expiring 30 June 2011

iv) Share registry is located at
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CORPORATE INFORMATION

GULF RESOURCES LIMITED
Registration No. ABN 13 115 027 033

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P Treisman
G Duncan
W Kernaghan

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W Kernaghan

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