

GULF INDUSTRIALS LIMITED

ANNUAL REPORT

2013

CORPORATE INFORMATION

Gulf Industrials Limited
Registration No. ABN 13 115 027 033

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M Arnesen
A Frost
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CHAIRMAN'S LETTER

Dear Shareholder,

The 2012-2013 financial year has been a difficult one for Gulf Industrials Limited ("Gulf Industrials" and/or the "Company"). Just as we ramped up our vermiculite production, our exclusive distributor, Dupré Minerals Limited ("Dupré"), advised the Company that it was unable to guarantee the purchase of vermiculite. This required us to put the Namekara Vermiculite Project on care and maintenance in October 2012 and the operations have not yet recommenced with continuous production. In March 2013, it was mutually agreed to terminate the Distribution Agreement with Dupré and in July 2013 we fulfilled all the terms of the termination. Gulf Industrials Limited is now actively looking for customers and distributors for its vermiculite with the intention of recommencing production as soon as practical.

The Company has undertaken limited work during the year on its Soalara Limestone Project in Madagascar and is awaiting the results of an airborne geophysical survey on the Bukusu carbonatite prospect in Uganda

I would like to take this opportunity to thank the major shareholders on behalf of the Board for their support in raising debt funding during the year and to thank all shareholders for their continued support of the Company.

Luca Bechis
Non-Executive Chairman

ACTIVITIES & PROJECT REVIEW

For the financial year 2013 Gulf Industrials' activities have included:

- Dupré advised the Company that it is unable to guarantee the purchase of our vermiculite. This has required the Company to place the operations on care and maintenance.
- The Distribution Agreement with Dupré has been terminated.
- Vermiculite production decreased by 62% to 4,165 tonnes for the year at the Namekara Vermiculite Mine in Uganda.
- Vermiculite sales decreased 61% to 8,823 tonnes for the year.

VERMICULITE SALES & PRODUCTION SUMMARY

Vermiculite	Year to 30/6/2013	Year to 30/6/2012	% Decrease
Sales (tonnes)	3,426	8,823	- 61%
Production (tonnes)	4,165	11,047	- 62%

UPDATE NAMEKARA - OPERATIONS

Gulf placed its Namekara Vermiculite operations in Uganda on care and maintenance in October 2012 after having been informed by its exclusive distributor Dupré Minerals Limited (Dupré) in September 2012 that given the then market conditions it could no longer guarantee the purchase of its vermiculite

The care and maintenance of the plant has also meant that staff numbers have been substantially reduced. The operations are still on care and maintenance with limited small production runs to provide samples to prospective clients. The period of not operating has also been used to clear overburden in the pit and to create stockpiles in anticipation of resuming production.

The Company is actively looking for new customers and distributors with a view to recommencing production as sales orders are received. As at the date of this report two small orders had been processed.

DISTRIBUTION AGREEMENT

- Gulf had a 25 year exclusive sales and distribution contract with UK based vermiculite distributor Dupré Minerals Limited which commenced in 2010. The contract covered full global sales and 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. Dupré paid the Company USD \$1 million for the contract.
- In March 2013, Gulf and Dupré terminated the Agreement with Gulf repaying the \$1 million (above) and an interest free loan of \$300,000 that it had received from Dupré. Repayment was by cash and stock and by July 2013 all conditions of the termination had been fulfilled.

EXPLORATION & TENEMENTS IN UGANDA

The Company continues to explore around the Namekara Project and is awaiting the results of an airborne geophysical survey on the Bukusu carbonatite prospect in Uganda.

ACTIVITIES & PROJECT REVIEW

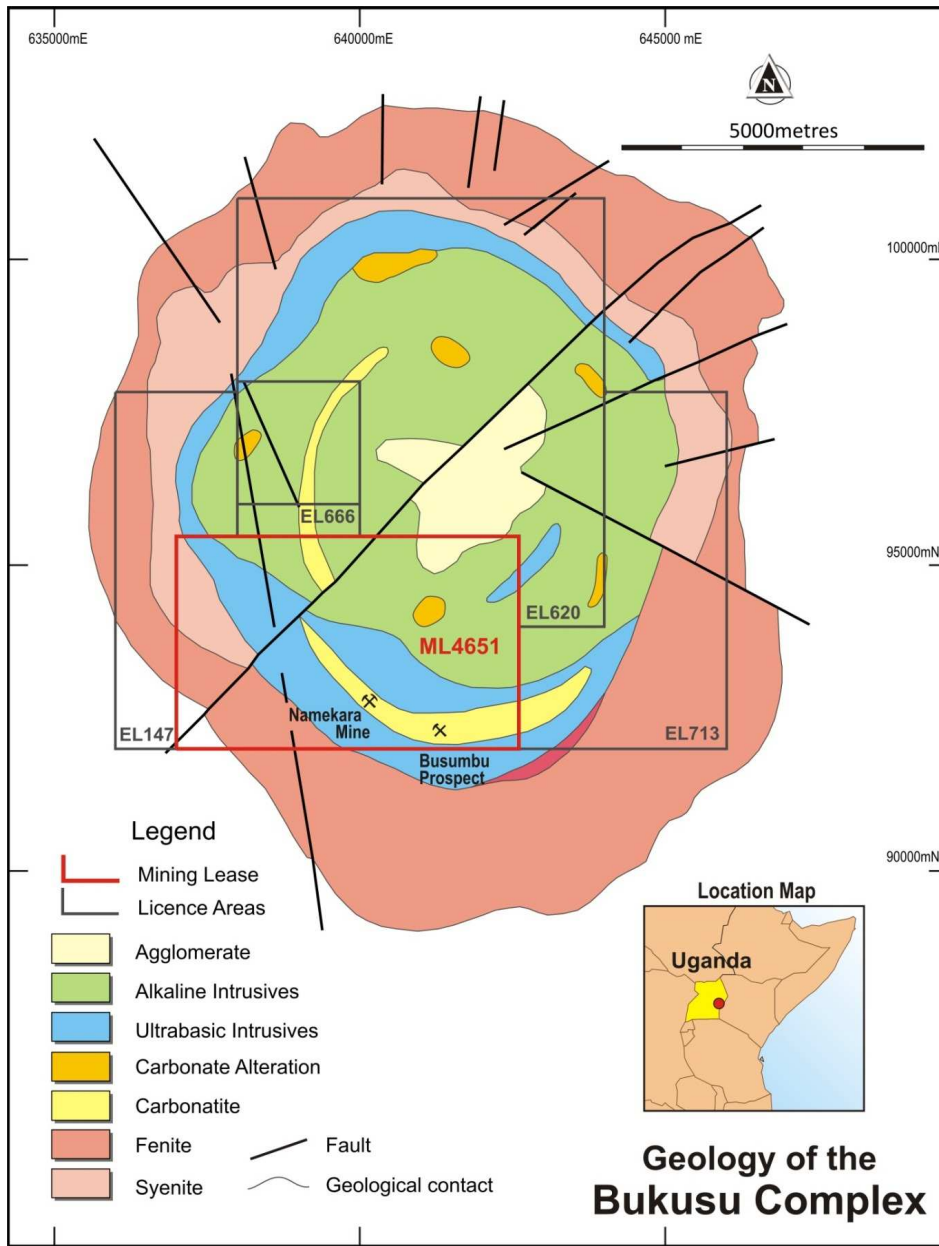


Figure 1: Provisional Geology map of the Bukusu Complex. Geology after (Baldock, 1967)

THE BUKUSU COMPLEX - BACKGROUND

The Bukusu Complex is one of Africa’s largest alkaline carbonatite complexes. Gulf previously identified historical information relating to a phosphate mine operated intermittently on Busumbu ridge, approximately 3km east of Namekara, during the period 1944 to 1963. Research at the Busumbu phosphate deposit by Edwards (1995) described the formation of calcium-aluminium phosphates such as crandallite in the regolith to form “soft phosphate rock” and re-precipitation of apatite to form “hard phosphate rock”.

Gulf’s 2011/2012 soil sampling and core drilling at the Busumbu – Namekara target was aimed at confirming previous reports of phosphate mineralisation, to evaluate mineralogy and identify potential for extensions at depth and along strike.

GEOLOGY

According to previous mapping by Baldock (1967) the Bukusu Complex is composed of alkaline and ultrabasic rocks forming ring dyke structures surrounding a central vent agglomerate. Radial faulting from the centre outwards is present, though very limited outcrops have restricted the amount of detailed mapping that can be carried out. In general, the Bukusu Complex is surrounded by

ACTIVITIES & PROJECT REVIEW

a broad zone of feldspathisation or fenites in which leucocratic granite, syenite and quartz-pegmatoid have been developed from alteration of the country rocks (granodiorite-gneisses).

Baldock also refers to “sheets and screens” of phoscorite intercalated with carbonatite in a borehole at the Busumbu phosphate prospect. The phoscorite is quoted as consisting of olivine (34.1%), magnetite (23.6%), apatite (22.1%) and biotite (13.5%) and to contain trace amounts of zircon and baddeleyite.

The Bukusu Complex also has potential to host several other mineral commodities including Calcium Carbonate, Magnetite and possibly Rare Earth Elements (REE).

REFERENCES

Baldock, J.W. (1967). The Geology & Geochemistry of the Bukusu Carbonatite Complex, South-Eastern Uganda. PhD thesis, University of Leeds. 312pp.

Edwards, K. (1995) Evaluation of the Phosphate Resource of Busumbu Ridge. MSc Thesis. Department of Earth Resources Surveys, Delft, The Netherlands. 192pp.

DRILLING CONFIRMS PRESENCE OF HIGH GRADE (8-30% P₂O₅) PHOSPHATE MINERALISATION

In 2012 Gulf reported the results of its soil sampling and six hole drill program between the Busumbu prospect and the Namekara Vermiculite mine in eastern Uganda.

The phosphate target is hosted in alkaline rocks such as carbonatite within the Bukusu complex, one of Africa’s largest reported alkaline / carbonatite complexes.

The drilling results confirm the presence of high grade (ca.20-30% P₂O₅) phosphate mineralisation in weathered carbonatite, which may have DSO (direct shipping ore) potential lower grade mineralisation (8-13% P₂O₅) may have potential for beneficiation or for direct agricultural application. Highlights include:

- 510 soil samples collected along approximately 4km strike length.
- Soil sample analyses indicate up to 3km strike extent of phosphate mineralisation is likely between Busumbu and Namekara.
- Substantial phosphate mineralised footprint for future exploration.
- Six diamond core holes completed for 301m total.
- 8.23-29.2% P₂O₅ in drill hole carbonatite samples to 60m down-hole, at Busumbu and Namekara.
- An XRD analysis of the crystalline mineral phases indicates that apatite is the predominant phosphate mineral, with lesser quantities of carbonate-fluorapatite and minor crandallite noted.

Best intercepts included:

- 35.4m @ 25.8% P₂O₅, hole ND03 from 4.7m
- 16.6m @ 19.5% P₂O₅, hole ND13 from 17.5m
- 26.9m @ 19.2% P₂O₅, hole ND13 from 35.1m
- 29.2m @ 25.1% P₂O₅, hole ND43 from 7.0m
- 12.5m @ 23.9% P₂O₅, hole ND55 from 24.0m
- 59.2m @ 18.2% P₂O₅, hole ND57 from 5.2m

ACTIVITIES & PROJECT REVIEW

MADAGASCAR

The Company has undertaken limited work during the year on its Soalara Limestone Project in Madagascar.

SOALARA LIMESTONE PROJECT

The Company has three blocks called the Soalara Limestone Project, a large, high quality limestone deposit covering an area of 12.5 square kilometers which demonstrates a chemical composition suitable for application in the cement, mineral processing and fertiliser industries near Tulear in the south-west.

The Soalara project is favorably located near an existing port, and the Company believes Soalara can be developed and expanded into a world class limestone, lime and cement exporting project with a substantial long life mining operation.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by J P Wright and reviewed by A J Scogings and R N Barnett. Mr Wright is a senior geologist who was employed by Gulf Industrials and is a Fellow of the Geological Society of London; Dr Scogings is a director of Klipstone Pty Ltd and is a Member of the Australian Institute of Geoscientists and a Member of the Australasian Institute of Mining and Metallurgy. Mr Barnett is a private consultant and a Fellow of the Geological Society of South Africa and registered as a Professional Natural Scientist (SACNASP Registration Number 400106/06).

SCHEDULE OF TENEMENTS AS AT 30 JUNE 2013

Location	Tenement / Mining Lease Number / Special License Number
Uganda	ML 4651 EL 666 (currently being renewed and half will be relinquished) EL 620 (currently being renewed and half will be relinquished) EL 713
Madagascar	R14542 R14960

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Gulf Industrials Limited (“the Company”) have adhered to the principles of corporate governance and this statement outlines the main corporate practices in place throughout the financial year. The ASX Corporate Governance Council has released revised Corporate Governance Principles and Recommendations – 2nd Edition. Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations as 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 ensuring 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 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 its 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 names of directors in office at any time during or since the end of the year are:

Director	Appointed	Resigned
L Bechis	27 August 2013	-
A Frost	27 August 2013	-
M Arnesen	10 February 2012	-
W Kernaghan	30 June 2005	-
J Best	21 February 2011	27 August 2013
C Innis	31 August 2010	9 January 2013
R Jurd	21 February 2011	6 November 2012
S Jonah	16 November 2010	10 October 2012

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

2. Independent Directors

ASX guidelines principle 2.1 recommends that the majority of the board should be independent directors. The Company since the resignation of Mr Jurd on 6 November 2012, has not been in compliance with this recommendation. The executive role is performed by Mr Mark Arnesen and Mr Kernaghan previously was an executive and accordingly both are considered not to be independent. The Board believes that Mr Luca Bechis is not considered to be independent as he holds an overall eighty percent relevant interest in Richmond Partners Master Limited which is a substantial shareholder of the Company. Mr Alun Frost is not considered independent as he is an advisor to Jonah Capital (BVI) Limited, a substantial shareholder of the Company.

CORPORATE GOVERNANCE STATEMENT

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

(a) The Remuneration Committee

The Remuneration Committee at 1 July 2012 comprised Mr Innis (Chairman)(resigned 9 January 2013), Mr Jurd (resigned 6 November 2012) and Sir Sam Jonah (resigned 10 October 2012). The members were considered by the Board to be independent with the exception of Sir Jonah as he has an indirect interest in Jonah Capital (BVI) Ltd. The Committee did not meet during the year. The Committee is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, having due regard for the interests of shareholders as a whole and the performance of the Group. The remuneration of the Non-Executive Directors is reviewed by the Board. Where appropriate, the Committee obtains advice from independent remuneration consultants. Following the resignation of Mr Innis as a director on 9 January 2013 the Company had only three directors and it was decided that the functions of the remuneration committee would be conducted by the full board.

(b) The Audit Committee

The Audit Committee at 1 July 2012 comprised Mr Best (Chairman), Mr Jurd (resigned 6 November 2012) and Mr Innis (resigned 9 January 2013), all are considered by the Board to be independent, with Messrs Arnesen and Kernaghan attending by invitation. The Committee met once during the year. The Committee reviews the Company's half-year and annual financial statements before submission to the Board for approval as well as any announcements relating to financial performance. Regular reports from management and the external auditors are also managed by the Committee. Following the resignation of Mr Innis as a director on 9 January 2013 the Company had only three directors as it was decided that the functions of the audit committee would be conducted by the full 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. 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.

CORPORATE GOVERNANCE STATEMENT

9. Code of Conduct

In view of the size of the Company and the nature of its activities, the Board has considered and adopted a code of conduct which is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

10. Diversity Policy

The Company has not established a diversity policy. Anne Adaley the Company Secretary is a woman in a senior executive position, but there are currently no women on the board of the Company. This will be reviewed in accordance with the next review of the Board's skills and requirements.

11. 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.

12. 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 which 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.

13. 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.

14. External Auditors

The external auditor is A D Danieli Audit Pty Ltd. The external auditor is invited to attend the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Details of the Company's corporate governance practices can be viewed at www.gulfindustrials.com.au

DIRECTORS' REPORT

Your Directors submit their report together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2013.

Directors

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

Director	Appointed	Resigned
L Bechis	27 August 2013	-
A Frost	27 August 2013	-
M Arnesen	10 February 2012	-
W Kernaghan	30 June 2005	-
J Best	21 February 2011	27 August 2013
C Innis	31 August 2010	9 January 2013
R Jurd	21 February 2011	6 November 2012
S Jonah	16 November 2010	10 October 2012

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

Luca Bechis | Non-Executive Chairman

Luca Bechis has 25 years' experience in international finance following graduating with a Business Administration Degree with Honours at Bocconi University, Milan. Mr Bechis has served as the Head of Italian and French markets at Cazenove & Co in London during 1991-1997 and Partner of Egerton Capital, an international hedge fund based in London during 1997-2004. He was the founder and current advisor of Richmond Partners Master Limited in 2004, a hedge fund focused on resources. Mr Bechis also serves as Chairman of HAMC, a privately held company developing tantalum mine projects in Mozambique and DRC.

Mark Arnesen | Chief Financial Officer and Chief Executive Officer

Mark Arnesen has extensive expertise in the resources sector and the development of mining operations in Africa. He has over 20 years' experience in the international resources industry, including roles with the Billiton/Gencor group companies where he was a corporate treasurer, Ashanti Goldfields Company Limited as Managing Director International Treasury, Equinox Minerals Limited where he oversaw the financing of the Lumwana Project, and Moto Goldmines where he held the position of Finance Director. He has also been a Non-Executive Director of Natasa Mining Limited and Asian Mineral Resources and is currently a Non-Executive Director of Centamin Egypt Limited which is listed on the London Stock Exchange and the Toronto Stock Exchange.

Alun Frost | Non-Executive Director

Alun Frost is a South African Chartered Accountant and is currently an executive, advising the Jonah Capital Group of companies. His experience includes 19 years in private equity and venture capital working with owner-managed businesses in Southern Africa, including: lead fund manager of the Women Private Equity Fund; Chief Investment Officer of the state owned National Empowerment Fund focused on Black Economic Empowerment in South Africa; Executive Director of NSA Investments Ltd; and spending two years in the CFO's office of the De Beers Group. During this time, Alun was an executive director of two JSE-listed companies, and was involved in the establishment and/or management of seven private equity funds, seven IPOs and over 40 investment transactions.

Wayne John Kernaghan | B.Bus, ACA, FAICD, FCIS Non Executive Director

Wayne Kernaghan is a member of the Institute of Chartered Accountants in Australia with over 25 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 and is currently a director of the following companies: Cullen Resources Limited from 11 November 1997; South American Ferro Metals Limited from 26 June 2012; and FarmWorks Australia Limited from 19 February 2009 to 24 August 2010. Mr Kernaghan was company secretary from 30 June 2005 until his resignation as company Secretary on 31 January 2013.

DIRECTORS' REPORT

Information on Former Directors

Jonathan Best | ACMA, ACIS, MBA

Jonathan Best has extensive experience in senior management, leadership and business strategy in the mining industry, including the Anglo American and De Beers groups. Among other senior management positions, he served as the executive director and Chief Financial Officer for AngloGold Ashanti from 1998 to 2005. He currently has a number of Independent Non-Executive Directorships, including AngloGold Ashanti Holdings Plc and Polymetal International Plc.

Sir Sam Jonah | Hon D Sc (Exeter), MSc (Mineral Production Management)

Sir Sam Jonah is internationally recognised as one of Africa's leading businessmen. Between 1986 and 2004 he was the Chief Executive Officer of Ashanti Goldfields Company Limited. Here he championed for the transformation of Ashanti from a one mine operation into a multinational gold miner and the first African gold miner to list on the New York Stock Exchange. Sir Sam is currently a member of the United Nations Secretary-General's Global Compact Advisory Council. He received an honorary knighthood by Her Majesty Queen Elizabeth II, the Star of Ghana, in recognition of his achievements as an African businessman and a leading business executive from the Commonwealth.

Chris Innis | B.A., LLB (Syd)

Chris Innis is a professional manager with a background in strategy, marketing and finance and has worked across a number of industries including investment banking, media and mining in senior positions including Chairman and Board Director. He specialises in growing businesses and is skilled in re-engineering business strategies and implementing and managing growth plans. Previous experience includes Chairman of Mining Communications where he initiated, led and arranged the management buy in, achieving an exit of approximately nine times money for original investors and twenty two times for management.

Mr Innis was previously a director of London listed Angus & Ross and Blackthorn Resources Limited where he assisted in raising \$30 million in London. He has also served on the management board of EMAP plc and was an Associate Director at Hambros Bank plc where he worked in corporate finance.

He is currently Chairman of Intierra Pty Ltd, a global competitive intelligence service for the mining industry and Edge Custom Media, a content agency for multiple media channels.

Robert Jurd | PrEng, BSc Eng (Mining), MComm

Robert Jurd is experienced in all facets of the mining industry from operations to corporate finance. He served as an executive for TransNatal Coal Corporation, Goldfields, Gencor (which merged into BHP Billiton), as well as Head of Resources – Investment Banking Division at ABSA Corporate and Merchant Bank for nine years.

Anne Adaley | Company Secretary – appointed 31 January 2013

Anne has more than 25 years' experience in the resources sector, including senior management roles with a number of listed public Australian exploration and mining companies. She has also spent more than a decade as Company Secretary for several listed public companies.

Anne is principal of Australian Mining Corporate and Administrative Services Pty Ltd (AMCAS) which provides a full range of consulting services and business support to management including accounting, financial services and company secretarial. Anne also currently acts as Company Secretary and/or Chief Financial Officer for a number of ASX listed companies and pre IPO companies.

Prior to establishing AMCAS in 2010, Anne served as Chief Financial Officer and Company Secretary to Monaro Mining NL, Finance and Administration Manager to Climax Mining Limited and Company Secretary and Group Financial Controller to Gympie Gold Limited.

DIRECTORS' REPORT

Directors' Interests

Directors' interests in the shares and options of the company were:

Director	Direct		Indirect	
	Shares	Various Options	Shares	Various Options
L Bechis	-	-	161,400,000	-
M Arnesen	44,450,000	18,000,000	-	-
A Frost	-	-	-	-
W Kernaghan	5,500,000	2,000,000	13,850,000	-
Former Directors				
J Best	18,000,000*	2,000,000*	-	-
S Jonah	-	2,000,000*	117,600,000*	-
C Innis	1,400,000*	2,000,000*	-	-
R Jurd	-	2,000,000*	-	-

*As at date of resignation.

Principal Activities

The principal activities of the 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 Group's principal activities during the financial year.

Review & Results of Operations

Gulf Industrials Limited ("Gulf Industrials") is involved in mining and mineral exploration and infrastructure projects. The net loss after providing for income tax amounted to \$6,842,905 (2012: \$9,040,849).

During the year, the Group continued to carry out extensive and detailed design, re-engineering, customer trials and test work at the Namekara Vermiculite Project in Eastern Uganda.

During the year production was 4,165 tonnes (2012: 11,047 tonnes) which was a decrease of 62% over the previous year. Sales for the year were 3,426 tonnes (2012: 8,823 tonnes) which was a decrease of 61% of the previous year.

At 30 June 2013 finished goods totalled 710 tonnes (2012: 2,041 tonnes).

In September 2012 Dupré Minerals Limited ("Dupré"), a UK based vermiculite distributor and the purchaser of 100% of the offtake at Namekara Vermiculite Project advised the Company that they were unable to guarantee any purchase of vermiculite until the vermiculite markets strengthened.

The Board reviewed its various options and put the Namekara Vermiculite Project on care and maintenance. Namekara Vermiculite Project is still on care and maintenance.

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 Group have decreased by \$5,298,972 to \$891,167 at 30 June 2013.

The Group incurred a net loss after providing for income tax of \$6,842,905 (2012: \$9,040,849).

DIRECTORS' REPORT

Future Developments, Prospects & Business Strategies

Gulf Industrials is committed to bringing the vermiculite operation back to production. To this end Gulf is actively looking for distributors and customers for its vermiculite. Gulf Industrials is looking to expand the operations and undertake further design work should demand for Vermiculite increase and there is a need for additional facilities to be added in the future.

Environmental Issues

The exploration and mining activities of the Group in Uganda are subject to environmental regulation under the laws of the Republic of Uganda (most specifically the 2004 Ugandan Mining Regulations and 2003 Ugandan Mining Act). The environmental laws and regulations in Uganda address the impact of the consolidated entity's activities in the areas of water and air quality, noise, surface disturbance and impact on 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 Group.

Significant Changes in State of Affairs

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

- The operations were placed on care and maintenance in October 2012;
- A total of \$ 4.135 million was raised by way of debt from two of its major shareholders; and

The distribution agreement that the Company had with Dupre was terminated on 7 March 2013.

After Balance Sheet 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 Gulf Industrials, to affect the operations of the Group, the results of those operations or the state of affairs of the consolidated entity in the subsequent financial years, other than:

- On 23 August 2013, pursuant to Shareholders approval at the EGM held on 30 July 2013, 108,058,500 fully paid ordinary shares were issued in lieu of directors' fees and consulting fees.
- On 27 August 2013 Mr Luca Bechis and Mr Alun Frost were appointed as Directors of the Company. Also on that date Mr Best resigned as a director of the Company.
- On 25 September 2013 agreement in principle was reached to amend two bridging loan facilities from two 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 loans will, once documented:
 - extend the maturity date to 31 March 2014 ("Expiry Date"); and
 - advance a further \$1.0 million ("Amended Loans").

In addition, each of the two Lenders has elected to convert \$500,000 of their existing loans into 250m shares in Gulf at \$0.002 per share. This conversion was approved by shareholders at the General Meeting held on 30 July 2013 as an alternative to repayment of the Loans. The effect of the conversion will be that Richmond will hold 411,400,000 ordinary shares in Gulf or 26.74% and Jonah will hold 367,600,000 ordinary shares in Gulf or 23.89% out of an increased 1,538,404,562 ordinary shares on issue.

DIRECTORS' REPORT

Directors' Meetings

The number of Directors' Meetings of Gulf Industrials Limited held during the financial year ended 30 June 2013 and the number of meetings attended by each director are as follows:

Name	Directors Meetings		Audit Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
S Jonah	11	11	-	-	-	-
M Arnesen	23	23	-	-	-	-
J Best	23	22	-	-	-	-
C Innis	21	21	-	-	-	-
R Jurd	15	12	-	-	-	-
W Kernaghan	23	23	-	-	-	-

* L Bechis and A Frost were appointed as Directors after the end of the financial year on 27 August 2013 and therefore are not included in the above table.

** With the re-structuring of the Company, there were no audit or remuneration committee meetings held during the year. The full Board carried out the duties of these committees.

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

Options

At the date of this report and at 30 June 2013 the company had 520,315,000 (2012: 584,352,028) listed and unlisted options on issue over unissued ordinary shares and the details are as follows:

Type	Grant Date	Number	Exercise Price	Expiry Date
Unlisted	Various	32,315,000	\$0.05	20 Jul 2015
Unlisted	Various	6,000,000	\$0.079	10 Mar 2016
Unlisted	Various	10,000,000	\$0.086	31 Mar 2014
Unlisted	Various	12,000,000	\$0.025	30 Nov 2016
Unlisted	Various	460,000,000	\$0.002	8 Jan 2018

During the year, no (2012: Nil) 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 (Audited)

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

Remuneration Policy

The remuneration policy of Gulf Industrials 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 Industrials 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 & 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 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

DIRECTORS' REPORT

market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Non-Executive Directors' fees are not linked to the performance of the company.

During the year no remuneration was based on any performance conditions, including company or personal performance.

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. There are no formal written contracts in place, and normal employment arrangements are adhered to. 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 2013	Short Term Directors Fees \$	Short Term Consulting Fees/Salary \$	Termination Payment \$	Post Employment Superannuation \$	Share Based Payments \$	Total \$	Performance Related %
M Arnesen	180,000	-	-	8,100	-	188,100	-
W Kernaghan	36,000	70,000	-	3,240	-	109,240	-
Former Directors							
J Best	36,000	-	-	-	-	36,000	-
S Jonah	15,000	-	-	-	-	15,000	-
C Innis	18,000	-	-	-	-	18,000	-
R Jurd	12,000	-	-	-	-	12,000	-
	297,000	70,000	-	11,340	-	378,340	-

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

Director 2012	Short Term Directors Fees \$	Short Term Consulting Fees/Salary \$	Termination Payment \$	Post-Employment Superannuation \$	Share Based Payments \$	Total \$	Performance Related %
S Jonah	60,000	-	-	-	-	60,000	-
M Arnesen	-	*180,000	-	*16,200	*183,600	*379,800	48%
J Best	36,000	-	-	-	-	36,000	-
C Innis	23,770	12,230	-	2,140	-	38,140	-
R Jurd	36,000	-	-	-	-	36,000	-
W Kernaghan	36,000	120,000	-	3,240	-	159,240	-
V Fitzmaurice	-	65,000	136,989	-	-	201,989	-
M Brook	22,034	-	-	-	-	22,034	-
R Guest	-	283,265	-	-	92,500	375,765	25%
	#213,804	660,495	136,989	21,580	276,100	1,308,968	

* Some of the payments were prior to Mr Arnesen becoming a director of the Company.

\$36,916 of these non-executive directors fees have been accrued and not paid.

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.

DIRECTORS' REPORT

Options Granted as Part of Remuneration for the Year Ended 30 June 2013

There were no options granted as part of remuneration for the year ended 30 June 2013 (2012: \$276,100).

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Gulf Industrials Limited support and adhere to the principles of good corporate governance. The company's corporate governance statement can be found on pages 6 to 8.

Indemnification and Insurance of Directors and Officers

The company has entered into deeds of indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law. The company has paid premiums totalling \$22,154 (2012: \$20,582) in respect of Directors and Officers Liability Insurance and company reimbursement policies, which covers all Directors and Officers of the company. The policy conditions preclude the company from any detailed disclosures.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed did not compromise the external auditors' independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board. Fees payable to A D Danieli Pty Ltd an associated entity of A D Danieli Audit Pty Ltd are disclosed in Note 16.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 16.

The Directors' Report, incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors:



M Arnesen
Director
Sydney, 27 September 2013



A D Danieli Audit Pty Ltd

Authorised Audit Company
ASIC Registered Number 339233
Audit & Assurance Services

Level 14, 275 George Street
Sydney NSW 2000
PO Box H88
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Email: add3@addca.com.au

Website: www.addca.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GULF INDUSTRIALS LIMITED
A.B.N 13 115 027 033
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2013, 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.

A D DANIELI AUDIT PTY LTD

Mark Schiliro

Sydney, 27 September 2013



A D Danieli Audit Pty Ltd

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**Independent Auditor's Report
To the Members of
Gulf Industrials Limited
A.B.N. 13 115 027 033
And Controlled Entities**

Report on the Financial Report

We have audited the accompanying financial report of Gulf Industrials Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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 judgement, 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.

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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gulf Industrials Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- a. The financial report of Gulf Industrials Limited is in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuing as a Going Concern

Without qualifying our opinion, we draw attention to Note 1: Going Concern and Note 26: After Balance Date Events in the financial report. The group incurred a net loss of \$6,842,905 during the year ended 30 June 2013 and as of that date the Group had current assets of \$757,500 and current liabilities of \$4,941,580. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern should they be unable to raise additional capital.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the Directors' Report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A D Danieli Audit Pty Ltd



Mark Schiliro

27 September 2013

DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, and:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its 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; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
- (c) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2013.

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

For and on behalf of the Board



M Arnesen
Director
Sydney, 27 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue	2	1,856,356	3,189,548
Cost of goods sold		(1,864,404)	(4,482,622)
Depreciation expense		(1,156,193)	(769,271)
Exploration expenditure		(359,441)	(1,587,066)
Employee benefits expense		(1,773,570)	(3,525,468)
Finance costs	2	(1,161,851)	(33,596)
Foreign exchange gain/(loss)		(3,652)	(57,249)
Share based payments	18	-	(316,605)
Operating expenses		(2,380,150)	(1,458,520)
Loss before income tax		(6,842,905)	(9,040,849)
Income tax expense		-	-
Net loss for year attributable to members of parent entity		(6,842,905)	(9,040,849)
Other comprehensive income			
Exchange differences on translating foreign controlled entities	15	623,933	(1,949,631)
Net change in fair value of available for sale assets		-	18,850
Other comprehensive income for the year, net of tax		623,933	(1,930,781)
Total comprehensive income for the year attributable to members of parent entity		(6,218,972)	(7,110,068)
Basic loss per share attributable to ordinary equity holders of the parent (cents per share)	21	(0.74)	(1.10)
Diluted loss per share attributable to ordinary equity holders of the parent (cents per share)	21	(0.74)	(0.70)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013

	Note	2013	2012
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	507,870	1,000,698
Trade and other receivables	5	31,927	746,294
Prepayments	6	62,550	-
Inventory	7	155,153	577,660
TOTAL CURRENT ASSETS		757,500	2,324,652
NON-CURRENT ASSETS			
Financial assets	8	-	-
Property, plant and equipment	9	4,348,577	5,517,284
Exploration expenditure	10	1,187,455	1,187,455
TOTAL NON-CURRENT ASSETS		5,536,032	6,704,739
TOTAL ASSETS		6,293,532	9,029,391
CURRENT LIABILITIES			
Trade and other payables	11	599,891	1,548,973
Provisions	12	-	14,519
Borrowings	13	4,341,689	-
TOTAL CURRENT LIABILITIES		4,941,580	1,563,492
NON-CURRENT LIABILITIES			
Trade and other payables	11	420,000	1,238,476
Provision	12	40,785	37,283
TOTAL NON-CURRENT LIABILITIES		460,785	1,275,759
TOTAL LIABILITIES		5,402,365	2,839,251
NET ASSETS		891,167	6,190,140
EQUITY			
Issued capital	14	30,605,337	30,605,337
Reserves	15	6,938,330	5,394,397
Accumulated losses		(36,652,500)	(29,809,595)
TOTAL EQUITY		891,167	6,190,140

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Issued Capital \$	Reserves (Note 15) \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	20,182,651	4,437,166	(20,770,893)	3,848,924
<i>Comprehensive income for the period</i>				
Loss for the period	-	-	(9,040,849)	(9,040,849)
<i>Other comprehensive income</i>				
Net change in fair value of available for sale assets	-	18,850	-	18,850
Exchange differences on translating foreign controlled entities	-	621,776	2,147	623,924
<i>Transaction with owners in their capacity as owners</i>				
Issue of share capital	10,920,200	-	-	10,920,200
Cost of issue of capital	(497,514)	-	-	(497,514)
Issue of share options	-	316,605	-	316,605
Balance at 30 June 2012	30,605,337	5,394,397	(29,809,595)	6,190,140
Balance at 1 July 2012	30,605,337	5,394,397	(29,809,595)	6,190,140
<i>Comprehensive income for the period</i>				
Loss for the period	-	-	(6,842,905)	(6,842,905)
<i>Other comprehensive income</i>				
Net change in fair value of available for sale assets	-	-	-	-
Exchange differences on translating foreign controlled entities	-	623,933	-	623,933
<i>Transaction with owners in their capacity as owners</i>				
Issue of share capital	-	-	-	-
Cost of issue of capital	-	-	-	-
Issue of share options	-	920,000	-	920,000
Balance at 30 June 2013	30,605,337	6,938,330	(36,652,500)	891,167

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
		<u> </u>	<u> </u>
Cash flows from Operating Activities			
Receipts from customers		2,532,068	2,585,230
Interest received		6,010	157,365
Other receipts		32,645	-
Payments to suppliers and employees		(7,406,161)	(10,345,680)
Net Cash (used in) provided by Operating Activities	27	<u>(4,835,438)</u>	<u>(7,603,085)</u>
Cash flows from Investing Activities			
Proceeds from sale of financial assets		-	133,570
Purchase of investment		-	(943,600)
Exploration expenditure		-	-
Sales distribution fee		-	-
Proceeds for plant and equipment		4,914	3,600
Payment for plant and equipment		(3,993)	(2,180,820)
Net Cash (used in) provided by Investing Activities		<u>921</u>	<u>(2,987,250)</u>
Cash flows from Financing Activities			
Proceeds from borrowings	13	4,341,689	-
Repayment of borrowings		-	-
Proceeds from share and option issues (net of expenses)		-	10,422,686
Net Cash provided by (used in) Financing Activities		<u>4,341,689</u>	<u>10,422,686</u>
Net (decrease)/increase in cash held		(492,828)	(167,649)
Cash at beginning of the year	4	<u>1,000,698</u>	<u>1,168,347</u>
Cash at end of the year	4	<u>507,870</u>	<u>1,000,698</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

1. Summary of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements include the consolidated entity consisting of Gulf Industrials Limited and its subsidiaries. The parent entity Gulf Industrials Limited is a public listed company incorporated and domiciled in Australia.

The financial statements of the consolidated entity consisting of Gulf Industrials Limited and its controlled entities 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 statements. 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 statements have been prepared using the accrual basis of accounting and are based on historical cost modified where applicable by the measurement at fair value of selected non-current assets, financial assets and liabilities.

New and Revised Accounting Standards and Interpretations

Gulf Industrials Limited and its subsidiaries have adopted all new and amended Accounting Standards and Interpretations which were applicable as of 1 July 2012.

Adoption of these new Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity.

Gulf Industrials Limited and its controlled entities have not early adopted any other standards or amendments that are issued but not yet effective.

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.

The consolidated group had cash assets of \$507,870 at 30 June 2013. The directors acknowledge that continued exploration and development of the consolidated group's mineral exploration projects will necessitate further capital raisings.

The Company is dependent on the continued support of both Jonah Capital (BVI) Limited and Richmond Partners Masters Limited and for them to either convert fully or part of their loans into issued capital in the Company at \$0.002 as approved by shareholders at an Extraordinary General Meeting on shareholders on 4 January 2013. This was finalised on 25 September 2013, when the terms to the two bridging loan facilities were amended, and once documented, will include:

- extend the maturity date to 31 March 2014 ("Expiry Date"); and
- advance a further \$1.0 million ("Amended Loans").

In addition, each of the two Lenders has elected to convert \$500,000 of their existing loan into 250m shares in Gulf at \$0.002 per share. This conversion was approved by shareholders at the General Meeting held on 30 July 2013 as an alternative to repayment of the Loans.

The effect of the conversion will be that Richmond will hold 411,400,000 ordinary shares in Gulf or 26.74% and Jonah will hold 367,600,000 ordinary shares in Gulf or 23.89% out of an increased 1,538,404,562 ordinary shares on issue.

If the Company is unable to refinance at 31 March 2014 then the Company may not be a going concern and 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 and may also result in the company ceasing to trade and therefore the appointment of external administrators.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

Accordingly, the financial statements do not include adjustments relating to the recoverability and classification of asset amounts or the amounts and classification of liabilities that might be necessary if the consolidated group does not continue as a going concern.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Gulf Industrials Limited at the end of the reporting period.

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 20 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 consolidated group during the year, their financial performance has 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 statement of financial position.

Cash flows are presented in the Statement of Cash Flows 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 consolidated statement of profit or loss and comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

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.

g. Cash & Cash Equivalents

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 using the effective interest rate method which for floating rate financial assets, is the rate inherent in the instrument.

Revenue from the sale of vermiculite is recognised on the receipt of the bill of lading.

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. Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained.

Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

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:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

- 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.

I. Financial Instruments

Recognition & Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the statement of comprehensive income.

Classification & Subsequent Measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

- i. *Financial assets at fair value through the Statement of Comprehensive Income*
Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are 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. Such assets are subsequently measured at fair value with changes in carrying value being included in the Statement of Comprehensive Income.
- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. 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.

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 Statement of Comprehensive Income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or 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 asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. 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 the Statement of Comprehensive Income.

m. Foreign Currency Transactions and Balances

Functional & Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction & Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

n. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within the year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Superannuation commitments: Each employee nominates their own superannuation fund to which Gulf contributes the compulsory superannuation amount.

o. Critical Accounting Estimates & Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

- (i) *Impairment*
The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

- (i) *Exploration and Evaluation Expenditure*
All exploration expenditure is reviewed by Directors to determine whether it is appropriate to capitalise any of these costs. All expenditure to date has been fully expensed.

p. Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property & Leasehold Improvement

Freehold land and buildings and leasehold improvements are shown at their cost.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant & Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

	Class of Fixed Asset	Depreciation Rate
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.	Buildings	5% - 10%
	Leasehold improvements	10% - 33.33%
	Plant and equipment	20% - 33.33%
	Motor vehicles	33.33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

q. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

r. Inventory

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand using the first in first out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

s. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(L) for further discussion on the determination of impairment losses.

t. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

u. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

v. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

w. New Accounting Standards and Interpretations

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

- **AASB 10 Consolidated Financial Statements (AASB 10)**

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

- **AASB 11 Joint Arrangements (AASB 11)**

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

- **AASB 12 Disclosure of Interests in Other Entities (AASB 12)**

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- **Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)**

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

- AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

- Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The entity does not have any defined benefit plans. Therefore, these amendments will have no significant impact on the entity.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2001. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

- Amendments to AASB 2012-2 and AASB 2012-3 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures 5

The amendments to AASB 2012-2 and AASB 2012-3 add application guidance to address inconsistencies in applying AASB 2012's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to AASB 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014 for AASB 2012-2 and on or after 1 January 2015 for AASB 2012-3. The Group's management have yet to assess the impact of these amendments.

- AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 112 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset). The interpretation is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of these amendments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	Consolidated Group	
	2013	2012
	\$	\$
2. Loss for the Year		
Revenue from ordinary activities:		
Sale of goods	1,817,701	2,922,243
Interest – other persons	6,010	157,365
Profit on sale of fixed assets	484	3,600
Profit on sale of investments	-	7,420
Sublease rental income	32,161	61,000
Other	-	37,920
	<u>1,856,356</u>	<u>3,189,548</u>
Expenses from ordinary activities:		
Operating expenses		
Depreciation and amortisation	1,156,193	769,271
Legal	456,417	233,221
Travel and airfares	109,222	526,706
Rental expense – minimum lease payments	119,243	197,296
Financing Costs:-		
- Options issued to lenders	920,000	-
- Interest and other fees	241,851	33,596
	<u>1,161,851</u>	<u>33,596</u>
3. Income Tax		
Operating (loss) before income tax	<u>(6,842,905)</u>	<u>(9,040,849)</u>
Prima facie income tax (benefit) calculated at 30% (2012:30%)	<u>(2,052,872)</u>	<u>(2,712,254)</u>
Non-deductible items		
Non-deductible expenses	136,925	69,966
Less income tax benefits not brought to account at balance date	<u>1,915,947</u>	<u>2,642,288</u>
Total income tax expense	<u>-</u>	<u>-</u>
<p>Potential future income tax benefits estimated at \$11,154,131 (2012: \$9,238,184) 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 2013 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:</p>		
<p>(a) the consolidated entity derives future assessable income of a nature and of sufficient amount to enable the benefit from the deductions to be realised; and</p>		
<p>(b) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and</p>		
<p>(c) no changes in tax legislation adversely affect the company in realising the benefit from the deduction in losses.</p>		
4. Cash & Cash Equivalents		
<p>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 Statement of Financial Position as follows:</p>		
Cash on hand and at bank	<u>507,870</u>	<u>1,000,698</u>
	<u>507,870</u>	<u>1,000,698</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

		Consolidated Group	
		2013	2012
		\$	\$
		<u> </u>	<u> </u>
5. Trade & Other Receivables			
	Current		
	Trade debtors	31,691	688,337
	Other debtors	236	57,957
		<u>31,927</u>	<u>746,294</u>
6. Other Current Assets			
	Prepayments	<u>62,550</u>	<u>-</u>
7. Inventory			
	Finished goods – net realisable value	155,153	487,853
	Consumables	-	89,807
		<u>155,153</u>	<u>577,660</u>
8. Financial Assets			
	Available for sale financial assets comprise:		
	Listed investments at fair value		
	- shares in listed corporations	-	126,150
	Less: disposal	<u>-</u>	<u>(126,150)</u>
		<u>-</u>	<u>-</u>
	Total available for sale financial assets	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	Consolidated Group	
	2013	2012
	\$	\$
9. Property, Plant & Equipment		
Plant and equipment	3,268,307	3,267,814
Less accumulated depreciation	<u>(1,173,749)</u>	<u>(670,233)</u>
	<u>2,094,558</u>	<u>2,597,581</u>
Leasehold, property and licenses	3,191,232	3,513,258
Less accumulated amortisation	<u>(1,173,247)</u>	<u>(1,022,370)</u>
	<u>2,017,985</u>	<u>2,490,888</u>
Motor Vehicles	687,131	613,502
Less accumulated depreciation	<u>(451,097)</u>	<u>(184,687)</u>
	<u>236,034</u>	<u>428,815</u>
Total Property, Plant & Equipment	<u>4,348,577</u>	<u>5,517,284</u>
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	2,597,581	1,861,238
Additions	3,993	1,025,283
Net exchange differences	174,568	79,338
Disposals	(4,914)	-
Depreciation	<u>(676,670)</u>	<u>(368,278)</u>
Carrying amount at the end of year	<u>2,094,558</u>	<u>2,597,581</u>
Leasehold, property and licenses		
Balance at the beginning of year	2,490,888	2,285,115
Additions	-	52,139
Net exchange differences	(227,222)	454,552
Amortisation	<u>(245,681)</u>	<u>(300,918)</u>
Carrying amount at the end of year	<u>2,017,985</u>	<u>2,490,888</u>
Motor Vehicles		
Balance at the beginning of year	428,815	24,806
Additions	-	508,127
Net exchange differences	(3,687)	61,381
Disposals	-	-
Depreciation	<u>(189,094)</u>	<u>(165,499)</u>
Carrying amount at the end of year	<u>236,034</u>	<u>428,815</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	Consolidated Group	
	2013	2012
	\$	\$
10. Exploration Expenditure		
Costs carried forward in respect of areas of interest in the exploration and evaluation phase		
Opening balance	1,187,455	1,187,455
Expenditure incurred during the year	-	-
	1,187,455	1,187,455
Less expenditure written off during the year	-	-
Expenditure impaired	-	-
Closing balance	1,187,455	1,187,455
 11. Trade & Other Payables		
Current		
Trade Creditors	416,582	1,248,499
Deferred revenue (ii)	-	37,119
Accruals	131,998	113,855
Payroll liabilities	51,311	149,500
	599,891	1,548,973
Non-Current		
Trade and other payables (i)	420,000	420,000
Deferred revenue (ii)	-	818,476
	420,000	1,238,476
 (i)	This amount represents the amount outstanding for the purchase of the company that holds the limestone deposit in Madagascar. This amount is payable when the first commercial shipment of limestone from the project has occurred.	
(ii)	This amount represents the balance of the US\$1,000,000 fee received in respect of the Dupré Minerals Ltd distribution agreement being recognised over the 25 year term of the agreement. The Dupre Agreement was terminated on 7 March 2013.	
 12. Provisions		
Current		
Employee benefits		
Balance at the start of the year	14,519	-
Provided during the year	(14,519)	14,519
Balance at the end of the year	-	14,519
Non Current		
Rehabilitation		
Balance at the start of the year	37,283	24,885
Provided during the year	3,502	12,398
Balance at the end of the year	40,785	37,283

The provision is in respect of the rehabilitation of the group's mining operations in Uganda.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

13. Interest bearing loans and borrowings

	Consolidated Group	
	2013	2012
	\$	\$
Current		
Interest bearing loans	4,341,689	-

During the year, Gulf's wholly owned subsidiary, GLF Holdings Limited ("GH") entered into 2 bridge loan facilities for an aggregate of \$4.135 million (the "Bridge Loans") from entities controlled by two of its major shareholders, being Richmond Partners Master Limited ("Richmond") and Jonah Capital (BVI) Limited ("Jonah"). The Bridge Loans are secured over Gulf's Ugandan assets, including the mining lease and the exploration licences as approved by shareholders at an extraordinary general meeting held on 4 January 2013.

Shareholders at an extraordinary general meeting held on 4 January 2013 approved that at any time up to and including 30 September 2013, Jonah and Richmond may request that all or part of the Principal Outstanding (including any capitalised interest or capitalised arrangement and commitment fee) under the Loan be satisfied by the issue of shares in Gulf Industrials at a minimum amount of \$500,000 each. 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 and Richmond makes a request. The amount payable under the Loan will be applied against the subscription price for the shares issued to Jonah and Richmond. This conversion was approved by shareholders at the General Meeting held on 30 July 2013 as an alternative to repayment of the Loans.

On 25 September 2013, when the terms to the two bridging loan facilities amended are documented, Richmond and Jonah will:

- o extend the maturity date to 31 March 2014 ("Expiry Date") and
- o Advance a further \$1.0 million.

In addition, each of the two Lenders has elected to convert \$500,000 of their existing loan into 250 million shares each in Gulf Industrials at \$0.002 per share. The effect of the conversion will be that Richmond will hold 411,400,000 ordinary shares in Gulf or 26.74% and Jonah will hold 367,600,000 ordinary shares in Gulf or 23.89% out of an increased 1,538,404,562 ordinary shares on issue.

14. Issued Capital

	Consolidated Group	
	2013	2012
	\$	\$
930,346,062 (2012: 930,346,062) fully paid shares	30,605,337	30,605,337

Movements during the year	2013	2012	2013	2012
	Number of Shares	Number of Shares	\$	\$
Beginning of the financial year	930,346,062	493,604,729	30,605,337	20,182,651
30/09/11 issued at 2.5 cents	-	405,600,000	-	10,140,000
05/10/11 issued at 3.0 cents	-	333,333	-	10,000
14/10/11 issued at 2.5 cents	-	26,828,000	-	670,700
03/11/11 issued at 2.5 cents	-	3,980,000	-	99,500
Less share issue expenses	-	-	-	(497,514)
End of the financial year	930,346,062	930,346,062	30,605,337	30,605,337

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

14. Issued Capital (continued)

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 2013 there were 520,315,000 (2012: 584,352,028) unissued shares in respect of which options were outstanding and the details of them are as follows:

Type	Grant Date	Number	Exercise Price	Expiry Date
Unlisted	Various	32,315,000	\$0.05	20 July 2015
Unlisted	Various	6,000,000	\$0.079	10 March 2016
Unlisted	Various	10,000,000	\$0.086	31 March 2014
Unlisted	Various	12,000,000	\$0.025	30 November 2016
Unlisted	Various	460,000,000	\$0.002	8 January 2018

During the year, no (2012: Nil) 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.

During the year 460,000,000 options were issued during the reporting period valued at \$920,000 using the Binomial method with the following assumptions:

Parameter	Value
Listing date	10/08/2006
Price history for volatility determination	6.42 yr
Grant date	09/01/2013
Measurement date	09/01/2013
Exercise price	0.20c
Expiry date	08/01/2018
Life of option	5.00 yr
Price of underlying shares at measurement date	0.2c
Risk free rate #	2.930%
Expected volatility	209.800%
Dividends expected on the shares	NIL

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	Consolidated Group	
	2013	2012
	\$	\$
15. Reserves		
Share Option Reserve	4,965,982	4,045,982
Financial Asset Reserve	-	-
Foreign Currency Translation Reserve	1,972,348	1,348,415
	6,938,330	5,394,397
(i) Share Option Reserve		
This relates to the recognition on the issue of options.		
Beginning of the financial year	4,045,982	3,729,377
Share based payment	-	316,605
Issue of options to shareholders	920,000	-
End of the financial year	4,965,982	4,045,982
(ii) Financial Asset Reserve		
This relates to the movement in the fair valuation of financial assets.		
Beginning of the financial year	-	18,850
Net change in fair value of financial assets during year	-	(18,850)
End of the financial year	-	-
(iii) Foreign Currency Translation Reserve		
This relates to translation of foreign subsidiaries accounts to Australian dollars.		
Beginning of the financial year	1,348,415	727,138
Translation	623,933	621,277
End of the financial year	1,972,348	1,348,415
16. Auditors Remuneration		
Remuneration of the auditor (and associated entities) of the parent entity for:		
- Audit of the financial statements	48,300	69,865
- Half year review	18,360	23,260
- Other services	-	4,725
	66,660	97,850
Remuneration of the auditor of subsidiaries:		
- Auditing or reviewing the financial report	12,618	2,372
	12,618	2,372
17. 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	Resigned	Position
M Arnesen	10 February 2012	-	Chief Executive Officer & Executive Director
W Kernaghan	30 June 2005	-	Non Executive Director
S Jonah	16 November 2010	10 October 2012	Non Executive Chairman
J Best	21 February 2011	27 August 2013	Non Executive Director
C Innis	31 August 2010	9 January 2013	Non Executive Director
R Jurd	21 February 2011	6 November 2012	Non Executive Director
R Guest	1 August 2011	10 October 2012	Chief Executive Officer

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

17. Key Management Personnel Compensation (continued)

(b) Number of options over ordinary shares of the parent held by key management personnel and their related parties:

Company Director	Balance 1/7/2012	Options Issued	Options Exercised	Net Change Other	Option Lapsed	Balance 30/6/2013
M Arnesen	18,600,000	-	-	-	(600,000)	18,000,000
W Kernaghan	5,934,318	-	-	-	(3,934,318)	2,000,000
S Jonah	76,600,000	-	-	(76,600,000)*	-	-
J Best	2,000,000	-	-	-	-	2,000,000
C Innis	2,600,000	-	-	(2,600,000)*	-	-
R Jurd	2,000,000	-	-	(2,000,000)*	-	-
R Guest	5,600,000	-	-	(5,600,000)*	-	-

* Number of options at time of resignation.

Company Director	Balance 1/7/2011	Options Issued	Options Exercised	Net Change Other	Option Lapsed	Balance 30/6/2012
M Arnesen	-	-	-	#18,600,000	-	18,600,000
W Kernaghan	5,334,318	-	-	600,000	-	5,934,318
V Fitzmaurice	8,025,000	-	-	*(8,025,000)	-	-
S Jonah	19,000,000	-	-	57,600,000	-	76,600,000
J Best	2,000,000	-	-	-	-	2,000,000
M Brooke	2,000,000	-	-	*(2,000,000)	-	-
C Innis	2,000,000	-	-	600,000	-	2,600,000
R Jurd	2,000,000	-	-	-	-	2,000,000
R Guest	-	5,000,000	-	600,000	-	5,600,000

* Number of options at time of resignation as a director

Number of options at time of appointment as a director

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

Company Director	Balance 1/7/2012	Options Exercised	Net Change Other	Balance 30/6/2013
S Jonah	117,600,000	-	(117,600,000)	-
M Arnesen	850,000	-	-	850,000
J Best	-	-	-	-
C Innis	1,400,000	-	(1,400,000)	-
W Kernaghan	9,350,000	-	-	9,350,000
R Jurd	-	-	-	-
R Guest	600,000	-	(600,000)	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

17. Key Management Personnel Compensation (continued)

Company Director	Balance 1/7/2011	Options Exercised	Net Change Other	Balance 30/6/2012
S Jonah	60,000,000	-	57,600,000	117,600,000
V Fitzmaurice*	2,133,333	-	(2,133,333)	-
M Arnesen			#850,000	850,000
J Best	-	-	-	-
M Brooke**	-	-	-	-
C Innis	800,000	-	600,000	1,400,000
W Kernaghan	8,750,000	-	600,000	9,350,000
R Jurd	-	-	-	-
R Guest	-	-	600,000	600,000

*V Fitzmaurice resigned on 10 October 2011. His shareholding was 2,133,333.

**M Brooke resigned on 10 February 2012. His shareholding was nil.

#M Arnesen was appointed on 10 February 2012. His shareholding was 850,000.

18. Share Based Payments

	2013 \$	2012 \$
(a) Recognised share based payment expenses		
Director options	-	-
Employee options	-	<u>316,605</u>
	<u>-</u>	<u>316,605</u>

(b) Employee Options

(i) Options held at the beginning of the reporting period

Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Weighted Average Fair Value of Options
1,000,000	11/3/11	11/3/11	10/3/16	\$0.094	\$0.060
6,000,000	11/3/11	11/3/11	10/3/16	\$0.079	\$0.067
5,000,000	5/10/11	1/8/11	31/7/16	\$0.025	\$0.023
12,000,000	1/12/11	1/12/11	30/11/16	\$0.025	\$0.018
3,000,000	24/1/12	24/1/12	23/1/17	\$0.019	\$0.016
2,000,000	1/4/12	1/4/12	31/3/17	\$0.025	\$0.016

(ii) Options lapsed / exercised during the year

Number	Grant Date	Exercise Date	Exercise Price	Number Lapsed
3,000,000	24/01/12	-	\$0.019	3,000,000
2,000,000	01/04/12	-	\$0.025	2,000,000
1,000,000	11/03/11	-	\$0.094	1,000,000
5,000,000	05/10/11	-	\$0.025	5,000,000

(iii) Options issued during the year

Number	Grant Date	Vest Date	Expiry Date	Weighted Average Exercise Price	Weighted Average Share Price
-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

18. Share Based Payments (continued)

(iv) Options held at the end of the reporting period

Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Weighted Average Fair Value of Options
6,000,000	11/3/11	11/3/11	10/3/16	\$0.079	\$0.067
12,000,000	1/12/11	1/12/11	30/11/16	\$0.025	\$0.018

(c) Option pricing model

The fair value of the equity settled share options granted are estimated as at the date of allocation using a Binomial Model taking into accounts the terms and conditions upon which they were granted.

The following table lists the inputs to the models used at the date of allocation for employee options:

	2013	2012
Dividend yield	-	-
Expected volatility	-	128.91%
Risk free interest rate	-	3.51%
Exercise price	-	\$0.019-\$0.025
Share price at measurement date	-	\$0.016-\$0.023-

19. Related Party Transactions

(a) Payments to director related companies

2013

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 totalling \$70,000 (2012: \$120,000) which is a company controlled by Mr W Kernaghan.

Rental payments for offices in South Africa were made to Jonah Capital Pty Ltd totalling \$Nil (2012: \$28,302) which is a company of which Sir Sam Jonah is a director.

Jonah Capital (BVI) Limited provided a short term loan on commercial terms to the company and interest payment on this loan totalled \$Nil (2012: \$14,202). Sir Sam Jonah has an indirect beneficial interest in Jonah Capital (BVI) Ltd.

Jonah Capital (BVI) Limited and Richmond Partners Masters Limited provided a finance facility during the reporting period. All fees and interest are capitalised as per the loan agreement. Refer to Note 13.

(b) Transactions with partially and wholly owned controlled entities

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

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

Company	Contribution to consolidated operating loss		Details of investment in shares Cost of parent entity's investment in subsidiaries	
	2013	2012	2013	2012
	\$	\$	\$	\$
Gulf Industrials Ltd	(2,637,882)	(2,681,779)	-	-
Austral Malagasy Resources Pty Ltd	-	-	5	5
Gulf Resources Uganda Limited	(4,205,023)	(4,237,700)	-	-
GLF Holdings Limited	-	(322)	108	108
Industrial Minerals International Corporation	-	(55,602)	-	-
East African Vermiculite Limited	-	(2,065,446)	-	-
Soalara Calcaire SARL	-	-	1,183,990	1,183,990
	<u>(6,842,905)</u>	<u>(9,040,849)</u>	<u>1,184,103</u>	<u>1,184,103</u>

Company	Place of Incorporation	Date of Acquisition	Class of Shares	2013	2012
Austral Malagasy Resources Pty Ltd	Australia	18.12.09	Ordinary	100%	100%
Soalara Calcaire SARL	Madagascar	18.08.10	Ordinary	100%	100%
East African Vermiculite Limited	Uganda	22.05.09	Ordinary	100%	100%
Gulf Resources Uganda Limited	Uganda	29.04.08	Ordinary	100%	90%
GLF Holdings Limited	British Virgin Islands	30.04.08	Ordinary	100%	100%
Industrial Minerals International Corporation	British Virgin Islands	30.04.08	Ordinary	100%	100%

21. Earnings per share

	2013	2012
(a) Net loss: Net loss used in the calculation of basic earnings per share	(6,842,905)	(9,040,849)
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	930,346,062	818,858,990
Weighted average number of options outstanding	-	481,977,513
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	<u>930,346,062</u>	<u>1,300,836,503</u>

There are no options considered dilutive as the company has recorded a loss in the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

22. Business Combination

Acquisition of Soalara Calcaire SARL

On 18 August 2010, the Company acquired 100% of Soalara Calcaire SARL, a company holding the limestone deposit in Madagascar.

Consideration for the acquisition was \$1,070,000 of which \$420,000 was still outstanding at 30 June 2013. The \$420,000 is payable on the first commercial shipment of limestone together with a royalty averaging US\$0.28 per tonne (refer note 11).

	Acquiree's Carrying Amount \$	Fair Value \$
Purchase consideration:		
Cash		1,187,455
Less:		
Exploration expenditure	1,187,455	1,187,455
Identifiable assets acquired and liabilities assumed	1,187,455	1,187,455
Purchase consideration settled in cash		1,187,455
Cash outflow on acquisition		1,187,455

From the date of acquisition Soalara Calcaire SARL achieved a net loss of \$nil after tax which has been included in the consolidated group's Statement of Comprehensive Income for period ended 30 June 2013. The fair value on business combination of \$1,187,455 has been recognised in the Statement of Financial Position as exploration expenditure.

23. Capital & 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 \$Nil (2012: Nil) over the next year to keep its current tenements in good standing.

(ii) Lease expenditure commitments

	Consolidated Group	
	2013 \$	2012 \$
Lease expenditure commitment		
Operating lease for premises		
Minimum lease payments:		
– not later than one year	-	194,407
– later than one year and not later than five years	-	185,352
Aggregate lease expenditure contracted for at reporting date but not provided for	-	379,759

The property lease was renegotiated during the 2012 year and was extended for another two years. The lease had a seven year term (1 June 2007 to 31 May 2014), with rent payable monthly in advance. However, on 31 January 2013 the Company terminated this property lease.

24. 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, foreign currency 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

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:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	FIXED MATURITY DATES				NON INTEREST BEARING	TOTAL
		VARIABLE INTEREST RATE	LESS THAN 1 YEAR	1-2 YEARS	2-3 YEARS		
2013	%	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents	0.1%	507,870	-	-	-	-	507,870
Trade and other receivables		-	-	-	-	31,927	31,927
		507,870	-	-	-	31,927	539,797
Financial liabilities							
Trade and other payables		-	-	-	-	836,582	836,582
Borrowings	15%	-	4,341,689	-	-	-	4,341,689
		-	4,341,689	-	-	836,582	5,178,271

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) Foreign Currency Risk

The consolidated group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the consolidated group's measurement currency.

iv) Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows.

v) Sensitivity Analysis

The group has performed a sensitivity analysis relating to its exposure to foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

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

Currency Risk	Consolidated Group	
	2013	2012
	\$	\$
10% Weakening of Australian dollar		
- Profit/(Loss) impact	(497,852)	(57,854)
10% Strengthening Australian Dollar		
- Profit/(Loss) impact	497,852	57,854

Currency risk exposure during the year was limited to inter-company transactions which eliminate on consolidation. The risk analysis is therefore based only on the non-current trade and other payables which are a liability denominated in US dollars and due to a third party.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

25. Exchange Rates

The following exchange rates were used to convert Ugandan Shillings to Australian Dollars for the Ugandan subsidiaries for the consolidated entity's accounts.

		Consolidated Group	
		2013	2012
Spot rate for end of year balances	Ugandan Shillings to AUD	2,372	2,537
Average rates applied to revenue, costs	Ugandan Shillings to AUD	2,372	2,537

26. After Balance Sheet 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:

- On 23 August 2013, pursuant to Shareholders approval at the EGM held on 30 July 2013, 108,058,500 fully paid ordinary shares were issued in lieu of directors' fees and consulting fees.
- On 27 August 2013 Mr Luca Bechis and Mr Alun Frost were appointed as Directors of the Company. Also on that date Mr Best resigned as a director of the Company.
- On 25 September 2013, when the terms to the two bridging loan facilities amended are documented, Richmond and Jonah will:
 - extend the maturity date to 31 March 2014 ("Expiry Date") and
 - advance a further \$1.0 million.

In addition, each of the two Lenders has elected to convert \$500,000 of their existing loan into 250m shares each in Gulf at \$0.002 per share. This conversion was approved by shareholders at the General Meeting held on 30 July 2013 as an alternative to repayment of the Loans. The effect of the conversion will be that Richmond will hold 411,400,000 ordinary shares in Gulf or 26.74% and Jonah will hold 367,600,000 ordinary shares in Gulf or 23.89% out of an increased 1,538,404,562 ordinary shares on issue.

27. Cash Flow Information

	Note	Consolidated Group	
		2013	2012
		\$	\$
Loss from ordinary activities after income tax		(6,842,905)	(9,040,849)
Non cash flows in loss:			
Profit on sale of financial assets		-	(7,420)
Plant and equipment adjustment	9	12,514	(3,600)
Provision for employee benefit	12	(14,159)	135,793
Provision for rehabilitation	12	3,502	12,398
Depreciation	9	1,156,193	834,695
Deferred distribution fee		-	74,835
Finance costs	2	920,000	-
Share based payments		-	(316,605)
Unrealised Exchange loss	15	623,933	1,257,134
Impairment of financial assets		-	18,850
Changes in assets and liabilities:			
(Increase)/Decrease in Trade receivables	5	714,367	(244,181)
(Increase)Decrease in Inventories	7	422,507	(562,027)
(Increase)/Decrease in prepayments	6	(62,500)	-
Increase/(Decrease) Trade and other payables	11	(1,767,558)	237,893
General adjustments		(1,332)	-
Operating cash flow		(4,835,438)	(7,603,084)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

28. Segment Information

The consolidated entity operates in two business segments being industrial minerals development and mining exploration, in two geographical locations, being Australia and Africa.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the Company is managed and provides a meaningful insight into the business activities of the Company.

The following tables present details of revenue and operating profit by business segment. The information disclosed in the tables below is derived directly from the internal financial reporting system used by corporate management to monitor and evaluate the performance of our operating segments separately.

(a)	Industrial Minerals Development	Mineral Exploration	Unallocated	TOTAL Consolidated Group
	\$	\$	\$	\$
2013				
For the year ended 30 June 2013				
Revenue from external customers	1,817,701	-	-	1,817,701
Interest & other	484	-	38,171	38,655
Reportable segment profit/(loss) before income tax	<u>(4,205,023)</u>	<u>-</u>	<u>(2,637,882)</u>	<u>(6,842,905)</u>
Reportable segment assets as at 30 June 2013	<u>4,348,577</u>	<u>1,187,455</u>	<u>757,500</u>	<u>6,293,532</u>
2012				
For the year ended 30 June 2012				
Revenue from external customers	2,922,243	-	-	2,922,243
Interest & other	36,920	-	230,385	267,305
Reportable segment profit/(loss) before income tax	<u>(6,303,146)</u>	<u>(133,706)</u>	<u>(2,603,997)</u>	<u>(9,040,849)</u>
Reportable segment assets as at 30 June 2012	<u>6,916,407</u>	<u>1,187,708</u>	<u>923,733</u>	<u>9,027,848</u>
(b) Reconciliation of reportable segment profit and loss.			2013	2012
As at 30 June:			\$	\$
Total profit or loss for reportable segment			6,842,905	(9,040,849)
Eliminating of inter-segment profit			-	-
Loss before tax from continuing operations			<u>6,842,905</u>	<u>(9,040,849)</u>
(c) Reconciliation of reportable segment assets.			2013	2012
As at 30 June:			\$	\$
Reportable segment assets			6,293,532	9,027,848
Elimination of inter-segment assets			-	-
Total assets			<u>6,293,532</u>	<u>9,027,848</u>
(d) Assets by geographical region.			2013	2012
As at 30 June:			\$	\$
Australia			448,169	923,733
Africa			5,845,363	8,104,115
Total Assets			<u>6,293,532</u>	<u>9,027,848</u>

(e) The Company sold its finished goods to one customer during the year under review.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

29. Parent Entity Information

Information relating to Gulf Industrials Limited:

	2013 \$	2012 \$
STATEMENT OF FINANCIAL POSITION		
Current assets	448,169	921,921
Total assets	12,908,440	14,464,175
Current liabilities	730,064	147,917
Total liabilities	730,064	567,917
Issued capital	30,605,337	30,605,337
Accumulated losses	(23,392,943)	(20,755,061)
Reserves	4,965,982	4,045,982
Total shareholders' equity	12,178,376	13,896,258
STATEMENT OF COMPREHENSIVE INCOME		
Loss of the parent entity	(2,637,882)	(2,679,955)
Total comprehensive income of the parent entity	(2,637,882)	(2,679,955)

Contingent Liabilities

At 30 June 2013 Gulf Industrials Limited had no contingent liabilities.

Contractual Commitments

At 30 June 2013 Gulf Industrials Limited had not entered into any contractual commitments for the acquisition of property, plant or equipment.

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

Shareholdings

(a)

Analysis of holdings as at 27 September 2013

	Ordinary Shares	Number of shares	Percentage
1-1,000	71	11,383	0.00%
1,001-5,000	41	150,415	0.01%
5,001-10,000	117	1,127,826	0.07%
10,001-100,000	411	20,688,095	1.34%
100,001 and over	500	1,516,426,843	98.57%
	1,140	1,538,404,567	100.00%

Less than marketable parcels

865

(b)

Substantial shareholders

The company has the following substantial shareholders as at 27 September 2013:

	Number of Shares	Percentage of Total
Richmond Capital LLP	411,650,000	26.76
African Lion 3 Limited	156,800,000	10.19
Jonah Capital BVI Limited	367,600,000	23.89

(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 27 September 2013.

Holder Name	Number of Shares	Percentage
1 HSBC CUSTODY NOM AUST LTD	411,650,000	26.76%
2 JONAH CAP BVI LTD	367,600,000	23.89%
3 AFRICAN LION 3 LTD	156,800,000	10.19%
4 NG WAN HOW	46,355,500	3.01%
5 ARNESEN MARK RICHARD	43,600,000	2.83%
6 LEE MOOI FAH	26,719,332	1.74%
7 BEST JONATHAN GOURLAY	18,000,000	1.17%
8 CITICORP NOM PL	15,624,993	1.02%
9 JONAH SAMUEL ESSON	15,000,000	0.98%
10 INNIS CHRISTOPHER ROBERT	10,958,500	0.71%
11 JURD ROBERT GEORGE	10,500,000	0.68%
12 DBS VICKERS SEC SINGAPORE	10,130,749	0.66%
13 MOSMAN CORP SVCS PL	10,000,000	0.65%
14 TONG YUK TING LUCILLE	8,500,809	0.55%
15 LOCOPE PL	8,000,000	0.52%
16 CLARK ZAK MORTIMER	7,120,000	0.46%
17 NUTSVILLE PL	7,000,000	0.46%
18 TAM CHING TIN	6,900,000	0.45%
19 BARNES ROBERT OWEN	6,494,768	0.42%
20 JP MORGAN NOM AUST LTD	6,169,229	0.40%
TOTAL	1,193,123,880	77.56%

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

- (e) As at 27 September 2013, the Company had 520,315,000 options listed and unlisted options on issue over unissued ordinary shares. Details are as follows:

Type	Grant Date	Number	Exercise Price	Expiry Date
Unlisted	Various	32,315,000	\$0.05	20 Jul 2015
Unlisted	Various	6,000,000	\$0.079	10 Mar 2016
Unlisted	Various	10,000,000	\$0.086	31 Mar 2014
Unlisted	Various	12,000,000	\$0.025	30 Nov 2016
Unlisted	Various	460,000,000	\$0.002	8 Jan 2018

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

- (g) Other Information

- i) The business and registered office address is
Suite 1, Level 5
71 Macquarie Street
Sydney NSW 2000
Telephone (02) 8206 1740
Facsimile (02) 8233 6199
- iii) Gulf Industrials Limited is listed on the Australian Securities Exchange.
ASX Code: GLF – Fully Paid Shares
- iv) Share registry is located at
Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross WA 6153
Telephone (08) 9315 2333
Facsimile (08) 9315 2233