



ASX ANNOUNCEMENT

15 November 2012

FINANCING UPDATE

Gulf Industrials Limited (Gulf) announces that its wholly owned subsidiary, GLF Holdings Limited (“GH”) has entered into 2 bridge loan facilities for an aggregate of \$2 million (the “Bridge Loans”) from entities controlled by 2 of its major shareholders, being Richmond Partners Masters Limited (“Richmond”) and Jonah Capital (BVI) Limited (“Jonah”). The funds from the Bridge Loans are to be used for working capital purposes in the ordinary course of business of the Group pending a larger capitalisation of the group, which must be completed by 31 January 2013. Subject to approval of Gulf shareholders, the Bridge Loans will be secured over Gulf’s Ugandan assets, including the mining lease and the exploration licences. If such security is assigned to Richmond and Jonah, then the Bridge Loans will become limited recourse loans.

The commercial terms under the Bridge Loans also require Gulf to seek shareholder approval to issue a total of 460,000,000 unlisted options to Richmond and Jonah. The shareholders’ meeting to approve the grant of security and issue of options to Richmond and Jonah likely to be held in late December 2012. Shareholders can expect to receive a notice of meeting and explanatory memorandum setting out the details of the resolutions in late November 2012. This notice of meeting will also contain an Independent Expert’s Report in respect to the grant of security in accordance with the terms of the Bridge Loans.

Richmond will provide \$1.25 million and Jonah will provide \$0.75 million. There is a provision in the Bridge Loans to provide additional funds by mutual agreement.

The key terms of the Richmond loan are as follows:

Bridge Loan	\$1.25 million
Arrangement and Commitment Fee	7% of the Bridge Loan (\$87,500)
Interest rate	15% per annum
Maturity date	31 January 2013 or such later date as agreed between the parties
Use of funds	To fund the operations of Gulf including Gulf Resources Uganda Limited (“GRUL”) including: <ul style="list-style-type: none"> • payments to creditors of any member of the Gulf Group, including but not limited to landlords, advisors and an independent expert. • payment of salaries of its employees; • working capital expenditure; • exploration and capital expenditures; and • expenditures required in connection with the Bridge Loans.
Security	Subject to approval by Gulf shareholders being obtained, GH will assign the fixed and floating charge which it holds over the assets of Gulf Resources Uganda Limited (“GRUL”) and will grant a pledge over the shares that it holds in GRUL only.
Issue of options	Subject to approval by Gulf shareholders, Gulf must issue of a total of 287,500,000 unlisted options exercisable at \$0.002 with an expiry date of 5 years from the date of issue.
Default	The major events of default include: <ul style="list-style-type: none"> • Failure to pay Richmond in accordance with its obligations under the transaction documents • Failure to perform any of its material obligations under the transaction documents • Material misrepresentation of any representation or warranty under the transaction documents. • Insolvency event • Failure to assign the security to Richmond following shareholder approval. • Cross default if there a default under GH’s loan agreement with GRUL.
Warranties	Warranties given include: <ul style="list-style-type: none"> • Corporations registered

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	<ul style="list-style-type: none"> • Power to enter into and perform its obligations under the transaction documents • The transaction documents are valid and binding subject to any stamping and registration • All information provided by GLF Holdings was true and accurate in all material respects. • There has been no material adverse change in the business or financial condition of GH since the most recent financial information provided to Richmond. • It has no material assets other than shares in the GRUL and its rights under the transaction documents. • Other than disclosed to Richmond, GH has not incurred any financial indebtedness other than as disclosed to Richmond.
Default Fee	If a default occurs then a fee equal to 30% of the amount outstanding under the Bridge Loan (including accrued interest and outstanding fees) is payable.
Non assignment Fee	If shareholders do not approve the assignment of the security from GH to Richmond, then a fee equal to 30% of the amount outstanding under the Bridge Loan (including accrued interest and outstanding fees) is payable.
No Option Fee	If shareholders do not approve the issue of options to Richmond then a fee equal to 30% of the amount outstanding under the Bridge Loan (including accrued interest and outstanding fees) is payable.
Change of Control Fee	If there be a Change of Control Event in Gulf then a fee equal to 30% of the amount outstanding under the Bridge Loan (including accrued interest and outstanding fees) is payable. Change of Control Event means an event the occurrence of which has the effect that any person (other than the Richmond or Jonah or their associates, affiliates or related entities) acquires a relevant interest in 30% or more of Gulf's issued share capital, other than as the result of a rights issue.
Mandatory Repayment	The net proceeds from any equity financing must be used to pay down the Bridge Loans and associated costs

The key terms of the Jonah loan are as follows:

Bridge Loan	\$0.75 million
Arrangement and Commitment Fee	7% of the Bridge Loan (\$52,500)
Interest rate	15% per annum
Maturity date	31 January 2013 or such later date as agreed between the parties
Use of funds	To fund the operations of Gulf including GRUL including: <ul style="list-style-type: none"> • payments to creditors of any member of the Gulf Group, including but not limited to landlords, advisors and an independent expert. • payment of salaries of its employees; • working capital expenditure; • exploration and capital expenditures; and • expenditures required in connection with the Bridge Loans.
Security	Subject to approval by Gulf shareholders being obtained, GH will assign the fixed and floating charge which it holds over the assets of Gulf Resources Uganda Limited ('GRUL') and will grant a pledge over the shares that it holds in GRUL only.
Issue of options	Subject to approval by Gulf shareholders, Gulf must issue of a total of 172,500,000 unlisted options exercisable at \$0.002 with an expiry date of 5 years from the date of issue.
Default	The major events of default include: <ul style="list-style-type: none"> • Failure to pay Jonah in accordance with its obligations under the transaction documents • Failure to perform any of its material obligations under the transaction documents • Material misrepresentation of any representation or warranty under the transaction documents. • Insolvency event • Failure to assign the security to Jonah following shareholder approval. • Cross default if there a default under GH's loan agreement with GRUL.
Warranties	Warranties given include:

	<ul style="list-style-type: none"> • Corporations registered • Power to enter into and perform its obligations under the transaction documents • The transaction documents are valid and binding subject to any stamping and registration • All information provided by GH was true and accurate in all material respects. • There has been no material adverse change in the business or financial condition of GH since the most recent financial information provided to Jonah. • It has no material assets other than shares in the Ugandan subsidiary and its rights under the transaction documents. • Other than disclosed to Jonah, GH has not incurred any financial indebtedness other than as disclosed to Jonah.
Default Fee	If an event of default occurs then a fee equal to 30% of the amount outstanding under the bridge loan including accrued interest and outstanding fees is payable.
Non assignment Fee	If shareholders do not approve the assignment of the security from GH to Richmond, then a fee equal to 30% of the amount outstanding under the Bridge Loan (including accrued interest and outstanding fees) is payable.
No Option Fee	If shareholders do not approve the issue of options to Richmond then a fee equal to 30% of the amount outstanding under the Bridge Loan (including accrued interest and outstanding fees) is payable.
Change of Control Fee	If there is a Change of Control Event in Gulf then a fee equal to 30% of the amount outstanding under the Bridge Loan (including accrued interest and outstanding fees) is payable. Change of Control Event means an event the occurrence of which has the effect that any person (other than the Richmond or Jonah or their associates, affiliates or related entities) acquires a relevant interest in 30% or more of Gulf's issued share capital, other than as the result of a rights issue.
Mandatory Repayment	The net proceeds from any equity financing is to be used to pay down the Bridge facilities and associated costs

As set out above, the Bridge Loans carry fees which are payable if resolutions at the Extraordinary General Meeting are not passed by shareholders; if there is an event of default; or there is a change of control of the company. These fees, which are cumulative, are a maximum of 120% of the value of the amount outstanding on the Bridge Loans. A failure to pass the resolutions could therefore affect the ability to raise additional funds and could affect the financial viability of the Company.

The Company also wishes to advise that it is in continuing discussions with Dupre Minerals concerning its off take and the development of new markets for Gulf's vermiculite. These discussions and the recent decision by Dupre Minerals to reduce its purchase of vermiculite from Gulf, has impacted attempts to raise new funds in the past. An update on the Dupre Minerals discussions will be made once further negotiations have occurred.

The Company will look to undertake an equity raising or other refinancing to repay the Bridge Loans and to provide working capital to advance the company's projects and for exploration in Uganda where recent drilling results have been encouraging. The amount raised will seek to fund the Company over the next 15 months and the Company is working with all its major shareholders to achieve this objective. It should be noted that there is a risk that the refinancing may not be achieved by the maturity date of 31 January 2013 in these difficult markets. Should the Bridge Loans not be refinanced, this will likely have a significant impact on the solvency of Gulf.

FURTHER INFORMATION

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