



Gulf Mines Limited
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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Gulf Mines Limited will be convened at 11:00am on Friday 24 October 2008 at the Quality Hotel Sheridan Plaza Conference Room, at 295 Sheridan Street, Cairns QLD. The attached Explanatory Memorandum provides additional information on matters to be considered at this meeting and is to be read in conjunction with and forms part of this notice.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form. The completed Proxy Form must be received by the Company at least 48 hours before the commencement of the meeting. The Explanatory Memorandum, which accompanies and forms part of this Notice of Meeting describes the various matters to be considered.

ORDINARY BUSINESS

Financial Statements and Reports

To receive, consider and adopt the annual financial report, together with the Directors' and Auditors' Report, for the year ended 30 June 2008

Resolution 1: Election of Directors

To consider and, if thought fit, pass the following as an ordinary resolution:

"To elect as a Director of the Company, Mr Roy Payne, being a Director of the Company who retires in accordance with the Company's Constitution and being eligible, offers himself for re-election."

Resolution 2: Remuneration Report

To consider and, if thought fit, to pass the following resolution as a non-binding, advisory resolution:

"That the Remuneration Report for the Company for the financial year ended 30 June 2008 be adopted."

SPECIAL BUSINESS

Resolution 3: Approval of Employee Share Option Plan

To consider and, if thought fit, pass the following ordinary resolution:

"That for the purposes of Exception 9 of Listing Rule 7.2 and for all other purposes, shareholders approve the terms of the Employee Share Option Plan as detailed in the Prospectus dated 5 June 2007 and a detailed summary of which is included for reference in the Explanatory Memorandum, and the issue of securities under the Employee Share Option Plan from time to time."

Voting exclusion: For the purposes of Exception 9 of ASX Listing Rule 7.2, the Company will disregard any votes cast on the resolution by Mr Graham Reveleigh, Mr Roy Payne and Dr Peter Smith and any associate

of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4: Approve issue of Employee Share Options

To consider and, if thought fit, pass the following ordinary resolution:

“That in accordance with Listing Rule 7.4, approval is given for the issue of 3,000,000 options to participants in the Employee Share Option Plan on the terms and conditions of the Employee Share Option Plan a summary of which is set out in the Explanatory Memorandum.”

Resolution 5: Approve issue of Share Options to Mr Graham Reveleigh

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.14, and all other purposes, the Company is authorised to issue and allot up to 500,000 Options to Mr Graham Reveleigh, who is a Director, or his nominee(s), on the terms and conditions of the Employee Share Option Plan a summary of which is set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of ASX Listing Rule 10.14 and section 224 of the Corporations Act 2001 (Cth), the Company will disregard any votes cast on the resolution by Mr Graham Reveleigh, Mr Roy Payne and Dr Peter Smith and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6: Approve issue of Share Options to Dr Peter Smith

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.14, and all other purposes, the Company is authorised to issue and allot up to 500,000 Options to Dr Peter Smith, who is a Director, or his nominee(s), on the terms and conditions of the Employee Share Option Plan a summary of which is set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of ASX Listing Rule 10.14 and section 224 of the Corporations Act 2001 (Cth), the Company will disregard any votes cast on the resolution by Mr Graham Reveleigh, Mr Roy Payne and Dr Peter Smith and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7: Approve issue of Share Options to Mr Roy Payne

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.14, and all other purposes, the Company is authorised to issue and allot up to 500,000 Options to Mr Roy Payne, who is a Director, or his nominee(s), on the terms and conditions of the Employee Share Option Plan a summary of which is set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of ASX Listing Rule 10.14 and section 224 of the Corporations Act 2001 (Cth), the Company will disregard any votes cast on the resolution by Mr Graham Reveleigh, Mr Roy Rayne and Dr Peter Smith and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy

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

Resolution 8: Approve issue of Share Options to Mr Jeremy Slater

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of ASX Listing Rule 7.1 and all other purposes, the Company is authorised to issue and allot up to 5,000,000 unlisted options to Mr Jeremy Slater or his nominee(s) on the terms and conditions as set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of ASX Listing Rule 7.1, the Company will disregard any votes cast on the resolution by Mr Jeremy Slater and any associate of Mr Jeremy Slater. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9: Approve issue of Share Options to Prema Capital Limited

To consider and, if thought fit, pass the following ordinary resolution:

“That for the purposes of ASX Listing Rule 7.1 and all other purposes, the Company is authorised to issue and allot up to 2,000,000 unlisted options to Prema Capital Limited or its nominee(s) on the terms and conditions as set out in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of ASX Listing Rule 7.1, the Company will disregard any votes cast on the resolution by Prema Capital Limited, Dr Peter Smith or any related party of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10: Approve Option Agreement with Waygara Mines Pty Ltd

“That, in accordance with Listing Rule 10.5, approval is given to proceed with the Option Agreement with Waygara Mines Pty Ltd as detailed in the Explanatory Memorandum.”

Voting Exclusion: For the purposes of ASX Listing Rule 10.5 and section 224 of the Corporations Act 2001 (Cth), the Company will disregard any votes cast on the resolution by Mr Graham Reveleigh and any associate of Mr Graham Reveleigh. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The meeting will deal with any other business, which may be brought forward in accordance with the Constitution and the Corporations Act, 2001.

By Order of the Board



Darren Thamm
Company Secretary
21 August 2008

EXPLANATORY MEMORANDUM

Introduction

This Explanatory Statement has been prepared for the information of Shareholders in connection with business to be conducted at the Company's Annual General Meeting to be held on 24 October 2008 commencing at 11:am EST.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting. Resolutions 1-10 are ordinary resolutions, and accordingly require approval by a simple majority of Shareholders entitled to vote on a show of hands or by a poll.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting.

Financial Accounts

The financial reports of the Company and the reports of the Directors and auditor for the year ended 30 June 2008 are set out in the Annual Report. Security holders were provided with a copy of the Annual Report, and a copy of the Annual Report is also available on the Company's website (www.gulfmines.com.au). If you have become a security holder since the Annual Report was mailed and you would like a copy of the Annual Report, please contact the Company's Registered Office.

The Chairman of the meeting will allow security holders a reasonable opportunity as a whole to ask questions about or make comments on the management of the Group. The auditor (WHK Greenwood) will also attend the meeting and security holders will be provided with a reasonable opportunity as a whole to ask the auditor questions relevant to the conduct of the audit and the preparation and content of the Auditor's Report.

Resolution 1: Election of Directors

The Company's constitution requires that at each Annual General Meeting one-third of the Directors must retire from office. Mr Roy Payne is retiring by rotation and being eligible offers himself for re-election.

Resolution 2: Remuneration Report

Under the Corporations Act, the Directors Report must include a separate remuneration report detailing various matters regarding the remuneration of directors, company secretaries, senior managers and officers of the Company ("Remuneration Report"), including:

- board policy on the remuneration of these officers;
- the relationship between board remuneration policy and Group performance;
- a discussion of performance conditions that apply to elements of director and executive remuneration; and
- details of the remuneration paid or payable to each director and the top 5 executives of the Company and Group for the year ended 30 June 2008.

The Remuneration Report forms part of the Annual Report sent to security holders and is available on the Company's website.

The vote on the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Directors will take the outcome of the vote into consideration when setting the Company's remuneration policy for future financial years.

Security holders will be provided with a reasonable opportunity to ask questions or comment on the Remuneration Report.

Resolution 3 and 4: Employee Share Option Plan

Preamble

Under the Gulf Mines Limited Employee Share Option Plan ("Plan"), the Board may offer to Employees of the Company whose contribution to the Company warrant participation in the Plan (collectively "Participants"),

the opportunity to subscribe for options over fully paid ordinary shares in the Company. For the purpose of the Plan, employees include full-time, part-time and casual employees, Directors, contractors and consultants.

Approval is being sought for the purpose of ASX Listing Rule 7.2 Exception 9 (b) so that any issues under the Plan are not counted as a reduction for the purpose of the calculation of the number of securities that can be issued under Listing Rule 7.1 without shareholder approval. This exception is only available provided that within 3 years before the date of the issue, shareholders have approved the issue of securities under the scheme as an exception to Listing Rule 7.1 and a summary of the terms of the scheme, the number of securities issued under the scheme since the date of the last approval and a voting exclusion statement is included in the notice of meeting.

The exception will cease to be available if there has been a change to the number or terms of the equity securities to be issued under the scheme, the mechanism for pricing or payment or other material terms of the scheme

The key components of the Plan are as follows:

- The option will have no issue price.
- The exercise price of the option will be an amount as determined by the Board and will be not less than the weighted average closing price of shares sold on ASX on the 5 trading days immediately preceding the offer of options to a Participant by the Board.
- The Board can determine any exercise conditions (if any) to apply prior to a Participant being able to exercise the options
- If the Exercise Condition is met, the participant is able to exercise the options at any time for a period of 5 years after the Vesting Period
- The number of options that can be on issue under the Plan is 5% of the issued number of shares in the Company at the date of an invitation or grant of an option. For this purpose, the 5% is calculated as the number of shares which would be issued if all offers or options to acquire unissued shares pursuant to this Plan or any other employee share option plan were accepted or exercised; the number of shares issued pursuant to the Plan in the last 5 years; and the number of shares issued during the last 5 years pursuant to any other employee share scheme of the Company.
- Participants will have their entitlements in respect of options held adjusted to take account of capital reconstructions and bonus issues as if the option has been exercised before the determination of entitlement in respect of these issues. If the Company makes a pro rata rights issue to shareholders, the exercise price of an option will be reduced according to the formula specified in the Stock Exchange Listing Rules.

The Directors have resolved that for the purpose of the initial grant of the options:

- The exercise price will be the weighted average closing price of shares sold on ASX on the 5 trading days immediately preceding the offer of options to a Participant (but if no shares were sold on ASX during that 5 day period the exercise price of an option is to be determined by the Board to be equal to the closing price of shares sold on ASX on the last trading day on which the shares were traded.

The terms and conditions of the Employee Share Option Plan have been previously disclosed in the Initial Public Offering Prospectus dated 5 June 2007. A copy of the Plan Rules is available from the registered office of the Company upon request.

The objective of the Option Plan is to provide employees of the Company, and its subsidiaries, with the opportunity of participating in the equity of the Company so as to provide an incentive for employees to achieve greater success and profitability, and to maximise the long term performance of the Company.

No securities have been issued under this Plan previously.

A complete copy of the Plan may be inspected at the Registered Office of the Company.

Providing Resolution 3 has been passed by shareholders, the Company will issue 3,000,000 options to participants in the Employee Share Option Plan on the terms and conditions set out in the Explanatory Memorandum.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 essentially provides that a company may not issue securities (including shares) representing more than 15% of its issued capital, over any 12 month period, without the approval of its members.

ASX Listing Rule 7.2 Exception 9 provides that an issue of securities made under an employee incentive scheme (such as the Option Plan) is not counted for the purposes of ASX Listing Rule 7.1 provided that certain conditions have been met. One of these is that members have, within the last three years, approved the issue of securities under the scheme as an exception to ASX Listing rule 7.1. Such Shareholder approval is sought by Resolution 4.

Resolution 5, 6 and 7: Directors Options – Graham Reveleigh, Peter Smith and Roy Payne

ASX Listing Rule 10.14 states that the Company must not permit any Director to acquire options under an employee incentive scheme without the approval of holders of ordinary shareholders of the acquisition. Listing Rule 10.15 sets out the information to be provided to shareholders for the purpose of making a decision on the resolutions. The information is as follows;

- The exercise price of the options will be the weighted average closing price of shares sold on ASX on the 5 trading days immediately preceding the offer of options to a Director (but if no shares were sold on ASX during that 5 day period the exercise price of an option is to be determined by the Board to be equal to the closing price of shares sold on ASX on the last trading day on which the shares were traded.
- No parties have received options under the Plan previously
- The persons who are eligible to participate in the Plan and the maximum number of securities to be issued under the resolution are as follows:

Resolution No	Name	Number of options
5	Mr G Reveleigh	500,000
6	Dr Peter Smith	500,000
7	Mr Roy Payne	500,000

- No loans will be provided to Directors.
- There will be no issue price for the options.
- The options will be issued no later than twelve months from the date of the meeting.

Chapter 2E of the Corporations Act 2001 (“the Act”)

Chapter 2E of the Act prohibits, subject to certain exceptions (none of which are relevant here), a Company from giving a financial benefit to a related party of the Company without prior Shareholder approval.

A “related party” for the purposes of the Corporations Act is widely defined. It includes a director of a public company and specified members of the director’s family. It also includes an entity over which a director maintains control.

A “financial benefit” for the purposes of the Corporations Act is also defined widely. It includes a public company paying money to another entity. It also includes the public company granting an option over its securities. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and the effect of the transaction (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is full or adequate.

For the purposes of Chapter 2E of the Act, Messrs Reveleigh, Smith and Payne are considered to be “related parties”, whilst the issue of Options to them constitutes “financial benefits” which require prior shareholder approval.

In accordance with Section 219 of the Act, the following information is provided to shareholders to allow them to assess whether or not it is in the Company interests to pass this resolution.

- Messrs Reveleigh, Smith and Payne are related parties by virtue of them being directors of the Company. Subject to shareholder approval, the maximum number of Options that will be granted to Messrs Reveleigh, Smith and Payne are 1,500,000
- The nature of the financial benefit is the issue of the options for nil consideration as noted above and on the terms set out at the end of this Explanatory Memorandum.
- Messrs Reveleigh, Smith and Payne express no opinion and make no recommendations to the shareholders in respect Resolutions 4, 5 and 6 because they have a material interest in the outcome of the respective Resolutions.
- Messrs Reveleigh, Smith and Payne have an interest in the outcome of these resolutions and details of the potential benefits are listed below.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors

Current Share Capital

If the options are issued pursuant to the proposed resolution, the Company considers that Messrs Reveleigh, Smith and Payne will have a vested interest in the affairs of the Company. As options are a performance based incentive, they will have that incentive to ensure that the market price of the shares of the Company increases to create a value in the options and this will benefit all shareholders. Should the options be exercised, additional working capital will be raised at no significant cost.

The potential cost to the Company of the issue of 1,500,000 options is that there will be dilution of the issued share capital if the options are exercised. Based on issued capital of 148,843,893, the dilution effect would be 1.0%. However, if all listed options currently on issue totaling 73,129,911 were exercised, the dilution effect would be reduced to 0.6%.

If the options were exercised at a time when the market price of the Company’s shares is greater than the exercise price of the options, there would be a detriment in so far as the Company will be required to issue shares at a price lower than it may have otherwise been able to with the results that less funds will be raised.

Valuation of Options

At the time of preparing this notice of meeting, the closing price of the Company’s shares on the ASX was 15.5 cents. Using the Black and Scholes option valuation model (with the assumptions being 7.25% interest rate, 59.4% volatility, discounted by 30% as the options are non transferable) each one of the options exercisable at 14.60 cents being the weighted average closing price of shares up to the date of preparing this report would be worth approximately 9.2 cents. This would value each issue of options as follows:

- Mr Reveleigh \$46,000
- Mr Payne \$46,000
- Dr Smith \$46,000

Directors’ Remuneration

Currently each Director receives the following from the Company;

- Mr Payne as a non executive Chairman receives \$40,000 per annum in Director Fees.
- Dr Smith as a non-executive director receives \$30,000 per annum in Director Fees.
- Mr Reveleigh as Managing Director receives \$250,000 per annum in Director Fees

Share Price

The price of the Company’s shares quoted on the ASX since the date of listing has ranged from a low of 10.5 cents on 7 May 2008 to a high of 66 cents between 15 and 16 December 2007. The closing price of the

Shares on ASX on the trading day immediately preceding the date of lodgment of this Notice was 15.5 cents on 20 August 2008.

Other Information

Neither the Directors nor the Company are aware of any other information that would be reasonably required by the shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 5, 6 and 7.

Resolution 8: Options to be issued to Jeremy Slater

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of the Company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval.

Under this resolution, the Company seeks Shareholders approval for the issues of securities set out below so as to limit the restrictive effect of ASX Listing Rule 7.1 on any further issues of securities in the next 12 months. This will leave the Company with the flexibility to issue equity securities in the future up to the 15% threshold.

For the purposes of Listing Rule 7.1, the following information is provided to shareholders:

- The number of equity securities to be issued is 5,000,000 unlisted options issued to Mr Jeremy Slater or his nominee;
- There will be no issue price for the options;
- The options will be issued no later than three months after the date of the meeting;
- Exercise price of the options is to be 30c;
- These options will be non-transferable;
- These options will be exercisable on or before 30 September 2010.

The options will be allotted and issued to Mr Jeremy Slater on the following terms. The full terms and conditions relating to the issue of these options is attached at Appendix A.

- The options held by each holder can be exercised in whole or in part, and if exercised in part multiples of 5,000 must be exercised on each occasion except where the number of options held is less than 5,000 in which case all such options must be exercised at the same time;
- The option holder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the options in which case the option holder will be afforded the period of at least 9 business days prior to and inclusive of the record date to determine entitlements to the issue to exercise the options;
- The options do not confer on the holder any right to participate in dividends until shares are allotted pursuant to the exercise of the options;
- In the event of a reorganisation of the issued capital of the Company, the options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on option holders which are not conferred on Shareholders;
- The number of Shares to be issued pursuant to the exercise of options will be adjusted for bonus issues made prior to exercise of the options so that, upon exercise of the options the number of Shares received by the optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the options shall not change as a result of any such bonus issues.

Resolution 9: Options to be issued to Prema Capital

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of the Company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval.

Under this resolution, the Company seeks Shareholders approval for the issues of securities set out below so as to limit the restrictive effect of ASX Listing Rule 7.1 on any further issues of securities in the next 12 months. This will leave the Company with the flexibility to issue equity securities in the future up to the 15% threshold.

For the purposes of Listing Rule 7.1, the following information is provided to shareholders:

- The number of equity securities to be issued is 2,000,000 unlisted options issued to Prema Capital Limited or their nominee;
- There will be no issue price for the options;
- The options will be issued no later than three months after the date of the meeting;
- Exercise price of the options is to be 30c;
- These options will be non-transferable;
- These options will be exercisable on or before 30 September 2010.

The options will be allotted and issued to Prema Capital Limited on the following terms. The full terms and conditions relating to the issue of these options is attached at Appendix A.

- The options held by each holder can be exercised in whole or in part, and if exercised in part multiples of 5,000 must be exercised on each occasion except where the number of options held is less than 5,000 in which case all such options must be exercised at the same time;
- The option holder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the options in which case the option holder will be afforded the period of at least 9 business days prior to and inclusive of the record date to determine entitlements to the issue to exercise the options;
- The options do not confer on the holder any right to participate in dividends until shares are allotted pursuant to the exercise of the options;
- In the event of a reorganisation of the issued capital of the Company, the options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on option holders which are not conferred on Shareholders;
- The number of Shares to be issued pursuant to the exercise of options will be adjusted for bonus issues made prior to exercise of the options so that, upon exercise of the options the number of Shares received by the optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the options shall not change as a result of any such bonus issues.

Resolution 10: Option agreement with Waygara Mines Pty Ltd

The Company is seeking to enter into an Option Agreement with Waygara Mines Pty Ltd (a company in which Mr G Reveleigh is a director and substantial shareholder).

ASX Listing Rule 10.5

Under ASX Listing Rules, shareholder approval is required if the Company acquires a substantial asset from a related party. The Option Agreement with Waygara Mines Pty Ltd does not presently meet the definition of a substantial asset.

However, ASX Listing Rule 10.5 requires shareholder approval before issuing an option. If approval is granted under ASX Listing Rule 10.5, the Company is not required to seek further approval from shareholders at the time of exercise of that option for the subsequent issue of shares under that option unless the consideration paid at the time of exercise exceeds 5% of equity interests at that time.

Chapter 2E of the Corporations Act 2001 (“the Act”)

Chapter 2E of the Act prohibits, subject to certain exceptions (none of which are relevant here), a Company from giving a financial benefit to a related party of the Company without prior Shareholder approval.

A “related party” for the purposes of the Corporations Act is widely defined. It includes a director of a public company and specified members of the director’s family. It also includes an entity over which a director maintains control.

A “financial benefit” for the purposes of the Corporations Act is also defined widely. It includes a public company paying money to another entity. It also includes the public company granting an option over its securities. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and the effect of the transaction (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is full or adequate.

For the purposes of Chapter 2E of the Act, Mr G Reveleigh is considered to be a “related party” and the payment of consideration on the issue of the option to him constitutes “financial benefits” which require prior shareholder approval.

In accordance with Section 219 of the Act, the following information is provided to shareholders to allow them to assess whether or not it is in the Company interests to pass this resolution.

The Option Agreement contains the following terms and conditions:

- Gulf Mines Limited agrees to pay each shareholder of Waygara Mines Pty Ltd \$15,000 each on the signing of a formal option agreement with Mr G Reveleigh being one;
- Gulf Mines will continue to work on the Exploration Areas held by Waygara Mines Pty Ltd;
- If the option is not exercised within twelve months of the signing date, Gulf Mines will pay the two shareholders \$15,000 each on every anniversary of the signing until the option is exercised or Gulf Mines notifies Waygara Mines that it does not wish to continue with the option;
- Notice to Discontinue will be in writing and issued one month in advance of Gulf Mines discontinuing the option;
- Gulf Mines may exercise the option at any time by giving notice in writing. Within the appropriate time as may be required by Corporations Law or ASX Listing Rules, Gulf Mines will issue 500,000 shares in Gulf Mines to each shareholder in Waygara Mines Pty Ltd for which each shareholder will each transfer their share in Waygara Mines to Gulf Mines.

- The present shareholders in Waygara Mines Pty Ltd will be given an overriding royalty of 1.0% on all income from production of any mining operations which are developed on EL4509 at any time in the future.
- Mr Reveleigh expresses no opinion and makes no recommendations to the shareholders in respect Resolution 10 because he has a material interest in the outcome of the respective Resolution.
- Mr Reveleigh has an interest in the outcome of this resolution and details of the potential benefits are listed below.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors

The Exploration Licence EL4509 owned by Waygara Mines Pty Ltd covers approximately 100 square kilometres and shows significant promise for iron oxide deposits. Exploration activities conducted to date indicate that this is a suitable acquisition for the Company and that the consideration paid for this Option is fair and reasonable.

Other Information

Neither the Directors nor the Company are aware of any other information that would be reasonably required by the shareholders to make a decision in relation to the financial benefits contemplated by Resolution 10.

APPENDIX A

Terms and Conditions of Options

The terms and conditions of 7,000,000 options ("Options") proposed to be allotted and issued and the subject of proposed Resolutions 8 and 9 are as follows:

- a) Each Option entitles the holder, on exercise to one Ordinary Share.
- b) The Options' expiry dates and exercise prices are listed in the table below:

Proposed Holder	Number of options	Expiry date	Exercise Price
Jeremy Slater	5,000,000	30 September 2010	A\$0.30
Prema Capital Limited	2,000,000	30 September 2010	A\$0.30

- c) Subject to paragraph (d) below, the Options are exercisable at any time on or prior to the Expiry Date at 5:00pm (EST) by completing an Option exercise form and delivering it together with the payment for the number of Ordinary Shares in respect of which the Options are exercised to the registered office of the Company.
- d) The options held by each holder can be exercised in whole or in part, and if exercised in part, multiples of 5,000 must be exercised on each occasion except where the number of options held is less than 5,000 in which case all such options must be exercised at the same time.
- e) The Options are not transferable and application will not be made to the ASX for official quotation of the Options.
- f) All Ordinary Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Ordinary Shares. The Company will apply for official quotation by the ASX of all Ordinary Shares issued upon exercise of the Options.
- g) The option holder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the options in which case the option holder will be afforded the period of at least 9 business days prior to and inclusive of the record date to determine entitlements to the issue to exercise the options. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- i) The options do not confer on the holder any right to participate in dividends until shares are allotted pursuant to the exercise of the option.
- j) In the event of a reorganisation of the issued capital of the Company, the options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on option holders which are not conferred on Shareholders.
- k) The number of Shares to be issued pursuant to the exercise of options will be adjusted for bonus issues made prior to exercise of the options so that, upon exercise of the options the number of Shares received by the optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the options shall not change as a result of any such bonus issues.
- l) Option holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's constitution for the giving of notices to Shareholders, and the relevant provisions of the Company's constitution apply with all necessary modification to notices to Option holders.

Annual General Meeting PROXY FORM



Mark this box with an 'X' if you want to make any changes to your address details.

APPOINTMENT OF PROXY FOR

Name of Shareholder.....

If appointing a proxy to attend the General Meeting on your behalf, please complete the form and submit it in accordance with the directions at the bottom of the page.

I/We being a shareholder/shareholders of Gulf Mines Limited pursuant to my/our right to appoint not more than two proxies, appoint

The Chairman of the Meeting (mark with an 'X')

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting or failing him/her

.....

Write here the name of the other person you are appointing.

or failing him/her, (or if no proxy is specified above) the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held at 11.00 am on Friday, 24 October 2008 at Quality Hotel Sheridan Plaza, 295 Sheridan Street Cairns QLD and at any adjournment of that meeting.

This proxy is to be used in respect of % of the ordinary shares I/we hold.

If you do not wish to direct your proxy how to vote, please place a mark in the box. If you have appointed the Chair of the meeting to exercise your proxy, by marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of a particular resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chair intends to vote 100% of all open proxies in favour of the resolutions.

VOTING DIRECTIONS TO YOUR PROXY – please mark 'X' to indicate your directions

RESOLUTION	FOR	AGAINST	ABSTAIN*
1. Re-election of Roy Payne as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratify issue of Employee Share Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ratify issue of Share Options to Mr Graham Reveleigh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ratify issue of Share Options to Dr Peter Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 7. Ratify issue of share Options to Mr Roy Payne | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Ratify issue of Share Options to Mr Jeremy Slater | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Ratify issue of Share Options to Prema Capital Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Approve Option Agreement with Waygara Mines Pty Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

** If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

PLEASE SIGN HERE

This section **MUST** be signed in accordance with the instructions overleaf to enable your directions to be implemented. Please cross out titles associated with the signatures which do not apply

Executed in accordance with section 127 of the Corporations Act:

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

.....
Director
Sole Company Secretary

Director/Company Secretary

Sole Director &

Dated this **day of** **2008**

Contact Name **Contact Business Telephone/Mobile**

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Your printed name and address is as it appears on the share register of Gulf Mines Limited. If this information is incorrect, please mark the box at the top of the proxy. Please note, you cannot change ownership of your securities using this form.

2. Completion of a proxy form will not prevent individual shareholders from attending the General Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the General Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the General Meeting.

3. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes.

4. A proxy need not be a shareholder of the Company.

5. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

6. If a representative of a company shareholder is to attend the Meeting, a properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.

7. If a representative as Power of Attorney of a shareholder is to attend the meeting, a properly executed original (or originally certified copy) of an appropriate Power of Attorney should be produced for admission to the General Meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

8. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.

If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place.

9. Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below not later than 11.00 am on Wednesday, 8th October 2008 (48 hours before the commencement of the meeting). Any Proxy Form received after that time will not be valid for the scheduled meeting.

Hand deliveries **GULF MINES LIMITED, The Secretary**
 41 Cavendish Street, Earlville, Cairns Qld 4870

 PO Box 92 Earlville QLD 4870

 Fax number (within Australia): +61 7 4033 6415