

18 October 2007.

Dear Shareholder

As was foreshadowed in the Prospectus dated 5 June 2007, Gulf Mines Limited (ASX:GLM) is pleased to announce that it intends to reward its current shareholders by providing the opportunity to participate in a Loyalty Options issue. Eligible shareholders are invited to acquire one option in the Company for every two shares held.

Gulf Mines Limited will apply to ASX for quotation of the options and also for the underlying shares that are issued on the exercise of the options in the upcoming weeks.

A disclosure document (prospectus) in relation to this issue will be lodged with the ASIC shortly and will be publicly available at that time. The prospectus will contain important information on the Loyalty Options issue that will be relevant in assessing the merits of the Offer. Applications to participate in this Offer will only be accepted on the application form contained within the prospectus.

To participate, shareholders must be listed on the Gulf Mines Limited share register on the Record Date of 5 November 2007. The options will be issued at two cents payable on application. They will be exercisable by option holders at any time prior to 31 October 2009 at an exercise price of 30 cents.

Yours faithfully

Graham Reveleigh  
Managing Director