

INQUIRIES

Please do not contact the Court regarding this notice. All inquiries concerning this Notice, the Proof of Claim form, or any other questions by Class members should be directed to:

Gulf Resources, Inc. Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson St., Ste. 3
Media, PA 19063
Tel.: 866-274-4004
Fax: 610-565-7985
info@strategicclaims.net

Or

THE ROSEN LAW FIRM, P.A.
355 South Grand Avenue, Suite 2450
Los Angeles, CA 90071
Tel.: 213-785-2610
Fax: 213-226-4684
info@rosenlegal.com

BOTTINI & BOTTINI, INC.
7817 Ivanhoe Avenue, Suite 102
La Jolla, CA 92037
Tel: 858- 914-2001
Fax: 858-914-2002

COMMON QUESTIONS AND ANSWERS CONCERNING THE SETTLEMENT

1. Why did I get this Notice?

You or someone in your family may have acquired Gulf Resources common stock during the Class Period.

2. What is this lawsuit about?

The case is known as *Snellink v. Gulf Resources, Inc.*, Case No. 11-cv-3722 ODW (MRWx) (the "Litigation"), and the Court in charge of the case is the United States District Court for the Central District of California.

The Class Action involves whether the Defendants violated the federal securities laws because the Company allegedly made false and misleading statements to the investing public as set out in the complaint, including that: (1) Gulf Resources overstated its 2009 fiscal year revenue and income; and (2) Gulf Resources failed to disclose certain related party transactions. The Gulf Resources Defendants deny they did anything wrong. The Settlement resolves all of the claims in the Class Action against the Gulf Resources Defendants.

3. Why is this a class action?

In a class action, one or more persons and/or entities, called Lead Plaintiffs, sue on behalf of all persons and/or entities who have similar claims. All of these persons and/or entities are referred to collectively as a Class, and these individual persons and/or entities are known as Class Members. One court resolves all of the issues for all Class Members, except for those Class Members who exclude themselves from the Class.

4. Why is there a Settlement?

Lead Plaintiffs and the Gulf Resources Defendants do not agree about the merits of Lead Plaintiffs' allegations with respect to liability or the average amount of damages per share that would be recoverable if Lead Plaintiffs were to prevail at trial on each claim. The issues on which the Lead Plaintiffs and the Gulf Resources Defendants disagree include: (1) whether the Gulf Resources Defendants made false and misleading statements; (2) whether the Gulf Resources Defendants made these statements with the intent to defraud the investing public; (3) whether the statements were the cause of the Class Members' alleged damages; and (4) the amount of damages, if any, suffered by the Class Members.

This matter has not gone to trial and the Court has not decided in favor of either Lead Plaintiffs or the Defendants. Instead, Lead Plaintiffs and Gulf Resources have agreed to settle the Class Action. The Lead Plaintiffs and Class Counsel believe the settlement is best for all Class Members because of the risks associated with continued litigation and the nature of the defenses raised by the Defendants. Even if Plaintiffs win at trial, and also withstand the Gulf Resources Defendants' inevitable challenge on appeal, Plaintiffs might not be able to collect some, or all, of the judgment.

5. How do I know if I am part of the Class settlement?

To be a Class Member, you must have purchased or otherwise acquired Gulf Resources common stock during the period from March 16, 2009 through and including April 26, 2011.

6. Are there exceptions to being included?

Yes. Excluded from the Class are the Gulf Resources Defendants, and all officers and directors of Gulf Resources, and the members of such excluded persons' immediate families, legal representatives, heirs, predecessors, successors, and assigns, and any entity in which any excluded person has or had a controlling interest, and any persons who have separately filed actions against one or more of the Gulf Resources Defendants, based in whole or in part on any claim arising out of or relating to any of the alleged acts, omissions, misrepresentations, facts, events, matters, transactions, or occurrences referred to in the Litigation or otherwise alleged, asserted, or contended in the Litigation. Also, if you exclude yourself from the Class, as described below, you are not a part of the Class.

7. What does the Settlement provide?

a. What is the Settlement Fund?

The proposed Settlement calls for Gulf Resources to create a Settlement Fund (the "Settlement Fund") in the amount of \$2,125,000. The Settlement is subject to Court approval. Also, subject to the Court's approval, a portion of the Settlement Fund will be used to pay Class Counsel fees and reasonable litigation expenses and any award to Lead Plaintiffs. A portion of the Settlement Fund also will be used to pay taxes due on interest earned by the Settlement Fund, if necessary, and any notice and claims administration expenses permitted by the Court. After the foregoing deductions from the Settlement Fund have been made, the amount remaining (the "Net Settlement Fund") will be distributed to Class Members who submit valid claims.

b. What can you expect to receive under the proposed Settlement?

Your share of the Net Settlement Fund will or may depend on: (i) the number of claims filed; (ii) the dates you purchased and sold Gulf Resources common stock; (iii) the prices of your purchases and sales; (iv) the amount of administrative costs, including the costs of notice; and (v) the amount awarded by the Court to Lead Plaintiffs and Class Counsel for attorneys' fees, costs, and expenses. You will receive a check if your recovery exceeds \$1.

The compensable loss per share ("Recognized Loss") of each Authorized Claimant shall be calculated according to the following formula:

- I. For those Class members who purchased shares of the Company's common stock between March 16, 2009 and April 26, 2011, inclusive, and held such shares on July 24, 2011, recognized loss per share is the lesser of:
 - A. \$1.16; or
 - B. The price paid less \$3.80.
- II. For those Class members who purchased shares of the Company's common stock between March 16, 2009 and April 26, 2011, inclusive, and sold such shares between April 26, 2011 and July 24, 2011, recognized loss per share is the lesser of:
 - A. \$1.16;
 - B. The price paid less the price in Table A on the date of sale; or
 - C. The price paid less the price received.

TABLE A			
<u>Date Sold</u>	<u>Price</u>	<u>Date Sold</u>	<u>Price</u>
4/26/2011	\$2.69	6/9/2011	\$3.23
4/27/2011	\$2.75	6/10/2011	\$3.22
4/28/2011	\$3.00	6/13/2011	\$3.22
4/29/2011	\$3.03	6/14/2011	\$3.21
5/2/2011	\$3.06	6/15/2011	\$3.21
5/3/2011	\$3.06	6/16/2011	\$3.20
5/4/2011	\$3.03	6/17/2011	\$3.19
5/5/2011	\$3.02	6/20/2011	\$3.18
5/6/2011	\$3.01	6/21/2011	\$3.19
5/9/2011	\$3.00	6/22/2011	\$3.19
5/10/2011	\$2.99	6/23/2011	\$3.20
5/11/2011	\$2.96	6/24/2011	\$3.20
5/12/2011	\$2.94	6/27/2011	\$3.20
5/13/2011	\$2.96	6/28/2011	\$3.20
5/16/2011	\$2.96	6/29/2011	\$3.20
5/17/2011	\$3.04	6/30/2011	\$3.20
5/18/2011	\$3.12	7/1/2011	\$3.20
5/19/2011	\$3.16	7/5/2011	\$3.19
5/20/2011	\$3.17	7/6/2011	\$3.19
5/23/2011	\$3.21	7/7/2011	\$3.19
5/24/2011	\$3.23	7/8/2011	\$3.19
5/25/2011	\$3.25	7/11/2011	\$3.18
5/26/2011	\$3.26	7/12/2011	\$3.18
5/27/2011	\$3.27	7/13/2011	\$3.18
5/31/2011	\$3.28	7/14/2011	\$3.19
6/1/2011	\$3.28	7/15/2011	\$3.20
6/2/2011	\$3.28	7/18/2011	\$3.21
6/3/2011	\$3.28	7/19/2011	\$3.23
6/6/2011	\$3.26	7/20/2011	\$3.24
6/7/2011	\$3.25	7/21/2011	\$3.26
6/8/2011	\$3.24	7/22/2011	\$3.26

c. Are there any further limitations on the amount I may receive?

- i) To the extent there are sufficient funds in the Net Settlement Fund, each Class Member with a Recognized Loss that satisfies the requirements approved by the Court (“Authorized Claimant”) will receive an amount equal to the Authorized Claimant’s Recognized Loss described above. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Loss of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s Recognized Loss bears to the total of the Recognized Losses of all Authorized Claimants.
- ii) For Class members who conducted multiple transactions in Gulf Resources common stock during the Class Period, the earliest subsequent sale shall be matched first against those shares in the Claimant’s opening position on the first day of the Class Period, and then matched chronologically thereafter against each purchase made during the Class Period.
- iii) Transactions during the Class Period resulting in a gain shall be netted against the Class Members transactions resulting in a loss to arrive at the Recognized Loss.
- iv) Any Class members whose collective transactions in Gulf Resources common stock during the Class Period resulted in a net gain shall not be entitled to share in the Net Settlement Fund.
- v) The purchase and sales prices exclude any brokerage commissions, transfer taxes or other fees.
- vi) The covering purchase of a short sale is not an eligible purchase. Gifts and transfers are not eligible purchases.

8. How can I get a payment?

To qualify for a payment, you must send in a form entitled “Proof of Claim and Release” form. This claim form is attached to this Notice. You may also obtain a claim form on the Internet at www.strategicclaims.net. Read the instructions carefully, fill out the form, sign it in the location indicated, and mail the claim form together with all documentation requested in the form, postmarked no later than October 21, 2013, to:

Gulf Resources, Inc. Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson St., Ste. 3
Media, PA 19063
Tel.: 866-274-4004
Fax: 610-565-7985
info@strategicclaims.net

The Claims Administrator will process your claim and determine whether you are an “Authorized Claimant.”

9. What am I giving up to get a payment or stay in the Class?

Unless you exclude yourself, you will remain in the Class. That means that if the Settlement is approved, you and all Class Members will release (agreeing never to sue, continue to sue, or be part of any other lawsuit) all claims against the Defendants and each of them and for each and all of the Defendants, the Defendants’ current, former, or future parents, subsidiaries, affiliates, partners, joint venturers, officers, directors, principals, shareholders, members, agents (acting in their capacity as agents), employees, attorneys, trustees, insurers (including Defendants’ insurers and their respective businesses, affiliates, subsidiaries, parents and affiliated corporations, divisions, predecessors, shareholders, partners, joint venturers, principals, insurers, reinsurers, successors and assigns, and their respective past, present and future employees, officers, directors, attorneys, accountants, auditors, agents and representatives), reinsurers, advisors, associates, and/or any other individual or entity in which any Defendant has or had a controlling interest or which is or was related to or affiliated with any Defendant, and the current, former, and future legal representatives, heirs, successors-in-interest, or assigns of any Defendant, in connection with your acquisition of Gulf Resources common stock during the Class Period, except that you do not release the Released Parties from any claim or action to enforce the Settlement. It also means that all of the Court’s orders will apply to you and legally bind you. If you sign the claim form, you are agreeing to a “Release of Claims,” which will bar you from ever filing a lawsuit against any Released Party to recover losses from the acquisition or sale of Gulf Resources common stock during the Class Period, except to enforce the Settlement. That means you will accept a share in the Net Settlement Fund as sole compensation for any losses you have suffered in the acquisition and sale of Gulf Resources common stock during the Class Period.

10. How do I get out of the Settlement?

If you do not want to receive a payment from this Settlement, and you want to keep any right you may have to sue or continue to sue the Gulf Resources Defendants on your own based on the legal claims raised in this Class Action, then you must take steps to get out of the Settlement. This is called excluding yourself from—or “opting out” of—the Settlement. To exclude yourself from the Settlement, you must mail a letter stating you want to be excluded as a Class Member from *Snellink v. Gulf Resources, Inc.*, Case No. 11-cv-3722 ODW (MRWx). To be valid, your request must include your name, address, telephone number, email address (if any) and your signature, along with an accurate list of all of your purchases and sales of Gulf Resources common stock (including the date, number of shares and price of the shares for each purchase and sale). You must mail your exclusion request, received no later than October 4, 2013, to *both*:

Gulf Resources, Inc. Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson St., Ste. 3
Media, PA 19063

And to

SHEARMAN & STERLING LLP
Stephen D. Hibbard, Esq.
Four Embarcadero Center, Suite 3800
San Francisco, CA 94111
Counsel for Gulf Resources

You cannot exclude yourself by telephone or by e-mail. If you ask to be excluded, you will not receive a settlement payment, and you cannot object to the Settlement. If you ask to be excluded, you will not be legally bound by anything that happens in this Class Action.

11. If I do not exclude myself, can I sue the Gulf Resources Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue the Gulf Resources Defendants for the claims that this Settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately, since you may have to exclude yourself from this Class to continue your own lawsuit.

12. Do I have a lawyer in this case?

The Court appointed Bottini & Bottini, Inc. and The Rosen Law Firm, P.A. to represent you and other Class Members. These lawyers are called Class Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense.

13. How will the lawyers be paid?

Class Counsel have expended considerable time litigating this action on a contingent fee basis, and have paid for the expenses of the litigation themselves and have not been paid attorneys' fees in advance of this Settlement. Class Counsel have done so with the expectation that if they are successful in recovering money for the Class, they will receive attorneys' fees and be reimbursed for their litigation expenses from the Settlement Fund, as is customary in this type of litigation. Class Counsel will not receive attorneys' fees or be reimbursed for their litigation expenses except from the Settlement Fund. Therefore, Class Counsel will file a motion asking the Court at the Settlement Hearing to make an award of attorneys' fees in an amount not to exceed \$637,500, or thirty percent (30%) of the Settlement Amount, reimbursement of litigation expenses of no more than \$45,000, and an award to the Lead Plaintiffs not to exceed \$6,000. The Court may award less than these amounts. Any amounts awarded by the Court will come out of the Settlement Fund.

14. How do I tell the Court if I do not like the Settlement?

You can tell the Court you do not agree with the Settlement, any part of the Settlement, or Class Counsel's motion for attorneys' fees, and that you think the Court should not approve the Settlement, by mailing a letter stating that you object to the Settlement in the matter of *Snellink v. Gulf Resources, Inc.*, Case No. 11-cv-3722 ODW (MRWx). Be sure to include your name, address, telephone number, email address (if any), your signature, a list of your purchases and sales of Gulf Resources common stock in order to show your membership in the Class, and all of the reasons you object to the Settlement. Be sure to mail the objections to the three different places listed below, so that it is received no later than October 14, 2013, so the Court will consider your views:

Clerk of the Court
United States District Court
Central District of California
Western Division
312 N. Spring Street
Los Angeles, CA 90012

BOTTINI & BOTTINI, INC.
Francis A. Bottini, Jr., Esq.
7817 Ivanhoe Avenue, Suite 102
La Jolla, CA 92037
Tel: 858- 914-2001
Fax: 858-914-2002

SHEARMAN & STERLING LLP
Stephen D. Hibbard, Esq.
Four Embarcadero Center, Suite 3800
San Francisco, CA 94111
Tel: 415-616-1100
Fax: 415-616-1199

Class Counsel

Counsel for Gulf Resources

Attendance at the Final Settlement Hearing is not necessary but persons wishing to be heard orally in opposition to the Settlement, the Plan of Allocation, and/or the application for Attorneys' Fees and Expenses are required to indicate in their objection (or in a separate writing that is submitted in accordance with the deadline and after instruction pertinent to the submission of a written objection) that they intend to appear at the Final Settlement Hearing and identify any witnesses they may call to testify or exhibits they intend to introduce into evidence at the Final Settlement Hearing. Settlement Class Members do not need to appear at the Final Settlement Hearing or take any other action to indicate their approval.

15. What is the difference between objecting and requesting exclusion?

Objecting is simply telling the Court you do not like something about the Settlement. You can object only if you stay in the Class. Requesting exclusion is telling the Court you do not want to be part of the Class and Settlement. If you exclude yourself, you cannot object to the Settlement because it no longer concerns you. If you stay in the Class and object, but your objection is overruled, you will not be allowed a second opportunity to exclude yourself.

16. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Settlement Hearing on November 4, 2013, at 1:30 p.m. in the United States District Court for the Central District of California, Courtroom 11, 312 N. Spring Street, Los Angeles, CA 90012.

At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate and whether to approve the Settlement. If there are objections, the Court will consider them, and the Court will listen to people who have asked to speak at the hearing. The Court may also decide how much to pay Class Counsel for attorneys' fees and expenses.

17. Do I have to come to the hearing?

No. Class Counsel will answer any questions the Court may have. However, you are welcome to attend at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mail your written objection on time, the Court will consider it.

18. What happens if I do nothing at all?

If you do nothing, you will not receive a payment from the Settlement. However, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Gulf Resources Defendants about the claims made in this case ever again.

DATED: AUGUST 5, 2013.

BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE
CENTRAL DISTRICT OF CALIFORNIA