

Gulf Resources provides update on Rectification of Its Bromine Facilities

Since the beginning of November 2017, Gulf Resources has been working diligently to follow all of the steps required to rectify its bromine operations.

On January 2, 2018, Mr. Liu Xiaobin, the CEO, Mr. Li Min, the CFO, Mr. Miao Naihui, the COO, and a U.S. based consultant inspected the bromine factories. (All of the photographs used in this report were taken by our U.S. based consultant.)

Before the inspection began, the U.S. based consultant looked at his Apple watch and took a photo out of the window of his hotel room. These photos reflect the pollution problem that is impacting Shandong Province. Pollution is the major reason why the government is taking decisive action to improve the environment. People cannot live or work in an environment in which the air is “Very Unhealthy.”



In each of the bromine mines and factories, we have put in newly paved roads. These roads will limit the risk of bromine and other chemicals leaking into the soil and the ground water.



A major issue for the government has been the impact on pollution of utilizing coal as an energy source. To comply with the new government regulations, we converted all of the factories from coal to electricity.

Electrical equipment was installed to provide power to each of the mines and factories. Every facility now has a major substation, controlling all of the energy requirements.



To further limit potential risks, all external electrical wires have been covered with the green covering shown on the photo below. Cameras have also been installed on all facilities.



In addition to the electrical substations outside, electric controllers were installed inside each of the factories. A sample of this equipment is shown below.

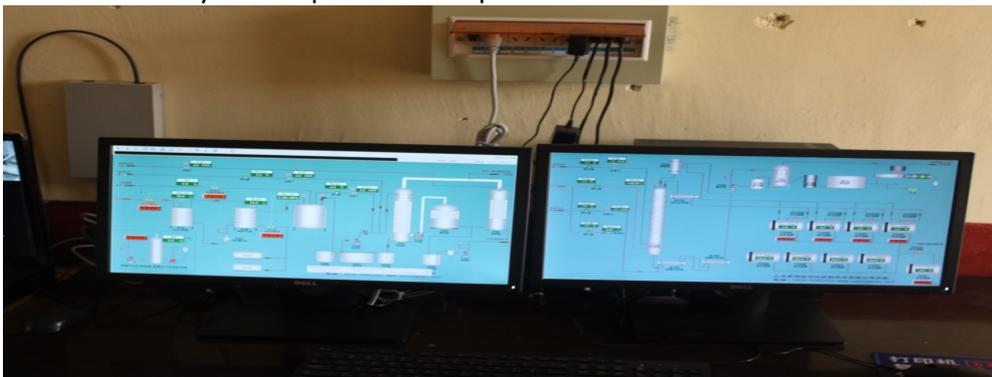




Another concern of the government was that the factories had to protect the environment from potential leaks, spills, and other operational issues.

Gulf has dealt with this subject in three ways.

(1) Computerized control systems have been installed in each of the factories and mines. These systems will allow the operator to monitor all of the operations. If there are any problems, they will immediately show up on the computer.



(2) We have installed video systems that allow its personnel to monitor all of the operations. These video systems are tied into the cameras that have been placed throughout the facilities.



(3) New warning valves (shown in purple below) have been installed on all of the equipment. These valves are linked to the computer system. If there is a leakage or any other related issue, these valves will send a warning signal to the computerized system and also stop the system from operating.



To increase efficiency, reduce pollution, and limit potential risks, new boilers have been installed in each of the factories with new piping.





Every piece of equipment has specially coated wires as shown in the photograph below.



In addition, to conform to government regulations, the company has placed warning signs throughout all of its facilities.



Perhaps one of the most expensive and time-consuming portion of the rectification is the lining of all of the crude salt ponds. The government wants to assure that no chemicals, salt, bromine or other impurities leak into the ground water. To comply, the company has lined every one of its crude salt ponds and installed new brickwork.



Given the large number of ponds, this is a very time-consuming process, but the company has now completed virtually every part of this project.

As can be seen from the photos in this report, Gulf Resources has spent a considerable amount of money in the past two months in performing the rectification of its bromine mines and factories. While there are no guarantees, management feels confident that the government will approve the rectification of the factories and mines. The company still believes it will be able to begin bromine operations step by step shortly after the Chinese New Year.

Forward-Looking Statements

Certain statements in this news release contain forward-looking information about Gulf Resources and its subsidiaries' business and products within the meaning of Rule 175 under the Securities Act of 1933 and Rule 3b-6 under the Securities Exchange Act of 1934, and are subject to the safe harbor created by those rules. The actual results may differ materially depending on a number of risk factors including, but not limited to, the general economic and business conditions in the PRC, future product development and production capabilities, shipments to end customers, market acceptance of new and existing products, additional competition from existing and new competitors for bromine and other oilfield and power production chemicals, changes in technology, the ability to make future bromine asset purchases, and various other factors beyond its control. All forward-looking statements are expressly qualified in their entirety by this Cautionary Statement and the risk factors detailed in the company's reports filed with the Securities and Exchange Commission. Gulf Resources undertakes no duty to revise or update any forward-looking statements to reflect events or circumstances after the date of this release.