



GulfX Ltd
ABN 41 062 284 084

**Half-Year Financial Report for the period ended
31 December 2006**

CORPORATE DIRECTORY

DIRECTORS:	Robert Nichevich (Chairman) Paul Garner Andrew Van Der Zwan
COMPANY SECRETARY:	Jack Hugh Toby FCA AACS
REGISTERED OFFICE:	15 Rheola St West Perth WA 6005 Australia Tel: +61 (8) 9213 4355 Fax: +61 (8) 9213 4366
AUDITORS:	Ernst & Young 11 Mounts Bay Road Perth, Western Australia 6000 GPO Box M939 Perth, Western Australia 6843 Tel: +61 (8) 9429 2222 Fax: +61 (8) 9429 2432
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: +61 1300 557 010 Fax: +61 (8) 9323 2033

This Half-Year Report covers the Consolidated Entity comprising GulfX Ltd ("Company") and its subsidiaries. The Company's functional currency and presentation currency is Australian Dollars.

A description of the Consolidated Entity's operations and its principal activities are included in the Review of Operations in the Directors' Report. The Directors' Report has not been reviewed by the auditors and does not form part of this half-year financial report.

DIRECTORS' REPORT

The directors present the financial report of GulfX Ltd A.C.N. 062 284 084 ("Company") comprising the consolidated financial statements of the Company and its controlled entities ("Consolidated Entity") for the half-year ended 31 December 2006.

DIRECTORS

The names of the directors of the Company who held office during or since the end of the half-year are:-

Robert Nichevich (Chairman)
Paul Garner
Andrew Van Der Zwan

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$3,249,805.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial half-year:

On 14 November 2006, the Company allotted and issued 4,050,000 fully paid ordinary shares in the Company for 15 cents each and 4,050,000 free options to acquire shares in the Company expiring on 31 December 2009. Each option would entitle the holder to acquire one fully paid ordinary share in the Company for 20 cents. The shares and options were issued pursuant to a prospectus registered on 9 November 2006. The issue of these shares and options was subsequently approved by the General Meeting of shareholders of the Company held on 19 January 2007.

On 8 December 2006, the Company allotted and issued 5,000,000 fully paid ordinary shares in the Company for 14 cents each and 10,000,000 options to acquire shares in the Company expiring on 31 December 2009 at an issue price of 1 cent each. Each option would entitle the holder to acquire one fully paid ordinary share in the Company for 20 cents. The shares and options were issued pursuant to a prospectus registered on 24 November 2006. The issue of these shares and options was approved by the Annual General Meeting of shareholders of the Company held on 24 November 2006.

On 21 December 2006, the Company allotted and issued 5,000,000 fully paid ordinary shares in the Company for 14 cents each. The shares were issued pursuant to a prospectus registered on 24 November 2006. The issue of these shares was approved by the Annual General Meeting of shareholders of the Company held on 24 November 2006.

EVENTS SUBSEQUENT TO BALANCE DATE

On 8 January 2007, the Company announced that the jack-up drilling rig, Pride Georgia began its tow to location on well OCS-G 27089 #1 in offshore lease South Marsh Island Block 138 ("SMI 138") in the Gulf of Mexico Outer Continental Shelf waters at 11:00 AM on 31st December 2006. The well spudded at 05:30 am on 6th January 2007 and at 3:00 PM on 7th January 2007, the 20" casing was being cemented at 366 metres (1200 feet) measured depth. The Company is earning a 16.25% working interest in block SMI 138 by participating in this well.

On 9 February 2007, the Company announced that analysis of the data for South Marsh Island block 138 #1 well had resulted in the decision to plug and abandon the well. This decision is based on the conclusion from the analysis that the well has no commercial hydrocarbon bearing sands.

DIRECTORS' REPORT

DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Company.

The directors have recommended that no dividend be paid by the Company in respect of the half-year ended 31st December 2006.

**AUDITORS INDEPENDENCE
DECLARATION**

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Ernst & Young have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2006. This declaration has been attached to the independent review report to the members of the Company. This declaration has been included on page 15.

Signed in accordance with a resolution of the directors.



Paul Garner
Director

14 March 2007
Perth, Western Australia

DIRECTORS' DECLARATION

The directors of GulfX Ltd A.C.N. 055 719 394 ("Company") declare that:

- a) in their opinion the accompanying financial statements and notes of the Company;
 - i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the Company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and
- b) In their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Paul Garner
Director

14 March 2007
Perth, Western Australia

CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

		Consolidated	
	Note	2006	2005
		\$	\$
CONTINUING OPERATIONS			
REVENUE			
Revenue	3	62,708	21,132
Other income	3	312,120	5,000
Other expenses	3	(3,624,633)	(727,119)
		(3,249,805)	(700,987)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX			
Income tax expense		—	—
		(3,249,805)	(700,987)
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX			
BASIC LOSS PER SHARE (CENTS PER SHARE)		(5.79)	(1.27)
DILUTED LOSS PER SHARE (CENTS PER SHARE)		(5.79)	(1.27)

The accompanying notes form part of this financial report

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2006

		Consolidated	
	Note	31 December 2006 \$	30 June 2006 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		762,571	3,153,793
Trade and other receivables		8,122	9,332
Financial assets held for trading		875,000	—
TOTAL CURRENT ASSETS		1,645,693	3,163,125
NON-CURRENT ASSETS			
Property, plant and equipment		21,470	30,573
Deferred exploration and evaluation expenditure		1,163,288	1,049,462
TOTAL NON-CURRENT ASSETS		1,184,758	1,080,035
TOTAL ASSETS		2,830,451	4,243,160
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		14,956	46,452
TOTAL CURRENT LIABILITIES		14,956	46,452
TOTAL LIABILITIES		14,956	46,452
NET ASSETS		2,815,495	4,196,708
EQUITY			
Issued capital	4	14,500,086	12,604,961
Reserves	5	1,523,694	1,550,227
Accumulated losses		(13,208,285)	(9,958,480)
TOTAL EQUITY		2,815,495	4,196,708

The accompanying notes form part of this financial report

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	Consolidated 2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers & employees		(428,868)	(669,180)
Interest received		62,708	21,132
Other		—	5,000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(366,160)	(643,048)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(3,415,784)	—
Purchase of investments		(562,880)	—
Purchase of property, plant & equipment		(2,629)	(37,482)
Proceeds from disposal of property, plant & equipment		4,000	—
Proceeds from disposal of investments		—	148,640
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(3,977,293)	111,158
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		2,107,500	319,319
Capital raising expenses		(112,375)	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		1,995,125	319,319
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange differences		(42,894)	—
Cash and cash equivalents at beginning of period		3,153,793	911,055
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	762,571	698,484

The accompanying notes form part of this financial report

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Issued Capital \$	Consolidated Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2005</i>	7,914,920	1,057,133	(7,952,514)	1,019,539
Loss for period	—	—	(700,987)	(700,987)
TOTAL LOSS FOR THE PERIOD	—	—	(700,987)	(700,987)
Shares issued	319,319	—	—	319,319
At 31 DECEMBER 2005	8,234,239	1,057,133	(8,653,501)	637,871

	Issued Capital \$	Currency Translation Reserve \$	Consolidated Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2006</i>	12,604,961	24,253	1,525,974	(9,958,480)	4,196,708
Currency translation differences recognised directly in equity	—	(126,533)	—	—	(126,533)
Loss for period	—	—	—	(3,249,805)	(3,249,805)
TOTAL LOSS FOR THE PERIOD	—	(126,533)	—	(3,249,805)	(3,376,338)
Securities issued	2,007,500	—	100,000	—	2,107,500
Equity raising costs	(112,375)	—	—	—	(112,375)
At 31 DECEMBER 2006	14,500,086	(102,280)	1,625,974	(13,208,285)	2,815,495

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1. CORPORATE INFORMATION

The financial report of GulfX Ltd ("Company") for the half-year ended 31 December 2006 was authorized for issue in accordance with a resolution of the directors dated as at the date of the Directors' Report attached. GulfX Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual Financial Report of GulfX Ltd for the year ended 30 June 2006. It is also recommended that the half year financial report be considered together with any public announcements made by GulfX Ltd during the half year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting".

The half-year financial report has been prepared on a historical cost basis, except for held-for-trading financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Going Concern

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Company and the consolidated entity has sufficient cash and other assets to fund administration and other committed expenditure for a period of not less than 12 months from the date of this report.

The directors note that in order to proceed with the Company's strategic objectives of exploration for oil & gas in the Gulf of Mexico, additional expenditure would be required to be incurred. The directors are confident that, should the decision be made to continue with the Company's exploration strategy, the Company will be able to source the required additional funds.

Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies and interpretations as used in the annual financial statements for the year ended 30 June 2006, except for the adoption of amending standards and interpretations mandatory for annual periods beginning on or after 1 July 2006 and the adoption of the new accounting policy for financial assets held for trading, as described below.

Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of the Company and its subsidiaries at 31 December 2006.

Changes in Accounting Policies

Australian Accounting Standards and UIG Interpretations that have recently been amended and are effective from 1 July 2006 are outlined in the table below.

Reference	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2005-1	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Reference	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2005-5	AASB 1 <i>First-time adoption of AIFRS</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-9	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
UIG 4	UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
UIG 8	UIG 8 <i>Scope of AASB 2</i>	No change to accounting policy required. Therefore no impact.	1 May 2006	1 July 2006

The following amendments and new Standards are not applicable to the Group and therefore have no impact:

2004-3	AASB 1 <i>First-time adoption of AIFRS</i> , AASB 101 <i>Presentation of Financial Statements</i> and AASB 124 <i>Related Party Disclosures</i>
2005-3	AASB 119 <i>Employee Benefits</i>
2005-4	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>
2005-6	AASB 3 <i>Business Combinations</i>
2006-1	AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>
AASB 119	AASB 119 <i>Employee Benefits</i>
UIG 5	UIG 5 <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
UIG 6	UIG 6 <i>Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>
UIG 7	UIG 7 <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
UIG 9	UIG 9 <i>Reassessment of Embedded Derivatives</i>

Investments

Investments and other financial assets

Financial assets are recognised initially at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Financial assets classified as held for trading are included in the category "Financial assets at fair value through profit or loss". Gains or losses on revalued investments held for trading are recognised in the profit or loss. The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Half-Year to 31 December 2006 \$	Year to 30 June 2006 \$
NOTE 4. ISSUED CAPITAL		
68,176,907 fully paid ordinary shares	14,499,929	—
54,126,907 fully paid ordinary shares	—	12,604,804
7,500,000 (2006: 7,500,000) fully paid discovery shares	157	157
	14,500,086	12,604,961

MOVEMENTS IN ORDINARY SHARES

At the beginning of the period	12,604,804	7,914,920
4,050,000 shares issued on 14 November 2006	607,500	—
5,000,000 shares issued on 8 December 2006	700,000	—
5,000,000 shares issued on 21 December 2006	700,000	—
4,098,000 shares issued on 23 August 2005	—	204,900
2,288,395 shares issued on 6 October 2005	—	114,420
8,664,814 shares issued on 17 February 2006	—	866,481
Capital Consolidation on 4 April 2006	—	—
2,851,796 shares issued on 28 April 2006	—	148,803
18,060,000 shares issued on 9 May 2006	—	3,612,000
Capital raising costs	(112,375)	(256,720)
	14,499,929	12,604,804

MOVEMENTS IN DISCOVERY SHARES

At the beginning of the period	157	—
7,500,000 Discovery shares issued on 4-Apr-06	—	157
	157	157

NOTE 5. RESERVES

Option premium reserve	1,625,974	1,525,974
Currency translation reserve	(102,280)	24,253
	1,523,694	1,550,227

MOVEMENTS IN OPTION PREMIUM RESERVE

At the beginning of the period	1,525,974	1,057,133
10,000,000 options issued on 8 December 2006 for 1 cent each pursuant to a prospectus dated 24 November 2006	100,000	—
400,000 free options issued on 17 February 2006	—	43,294
3,500,000 free options issued on 4 April 2006	—	574,350
Cancellation of 17,110,774 options on 28 April 2006	—	(148,803)
	1,625,974	1,525,974

NOTE 6. RECONCILIATION OF CASH

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise cash at bank at 31 December 2006 and 31 December 2005.

NOTE 7. SEGMENT INFORMATION

During the half-year ended 31 December 2006 and 31 December 2005, the Company was engaged in the energy sector and operated entirely in the United States of America.

NOTE 8. CONTINGENT LIABILITIES

There has been no significant change in contingent liabilities since the last annual reporting date.

NOTE 9. EVENTS SUBSEQUENT TO BALANCE DATE

On 8 January 2007, the Company announced that the jack-up drilling rig, Pride Georgia began its tow to location on well OCS-G 27089 #1 in offshore lease South Marsh Island Block 138 ("SMI 138") in the Gulf of Mexico Outer Continental Shelf waters at 11:00 AM on 31st December 2006. The well spudded at 05:30 am on 6th January 2007 and at 3:00 PM on 7th January 2007, the 20" casing was being cemented at 366 metres (1200 feet) measured depth. The Company is earning a 16.25% working interest in block SMI 138 by participating in this well.

On 9 February 2007, the Company announced that analysis of the data for South Marsh Island block 138 #1 well had resulted in the decision to plug and abandon the well. This decision is based on the conclusion from the analysis that the well has no commercial hydrocarbon bearing sands.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

TO THE MEMBERS OF GULFX LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GulfX Ltd and the entities it controlled during the half-year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of GulfX Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

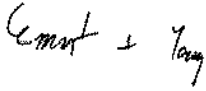
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake the services. The provision of these services has not impaired our independence.

Conclusion

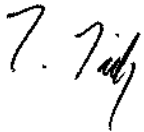
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of GulfX Ltd and the entities it controlled during the half-year, is not in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.



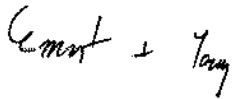
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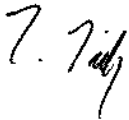
V W Tidy
Partner
Perth
14 March 2007

Auditor's Independence Declaration to the Directors of GulfX Ltd

In relation to our review of the financial report of GulfX Ltd for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



V W Tidy
Partner
Perth
14 March 2007