

Quarterly Activities Report for the Quarter ended 30 June 2006

Company Restructure

During the quarter, the Company completed its transition to the oil and gas industry. The process was long and arduous and included re-complying with chapters 1 and 2 of the ASX Listing Rules. As part of the process, the Company issued a detailed prospectus, completed a capital consolidation on a 1 for 2 basis, completed the offer of shares in consideration for the cancellation of options and raised some \$3.6m in capital to fund the acquisition of the oil and gas interests.

Support for the Public offer was very strong with a substantial number of new shareholders joining the register. After the successful restructure the capital structure of the company is:

- o 54.1 million Ordinary shares
- o 7.5 million discovery shares (detailed conditions contained in the March Prospectus)
- o 26.8 million options exercisable at 20 cents, expiry 31-Dec 2009

Cash

Subsequent to the capital raising, the Company completed payment of the upfront costs payable to Ridgelake Energy Inc (Ridgelake). After normal operations through April to June, the cash balance sits at approximately \$3.2m. The board remains committed to minimising cash expenditures in the lead up to drilling program. In this regard changes were made to the structure of the board and the management within GulfX to significantly reduce monthly expenditures. The board is pleased to announce that these changes have been successfully implemented and the company's cash expenditures have been dramatically reduced. It is anticipated the reduced monthly expenditures will continue until GulfX nears the commencement of the drilling program or new activities necessitate the need for additional expertise and expenditures.

Board Restructure

During the period Mr Roger Whyte and Mr Paul Garner retired as executives. Mr Paul Garner remained as a non executive director. In June, Andrew Van Der Zwan joined

the board as a non executive director. More detail of the board members can be found on the GulfX website.

Ridgelake Relationship

Following the Corporate structure changes GulfX has met with Ridgelake to reaffirm business relationships and agree on operating strategies and timeframes. The relationship remains strong with both parties looking to take the relationship forward with the existing leases and potential new opportunities. Paul Garner met with Ridgelake in June to review the upcoming drilling program and discuss future opportunities. Both parties recognise the potential for further joint activities in the future but believe the existing joint activities on the 5 leases have significant upside for both parties. Success in any of these drilling programs will provide the platform for further expansion of the relationship.

The board of GulfX continues to be confident in the capabilities of Ridgelake as the operating partner and that the relationship is of significant value.

Exploration Program

Plans for the appropriate drilling program is nearing completion. GulfX and Ridgelake have agreed the drilling of the priority leases, South Marsh 138 and South Marsh 152, to commence following the hurricane season. The program attempts to avoid potential cost penalties and delays associated with drilling during the Hurricane season, particularly with the higher rig costs needed to drill the South Marsh Leases.

The program is likely to incorporate a strategy to optimise the drilling equipment across both leases commencing late in 2006. More details will be provided shortly once Ridgelake has finalised the development of their plans across a wider range of drilling activities.

GulfX remains excited by the opportunities within the 5 leases and believe a 12.5% working interest of South Marsh 138 and 152 and a 20% working interest of the remaining leases, provides the potential for substantial upside. The target resource estimates (as described in the March Prospectus) are:

		<u>Low</u>	<u>High</u>
South Marsh Island 138	bbls Oil	12,742,220	18,071,550
South Marsh Island 152	bbls Oil	500,000	920,000
	bcf Gas	11.62	16.84
Vermilion 317	bcf Gas	15.38	29.10
High Island 307	bcf Gas	6.82	13.56
Viosca Knoll 79	bcf Gas	6.99	18.02

Andrew Van Der Zwan
Director
26 July 2006