

QUARTERLY ACTIVITIES REPORT - PERIOD ENDED 31 MAR 2007

This report summarises the activities for GulfX Limited (GulfX) for the period 1 January 2007 to 31 March 2007.

ACTIVITY HIGHLIGHTS:

- *Drilled company's first Exploration well in the Gulf of Mexico at South Marsh Island 138 #1.*
- *Reduced SMI 138 Lease prospective resources by approximately 8 Mmbbls Oil (around 1/3 of GulfX potential resources) following disappointing exploration result.*
- *Reviewing forward activity program and asset portfolio in light of SMI 138 #1 outcomes.*
- *Continued search for a GulfX CEO.*

FINANCIAL STATUS:

Capital structure: The capital structure of the Company is:

- 68,176,907 ordinary shares
- 7.5 million discovery shares (detailed conditions contained in the March Prospectus)
- 40,892,407 options exercisable at 20 cents, expiry 31-Dec 2009

Current financial position:

<i>Cash balance at 31/12/2006</i>	<i>A\$ 763,000</i>
<i>Expenditure on activities</i>	<i>A\$ 228,000</i>
<i>Cash on hand 31/03/2007</i>	<i>A\$ 535,000</i>

EXPLORATION PROGRAM OVERVIEW:

GulfX has worked with Ridgelake Energy to develop an appropriate Gulf of Mexico drilling program that targets the prime objectives whilst optimising the drilling costs.

The Directors of GulfX have at all times pursued and evaluated worthwhile Exploration and Development opportunities that are consistent with our Strategy. Over this reporting period we have been reviewing several Petroleum opportunities in the USA and elsewhere. Should we identify any which warrant further action and may impact on Shareholder value, appropriate information will be announced via the ASX.

SOUTH MARSH ISLAND BLOCK 138 EXPLORATION WELL:

The Jack-up Drilling Rig Pride Georgia was contracted to Drill South Marsh Island Block 138 OCS-G 27089 Well #1 in the Gulf of Mexico off the Louisiana coast. The Budget for this well was US\$11.9 million, GulfX commitment being A\$3.2million. The contract was negotiated on a “turnkey” basis.

The drilling objectives were multiple Pleistocene age Lentic sands that range in depth from 9800 feet to 11,800 feet. The prospective area is covered by licensed 3D seismic. This first well in South Marsh Island Block 138 targeted resources estimated by an independent consultant with considerable interpretation experience in the region, at between a low of 6.7 million barrels of oil or 22.5 BCF of gas and a high of 10.1 million barrels of oil or 33.6 BCF of gas. The well represented one of up to 5 targets in South Marsh Island Block 138.

The well was drilled over a 5 week period from spud on 6 January 2007. The results as first reported to shareholders on 9 February 2007 were disappointing. Analysis of the comprehensive logging data gathered while drilling and from the open hole electric log program failed to identify hydrocarbon resources of Commercial interest. The well was subsequently plugged and abandoned and the rig released.

This negative result is a significant impact on the total GulfX Prospective Resource Portfolio, effectively reducing the hydrocarbon potential by around 1/3. A thorough review of SMI 138 resources including the other independent prospects in that block is expected to be available in Q2 2007. Updated resource estimates for SMI 138 below are based on the previous Reserve study but exclude the resource previously estimated for the Well #1 prospect.

EXPLORATION PROJECT SUMMARY:

GulfX remains very positive about the opportunities within the 5 Gulf of Mexico leases and believes a 16.25% working interest in South Marsh Is. 138, 12.5% in SMI 152 and 20% working interest in the remaining 3 leases provides the potential for substantial upside.

100% PROSPECTIVE RESOURCE ESTIMATES (note 1)

Lease	Unit	Low	High
<i>South Marsh Island 138 --- mmbbls Oil*</i>		<i>4.6</i>	<i>8.0</i>
South Marsh Island 152 --- mmbbls Oil		0.502	0.921
	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

** Net resource remaining following SMI 138 Well#1 result. Subject to full independent expert analysis.*

(project details can be found on the GulfX website --- www.gulfx.com.au)

1. Apex Geophysical Services Inc. independent estimates of potential

FORWARD DRILLING PROGRAM

GulfX has been working with operator Ridgelake to finalise a drilling program for the lower cost gas targets. Particular focus is on Vermilion 317 followed by High Island 307 and Viosca Knoll 79.

GulfX with Ridgelake is continuing negotiations with 3rd party operators with a view to expediting activities whilst lowering cost exposures.

KEY EVENTS SINCE END MARCH

Seismic data for the South Marsh Island 138 Well #3 Prospect has been re-evaluated after adjusting for nearby well log data. This has identified the potential for two Well #3 target intervals containing a Prospective Resource of 1,282,500 bbls Oil. If the Well is able to be linked to Production facilities in the adjoining Hunt Oil Block 139 then it represents a commercially viable prospect. The previous analysis had identified potential of between 0.77 and 0.96 mmbbls from the prospect which is wholly within the GulfX lease.

Robert Nichevich

CHAIRMAN
26 March 2007

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

GulfX Ltd

ABN

41 062 284 084

Quarter ended ("current quarter")

31 March 2007

Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (9 months) \$A '000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	—	—
1.2 Payments for (a) exploration and evaluation	—	(3,416)
(b) development	—	—
(c) production	—	—
(d) administration	(220)	(649)
1.3 Dividends received	—	—
1.4 Interest and other items of a similar nature received	6	69
1.5 Interest and other costs of finance paid	—	—
1.6 Income taxes paid	—	—
1.7 Other (provide details if material)	—	—
Net Operating Cash Flows	(214)	(3,996)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	—	—
(b)equity investments	—	(563)
(c) other fixed assets	—	(3)
1.9 Proceeds from sale of: (a)prospects	—	—
(b)equity investments	—	—
(c)other fixed assets	—	4
1.10 Loans to other entities	—	—
1.11 Loans repaid by other entities	—	—
1.12 Other (provide details if material)	—	—
Net investing cash flows	—	(562)
1.13 Total operating and investing cash flows (carried forward)	(214)	(4,558)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(214)	(4,558)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	---	2,107
1.15	Proceeds from sale of forfeited shares	---	---
1.16	Proceeds from borrowings	---	---
1.17	Repayment of borrowings	---	---
1.18	Dividends paid	---	---
1.19	Other – Share issue expenses	---	(112)
	Net financing cash flows	---	1,995
	Net increase (decrease) in cash held	(214)	(2,563)
1.20	Cash at beginning of quarter/year to date	763	3,154
1.21	Exchange rate adjustments to item 1.20	(14)	(56)
1.22	Cash at end of quarter	535	535

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	68
1.24	Aggregate amount of loans to the parties included in item 1.10	—

1.25 Explanation necessary for an understanding of the transactions

Consulting fees and directors fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	---	---
3.2 Credit standby arrangements	---	---

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	---
Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	535	763
5.2 Deposits at call	---	---
5.3 Bank overdraft	---	---
5.4 Other (provide details)	---	---
Total: cash at end of quarter (item 1.22)	535	763

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	68,176,907	68,176,907		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 Discovery Shares	7,500,000	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	40,892,407	37,392,407	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 31-Dec-2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

+ See chapter 19 for defined terms.

