

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31 OCTOBER 2007

SEPTEMBER 2007 QUARTERLY REPORT

The Board of GulfX Limited ("GulfX" or "Company") is pleased to present its September 2007 quarterly report. During the September 2007 quarter, the Company:

- Continued to assess the exploration project in the Gulf of Mexico, where the Company currently has an interest in 5 offshore exploration permits, where US based Ridgelake Energy is the operator;
- Announced the conditional acquisition of Syngas Energy Limited, a company focused on achieving large scale syngas production from its feedstock deposit, using existing gasification and associated technologies to produce significant quantities of Power (in the form of gas as input to gas fired power stations), ultra low-sulfur high-quality automotive "Clean Premium" Diesel and native/pure Sulphur for sale in the industrial market place;
- Conducted due diligence in respect to the acquisition of Syngas Energy, which has now been completed. A notice of general meeting is expected to be issued shortly;
- Assessed a number of other new business development opportunities in the energy and resources sectors.

Activities over the coming months are expected to include:

- Finalisation of the next stage of exploration activities in the Gulf of Mexico with the project operator, Ridgelake Energy and the other joint venture participants;
- Subject to shareholder approval, settlement of the acquisition of Syngas Energy Limited; and
- Commencement of the exploration programme to determine the size and characteristics of the targeted deposit.

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Gulf of Mexico Prospects

GulfX has an interest (subject to satisfying its earning provisions) in five offshore oil and gas exploration permits, which are all located offshore, in the Gulf of Mexico.

Prospect	Location	Working Interest (subject to earn in)
South Marsh Island 138	Gulf of Mexico – North	16.25%
South Marsh Island 152	Gulf of Mexico – North	12.50%
Vermillion 317	Gulf of Mexico – NN West	20.00%
High Island 307	Gulf of Mexico – N West	20.00%
Viosca Knoll 79	Gulf of Mexico – NN East	20.00%

As announced during the March 2007 quarter, the first well in the South Marsh Island 138 permit was plugged and abandoned as a dry hole, with the bright seismic amplitudes associated with the prospect pre-drill and elevated resistivities observed while drilling interpreted to reflect hydrocarbon-filled fractures in shales and low-permeability siltstones interbedded through the objective section. These results have now been tied to the permit's 3D seismic dataset and integrated with surrounding well and field data to high-grade the remaining potential in the license.

This review conducted by the operator has identified the potential for two Well #3 target intervals. If the Well is able to be linked to Production facilities in the adjoining Hunt Oil Block 139 then it may represent a commercially viable prospect. Before any further material expenditure on this well is undertaken by the Company, substantial additional analysis will be required to be undertaken over the coming months.

During the quarter, Ridgelake (as operator) issued an AFE to drill and complete Viosca Knoll 79 for a total of US\$4.52 million. Based on information received to date, the Board of GulfX decided not to participate, as it did not find this prospect sufficiently commercially attractive on a risked basis to proceed with the drilling of this well. A number of other participants in the well also decided not to proceed. Negotiations are currently underway to confirm arrangements going forward for the portfolio of prospects. This may result in the operator confirming that GulfX has retained its rights to the Viosca Knoll 79 prospect.

The Company is also examining other methods to best extract value for its interest in the above prospects, which may include the sale of one or more of the prospects.

Syngas Energy Limited

The Company announced on 10 August 2007 that it had entered into the Acquisition Agreement to acquire a 100% interest in Syngas Energy.

Syngas Energy's focus is on achieving large scale syngas production from its large 100% controlled feedstock, using commercially proven gasification and associated technologies. It aims to produce significant quantities of power (in the form of gas as input to gas fired power stations), ultra low-sulphur high-quality automotive "clean premium" diesel and native/pure sulphur for sale in the industrial market place.

The objectives of Syngas Energy's business are similar to Australian projects which Shell (Monash Energy Limited) and BP (Hydrogen Energy Limited) have recently announced. Syngas (from synthesis gas) provides a comparatively clean fuel source for any gas fired power station, in terms of greenhouse gas emissions. 'Clean' because on combustion the exhaust gases contain lower levels of sulphur dioxide, nitrous oxide and particulates (e.g. sulphur) than for a number of other power plant feedstocks.

Commercial terms of the acquisition, which is subject to Shareholder approval, include the issue of 35 million ordinary shares at settlement, with further ordinary shares to be issued upon achievement of milestones around independent laboratory gasification test work, JORC resources being delineated and the securing of conditional off-take supply agreements (see Commercial Terms section below for further details).

Syngas Energy holds two exploration licenses covering a total of 431 km² area within approximately 140 km of Adelaide, South Australia. Considerable exploration activities have already been undertaken by the South Australian Government including more than 330 drill holes. Syngas Energy has commenced work on preparing a JORC compliant resource estimate for the area.

With Syngas Energy's main feedstock (Lignite deposit) located close to Adelaide and existing infrastructure (including roads, rail, shipping and labour markets and power supply), this provides:

- the potential for substantial cost benefits during the project's development and ongoing operation; and
- with approximately 40% of the power currently consumed in South Australia generated outside the state and very little premium diesel produced, with both domestic and industrial demand rising (including the expansion of Olympic Dam), a ready and expanding market exists for its end product.

Commercial Terms

On 9 August 2007 the Company entered into an agreement to acquire 100% of Syngas Energy Limited which hold exploration licences ELA 2007/00048 and EL 3585 and associated technical information.

Commercial terms of the acquisition, which is subject to shareholder approval and due diligence, includes the issue of 35 million GulfX shares at settlement, with further ordinary shares to be issued upon achievement of the following milestones:

- 30 million GulfX shares (in the form of performance shares – A Class) upon the completion of independent laboratory test work verifying that power and premium diesel production plant fed by the Syngas Energy Group lignite resource, including, but not limited to:
 - a) Slagging characteristics;
 - b) The calorific value of the syngas produced on gasification; and
 - c) Syngas composition according to ASTM standards); within 3 years from settlement; and
- 17 million GulfX shares (in the form of performance shares - B Class) upon delineation of 750 million tonnes total resource of lignite/brown coal as defined by the Coal Industry Advisory Board. The resource will be calculated/established applying appropriately the JORC Black Coal Resource/Reserve Estimation Guidelines of 2001 or an equivalent JORC guideline for Lignite / Brown Coal should it be published, within 3 ½ years from settlement; and
- 30 million GulfX shares (in the form of performance shares – C Class) upon Syngas Energy entering into one or more conditional offtake supply agreements for the supply of at least 40% of the equivalent dollar value of the Total Saleable Products generated by the Tenements for a period of not less than three years, within 4 years from settlement.
- Total Saleable Products will be based on forecast sales contained in a report prepared by external consultants, or prepared by Syngas Energy and verified by external consultants, at the usual standard and scope so that is able to be used in a Scoping Study or a Pre-Feasibility Study, whichever is applicable.
- C Class CPS can not convert into ordinary shares before the A Class CPS and B Class CPS meet the relevant milestones and convert into ordinary shares.

Prior to settlement GulfX has been providing interim funding to Syngas Energy to provide working capital to continue to develop its business. Should the parties not proceed with the acquisition, then the monies advanced by GulfX will only become repayable upon their being a change in control of Syngas Energy or its management or the sale or joint venturing of Syngas Energy or its projects.

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 LIMITED

ABN

41 062 284 084

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(55)	(55)
(b) development	-	-
(c) production	-	-
(d) administration	(86)	(86)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	25	25
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	(116)	(116)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(116)	(116)

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(116)	(116)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,000	2,000
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	(8)	(8)
Net financing cash flows		1,992	1,992
Net increase (decrease) in cash held		1,876	1,876
1.20	Cash at beginning of quarter/year to date	775	775
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,651	2,651

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	55
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include consulting fees, company secretarial services and provision of a fully serviced office.

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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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	150
4.2 Development	-
Total	150

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	389	775
5.2 Deposits at call	2,262	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,651	775

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		

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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	120,176,907	120,176,907	Not applicable	Not applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	52,000,000	52,000,000	\$0.04	\$0.04
7.5 +Discovery Shares	7,500,000	Nil	Not applicable	Not applicable
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> \$0.20 cents	<i>Expiry date</i> 31-Dec-2009
	52,000,000	Nil	<i>Exercise price</i> \$0.08 cents	<i>Expiry date</i> 31-Dec-2011
7.8 Issued during quarter	52,000,000	Nil	<i>Exercise price</i> \$0.08 cents	<i>Expiry date</i> 31-Dec-2011
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>				

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~/does not*~~ (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 31 October 2007
(~~Director~~/Company secretary)

Print name: MARK PEARCE

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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