

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31 DECEMBER 2007

DECEMBER 2007 QUARTERLY REPORT

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

- *Continued to assess the potential of the exploration prospects 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;*
- *Completed the Due Diligence of Syngas Energy Limited, a company focused on achieving large scale syngas production, using existing gasification technologies to produce significant quantities of ultra low-sulphur high-quality automotive "Clean Premium" Diesel, Power and native/pure Sulphur;*

Activities over the coming months are expected to include:

- *Decisions around value maximising strategies for the company in relation to exploration activities in the Gulf of Mexico, in conjunction with the project operator, Ridgelake Energy and the other joint venture participants;*
- *Commencement of a prioritised exploration programme to secure JORC compliant resources of in excess of 750 million tonnes to feed the Syngas Energy project in South Australia,;*
- *Commencement of gasification test work for the Syngas Energy project to refine the technology options for the project and production parameters; and*
- *Pursuit of other value enhancing transactions.*

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Gulf of Mexico Prospects

GulfX continues to hold its 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%
Vermilion 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%

Further to the last quarterly report, South Marsh Island 138 has been assessed as not commercially viable and has been plugged. No further work is planned for this prospect.

During the quarter, Ridgelake (as operator) issued an amendment to the Participant Agreement relating to the earning of working interest focussing on South Marsh Island 152. A further program of work is planned and several clarifications are being sought prior to commencement. These amendments were reviewed by GulfX lawyers and feedback was provided to Ridgelake. These amendments are yet to be finalised.

Negotiations and communications continued with the operator this quarter regarding GulfX's Viosca Knoll 79 prospect rights. Relating to past drilling results and future plans for this prospect.

The GulfX Board has resolved that prior to any further material expenditure being undertaken by GulfX in relation to any of its remaining offshore oil and gas exploration permit related interests, that substantial option analysis is to be undertaken.

The Company continues to examine other methods of best extracting shareholder value for the interests held, which may include the sale of one or more of the prospects.

Syngas Energy Limited

Following the successful completion the Syngas Energy Due Dilligence in October 2007, GulfX has acquired 100% ownership of Syngas Energy.

Syngas Energy held 100% controlled interest over granted exploration licences, EL 3896 and EL 3585, over large coal (lignite) deposits within a 431 km² area, located approximately 140 km of Adelaide, South Australia, and held associated technical information were the subject of this acquisition.

GulfX acquired Syngas Energy's lead project, a long life, proven process, "clean coal" technology, coal to premium diesel (C.T.L.) conversion project. This project is targeting production of 30,000 barrels per day of premium diesel, utilising power from a 500 MW on site power plant (50% of the power generated will be fed into the national grid), producing 120,000 tonnes per annum of native sulphur as a by-product. Production is targeted to commence in 2015.

Costs estimates for the Syngas Energy Project indicate a break even cost of around US \$40 per barrel/power/sulphur unit. With oil prices reaching close to record highs of US \$100 per barrel during the quarter, the outlook for the project is currently favourable.

The Syngas Energy transaction was approved by shareholders at the Shareholders meeting on 15 January 2008 and Ms. Merrill Gray and Mr. Derek Lenartowicz were appointed to the board of GulfX, in executive and non-executive roles respectively, joining the ongoing Chairman, Mr. Ian Middlemas.

The following progress was made in the December quarter:

Firstly, in terms of the milestone of securing JORC compliant resources of in excess of 750 mt of lignite;

- A geological consulting firm experienced in South Australian Coal exploration was engaged. Significant progress has been made to date with the accessing and securing of open file data, available from the South Australian Government, through PIRSA, relating to the hundreds of past drill holes within the areas covered by EL 3896 and EL 3585. Database entry and the compilation of this information for interpretation such that a prioritised exploration program is arrived at during the March quarter is progressing well.
- Discussions with analytical service providers around securing physical, proximate, ultimate, calorific value and trace element analyses on the samples that will be collected during the prioritised drilling program have commenced.
- Sourcing of drilling contractors to progress the prioritised drilling program has commenced. Drilling is being targeted for commencement in April 2008.
- Hydrological considerations are under discussion with external specialist consultants.
- Work has commenced on all aspect of securing access to land in accordance with South Australian government exploration regulations.

Secondly in terms of gasification (i.e. syngas production quality and quantity data and technology licensing related);

- Initial discussions related to securing ongoing gasification engineering consulting services have been held.
- Independent laboratory gasification test work options are under investigation.

All of these activities will continue to be progressed during the March quarter.

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")

31 December 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(32)	(87)
(b) development	-	-
(c) production	-	-
(d) administration	(225)	(311)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	40	65
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(6)	(6)
Net Operating Cash Flows	(223)	(339)
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)	(223)	(339)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(223)	(339)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	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	(16)	(24)
Net financing cash flows		(16)	1,976
Net increase (decrease) in cash held		(239)	1,637
1.20	Cash at beginning of quarter/year to date	2,651	775
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,412	2,412

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	116
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	90
4.2 Development	-
Total	90

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	313	389
5.2 Deposits at call	2,099	2,262
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,412	2,651

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				
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				
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 January 2008
(~~Director~~/Company secretary)

Print name: IAN HOBSON

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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