



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31 July 2008

## QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2008

The Board of GulfX Limited ("GulfX" or "Company") is pleased to present the June 2008 quarterly report.

### Highlights

Another quarter of record Crude Oil prices (US\$142.97 per barrel reached on June 28<sup>th</sup> 2008) with the ensuing widespread economic pressures and outcry leading to an increased Australian Federal Government focus on Oil/Transportation Fuels. This continues to provide a highly favourable context for the progression of the Syngas (Coal to Premium Diesel) Project and has resulted in considerable interest in the project over the quarter from a number of different sources.

The Syngas Project took further significant steps forward in the June Quarter. The Company's prioritised drilling program commenced on June 2<sup>nd</sup> 2008. A variety of activities supporting and associated with the drilling, including lignite drill core sample recovery, logging, despatch and analysis, environmental assessments, landholder discussions and negotiations and liaison with government departments to secure regulatory exploration approvals, took place throughout the quarter. All drilling is currently scheduled to be completed by the end of the September quarter with sample analysis completed shortly thereafter.

The Company's focus remains firmly on progression of the Syngas Project through achievement of lignite resource, gasification and off-take milestones as set out in GulfX's overall twelve month work program, announced in November 2007 on Syngas Project acquisition by GulfX Limited. These milestones are to provide a solid basis for the Pre-Feasibility Study (PFS) which is to be completed in December 2008.

The Company is continuing to evaluate options to extract shareholder value for the now non-core Gulf of Mexico rights to earn interest over Oil and Gas prospects, to complete the Syngas Project acquisition and transition.

At June 30<sup>th</sup> 2008 GulfX held \$4.4 million cash in the bank/on hand. Contributing to this was a \$2.6 million placement completed during the quarter.

In summary, GulfX has made strong progress this quarter and is very well positioned to continue this progress within the current business environment. With cash on hand of \$4.4 million at the end of the quarter, sufficient to secure key company milestones, complete the PFS and move on into the Bankable Feasibility Study (BFS) in 2009.

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## Activities

During the June 2008 quarter, the Company:

### 1. Syngas Project Related:

- Announced prioritised drilling program details:
  - Targeting completion of 37 drill holes to approximately 100 m depth, at PQ (100mm) diameter across three areas: Clinton (11 holes), Whitwarta (9 holes) and Beaufort (20 holes) aiming for a significant JORC compliant resource base for the Syngas Project. The drilling program is to be completed by September 2008 and results will be announced progressively.
- Secured agreements with 8 of the 20 freehold landholders across the areas the 37 proposed drill holes are located. Discussions continued with the remaining 12 and further agreements to be secured into the September quarter. This was in accordance with South Australian Government regulations under the South Australian Mining Act 1971 relating to access to land requirements.
  - Minter Ellison lawyers (Adelaide office) provided legal advice to GulfX in this process.
- An Aboriginal heritage site review was completed for Clinton with no registered sites identified. For Whitwarta, no sites were identified. For Beaufort, one site more than 500m from any proposed drill hole was identified, with the appropriate management plans subsequently implemented.
- Secured a drilling contract with Tom Browne Drilling Services Pty Ltd, headquartered in Dubbo, NSW, for approximate 3,700 m of drilling across MEL 3896.
  - Drilling commenced on June 2<sup>nd</sup> and during June, four drill holes were completed and another commenced. A total of 102 m of lignite core was recovered and despatched to our laboratories for full quality analysis. Excellent core recovery, packaging and despatch practices have been achieved to date for the drilling program, ensuring the core received at the laboratory is in the best possible condition.
  - For Clinton, Lignite was intersected at depths between 60 m and 90 m from surface in two seams, as expected from past drill results in the area collated and analysed. Lignite seams varied in width, they resulted on average in 14 m of Lignite core being recovered from the Clinton holes drilled.

Diagram 1



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- A safety incident involving a driller's offsider occurred the morning of June 25<sup>th</sup> 2008. A detailed incident investigation took place over the subsequent two days, during which time the drill rig was shut down. A range of precautionary steps were taken at the time of the incident. The offsider has since returned to work. Incident investigation recommendations centred on improved procedures and training, these have been implemented.
- Baseline ecological studies (flora and fauna) were completed for Clinton, Whitwarta and Beaufort. Species occurrences along with recommended exploration habitat and species impact minimisation strategies were documented. This information was used as input in to both the regulatory approvals required by the South Australian Government to proceed with exploration in the area and agreements with Landholders in terms of the impact minimising processes GulfX uses during drilling and rehabilitation.
- Exploration Works Approval (E.W.A.) applications were completed and submitted to the South Australian Government for Clinton, Whitwarta and Beaufort in accordance with regulations under the South Australian Mining Act 1971 and were subsequently approved.
- Secured an analytical services contract with HRL Technology Pty Ltd for all laboratory testing of the lignite core recovered during drilling.
  - Analytical results for the lignite recovered from the Clinton drill holes completed started to be received by GulfX during the quarter for review and interpretation.
- Commenced work on rehabilitation of drill holes completed at Clinton.

## 2. For the Gulf of Mexico

- A review by Apex Geological Services Inc was completed. Providing an up to date technical and commercial evaluations of the Oil and Gas exploration prospect over which GulfX holds rights to earn interests in the Gulf of Mexico. These prospects are managed and operated by Louisiana based Ridgelake Energy Inc.
  - The Company relinquished interest in SM138 during the quarter, based on past unsuccessful drilling results and prospectivity assessments. GulfX currently retains rights to earn interest in four prospects, as set out in Table 1 below.
  - A number of options to maximise shareholder value for these now non-core assets continued to be progressed during the quarter.

Table 1:

Prospect	Location	Working Interest (subject to earn in)
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%

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### 3. Corporate

- A capital raising totalling \$2.6 million was completed through a placement on June 30<sup>th</sup>, increasing cash at bank to \$4.4 million at the end of the quarter.
  - Petroleum Exploration Licence (PEL219) was granted during the quarter, essentially coincident with the Moorlands Mineral Exploration Licence 3585 held by GulfX.

### 4. Activities over the coming quarter are expected to include:

- Completion of the Company's prioritised drilling program,
- JORC compliant resource assessment completion for Clinton and assessment progression for Whitwarta and Beaufort,
- Progression of lignite core analysis,
- Completion of laboratory scale gasification test work,
- Completion of Moorlands prioritised drilling recommendations,
- Progression of GulfX's Gulf of Mexico assets value maximisation options,
- Securing of additional skills and resources as part of completion of PFS and to take the company as a whole forward,
- Continued company promotion through media articles, broker reviews, site visits and conference presentation,
- Progression of all Pre-feasibility study (PFS) works, to support PFS completion by December 2008.

# 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 June2008**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(139)	(258)
(b) development	-	-
(c) production	-	-
(d) administration	(234)	(807)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	37	144
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	(6)
<b>Net Operating Cash Flows</b>	<b>(336)</b>	<b>(927)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	(5)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	22
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>17</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(336)</b>	<b>(910)</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(336)	(910)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	2,612	4,612
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	(20)	(44)
<b>Net financing cash flows</b>		2,592	4,568
<b>Net increase (decrease) in cash held</b>		2,256	3,658
1.20	Cash at beginning of quarter/year to date	2,177	775
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	4,433	4,433

**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	86
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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**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	1,175
4.2 Development	500
<b>Total</b>	<b>1,675</b>

**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	616	215
5.2 Deposits at call	3,817	1,962
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,433</b>	<b>2,177</b>

**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 <b>Preference + securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	173,703,441	173,703,441	Not applicable	Not applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	18,526,534			
7.5 <b>+Discovery Shares</b>	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 <b>+A Class Performance Shares</b>	30,000,000	Nil	Not applicable	Not applicable
7.8 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs		Nil	Not Applicable	Not Applicable
7.9 <b>+B Class Performance Shares</b>	17,000,000	Nil	Not applicable	Not applicable

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**Appendix 5B**  
**Mining exploration entity quarterly report**

7.10	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs		Nil	Not Applicable	Not Applicable
7.11	<b>+C Class Performance Shares</b>	30,000,000	Nil	Not applicable	Not applicable
7.12	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs		Nil	Not Applicable	Not Applicable
7.13	<b>Options</b> <i>(description and conversion factor)</i>	40,892,407	40,892,407	<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
		750,000	Nil	<i>Exercise price</i> \$0.04 cents	<i>Expiry date</i> 31-Dec-2009
7.14	Issued during quarter		Nil	<i>Exercise price</i> \$0.04 cents	<i>Expiry date</i> 31-Dec-2009
7.15	Exercised during quarter				
7.16	Expired during quarter				
7.17	<b>Debentures</b> <i>(totals only)</i>				
7.18	<b>Unsecured notes</b> <i>(totals only)</i>				

### 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 ~~not~~\* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 July 2008

(~~Director~~/Company secretary)

Print name: IAN HOBSON

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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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