NEWS
• RELEASE •

23 January 2007

'SIGNIFICANT' RESULTS FROM NORTH QUEENSLAND GOLD-BASE METALS PROJECT: GULF RESOURCES

Significant preliminary results have been achieved from exploration on Gulf Resources Limited's (ASX: GLF) Crystalbrook gold-base metals project in Far North Queensland.

Gulf Resources said today that the preliminary results were from the Company's 3-Dimensional Induced Polarisation (IP) survey at the Crystalbrook Project.

Directors also advised that results were expected within four weeks from 1000 metres of Reverse Circulation (RC) drilling completed prior to Christmas on the project.

"The results of this drilling - combined with the significant results of the 3-D IP survey - will enable targeting of a more intensive program during the first half of 2007," said Gulf Resources Chairman, Mr Scott Reid.

"The company will shortly update shareholders on the final results of the 3-D IP survey and assay data and the planned timetable for the follow-up drilling campaign," Mr Reid said.

Gulf Resources, which joined the ASX lists in August last year, said the Crystalbrook project – located some 25km south west of Chillagoe and 150km west of Cairns – was the primary focus of the Company's December quarter activity, with both drilling and geophysical programs undertaken.

The Company said initial interpretation of results from the 3-dimensional ("3-D") Induced Polarisation ("IP") survey indicated a discreet anomaly within the target area for porphyry style gold – base metal mineralisation.

Mineralisation and historic workings along the fault zone extend for over 5 km with gold in rock chips to 4.7 grams per tonne gold and 39 grams per tonne silver. The target style is a mineralised intrusive of the Kidston-Red Dome-Mungana type.

The anomaly is consistent with disseminated to massive sulphide mineralisation associated with a porphyry style intrusive. Previous drilling results along the fault zone demonstrate that the mineralisation is strongly anomalous in gold and bismuth, an association noted in the other substantial mineralised systems in the region, with grades to 9.40 grams per tonne gold.

The gold-base metals – bismuth geochemical association is characteristic of breccia-pipe and intrusion associated gold deposits in this province which includes the Kidston, Mt Leyshon and Red Dome systems.

Mr Reid said the Gulf Resources Board, together with external consultants, continued a review of potential exploration and development projects as part of the company's ongoing project acquisition strategy.

"The company is currently engaged in confidential discussions with a major international gold producer," he said.

"Gulf Resources has been very active this quarter with a drilling program, geophysical and geochemical surveys carried out. As well, we have rewarded shareholders with the instigation and completion of a loyalty options issue.

"We are confident that the significant results achieved to date will further reward shareholders during 2007."

As well as the Crystalbrook project in North Queensland, Gulf Resources' is targeting gold in the rich Tanami producing region of the Northern Territory and plans to expand the existing Hortons gold deposit in northern New South Wales.

In the NT, Mr Reid said the Tanami province had been a stand-out, successful gold province that had to date produced nearly 5 million ounces of gold.

"However, the specific Tanami tenement area held by Gulf Resources has largely been ignored and remains untested by modern exploration methods to date," he said.

Gulf Resources also holds an advanced exploration resource delineation project in northern New South Wales which contains a JORC inferred resource of 309,000 tonnes at 3.12 grams per tonne gold for 31,000 ounces.

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gulfresources
LIMITED

ASX ANNOUNCEMENT 23 JANUARY 2007

SECOND QUARTER ACTIVITIES REVIEW
for the period ending 31 December 2006

SUMMARY

- Significant preliminary results achieved from the 3-dimensional Induced Polarisation ("IP") survey at the Crystalbrook Project
- Reverse Circulation ("RC") drilling at Crystalbrook was completed prior to Christmas with results expected within four weeks
- The 1 for 3 non-renounceable Option Issue was strongly supported by shareholders with a participation rate of over 88%

Crystalbrook Project, Far North Queensland
(EPM 13841 - GLF 100%)

The primary focus this period was on the Crystalbrook gold-base metal project in Far North Queensland located some 25km south west of Chillagoe and 150km west of Cairns with both a drilling and geophysical programme undertaken.

Initial interpretation of results from the 3-dimensional ("3-D") Induced Polarisation ("IP") survey indicate a discrete anomaly within the target area for porphyry style gold–base metal mineralisation.

A 3 dimensional dipole-dipole IP geophysics survey was commenced in December 2006 and is scheduled for completion by late January 2007. The survey is targeting an area of 5km^2. Preliminary results show a large 600m x 800m IP anomaly at 150m depth to plus 500m depth coincident with a large circular ring fracture system on a mineralised regional north west trending fault.

Mineralisation and historic workings along the fault zone extend for over 5 km with gold in rock chips to 4.7 grams per tonne gold and 39 grams per tonne silver. The target style is a mineralised intrusive of the Kidston-Red Dome-Mungana type.

The anomaly is consistent with disseminated to massive sulphide mineralisation associated with a porphyry style intrusive. Previous drilling results along the fault zone demonstrate that the mineralisation is strongly anomalous in gold and bismuth, an association noted in the other substantial mineralised systems in the region, with grades to 9.40 gpt gold.

The gold-base metals-bismuth geochemical association is characteristic of breccia-pipe and intrusion associated gold deposits in this province which includes the Kidston, Mt Leyshon and Red Dome systems.

Drill testing of the alteration systems within the tenement was carried out during the period with a program of 1,000m of RC drilling completed prior to Christmas 2006. Results are due within the next four weeks.

The results of this drilling, combined with the significant results of the 3-D IP survey will enable targeting of a more intensive drilling program during the first half of 2007.

The company will shortly update shareholders on the final results of the 3-D IP survey and assay data together with the planned timetable for the follow-up drilling campaign.

Continued over...

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Swan Creek Project Northern Territory
(EL25083 and EL24764 - GLF 100%)

During the quarter Gulf has accepted grant of these two highly prospective exploration tenements in the Northern Tanami region.

These two tenements comprise Gulf's Swan Creek Project covering 1500km^2 which is considered highly prospective for gold mineralisation. The Tanami Province is highly endowed with significant gold mineralisation hosted in iron rich metasediments. In the project area the iron rich formation is evident in airborne magnetic images and is associated with anomalous gold shedding into drainages.

Reconnaissance exploration was carried out with a soil sampling survey completed. Results will be reviewed in preparation for a comprehensive work program in 2007.

Ewingar Northern New South Wales
(EL 6490 - GLF 100%)

Initial consultations have been held with representatives of the Malera Bandjalan Tribe to create a framework for co-operation in identifying cultural heritages sites and places with in the tenement. Early in 2007 the company management and the representatives of the tribe will meet on site to undertake further discussion. The company values and appreciates the positive input of the representatives and looks forward to developing a strong working relationship.

Loyalty Option Issue

During the period Gulf Resources Ltd (ASX: GLF) announced and completed a non-renounceable offer to all shareholders.

The offer to shareholders was for one option for every three shares held at an offer price of $0.015 per option, each option having an exercise price of $0.20 and an expiry date of 30 June 2011. The issue was strongly supported by shareholders with a participation rate of over 88%.

The prospectus for the offer was lodged with ASIC on 10 November 2006, with an ex-entitlement date of 15 November 2006 and a record date of 21 November 2006. The closing date was 8 December 2006 and the options were quoted on a deferred settlement basis from 11 December 2006. Since then the options have traded in a range from $0.051 to $0.095, and increase of between 240% and 533%.

Project Acquisition Strategy

The board, together with external consultants, continued a review of potential exploration and development projects as part of the company's ongoing project acquisition strategy. The company is currently engaged in confidential discussions with a major international gold producer.

Gulf Resources' Chairman, Scott Reid commenting on the quarterly activities report said, "Gulf Resources has been very active this quarter with a drilling program, geophysical and geochemical surveys carried out. As well, we have rewarded shareholders with the instigation and completion of a loyalty options issue. We are confident that the significant results achieved to date will further reward shareholders during 2007."

Further information

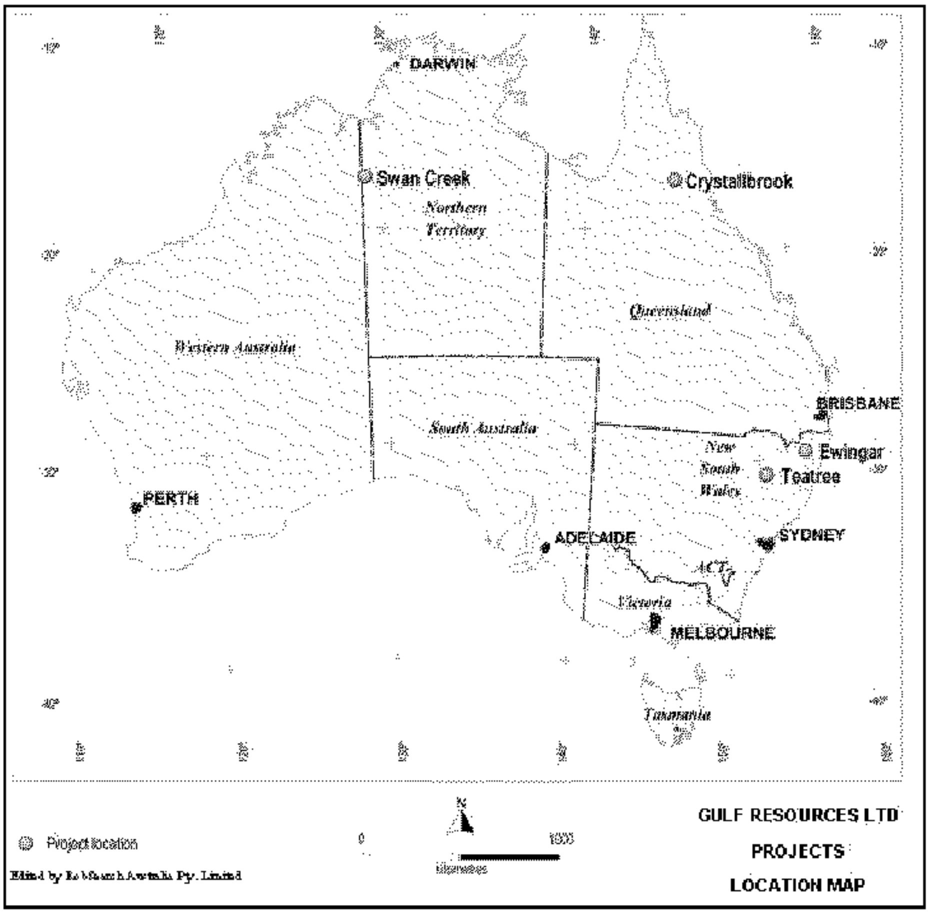
Scott Reid,Chairman
Tel: (02) 9222 1888

Wayne Kernaghan, Company Secretary
Tel: (02) 9222 1888

About Gulf Resources

The company holds highly prospective exploration projects in the North Queensland and Tanami gold provinces. These provinces host several world class gold deposits with recognised exploration potential for more discoveries. The company also holds an advanced exploration resource delineation project in Northern New South Wales which contains a JORC inferred resource of 309,000 tonnes at 3.12 grams per tonne gold for 31,000 ounces.

The company's key aim is focussed on low cost- high return exploration and corporate strategies to capture significant value for investors during this current resource cycle by offering investors a balanced exposure to brownfield resource expansion, advanced greenfield exploration and development potential through a gold project acquisition strategy.



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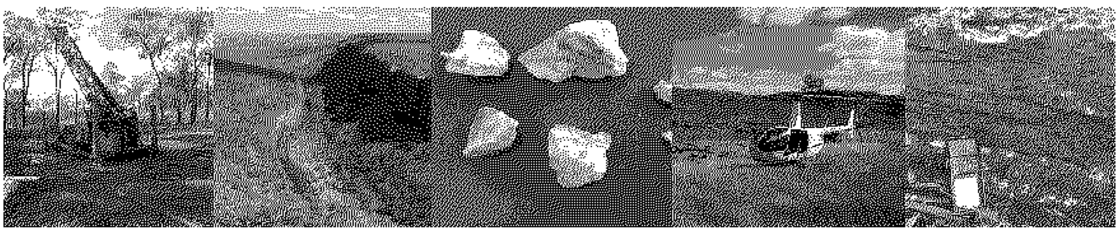

APPENDIX 5B

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

Gulf Resources Limited

ABN

13 115 027 033

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 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	(201)	(201)
	(b) development		
	(c) production		
	(d) administration	(73)	(180)
1.3	Dividends received		
1.4	Interest & other items of a similar nature received	26	26
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	(248)	(355)
	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)	(248)	(355)

1.13	Total operating and investing cash flows (brought forward)	(248)	(355)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	192	2292
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 (provide details if material) – expense of issue	(19)	(211)
	Net financing cash flows	173	2081
	Net increase (decrease) in cash held	(75)	1726
1.20	Cash at beginning of quarter/year to date	2208	407
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	2133	2133

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	45
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

-

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

-

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

-

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	265
4.2	Development	-
	Total	265

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	358	458
5.2	Deposits at call	1775	1750
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	2133	2208

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				

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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	38,540,005	13,585,000	-	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				- -
7.5	**+Performance Rights**	3,000,000	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	3,000,000	-	-	-
7.7	**Options** *(description and conversion factor)*	21,346,668	12,846,668	$0.20	30 June 2011
7.8	Issued during quarter	12,846,668	12,846,668	$0.20	30 June 2011
7.9	Exercised during quarter	-	-	-	
7.10	Expired during quarter	-	-	-	
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

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 give a true and fair view of the matters disclosed.

Sign here: .... Date: 23 January 2007
(Company Secretary)

Print name: Wayne Kernaghan

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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