gulfresources LIMITED

ASX ANNOUNCEMENT 23 MAY 2007

Diamond Drilling Underway at Queensland gold-base metals project

The Directors of **Gulf Resources Ltd** (ASX: GLF) are pleased to announce that diamond drill testing at the company's wholly owned Crystalbrook Project - a gold-base metal project located approximately 25km south of Kagara Zinc's Red Dome and Mungana Projects, 25km south west of Chillagoe and 150km west of Cairns - is underway.

The high tenor geophysical Induced Polarisation ("IP") anomaly will be initially appraised using two 400m diamond drill holes. Further drilling will be conducted as warranted, following core logging and assaying.

The anomaly is modelled at 200 to 400 m depth and is located adjacent the regional North West trending Crystalbrook shear zone which hosts silver – lead – zinc and gold mineralization. The IP anomaly is interpreted to be disseminated sulphides associated with this outcropping mineralization.

Gulf Resources' Chairman, Scott Reid commented, "The previous positive drilling results combined with the highly successful geophysical survey result have significantly increased the exploration potential of the Crystalbrook Project".

"Given the province hosts significant intrusive related mineralized systems at Red Dome and Kidston of a similar style to the Crystalbrook target, we are now moving into an exciting phase for shareholders of Gulf Resources as the diamond drilling gets underway".

(Location map attached)

Further information
Scott Reid, Chairman t: 0417 203 295
Wayne Kernaghan, Finance Director t: 0407 233 153
Greg Duncan, Technical Director t: 0427 376 426

Attribution
The information in this report which relates to exploration results at the Crystalbrook Project has been approved for release by Mr Greg Duncan (B.Sc., MAusIMM), who is an exploration geologist and has sufficient experience in relation to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code 2004 Edition). Mr Duncan has consented to inclusion of this information in the form and context in which it appears.

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 further 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 focused 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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Regional Geology and Location Map - Crystalbrook Project