31 May 2012

Gulfsands Petroleum

Year end	Revenue ($m)	PBT* ($m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/10	16.6	(26.5)	44.5	0.0	3.1	N/A
12/11	7.9	(23.9)	69.1	0.0	2.1	N/A
12/12e	0.0	(15.1)	(12.8)	0.0	N/A	N/A
12/13e	7.3	(11.7)	(9.9)	0.0	N/A	N/A

Note: *PBT and EPS are normalised and restated to show Syrian activities below PBT.

Investment summary: Political valuation drag

Operationally, Gulfsands performed well in 2011, with an active work programme, drilling success and reserve upgrades on Block 26 in Syria. However, political instability and cessation of Syrian production caused the share price to underperform. A resolution in Syria would create significant valuation upside; without this, we look to the use of Gulfsands' cash to build a new non-Syrian leg to the business.

Operational success on Block 26 in 2011

Six exploration and one appraisal well were drilled on Block 26 in Syria in 2011. Four of the exploration wells encountered potential commercial levels of hydrocarbons and reserves were consequently increased by 34% to 76mmboe.

Markets continues to heavily discount share price

Due to the political situation in Syria the shares have traded at a significant discount to the suggested value of an undisrupted business in Syria. Over the last year Gulfsands' share price has halved and its EV/2P+2C valuation has dropped from $7.7/bbl to $0.5/bbl although its PSC terms remain the same and its asset base has increased. However, the market is currently ascribing little chance of a near-term resumption of normal activity in Syria and as a result the shares continue to trade downwards to the company's cash position.

Upside for resumption of Syrian activities – core NAV 493p

In normal circumstances with a continued business in Syria, resolving the crisis could unlock significant upside based on the current share price to our core NAV, backed by a strong balance sheet with net cash of $124m (31 December 2011).

Valuation: Syria discontinued – core NAV 113p

The company has ascribed a value of $102m to Syrian assets which are treated as suspended. Adjusted for net cash and G&A this derives a core NAV of 112.7p. The valuation disconnect of 380p overwhelmingly reflects the political situation in Syria, and will persist in the absence of any resolution. Barring a resolution, deployment of cash balances will be the next potential share catalyst.

Price	90p
Market Cap	£106m

Share price graph

Share details

Code	GPX
Listing	AIM
Sector	Oil & Gas
Shares in issue	118m

Price

52 week	High	Low
	249.5p	90p

Balance Sheet as at 31 December 2011

Net cash ($m)	124

Valuation

Syrian suspended	
Core NAV (p)	112.7
RENAV (p)	117.5
Syrian non-suspended	
Core NAV (p)	493.1
RENAV (p)	587.6

Business

Gulfsands Petroleum is involved in the production, exploration and development of oil and gas reserves in Syria, the US and Tunisia.

Geography based on revenues (2011)

UK	Europe	US	Other
0%	0%	7%	93%

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Investment summary: Political valuation drag

Company description: Syrian assets suspended

Gulfsands Petroleum (Gulfsands) is an oil & gas exploration and production company with interests in Syria, Tunisia, Italy and the US. Operational performance was strong in 2011, with an active work programme and a reserve upgrade. However, recent success has been overshadowed by the on-going political situation in Syria. With over 90% of the company's asset base in Syria, Gulfsands current future is dependent on a Syrian resolution. Without this we look to Gulfsands leveraging its cash reserve to build a non-Syrian business as the next key share price catalyst.

Valuation: Significant political discount on the valuation

We consider two valuation methodologies, one which holds Syria as a suspended activity, simply valuing it at the balance sheet value ($102m) and the other as a continuing operation. What is evident is that there is a significant valuation disconnect between the two. While Gulfsands represents a company with material exposure to political risk, it could also be viewed as a company with significant upside and one key share price catalyst. If investors are willing to bear the political risk of the Syrian crisis and believe that in the long run a resolution will be found such that Gulfsands re-enters Syria and resumes activities, there could be substantial upside to the current share price.

Exhibit 1: Valuation summary

Valuation	Syria	Core NAV (p)	RENAV (p)
Scenario 1	Suspended	112.7	117.5
Scenario 2	Non- Suspended	493.1	587.6

Source: Edison Investment Research

Sensitivities: Syria

In summary the key sensitivities are:

- Syrian political risk: A resolution timetable is unknown, as is whether Gulfsands will be able to re-enter the country, the status of its PSC, assets and licences in a post crisis Syria.
- Corporate: Gulfsands holds c $124m cash as of 31 December 2011 and has no debt. It is financially secure, but has witnessed its share price trend towards its cash balance. With Syria suspended, the only significant near term share price catalysts we see are through value accretive deals by utilising its cash reserve.

Financials: Strong balance sheet with no debt

With c $124m of net cash as of 31 December 2011 and no debt the company is in a financially secure position. Management's estimate of the cash burn for the business is c $14m per year. This will obviously deplete the cash reserves without new activity offsetting the expenditure. Potential near term production in Tunisia and continued disposal of the Gulf of Mexico assets, could act as cash injections into the business helping to finance the on-going activities of the group.

Operational success overshadowed by political issues

In 2011 Gulfsands had an active and successful work programme. Before the hiatus it was performing well in Syria, which represents over 90% of the company's revenues and was the driver of the strong financial performance in 2011 until the sanctions were enforced. Seven wells were drilled in 2011 on Block 26: six exploration and one appraisal well. Four of the six wells made potentially commercial discoveries. Through the successful drilling campaign, Gulfsands was able to increase 2P reserves by 34% from 57mmboe to 76mmboe. However, this strong operational success was eclipsed by the political situation in Syria. The Syrian situation creates a material disconnect in Gulfsands' share price to its fundamental asset valuation. Resolving the crisis and resuming production would unlock substantial value.

2011 Block 26 Syrian work programme

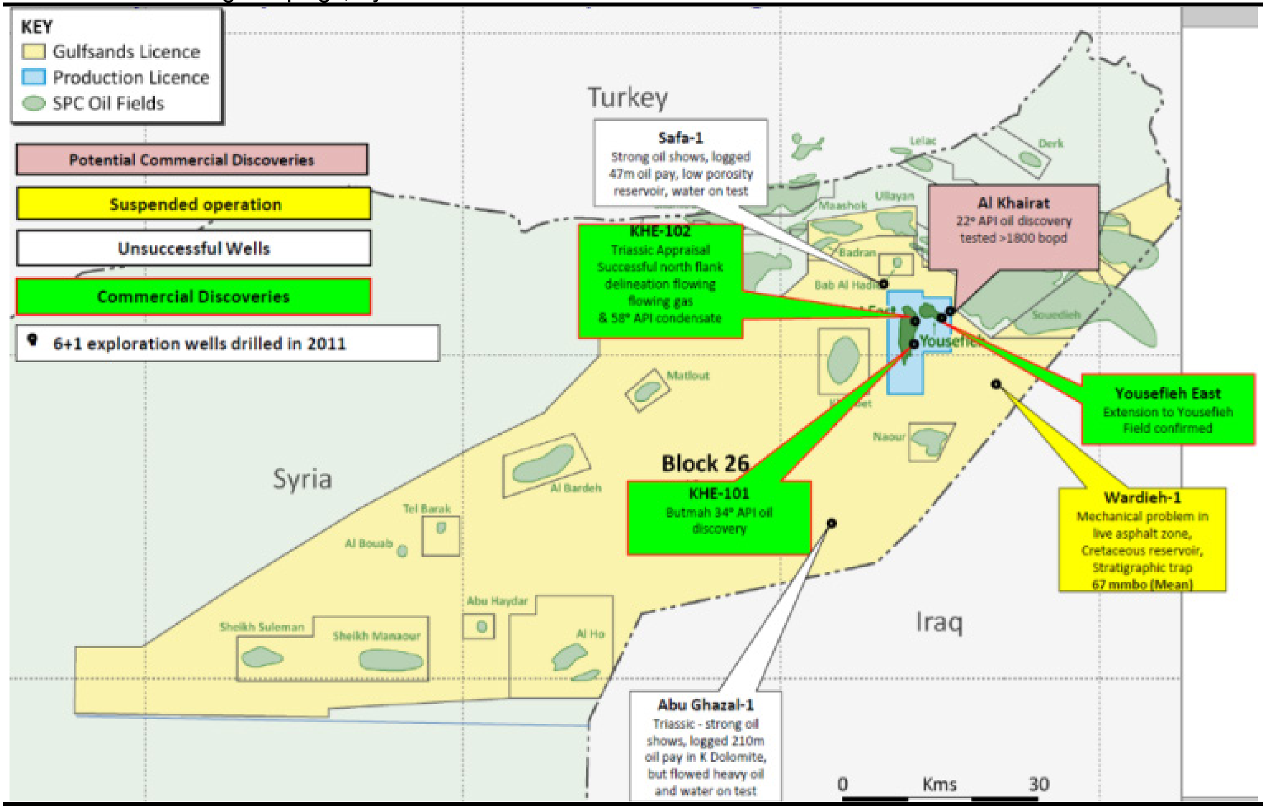
In 2011 Gulfsands made good operational progress on its block 26 licence in Syria. Seven wells were drilled with three commercial discoveries (one appraisal), one suspended operation, one potential discovery and two unsuccessful wells. This drilling activity allowed Gulfsands to increase its net working interest 2P reserves allocated to Syria from 53.6mmboe in 2010 to 74.5mmboe in 2011. This resulted in an overall group net 2P reserve movement from 56.9mmboe in 2010 to 76.3mmboe in 2011. Due to the Syrian political situation, the company has not fully benefited from the operational achievements and reserve upgrades in 2011. Gulfsands was able to add an additional 3000bopd processing capacity through the Khurbet East Sub Station production facility increasing the capacity to 27,000bopd. As the situation in Syria worsened the General Petroleum Corporation of Syria (GPC) instructed Gulfsands to shut-in production at producing fields.

Whilst this had the impact of severely reducing group production it did allow Gulfsands to perform a shut-in pressure survey. The survey demonstrated that the pressure depletion since first oil in April 2010 has only been 1%. This indicates that the Yousefieh and Khurbet East field is subject to strong aquifer support which should have positive implications for the amount of oil recoverable from both fields.

Future Syrian exploration and production

There is uncertainty over the work programme for 2012 and beyond due to the political situation in Syria. The company remains committed to Syria and continues to monitor the situation closely with work programmes revised as the situation evolves. A risk that affects future exploration activity is the expiry of the company's licence in August 2012. Management believes the licence expiry date could be extended taking into consideration force majeure that was declared on the 11 December 2011, allowing Gulfsands to continue exploring and appraising its licences in Block 26. Gulfsands estimates the block contains a further 405mmboe gross speculative un-risked mean resources.

Exhibit 2: 2011 drilling campaign, Syria



Source: Gulfsands Petroleum

Tunisia: Onshore discovery with offshore potential

Gulfsands owns participating interest in several blocks in onshore and offshore Tunisia. The most progressed asset is the Sidi Dhaher oil discovery in the Chorbane onshore Tunisian block. Operated by ADX Energy, the Sidi Dhaher discovery will undergo a well test, expected in June 2012 to provide more information around reservoir characteristics, pressure rates, flow rates, potential production profiles and possible resource estimates. The discovery is not a significant asset to Gulfsands as the oil in place (STOIIP) has been calculated at 51mmboe. However, it does present much needed potential near-term production cash flow, first to replace a small part of the production lost in Syria and, second, to help finance working capital and G&A requirements. To prove commerciality a successful flow test must be achieved. If commerciality is proved under the farm-in terms Gulfsands has the right assume operatorship.

Gulfsands also owns participating interests in offshore Tunisian and Italian fields. The Dougga discovery is the main target for appraisal drilling in the medium term. The Dougga field, which is located in the Kerkouane Permit in Tunisia, is a gas condensate carbonate play. The Dougga discovery was estimated by TRACS International in April 2011 to contain 74.9mmboe gross 2C contingent resources as a combination of gas, condensate and LPG. The geological complications with the Dougga discovery are the nature of its hydrocarbons and the existence of very high CO_2 levels. At 30% CO_2 the removal process is expensive and onerous. Development of the Dougga field would require an FPSO, subsea wells, offshore hydration and gas compression, an export pipeline to the shore and an onshore processing unit to remove the Co_2, H_2s, condensate and LPG. Total development costs are expected at c $1.3bn, which indicates that this is more an appraisal play rather than full development. If commerciality can be proved we would expect Gulfsands and its partners to farm down or sell completely its working interest to a larger company.

The nature of the processing required in development means the economics for the project would have to be very robust and we would expect potential partners to seek better PSC terms than those currently, which may not adequately take into account requirements of higher capex projects.

Gulf of Mexico

In its 2011 work programme Gulfsands initially planned to divest all its Gulf of Mexico (GOM) assets. The company actually sold nine assets to Dynamic Offshore Resources for $6m. The ability to release restricted cash through removing decommission obligations provided more upside with the company receiving an additional $11.1m. Gulfsands still owns nine assets, with seven producing. We expect the company to dispose of its remaining GOM assets by the end of 2012, which will help to finance part of the c $14m cash burn forecast by company management.

Using cash balance: Non-Syrian leg

With the significant discount ascribed to Gulfsands' Syrian operations we would expect that with lengthening EU sanctions, there is growing appetite from the market for management to announce a strategic move to diversify part of the business away from Syria. With c $124m cash, as of 31 December 2011, Gulfsands is in a position to farm in, bid for licences, buy assets or buy companies to create a new leg to the business.

While the company has not announced specific areas of focus for its diversification away from Syria, it does state that any new business venture must have the following criteria:

- must be compelling and material;
- acquisition to have ability to fast track early production; and
- leverage of operatorship skills and resources.

The company is in a strong position of holding a large cash reserve at a time when there are many companies attempting to develop assets but lacking the financial resources to do so. In these situations Gulfsands would be able to farm-in or purchase distressed assets and use its financial strength and skill set to fast-track it towards production. Focusing on Gulfsands' expertise and knowledge, which lie in onshore oil and gas exploration and production in the Middle East, management could look at a range of opportunities across countries. For example, Kurdistan, Kazakhstan or Turkmenistan could provide the company with a Non- Syrian leg while exploiting its core competencies.

Risk and sensitivities

Syria

- **Political risk:** With most of its asset base in Syria there is obvious business continuity risk due to EU sanctions and ongoing conflicts inside the country. It remains unknown if and when Gulfsands will be able to begin to operate its assets in Syria. Nationalisation of assets, change of PSC terms or dissolution of all prior contracts with International Oil Companies (IOCs) in the event of a new government assuming power in Syria are all possibilities.
- **Operational:** Although Gulfsands' assets are shut in on Block 26, there remains the risk of damage to infrastructure such as the processing facilities, pipelines and other production

assets. While Gulfsands remains without operational control it cannot be assured of the status of its assets in Syria.

- **Exploration:** Gulfsands believes Block 26 contains a further 405mmboe un-risked prospective resource exploration upside. However, the company's exploration licence expires in August 2012. Without this Gulfsands would be prevented from drilling any more exploration wells without negotiating a new licence with the government. Management hopes the licence would take into account the force majeure, which was declared in December 2011, allowing the company to continue to explore if and when it re-enters the country. At this point it is unclear what the status of Gulfsands exploration licence would be in a post resolution Syria.

Tunisia

- **Onshore:** Barring any news about Syria the key activity for Gulfsands in 2012 is the progression of the onshore Sidi Dhaher oil discovery. The well will be flow tested by ADX Energy, the current operator, to prove whether there are commercial levels of oil within the discovery. Management have indicated that a well test of over 100bopd could support a development of up to 10 wells each producing 500 bopd. If commerciality is proven the discovery will represent near-term production to replace a modest portion of the lost Syria production.
- **Offshore:** The Dougga discovery is the offshore gas condensate asset that has potential to be developed. Due to the nature of gas condensate and the high levels of $C0_2$ present, a development would incur high levels of capex. Without an improvement in cost recovery, a higher NPV/bbl could be obtained on other projects. We would expect Gulfsands and ADX to want to improve the PSC terms around cost recovery before progressing with the appraisal of Dougga.

GOM

- **Operational:** Key sensitivity is the disposal of the remaining assets. While failing to complete the disposal would not be critical for Gulfsands, the cash generated from the disposal could help finance the management estimated cash burn of c $14m per year for the group.

Shareholders

- **Register:** The last year has seen the transformation of the shareholder register of Gulfsands. While there remains a UK presence from Schroder's and Aviva, the shareholder register has seen an influx of Russian money due to their greater tolerance for Syrian risk than UK investors.

Valuation

Given the Syrian situation and its materiality to Gulfsands, any valuation discussion involves two scenarios. One includes the Syrian business on a continuing basis and the other accounts for Syria as a suspended operation, as in the current situation. We present two valuation tables in Exhibit 6 and Exhibit 7 to accommodate this. We also include peer and time comparison to demonstrate the impact the Syrian situation has had on the company. The cash balance is also important in providing capital to potentially build a non-Syrian leg.

Peer analysis

As an operator with production cash flow to leverage through further exploration upside, the market previously ascribed a reasonable high $/bbl value to Gulfsands' reserves. In May 2011, before the Syrian conflict arose, Gulfsands was trading at $7.7/bbl (EV/2P+2C). One year later Gulfsands trades at $0.5/bbl (EV/2P+2C). From an operational point of view, Gulfsands drilled seven wells; six exploration, with four encountering commercial or potentially commercial discoveries. This drilling campaign led to reserves being increased by 34% from 57mmboe (end 2010) to 76mmboe (end 2011). As can be seen by Exhibit 3, EnQuest and Circle Oil maintain a much higher EV/2P+2C valuation. EnQuest, which is involved in exploration, development and production can be seen as a peer to Gulfsands in its activities but differs due its operations existing in a substantially more stable environment, the UK. As a full cycle E&P company, Circle Oil can also be identified as a peer but, unlike Enquest and similar to Gulfsands, it is exposed to the political tension in the Middle East through its operations in Morocco and Tunisia.

Exhibit 3: Peer analysis: EV/2P+2C

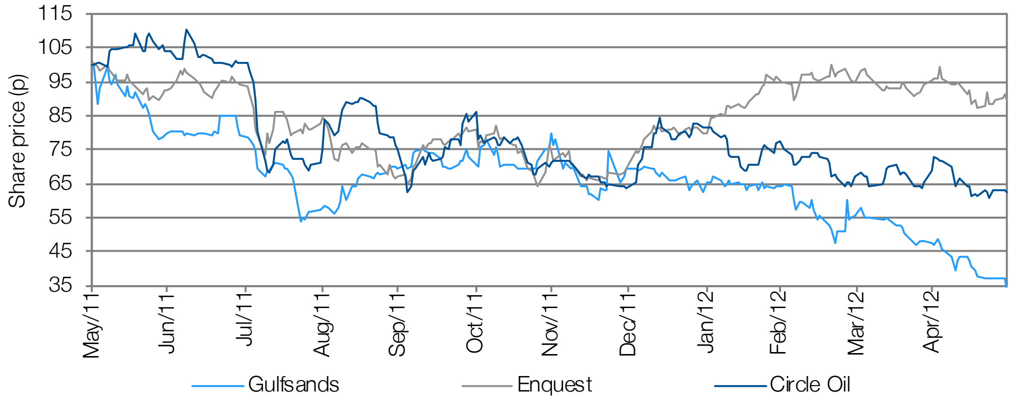
Note: [1] Gulfsands priced at 31 May 2011, net cash as of 31 December 2010. [2] Gulfsands, Circle and Enquest priced at 30 May 2012, net cash as of 31 December 2011.

		Gulfsands [1]	Gulfsands [2]	EnQuest [2]	Circle [2]
2P reserves	mmboe	56.9	76	115	41
2C resources	mmboe	0	13	117	1
Valuation					
Price	(p)	266	90	120	20
No. shares	(m)	122	118	803	563
Mkt Cap	($m)	516	170	1535	178
Net cash/(debt)	($m)	81	124	379	29
EV	($m)	436	46	1156	149
EV/2P	$/boe	7.7	0.6	10.0	3.6
EV/2P+2C	$/boe	7.7	0.5	5.0	3.5
EV/2P+2C+risked PR	$/boe	7.7	0.5	5.0	3.5

Source: Edison Investment Research, Gulfsands Petroleum, Circle Oil, Enquest, Bloomberg

Exhibit 4 rebases the share prices of Gulfsands, Enquest and Circle Oil then shows the relative movements over the past year. Gulfsands can be seen to have performed the worst, falling to 34 vs a base of 100. Circle Oil has also suffered over the period but since the start of the year has stabilised slightly, while Enquest has continued to perform strongly. While the political situation cannot be said to drive all three companies' share prices, they are three full-cycle mid-cap oil and gas companies listed on the London Stock Exchange that are exposed to significantly different political environments and tax regimes.

Exhibit 4: Peer analysis – Gulfsands vs Enquest and Circle rebased to 100 (Over 12 months)



Source: Edison Investment Research, Bloomberg

Companies that hold a large balance of cash relative to their market capitalisation usually experience a low EV/2P+2C. Similar to Genel, which holds $1.8bn cash and trades at $0.7/bbl (EV/2P), Gulfsands has a market cap of c $170m and holds $124m cash, which generates an EV of $46m. This ascribes $0.5 to each recoverable barrel in the ground on Block 26. Taking the valuation ascribed to Circle Oil's reserves at $3.5/bbl would generate a market cap of $435m, which translates to a share price of 368p; demonstrating c 308% upside to the current share price (Exhibit 5). Circle Oil and Gulfsands are exposed to different tax and royalty regimes which means the dollar/bbl values above are not completely comparable. Because of this we present another valuation perspective by using the relative share price performance of Circle and Gulfsands. Over 12 months from May 2011 Gulfsands share price declined to 34% of its May 2011 level with Circle Oil declining to 62% over the same period. If we assume Gulfsands share price had a similar trajectory as Circle Oil's rather than being affected by the Syrian crisis, it would generate an iterative share price of 167p, reflecting 86% upside to the current share price.

Exhibit 5: Peer Valuation analysis on Circle's $/bbl and an implied share price.

Valuation		Gulfsands - Implied valuation using $/bbl Circle Valuation	Gulfsands - Implied valuation using. Circle share price
Price	(p)	90	90
No. shares	(m)	118	118
Mkt Cap	($m)	170	170
Net cash/(debt)	($m)	124	124
EV	($m)	46	46
Syria (2P+2C)	mmboe	88.0	88.0
Syria	($/bbl)	0.5	0.5
Circle Oil ($/bbl)		$3.5/bbl	62%
Syria	($m)	435	198
Price	(p)	368	167

Source: Edison Investment Research

Valuation: Scenario One

We consider two scenarios when valuing Gulfsands. First there is the current status model, with Syrian sanctions in place and the Syrian business no longer recognised as an operational asset and held on the balance sheet as an asset 'available for sale' under IFRS. This is the valuation scenario we present in Exhibit 6. The core NAV is generated through the balance sheet value of the Syrian business plus the cash held less the G&A spend. We have taken Gulfsands fair value (balance sheet value) estimate of the Syrian business at $102m. The RENAV includes the onshore oil discovery in Tunisia, which adds 4.8p. Since April 2012 the share price has tended to trade between 100p and 120p, which aligns itself to what we present in the valuation table below.

Exhibit 6: Valuation scenario one – Syrian business suspended

FD shares (ex-treasury)	117.7									
$/£	1.60						Unrisked			
						Reserves/resources		Netback		
Assets	Country/ licence	WI %	Hydroc. fluid	Net Capex $m	CoS %	Gross mmboe	Net mmboe	NPV/boe $/boe	EMV $m	Value/sh p
Developed										
						Total	0.00		0.0	0.0
Cash/(net debt) as of 31 Dec 2011									124.2	65.9
G & A									(14.0)	(7.4)
Syrian asset									102.0	54.1
Core NAV									212.2	112.7
Exploration/appraisal										
Chorbane	Tunisia	40%	Oil	2.8	25%	15.3	6.1	7.3	9.0	4.8
						Total	6.12		9.0	4.8
RENAV						Total	6.12		221.3	117.5

Source: Edison Investment Research, company accounts

Looking at scenario one further, if the Syrian crisis does not resolve we expect Gulfsands would eventually be forced to write the Syrian asset off. This would essentially leave a cash shell company. With the cash Gulfsands could invest into a new non-Syrian business. This would restructure our valuation, requiring a full DCF on any such new business. The question to pose is whether the market would value any new business more than the liquid cash. While investors may not favour companies with unused cash, it all depends on the nature of the new asset and the markets belief in management's ability to execute value accretive deals. Gulfsands' stated strategy of ideally investing into near-term production assets could mean the upside available is limited.

Valuation: Scenario Two

The second scenario values Gulfsands assuming a resolution in Syria is achieved. In our model we have assumed no production or capex for Syrian assets in 2012. All production profiles and work programmes starting in 2012 have now been pushed out to 2013. To value Syria on a continuing basis, we have assumed Gulfsands resumes operatorship of its Syria assets in January 2013 using a long-term oil of price of $80/bbl and a discount rate of 10%. On this basis we arrive at a core NAV of 493.1p.

Exhibit 7: Valuation scenario two – resumed Syrian activity

FD shares (ex-treasury)	117.7									
$/£	1.60						Unrisked			
						Reserves/resources		Netback		
Assets	Country/ licence	WI %	Hydroc. fluid	Net capex $m	CoS %	Gross mmboe	Net mmboe	NPV/boe $/boe	EMV $m	Value/sh p
Developed										
Khurbet East	Syria	50.0%	Oil		100%	126.0	63.0	11.3	712.4	378.1
Yousefieh	Syria	50.0%	Oil		100%	23.6	11.8	11.8	138.6	73.6
						Total	74.78		851.0	451.7
Cash/(netdebt) as of 31 Dec 2011									124.2	65.9
G & A									(46.3)	(24.6)
Core NAV									928.9	493.1
Exploration/appraisal										
Khurbet East Butmah	Syria	50.0%	Oil-Gas	0.0	50%	37.7	18.8	6.6	62.6	33.2
Al Khairat	Syria	50.0%	Oil	0.0	60%	24.0	12.0	14.8	106.5	56.6
Chorbane	Tunisia	40.0%	Oil	2.8	25%	15.3	6.1	7.3	9.1	4.8
						Total	36.95		178.1	94.6
RENAV						Total	111.74		1,107.0	587.6

Source: Edison Investment Research, company accounts

This scenario would represent significant upside vs the current share price at both a core NAV and a risked NAV (Exhibit 8). It is obviously contingent on resolution of the Syrian situation and resumption of operations in Syria under the joint control of Gulfsands.

Exhibit 8: Sensitivity analysis on Valuation Scenario two

CoreNAV	Cost of capital (%)				RENAV	Discount rate (%)			
Oil price ($/bbl)	8%	10%	12%	14%	Oil price ($/bbl)	8%	10%	12%	14%
60	421	379	345	317	60	509	454	410	375
80	551	$\boxed{493}$	447	409	80	660	$\boxed{588}$	530	483
100	681	607	549	502	100	813	722	650	591
120	811	722	651	594	120	967	858	771	700

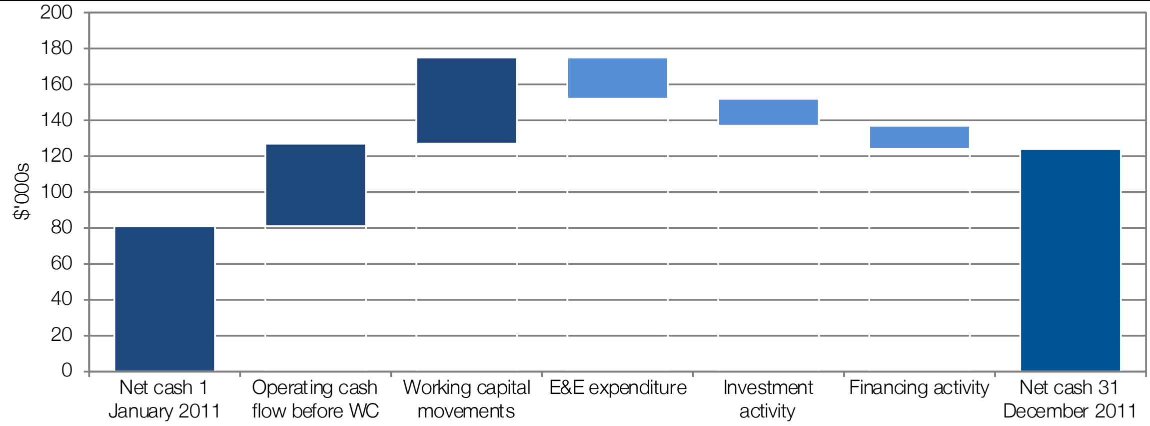
Source: Edison Investment Research

Financials

In Gulfsands' 2011 financial statements the key announcement was the reclassification as an 'available for sale' asset valued at $102m. Due to Europe Union Council Decision 2011/782/CFSP as per IAS 31 "Interest in joint ventures" Gulfsands is required to account for the Syrian business as an available for sale asset under IAS 39, despite having no intention in selling the business. This materially changes the presentation of the income statement and balance sheet by displaying the Syrian business as separate and distinct items.

With the group's production cut to essentially zero, barring the small production received from GOM, the company is still in a strong financial position. It has no debt and as at 31 December 2011 had $124.2m net cash. The most significant cash burn is the cost to run the Syrian operations and the head office cost, which management estimates at $14m per year. The movement from net cash at the start of 2011 to the end net cash position at 31 December 2011 is reflected in Exhibit 9.

Exhibit 9: Financials – 1 January 2011 net cash to 31 December 2011 net cash



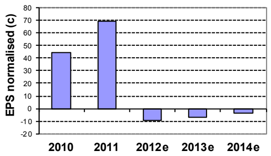
Source: Edison Investment Research, company accounts

Exhibit 10: Financials – As per IFRS treatment

$'000s	2010	2011	2012e	2013e	2014e
December	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	16,595	7,907	0	7,303	14,235
Cost of Sales	(23,888)	(10,329)	0	(2,470)	(3,620)
Gross Profit	(7,293)	(2,422)	0	4,833	10,615
EBITDA	(30,416)	(48,000)	(13,500)	(13,504)	(8,594)
Operating Profit (Norm before amort. and except.)	(25,592)	(23,561)	(14,000)	(10,567)	(6,325)
Intangible Amortisation	(3,820)	(64)	0	0	0
Exceptional gain/(loss)	1,137	6,628	4,106	0	0
Exploration write offs/impairment	(5,498)	(32,544)	0	0	0
Share based payments	(2,533)	(2,522)	(2,522)	(2,522)	(2,522)
Other operating profit/(loss)	(1,113)	(638)	(1,084)	(1,084)	(1,084)
Operating Profit /(Loss)	(36,306)	(52,063)	(12,416)	(13,089)	(8,847)
Net Interest	228	270	0	0	0
Profit Before Tax (norm)	(26,477)	(23,929)	(15,084)	(11,650)	(7,408)
Profit Before Tax (FRS 3)	(37,191)	(52,431)	(13,500)	(14,172)	(9,930)
Tax	18	31	0	0	0
Profit from Suspended Syrian Operations	81,843	107,476	0	0	0
Profit After Tax (norm)	55,384	83,578	(15,084)	(11,650)	(7,408)
Profit After Tax (FRS 3)	44,670	55,076	(13,500)	(14,172)	(9,930)
Average Number of Shares Outstanding (m)	121	121	118	118	118
EPS - normalised (c)	45.7	69.1	(12.8)	(9.9)	(6.3)
EPS - normalised and fully diluted (c)	44.5	69.1	(12.5)	(9.6)	(6.1)
EPS - (IFRS) (c)	36.9	45.5	(11.5)	(12.1)	(8.4)
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets	104,439	26,651	26,651	25,983	24,647
Intangible Assets	30,958	8,457	8,457	8,457	8,457
Tangible Assets	63,878	14,229	14,229	13,561	12,225
Syria - Suspended Activity		102,000	102,000	102,000	102,000
Other Investments	9,603	3,965	3,965	3,965	3,965
Current Assets	138,473	132,457	119,965	109,794	104,100
Stocks	4,002	2,870	0	816	1,591
Debtors	35,559	5,347	0	1,801	3,510
Cash	80,625	124,240	119,965	107,177	98,999
Other	18,287	0	0	0	0
Current Liabilities	(39,222)	(18,173)	(2,135)	(2,947)	(3,325)
Creditors	(39,222)	(18,173)	(2,135)	(2,947)	(3,325)
Short term borrowings	0	0	0	0	0
Long Term Liabilities	(20,683)	(14,748)	(2,000)	(2,000)	(2,000)
Long term borrowings	0	0	0	0	0
Other long term liabilities	(20,683)	(14,748)	(2,000)	(2,000)	(2,000)
Net Assets	183,007	126,187	142,481	130,830	123,422
CASH FLOW					
Operating Cash Flow	69,562	93,992	(16,277)	(12,787)	(8,178)
Net Interest	228	270	0	0	0
Tax	402	55	0	0	0
Capex	(42,902)	(45,636)	0	0	0
Acquisitions/disposals	1,100	10,403	12,000	0	0
Financing	(5,387)	(15,469)	0	0	0
Dividends	0	0	0	0	0
Net Cash Flow	23,003	43,615	(4,277)	(12,787)	(8,178)
Opening net debt/(cash)	(57,623)	(80,625)	(124,240)	(119,965)	(107,177)
HP finance leases initiated	0	0	0	0	0
Other	0	0	0	0	0
Closing net debt/(cash)	(80,626)	(124,240)	(119,964)	(107,177)	(98,999)

Source: Edison Investment Research, company accounts

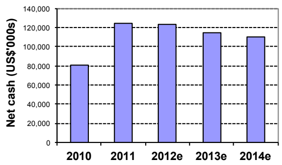
Growth



Profitability

N/A

Balance sheet strength



Sensitivities evaluation	
Litigation/regulatory	●
Pensions	○
Currency	◖
Stock overhang	○
Interest rates	◖
Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	
EPS CAGR 09-13e	N/A	ROCE 12e	N/A	Gearing 12e	N/A
EPS CAGR 11-13e	N/A	Avg ROCE 09-13e	N/A	Interest cover 12e	N/A
EBITDA CAGR 09-13e	N/A	ROE 12e	N/A	CA/CL 12e	N/A
EBITDA CAGR 11-13e	N/A	Gross margin 12e	N/A	Stock turn 12e	N/A
Sales CAGR 09-13e	N/A	Operating margin 12e	N/A	Debtor days 12e	N/A
Sales CAGR 11-13e	N/A	Gr mgn / Op mgn 12e	N/A	Creditor days 12e	N/A

Company details	
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www.gulfsands.com	

Principal shareholders	%
Waterford Finance & Investments Ltd	19.3
Schroder Investment Management	16.9
Abdul Rahman Kayed	9.8
Nordman Continental S.A.	7.4
Al-Mashrek Global Invest Ltd	6.0
Soyuzneftegas Capital Ltd	5.1

Forthcoming announcements/catalysts	Date *
Sidi Dhaher well test	Mid - June
*Note: * = estimated*	

Management team

CEO: Richard Malcolm

A professional geoscientist with over 29 years of varied oil & gas experience, Richard Malcolm began his career as a petroleum geologist with Woodside Offshore Petroleum Ltd (Perth, Australia). He then spent 10 years with Ampolex (Perth), followed by two years with Mobil Australia as manager for Papua New Guinea. In 1999, he joined OMV where he was appointed managing director for OMV UK, the position he held until his appointment as CEO of Gulfsands.

Executive Director & President: Mahdi Sajjad

Mr Sajjad joined Gulfsands in 1998.He became an executive director in 2005 and before his current role he was previously VP of international development at Gulfsands. Prior to joining Gulfsands Mr Sajjad marketed products and engineering services in the Middle East as well as being involved in founding and financing a number of resource companies with interests in the Middle East.

Chairman: Andrew West

Andrew West is an investment banker with nearly 25 years of experience in London and New York. For the past several years, he has been working independently. He is currently a non-executive director of several companies. He has considerable experience as an adviser in the oil & gas sector.

Companies named in this report
GPC, Woodside, OMV, Mobil