



**AIM: GPX**  
**4 April 2011**

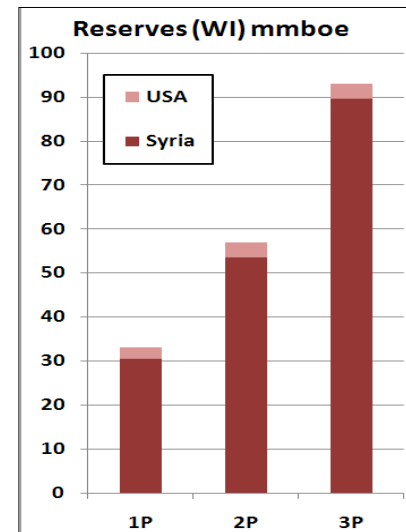
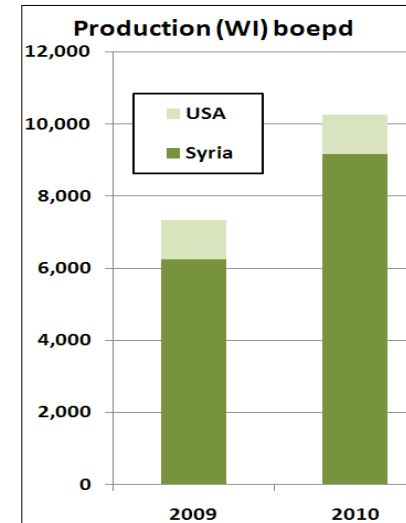
## **2010 Annual Results Presentation**

# Agenda

- Key 2010 Accomplishments
- Financial Results
- Guidance for 2011
- Reserves
- Achievements & Objectives
- Forward Plans

# Key 2010 Accomplishments

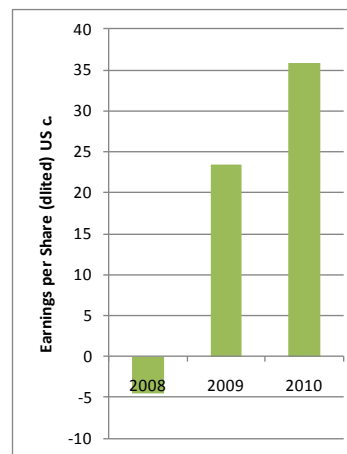
- 47% increase in Syria WI production and 17% net increase in Syria 2P WI reserves
- Excellent reservoir performance from both oil producing fields in Syria, Khurbet East & Yousefieh
- Saipem awarded the contract to build the CPF for Euro 94 MM gross with first oil targeting 4Q 2012
- Farm-in to two exploration permits in Tunisia, one onshore and one offshore
- All operations fully funded through strong cash flow
- Divestment of US assets commenced



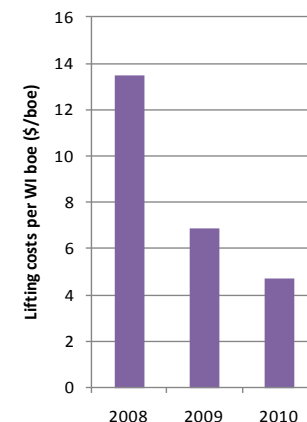
# 2010 Financial Highlights

- Revenues +37% to \$115.6mm
- Profit after tax +58% \$44.7mm
- Cash from Operations +61% to \$70.2mm
- Syria continues to be extremely low cost:
  - lifting costs down to \$1.9/bbl vs. \$2.3/bbl in 2009 (working interest basis)
  - finding costs (inception to date) \$0.82/bbl (before cost recovery)
- Net cash deficit of US business cut to \$3.3 mm vs. \$13.0 mm in 2009
  - \$9.8 mm inflow Q1 2011 from asset sale
- Free cash at year-end of \$80.6mm (currently > \$100mm)

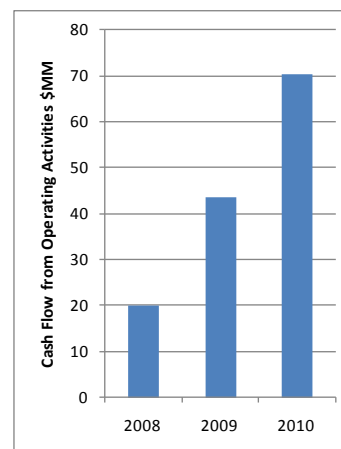
Earnings per share\*



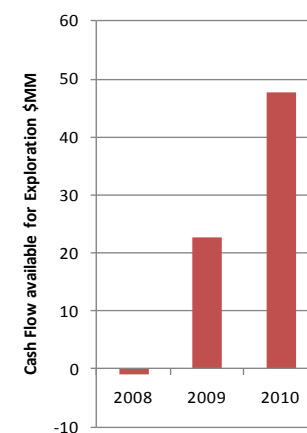
Lifting cost per boe\*



Operating Cash Flow



Cash Flow for Exploration\*



\* Key Performance Indicators

# Reserves

## Working Interest Reserves Summary

|                                  | Syria       |            | USA        |             | Group       |            |
|----------------------------------|-------------|------------|------------|-------------|-------------|------------|
|                                  | mmbbl       | +/- %      | mmboe      | +/- %       |             | +/- %      |
| <u>Reserves by Category</u>      |             |            |            |             |             |            |
| Proved                           | 30.5        | 44%        | 2.5        | -31%        | 33.0        | 33%        |
| <b>Proved &amp; Probable</b>     | <b>53.6</b> | <b>17%</b> | <b>3.3</b> | <b>-30%</b> | <b>56.9</b> | <b>12%</b> |
| Proved, Probable & Possible      | 89.6        | 9%         | 3.5        | -30%        | 93.1        | 7%         |
| <u>Movements in P+P reserves</u> |             |            |            |             |             |            |
| At 31 Dec 2009                   | 46.0        |            | 4.7        |             | 50.7        |            |
| Discoveries & additions          |             |            |            |             |             |            |
| Disposals                        |             |            | -1.2       |             | -1.2        |            |
| Revisions                        | 11.9        |            | 0.2        |             | 11.1        |            |
| less production                  | -3.3        |            | -0.4       |             | -3.7        |            |
| <b>At 31 Dec 2010</b>            | <b>53.6</b> |            | <b>3.3</b> |             | <b>56.9</b> |            |
| <i>underlying increase</i>       | <b>24%</b>  |            | 4%         |             | 22%         |            |

Syria increase almost entirely due to higher oil-in-place

# Income Statement

|  | 2010         | 2009              | Increase   |   |
|--|--------------|-------------------|------------|---|
|  | \$ MM        | restated<br>\$ MM | %          |   |
| <b>Revenue</b>                         | <b>115.6</b> | <b>84.4</b>       | <b>37%</b> | Mainly oil price driven : entitlement prod'n up 6%  |
| Depletion                              | (17.0)       | (11.9)            |            | US depletion > doubled to \$5.7mm vs. \$2.4 mm  |
| Impairment                             | (3.8)        | (6.4)             |            | Second US assets sale : write down to sale value  |
| Other cost of sales                    | (18.0)       | (19.3)            |            | US : lower repair costs, sale of assets   |
| <b>Gross Profit</b>                    | <b>76.8</b>  | <b>46.9</b>       | <b>64%</b> |   |
| G&A excluding exceptionals             | (24.2)       | (14.9)            |            | Staff costs, business devt., professional fees<br>Syria: \$1.1mm incr. in NPI + \$2.3 mm one-offs |
| FX gains (losses)                      | (1.0)        | 0.5               |            | Losses on £ balances, timing differences  |
| Share-based payments                   | (2.5)        | (1.1)             |            | Change to "successful efforts" accounting   |
| Dry hole costs                         | (5.5)        |                   |            | Write-back of 2009 provision  |
| Hurricane repairs                      | 0.8          | (2.3)             |            |   |
| Profit on disposal of oil & gas assets | 1.1          |                   |            | Profit on first US assets sale (H1 2010)  |
| <b>Operating Profit</b>                | <b>45.5</b>  | <b>29.0</b>       | <b>57%</b> |   |
| Unwind of decomm. provision discount   | (1.1)        | (1.1)             |            |   |
| Net Interest Income                    | 0.2          | 0.3               |            |   |
| <b>Pretax Profit</b>                   | <b>44.7</b>  | <b>28.3</b>       | <b>58%</b> |   |
| Tax                                    | 0.0          | (0.0)             |            |   |
| <b>Net Profit for Period</b>           | <b>44.7</b>  | <b>28.3</b>       | <b>58%</b> |   |
| <i>earnings per share (diluted)</i>    | <i>35.9</i>  | <i>23.4</i>       | <i>53%</i> |   |

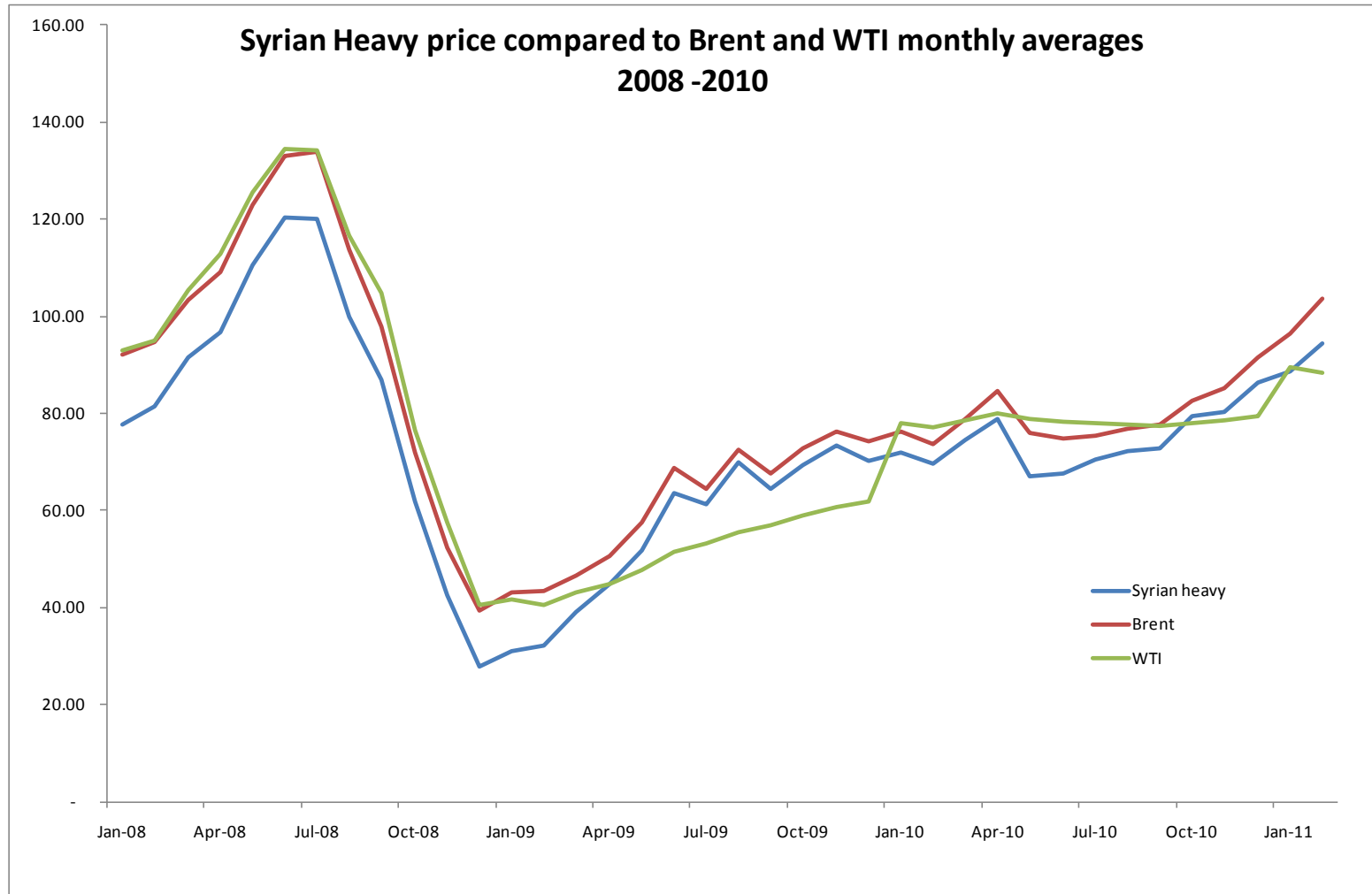
Note : owing to rounding the column subtotals may not add exactly

# Production & Sales Prices

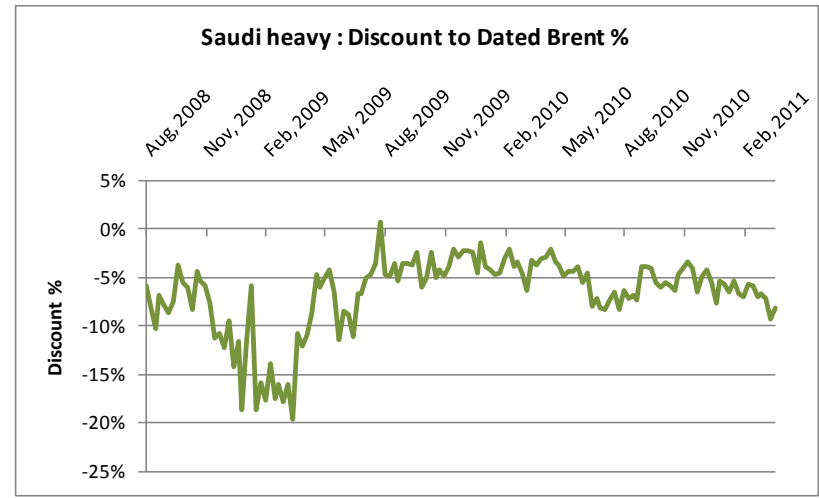
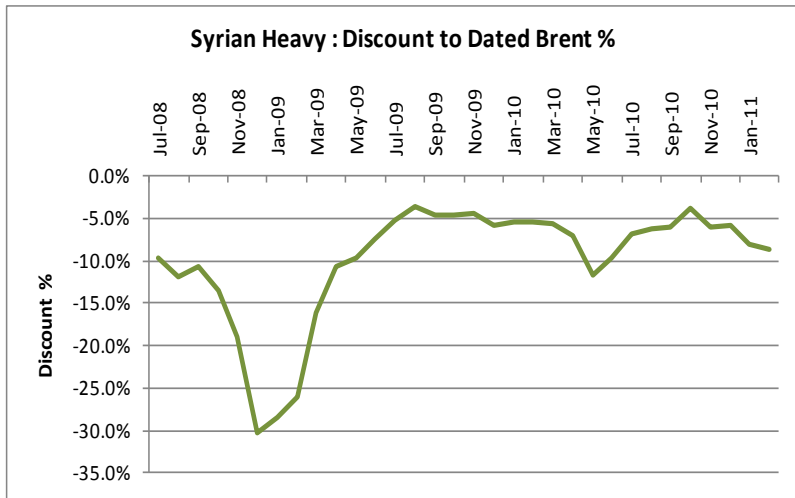
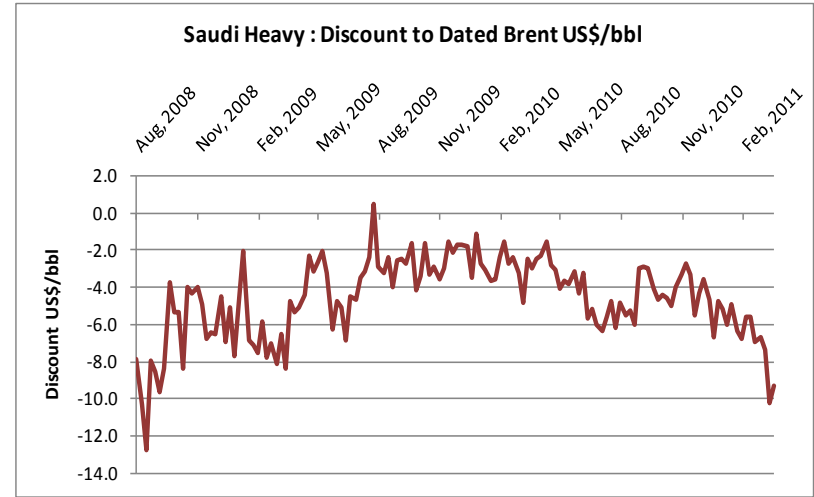
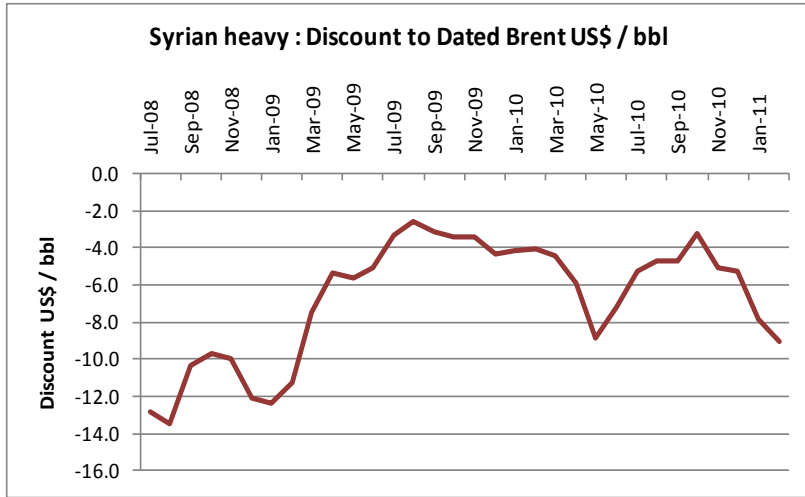
|              | Working Interest Production |              |            | Entitlement Production |              |           | Entmt / WI % | Average Sales Price |              | Premium / (discount) to Brent | Prem/(disc) to Henry Hub |
|--------------|-----------------------------|--------------|------------|------------------------|--------------|-----------|--------------|---------------------|--------------|-------------------------------|--------------------------|
|              | Oil bopd                    | Gas mcf/d    | boe +/- %  | Oil bopd               | Gas mcf/d    | boe +/- % |              | Oil US\$/bbl        | Gas US\$/mcf | Oil US\$/bbl                  | Gas US\$/mcf             |
| <b>2010</b>  |                             |              |            |                        |              |           |              |                     |              |                               |                          |
| Syria        | 9,165                       | -            | 47%        | 3,636                  | -            | 8%        | 40%          | 74.6                | -            | (4.9)                         | n/a                      |
| USA          | 479                         | 3,613        | -1%        | 379                    | 2,727        | -1%       | 77%          | 76.5                | 5.1          | (2.9)                         | 0.8                      |
| <b>Total</b> | <b>9,644</b>                | <b>3,613</b> | <b>40%</b> | <b>4,015</b>           | <b>2,727</b> | <b>6%</b> |              |                     |              |                               |                          |
| <b>2009</b>  |                             |              |            |                        |              |           |              |                     |              |                               |                          |
| Syria        | 6,249                       | -            |            | 3,367                  | -            |           | 54%          | 57.3                | -            | (4.4)                         | n/a                      |
| USA          | 503                         | 3,526        |            | 399                    | 2,669        |           | 77%          | 60.5                | 3.9          | (1.2)                         | (0.1)                    |
| <b>Total</b> | <b>6,752</b>                | <b>3,526</b> |            | <b>3,766</b>           | <b>2,669</b> |           |              |                     |              |                               |                          |

Achieving full recovery of past costs in H2 2009 caused Syrian Govt. share of oil to rise year-on-year

# Syria : Realised Oil Prices



# Syrian Heavy : discount to Brent



# Segmental Performance

|  | <b>Syria</b> | <b>Tunisia</b> | <b>USA</b>   | <b>London</b> | <b>Total</b> |
|--|--------------|----------------|--------------|---------------|--------------|
|  | \$MM         | \$MM           | \$MM         | \$MM          | \$MM         |
| <b>External Revenue</b>                              | <b>99.0</b>  |                | <b>16.6</b>  |               | <b>115.6</b> |
| Depletion (oil & gas properties)                     | (11.4)       |                | (5.7)        |               | (17.0)       |
| Impairment   |              |                | (3.8)        |               | (3.8)        |
| Dry hole costs                                       | (5.5)        |                |              |               | (5.5)        |
| Other cost of sales                                  | (6.4)        |                | (11.6)       |               | (18.0)       |
| G&A (excluding share based payments)                 | (11.8)       | (0.3)          | (3.0)        | (9.1)         | (24.2)       |
| FX gains / (losses)                                  |              |                |              | (1.0)         | (1.0)        |
| Share-based payments                                 |              |                |              | (2.5)         | (2.5)        |
| <b>Operating Profit / (Loss) before other income</b> | <b>63.9</b>  | <b>(0.3)</b>   | <b>(7.4)</b> | <b>(12.6)</b> | <b>43.6</b>  |
| Hurricane repairs                                    |              |                | 0.8          |               | 0.8          |
| Profits on sale of assets                            |              |                | 1.1          |               | 1.1          |
| <b>Operating Profit</b>                              | <b>63.9</b>  | <b>(0.3)</b>   | <b>(5.5)</b> | <b>(12.6)</b> | <b>45.5</b>  |
| Net interest & decomm prov'n unwind                  |              |                | (1.1)        | 0.2           | (0.9)        |
| <b>Pretax Profit / (Loss)*</b>                       | <b>63.9</b>  | <b>(0.3)</b>   | <b>(6.6)</b> | <b>(12.4)</b> | <b>44.6</b>  |
| <i>*before intra-group interest</i>                  |              |                |              |               |              |
| <b>EBITDA</b>  | <b>80.8</b>  | <b>(0.3)</b>   | <b>4.0</b>   | <b>(12.6)</b> | <b>71.9</b>  |

Note : owing to rounding the column subtotals may not add exactly

# Unit Profits & Cash Flow / boe (working interest)

## Unit Revenues and Costs (per Working Interest boe)

|   | Syria          |                | USA            |                |
|---|----------------|----------------|----------------|----------------|
|   | 2010<br>\$/boe | 2009<br>\$/boe | 2010<br>\$/boe | 2009<br>\$/boe |
| <b>Brent</b>                                    | <b>79.5</b>    | <b>61.7</b>    | <b>n/a</b>     | <b>n/a</b>     |
| less Discount                                   | (4.9)          | (4.4)          | n/a            | n/a            |
| <b>Gross Revenue</b>                            | <b>74.6</b>    | <b>57.3</b>    | <b>51.1</b>    | <b>41.2</b>    |
| less royalties and production share             | (45.0)         | (26.4)         | (11.4)         | (9.4)          |
| <b>Net Revenue</b>                              | <b>29.6</b>    | <b>30.9</b>    | <b>39.8</b>    | <b>31.8</b>    |
| Production and transport costs                  | (1.9)          | (2.3)          | (27.7)         | (32.0)         |
| <b>Operating Cash Flow</b>                      | <b>27.7</b>    | <b>28.6</b>    | <b>12.1</b>    | <b>(0.2)</b>   |
| Depletion                                       | (3.4)          | (4.3)          | (13.6)         | (4.5)          |
| Decommissioning accrual                         | -              | -              | (2.7)          | (2.5)          |
| <b>Operating profit / (loss) before G&amp;A</b> | <b>24.3</b>    | <b>24.3</b>    | <b>(4.2)</b>   | <b>(7.2)</b>   |

# Cash Flow Statement

|  | <b>2010</b>   | <b>2009</b>     | <i>Increase</i> |
|--|---------------|-----------------|-----------------|
|  |               | <i>restated</i> |                 |
|  | \$ MM         | \$ MM           | %               |
| Operating Profit                             | 45.5          | 29.0            |                 |
| DD&A + Impairment + dry hole costs           | 27.0          | 18.8            |                 |
| Decommissioning costs in excess of provision | 2.1           | 0.7             |                 |
| Share based payment charge                   | 2.5           | 1.1             |                 |
| Profit on disposal of assets                 | (1.1)         | (0.3)           |                 |
| Working capital movements                    | (6.5)         | (6.0)           |                 |
| Cash provided by Operations                  | 69.6          | 43.3            |                 |
| Interest & Tax                               | 0.6           | 0.2             |                 |
| <b>Net Cash from Operating Activities</b>    | <b>70.2</b>   | <b>43.5</b>     | <b>61%</b>      |
| Exploration capex                            | (25.5)        | (5.4)           |                 |
| Development capex + increase in inventory    | (16.8)        | (19.8)          |                 |
| Other capex                                  | (1.1)         | (0.6)           |                 |
| Disposal of oil & gas assets                 | 1.1           | 0.5             |                 |
| Decommissioning costs paid                   | (2.5)         | (2.1)           |                 |
| (Increase)/reduction in escrow balances      | (3.2)         | 1.2             |                 |
| <b>Total net capex</b>                       | <b>(48.0)</b> | <b>(26.3)</b>   | <b>83%</b>      |
| Proceeds of share issues & options exercise  | 0.8           | 3.6             |                 |
| <b>Increase in Cash</b>                      | <b>23.0</b>   | <b>20.8</b>     | <b>10%</b>      |

One-off extension to payment terms in Syria

Increased emphasis on exploration

Increase in % collateral requirement in US

Note : owing to rounding the column subtotals may not add exactly

# Capital Expenditure Detail

|                       | Syria       | Tunisia     | USA        | Other      | TOTAL       |
|-----------------------|-------------|-------------|------------|------------|-------------|
| <b>2010</b>           |             |             |            |            |             |
| Development*          | 14.0        |             | 2.8        |            | 16.8        |
| Exploration           | 9.6         | 15.9        |            |            | 25.5        |
| Other                 | 1.0         |             |            | 0.1        | 1.1         |
| <b>Total Capex</b>    | <b>24.6</b> | <b>15.9</b> | <b>2.8</b> | <b>0.1</b> | <b>43.4</b> |
| Decommissioning costs |             |             | 2.5        |            | 2.5         |
| <b>2009</b>           |             |             |            |            |             |
| Development*          | 16.5        |             | 3.3        |            | 19.8        |
| Exploration           | 5.4         |             |            |            | 5.4         |
| Other                 | 0.3         |             |            | 0.3        | 0.6         |
|                       | <b>22.2</b> | <b>0.0</b>  | <b>3.3</b> | <b>0.3</b> | <b>25.8</b> |
| Decommissioning costs |             |             | 2.1        |            | 2.1         |

*\* includes movements in inventory*

# Balance Sheet

|                                      | 2010         | 2009                     |   |
|--------------------------------------|--------------|--------------------------|---|
|                                      | \$ MM        | <i>restated</i><br>\$ MM |   |
| <b>ASSETS</b>                        |              |                          |   |
| Property Plant & Equipment           | 63.9         | 76.5                     |   |
| Intangible Assets                    | 31.0         | 7.1                      | Twaiba, Lambouka, seismic                             |
| Long Term Financial Assets           | 9.6          | 12.0                     | Cash collateral for decommissioning bonds             |
| <b>Total non-current Assets</b>      | <b>104.4</b> | <b>95.6</b>              |   |
| Inventory                            | 4.0          | 4.2                      |   |
| Trade & other Receivables            | 35.6         | 21.9                     | Cash balances now over \$100 mm                       |
| Cash                                 | 80.6         | 57.6                     | Cash collateral for decommissioning bonds             |
| Short Term Financial Assets          | 5.6          |                          | Cash collateral for decommissioning bonds             |
| Assets held for sale                 | 12.7         |                          | 2 <sup>nd</sup> US asset sale : closed after year-end |
| <b>Total Current Assets</b>          | <b>138.5</b> | <b>83.7</b>              |   |
| <b>LIABILITIES</b>                   |              |                          |   |
| Trade & other Payables               | 23.1         | 13.4                     |   |
| Provision for decommissioning        | 7.5          | 3.7                      |   |
| Liabilities of assets held for sale  | 8.6          |                          | 2 <sup>nd</sup> US asset sale : closed after year-end |
| <b>Total Current Liabilities</b>     | <b>39.2</b>  | <b>17.1</b>              |   |
| Provision for decommissioning        | 20.7         | 27.9                     |   |
| <b>Total non-current liabilities</b> | <b>20.7</b>  | <b>27.9</b>              |   |
| <b>NET ASSETS</b>                    | <b>183.0</b> | <b>134.2</b>             |   |

Note : owing to rounding the column subtotals may not add exactly

# 2011 Guidance

- Average working interest production :
  - Syria : ~ 11,000 bopd
  - US : ~ 600 boepd
- Lifting costs in Syria :
  - No further trucking costs (\$0.50/WI bbl in 2010)
  - Increase in export pipeline tariff from \$0.75 to \$1.30/WI bbl
  - Production costs broadly unchanged from 2010 (\$0.65/WI bbl)
- G&A :
  - Similar to 2010
- Capital expenditure :
  - ~\$100 MM in total of which c. 1/3 exploration
  - 90% of capex in Syria
- Other :
  - DD&A (per entitlement boe) : \$8/bbl in Syria, \$16/boe in US
  - \$9.8 mm of cash received Q1 for part-sale of US assets

All financeable out of operating cash flow if Brent exceeds \$ 80/bbl

# Achievements & Objectives

## 2010 ACHIEVEMENTS

### SYRIA

- KHE production now at EPF capacity, Yousefieh brought on stream in April.
- Pipeline to Tel Addas completed, replacing trucking operation
- Contract for 50,000 bfpd CPF awarded to Saipem
- 5 exploration and 6 development wells drilled, 1060 km<sup>2</sup> 3D seismic acquired.

### TUNISIA

- Farm-in to 1 onshore & 2 offshore blocks
- 640 km<sup>2</sup> 3D seismic acquired H1 2010 on Kerkouane
- Potential offshore gas discovery : mean raw GIIP estimated at 296 bcf

## 2011 OBJECTIVES

### SYRIA

- Drill 6 exploration wells and 5 development wells
- Production to reach 24,000 bopd gross (12,000 bopd WI) by year-end
  - Add temporary EPF capacity at KHE
- Acquire at least one new block

### TUNISIA

- Drill at least one exploration well
- Establish potential for commercial gas development offshore

# Achievements & Objectives (contd)

## 2010 ACHIEVEMENTS

### USA

- Sold 2 packages of properties totalling c. 25% of reserves (2<sup>nd</sup> sale closed in Jan 11)
- WI production unchanged at 1,143 boed (42% oil)
  - Excludes sold production of 440 boed from 1 May

### BUSINESS DEVELOPMENT

- Management of relationships in Iraq through formation of new Government
- Dedicated New Ventures Manager hired, numerous farm-in opportunities reviewed

## 2011 OBJECTIVES

### USA

- Complete divestment of US assets

### BUSINESS DEVELOPMENT

- Secure a project in Iraq
  - Maysan stalled, but seeking similar opportunities in partnership with major oil companies
  - Tender for 12 exploration blocks Nov 2011
- Seek another country entry within the MENA region

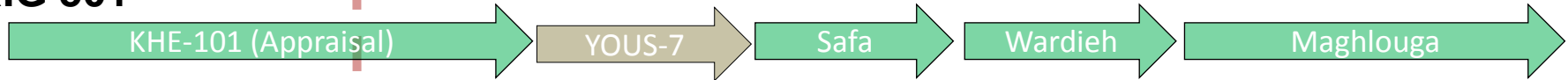
# Gulfsands 2011 Drilling Programme

Mean unrisks net potential of 200 mmbo; ~\$10 MM capex post-cost recovery

## RIG 401



## RIG 501



### Block 26 Syria

### Chorbane Block Tunisia

## CHALLENGER RIG



Q1 2011

Q2 2011

Q3 2011

Q4 2011

# Road Map : Now to End 2012

- **Exploration**
  - Up to twelve exploration prospects to be drilled in Block 26
  - New exploration acreage onshore and offshore Syria
  - Two exploration wells in Tunisia
  - Replenished exploration portfolio in new areas of MENA region
- **Development**
  - Khurbet East CPF completed
  - One new project development to be identified
- **Production**
  - Stable oil production of 16-17,000 bopd at end 2012
- **Reserves**
  - Significantly increased reserves base primarily through exploration
- **Cash Flow**
  - Operating Cash Flow in 2013 estimated at ~\$150MM @ \$95 Brent



[www.gulfsands.com](http://www.gulfsands.com)