

17 September 2010

Gulfsands Petroleum

Year End	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/08	53.6	(0.9)	0.9	0.0	484.2	N/A
12/09	84.4	33.7	28.3	0.0	15.4	N/A
12/10e	115.5	50.4	41.3	0.0	10.6	N/A
12/11e	138.4	73.1	60.0	0.0	7.3	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items. Assumes \$1.5/£.

Investment summary: Headlining Damascus

The establishment of low-cost production in Syria has been the primary driver of Gulfsands Petroleum's share price over the past 12 months. Shares now trade in line with our core NAV of 290p, suggesting this is now largely priced into the stock. The message from management as it presents 2010 interims is that there remains further exploration upside potential in Syria. Having extended its exploration licence in Syria to August 2012, Gulfsands' five well exploration programme over the next six months provides numerous catalysts to unlock further upside potential, with limited downside risk given the low cost of drilling (c \$3.5m per well).

Syria: Low-cost production generating strong cash flow

Syria has low operating and development costs. With current oil prices, and Gulfsands working to remove production bottlenecks, we are forecasting cash flow generation of \$73m in 2010. This should be sufficient to cover the \$56m of exploration and development spend we expect in 2010, particularly when taking into consideration the \$68.6m net cash position of the group at H110.

Tunisian assets: Longer-term potential

The recent farm-in to ADX's Tunisian and Italian assets marks a first step in Gulfsands growing its assets in the Middle East and neighbouring Islamic countries. With much of the current drilling programme focused on Syria, the impact of these assets is unlikely to come into play in the near term. Gulfsands sees the onshore Chorbane prospect as its key foothold in Tunisia, which can be quickly commercialised in the event of a success, given nearby infrastructure and the availability of expertise through its Damascus-based team. While the Lambouka well outcome is inconclusive, a future sidetrack could give more promising results.

Valuation: Upside to come from exploration activity

Our core NAV of 290p has increased from our February 2010 valuation of 258p, largely due to a better net cash position and the US\$/£ exchange rate. Our RENAV of 330p highlights the upside potential of the Syrian assets, where the current drilling programme is focused. At present we are ascribing no value for the Tunisian assets, but this has the potential to change with further exploration activity.

Price 290.5p
Market Cap £352m

Share price graph



Share details

Code GPX
Listing AIM
Sector Oil & Gas
Shares in issue 121m

Price

52 week High 338p Low 221p

Balance Sheet as at 30 June 2010

Debt/Equity (%) N/A
Core NAV per share (p) 290
RENAV per share (p) 330
Net cash (\$m) 68.6

Business

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

Valuation

	2009	2010e	2011e
P/E relative	156%	107%	86%
P/CF	12.5	7.2	5.7
EV/Sales	5.5	3.9	3.0
ROE	24%	27%	28%

Revenues by geography

UK	Europe	US	Other
0%	0%	10%	90%

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Investment summary: New frontiers being built

Company description: Building an Islamic region asset base

Gulfsands Petroleum (Gulfsands) is an oil & gas exploration and production company with interests in Syria, Tunisia, the US and Iraq. The company is focused on expanding its operations in the Middle East and North Africa (MENA) region and counts Syria as its core area of operation. In Syria, Gulfsands operates two fields, Khurbet East and Yousefieh, both of which are currently producing. The recently acquired Tunisian assets tie in well with its MENA-focused strategy and are expected to be part of its core asset base. With Syria and Tunisia gaining importance, the US assets have now become non-core and may be disposed of. Gulfsands is also pursuing a midstream project in Iraq (Maysan) to capture and commercialise gas from fields where it is currently being flared. The rationale for this investment is to increase the company's credibility in the region and participate in future E&P projects.

Valuation: Core NAV of 290p, RENAV of 330p

The principal contribution to our core NAV comes from Gulfsands' Syrian assets. To value the Khurbet East field, we assume its crude oil output is sold at a \$6.5/bbl discount to Brent crude and Gulfsands exits 2010 with gross production of c.18,000bbl/d moving towards c.27,000bbl/d in 2013, when we expect full field facilities to be in place. We have also assumed that Yousefieh will be fast-tracked with a dedicated EPF module in 2012, with production increasing from c.4,000 boepd by end 2010 to c.6,000 boepd by end 2012. Our long-term (2012+) oil price assumption is \$60/bbl and we apply a 10% discount rate. This gives 238p of value for Khurbet East and a further 27p for Yousefieh. At present all the exploration upside comes from the Syrian assets, while Tunisia has the potential to add to this depending on the outcome of further exploration activity.

Sensitivities: Exploration outcome and oil price

Investors in Gulfsands should be aware of a number of drivers that are likely to impact the share price. The two most significant are exploration risk and the oil price.

- **Exploration activity:** With Gulfsands embarking on exploration activity, a good or bad outcome could have a material impact on the share price.
- **Oil price:** Gulfsands is an oil producer and it has relatively low-cost operations in Syria, making it highly geared to the oil price.

In addition, investors should be aware of the political risks of operating in Syria.

Financials: Adequately funded, generating significant cash flows

2010 revenues are expected to rise by 37% as production from Syria increases as a result of work to remove production bottlenecks (this is expected to be H210 weighted). We are assuming that the oil price stays around current levels for the year. This ramp in revenues should also see an increase in operating cash flow, which we expect to increase from \$43.3m in 2009 to \$73m in 2010. This, together with the net cash position of \$68.6m at 30 June 2010, leaves Gulfsands in a position to comfortably finance its exploration and development expenditure for 2010, estimated to be around \$59m for the full year.

Company description: Unearthing Syrian potential

Syria: Untapping Block 26

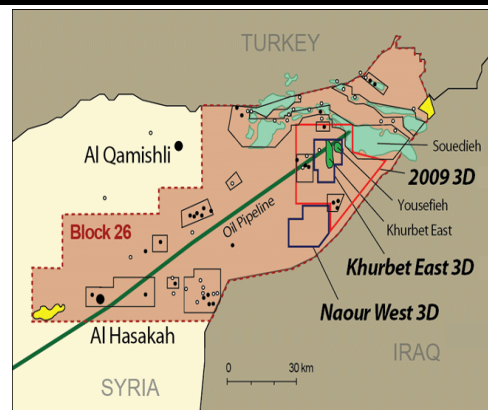
Gulfsands' core asset is its 50% interest in Block 26 in the north-east corner of Syria (Exhibit 1). The company is the operator of the block and shares the contract with Sinochem, a Chinese company. Gulfsands operates in Syria under a production sharing agreement (PSC). The terms of the PSC include a 12.5% royalty, cost recovery allowance and sharing of the resultant profit oil by the contractors (50% Gulfsands and 50% Sinochem).

Exhibit 1: Syrian blocks



Source: Gulfsands Petroleum

Exhibit 2: Block 26 detail



Source: Gulfsands Petroleum

The block, located in a historically prolific oil region, covers an area of 5,414km² and contains several producing fields owned by the Syrian Petroleum Company (SPC), which have been carved out of the current licence. The first two exploration wells drilled by Gulfsands on Souedieh North and Tigris were dry; however, the third and fourth struck oil in Khurbet East (2007) and Yousefieh (2008), respectively. Gulfsands is producing from the Khurbet East and the Yousefieh field, which started production in April 2010. The company recently received an extension of two years on the exploration period, giving it until August 2012 to fully explore the area.

Khurbet East field

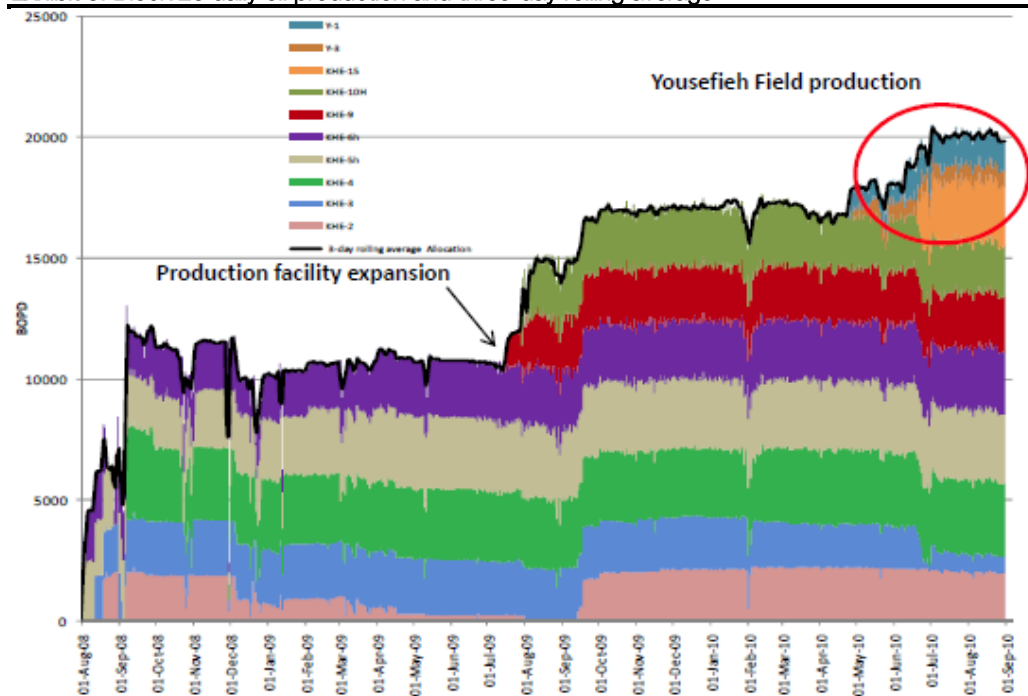
Khurbet East (Exhibit 2) was discovered in 2007 with the KHE-1 well and has P2 reserves of nearly 38mmbbls (as at December 2009). The reservoir is situated in the Cretaceous Massive A formation at a depth of approximately 1,500m. This formation represents the reservoir of the nearby Souedieh field, the largest oil find in Syria, owned by SPC and currently producing c 100,000bbl/d.

The field was brought on-stream in August 2008 with five wells and an initial production of 10,000bbl/d (gross) (Exhibit 3). In 2009, Gulfsands drilled seven more wells, of which four are producing, bringing the gross production to 17,400bbl/d. Development costs were low, with production well costs of \$2.7m and appraisal well costs of about \$3.5m. The operating expenditure per barrel is also low at around c.\$2/bbl, resulting in a development break-even point of around \$12-14/bbl. In 2010, Gulfsands has already drilled two additional wells of which one, the KHe-15H, was successful, producing nearly 2,500bbl/d. Going forward, the company plans to drill two more wells in the year, bringing the total wells drilled (appraisal and producing) to 18.

Initial production was processed through the Khurbet East early production facility (EPF) module with a capacity of 10,000bbl/d. In H109, Gulfsands expanded the processing facilities to 18,000bbl/d at a cost of \$6m. Going forward, the company plans to construct a central processing

facility (CPF) at a cost of c \$100m; the CPF will act as a hub for the development of other fields on the block. The company is expecting to float tenders for the construction of the facility in H210 and plans to increase capacity to 33,000bbl/d once it is completed at the end of 2012.

Exhibit 3: Block 26 daily oil production and three-day rolling average



Source: Gulfsands Petroleum

The Khurbet East field produces oil that has an API gravity of approximately 25°, lighter than that of Syrian Heavy crude oil. The oil is transported to SPC's facilities in Souedieh, nearly 33km from the field, where it is mixed with the Syrian Heavy crude oil and exported using SPC's infrastructure. The oil is currently trucked to the SPC terminal as the EPF does not allow a tie-back even though the distance is short. However, given the increased production and poor quality of roads, the company is constructing a 22km pipeline to the export terminal, which is expected to be finished by end-September 2010.

Yousefieh field

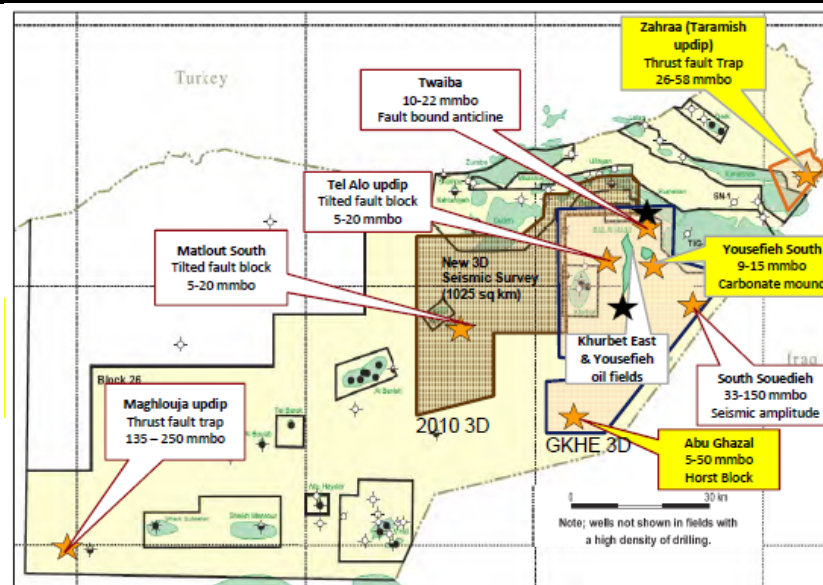
Yousefieh is the second play on Block 26, where Gulfsands has drilled four wells so far, striking oil just 3km away from the Khurbet East field in a Cretaceous formation c 2,140m (7,000ft) deep. Although Yousefieh is different to Khurbet East, it has shown very good reservoir properties, with gross 2P reserves of nearly 16mmbbls.

In April 2010, Gulfsands commenced production from two vertical wells, Yousefieh-1 and Yousefieh-3. The wells are currently producing 1800 bbl/d and we expect this to increase to 4,000bbl/d by end-2010 and 6,000bbl/d by end-2012. Gulfsands has opted to lease a local production facility from SPC, from where the processed oil will be transported through a 4" pipeline to existing oil storage tanks which are adjacent to the Khurbet East EPF. The Khurbet East field EPF, which is just 3km away, cannot process the Yousefieh production as it is currently operating at full capacity. The production facilities installed at Yousefieh possess sufficient capacity to handle production for at least the next two years; by then the full development facilities, with capacity to process 33,000bbl/d, will be available at Khurbet East.

Block 26 drilling programme

Going forward, Gulfsands plans to use two rigs to drill three further exploration wells in Block 26 before year-end. These include Yousefieh South, located approximately 2km south of the Yousefieh field; Zahraa-1, an updip in the north-east of the block to be drilled on a sole basis; and Abu Ghazal, the largest remaining identified undrilled structure in Block 26. Two further exploration wells are also planned in Q111 as yet undefined. Gulfsands also plan two further development wells before year end; delineation well KHE-18 to evaluate the north west flank of Kurbbet East, and KHE Deep to appraise the deeper objectives of gas in the Butmah and oil and gas in the Dolomite.

Exhibit 4: Block 26 2010 exploration summary



Source: Gulfsands Petroleum

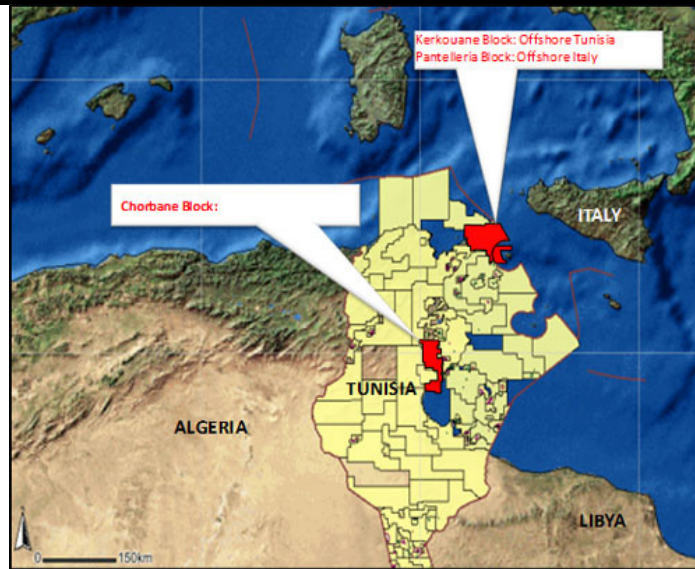
Tunisia: New acquisitions

In 2010, Gulfsands acquired interests in an onshore and offshore permit in Tunisia and an adjacent exploration permit in Southern Italy from ADX Energy. Gulfsands acquired 30% working interest positions in the Kerkouane Permit (offshore Tunisia) and the adjacent G.R15.PU, known as the Pantelleria Licence (offshore Italy) from subsidiaries of ADX. The company also secured a 40% working interest in the Chorbane permit (onshore Tunisia) from ADX, which operates all the permits. The permits tie in well with Gulfsands' strategy to focus on the MENA region. The reasonable terms and underexplored nature of the permits coupled with access to ready infrastructure and a stable environment in both countries make them very attractive. These prospects have a significant commercial viability because of:

- the availability of high-quality seismic data and established existence of a large tilted horst block across the Tunisian-Italian border;
- a stable operating environment and attractive fiscal terms in both Italy and Tunisia, which allow offshore fields in the order of 10-20mmboe to be developed economically (this provides the company an excellent risk/reward profile); and
- access to the attractive North African and European gas markets through the TRANSMED pipeline in both Tunisia and Italy.

Gulfsands is especially optimistic about the Chorbane prospect (onshore Tunisia) as there was an amplitude anomaly at the primary level, and the presence of a gas plant 60km away makes it easy to potentially commercialise the development.

Exhibit 5: Tunisian blocks

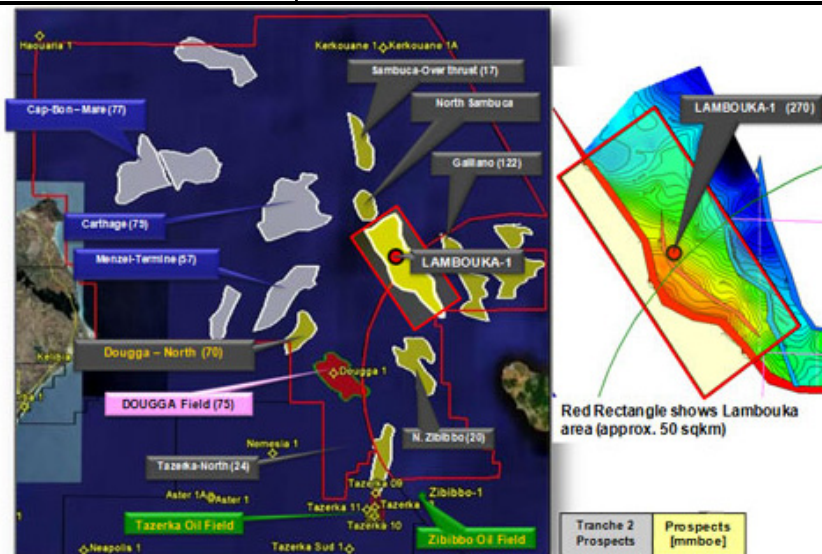


Source: Gulfsands Petroleum

G.R15.PU (Pantelleria) and Kerkouane

Gulfsands acquired a 30% working interest in the Pantelleria and Kerkouane permits situated in the Gulf of Hammamet offshore Tunisia and Italy (Sicily). These permits, which are adjacent to each other, cover a combined area of 4,504km² and contain multiple prospects and leads, the most important being the Lambouka (previously Sambuca) prospect. The Lambouka prospect, spread across both the Tunisian and Italian waters, is a large tilted horst block and is considered one of the largest remaining undrilled structures in the Mediterranean Sea.

Exhibit 6: Kerkouane and Pantelleria permits



Source: Gulfsands Petroleum

The 30% working interest in both permits was acquired by paying 35% of the cost of the recent Lambouka-1 appraisal well. The gross cost of the seismic programme was c \$5.2m and the gross cost of the Lambouka exploration well was c \$35m. Lambouka-1 indicated the possible presence

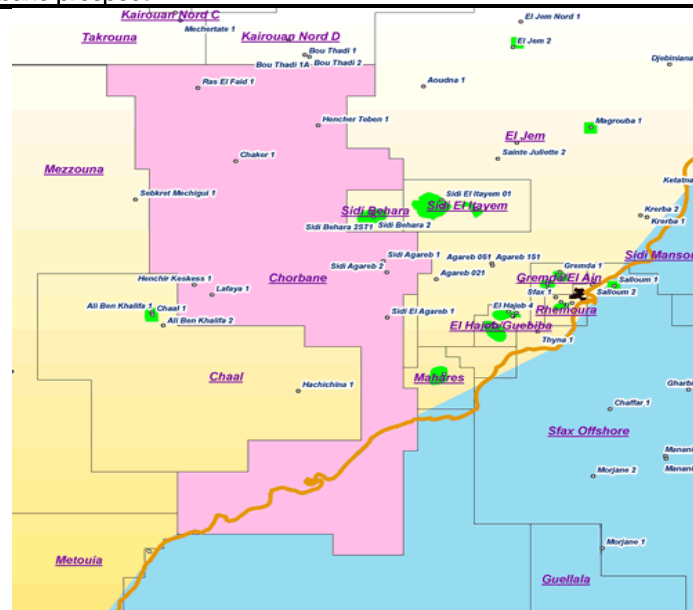
of gas in the Abiod Formation. Proper evaluation of the well proved impossible due to the poor and deteriorating condition of the well. This occurred because the well appears to have encountered multiple fractures in the reservoir, which resulted in large losses and caused the poor well conditions. While the well was planned to access matrix porosity and not fractures, the presence of fractures in a carbonate reservoir can be a positive indication of productivity. The JV has therefore decided to suspend the well with a view to sidetracking and evaluating at a later date.

Chorbane, onshore Tunisia

The Chorbane prospect, also a part of the Pelagian Basin, is spread over 2,428km² with mean prospective reserves of 37mmbbls of oil and 150bcf of gas from four wells. Gulfsands acquired a 40% interest in the permit by paying 80% of the cost of drilling the first exploration well, which is expected to be drilled in Q410.

The Chorbane prospect consists of a large tilted horst block called the Sidi Daher prospect, which has multiple target zones and a P50 resource potential of 55mmbbls of oil and 112bcf of gas. The prospect's location in Tunisia lends it a relatively stable operating environment with attractive economic terms. The prospect also provides access to the high-demand North African and European markets and gives the company an opportunity to take advantage of the extensive oil and gas infrastructure present in the area. The prospect has the potential to become a major gas supplier in Tunisia, which currently has only the offshore Miskar gas field, operated by British Gas.

Exhibit 7: Chorbane prospect



Source: ADX Energy

US: A mature portfolio

Gulfsands has a portfolio of 24 producing offshore and onshore fields (mostly as a non-operator) across 37 leases in the US, with working interests ranging between 2% and 53%. Its P2 reserves at the end of 2009 were 4.6mmbbls (on a working interest basis), comprising 46% oil and 54% gas. The ongoing after-effects of Hurricanes Gustav and Ike in 2008 and the pending repairs to third-party infrastructure led to a reduction in average production to 1,144boepd in 2009 from 1,433boepd and 2,575boepd in 2008 and 2007, respectively. However, with the completion of maintenance and workover programmes on existing wells, the company has managed to increase production to 1,364boepd in H110, with current production being nearly 1,400boepd.

Nevertheless, with the Syrian and Tunisian assets increasing in importance and given the mature nature of the US assets, the company continues to maintain the strategy of selective investment to maintain existing production levels, thus enhancing asset valuations, and is on a look out to dispose of the assets when market conditions are favourable. Divestments should release further cash to the group from abandonment provisions held in escrow accounts.

Iraq: Maysan, a midstream project

In 2005, Gulfsands signed a memorandum of understanding with the Iraqi Ministry of Oil to construct a gas gathering system in Southern Iraq. Estimates suggest that Iraq has gas reserves of more than 60tcf (Wood Mackenzie). In the Maysan and Northern Basra areas alone, 550mmscf/d is being flared (wasted as burnt fuel) as an unwanted by-product of producing the more valuable and easily marketable oil.

The Maysan project involves the engineering, design, procurement, construction and operation of a power plant, a natural gas gathering system with the capacity to process 450mmscf/d and product transmission pipelines. The concept design is phased in four steps. Initially a gathering system will be devised for 150mmcf/d of natural gas, which will be transformed into clean natural gas, LPG, condensate and sulphur. In addition, a 150MW power plant will be able to generate electricity from the dry gas. The project will then be expanded to connect additional fields and will include an LPG export terminal in southern Iraq.

Gulfsands estimates that Phase I will require around \$750m in capital expenditure. We believe that the company will retain a minority interest; between 10-30% will be funded through cash flow from Syria while the remaining 70-90% will be funded through debt and equity from Middle East focused investors. The rationale behind the Maysan project is to establish Gulfsands as a credible partner in the region and then seek stakes in upstream E&P projects.

Key management

Gulfsands' management team brings to the company years of experience in successfully managing E&P projects around the world. Key members include:

Andrew West, chairman: Andrew West is an investment banker with nearly 25 years of experience in London and New York. For the past several years, Mr West 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.

Mahdi Sajjad, president: Mahdi Sajjad is one of the founders of Gulfsands and brings an extensive network of contacts in the Middle East and neighbouring countries. An Iraqi national, he spent the early 1980s working for a consortium of UK engineering companies in the Middle East and Africa before joining IDC in Dubai in 1998, eventually acting as a managing director. Between 1998 and 2005 he was also director of Oil & Minerals Development Corporation in Dubai.

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

Andrew Rose, CFO: Andrew Rose was the former CFO of Burren Energy, an independent UK oil & gas company acquired by ENI, an Italian oil major, in January 2008. Mr Rose, who holds a BSc in engineering from Cambridge University, joined Burren Energy as CFO in 2001, when it was a private company. Before this, Mr Rose was head of corporate finance for Eastern Europe, Middle East and Africa at Société Générale.

Sensitivities: Exploration success the key to upside

Commodities prices: Syria has low break-even prices

Gulfsands' operations in Syria are onshore with very low operating and development costs. We estimate that the Khurbet Field will break even at c \$12-13/bbl. On the other hand, the US operations are located in the Gulf of Mexico with higher operating costs in the \$20-25/boe range and are therefore more sensitive to oil and gas price fluctuations.

Political risk: US policy suggests less of an issue

Political risk is probably the most sensitive aspect for Gulfsands. Although we believe that conducting business in Syria is relatively safe, Gulfsands may have issues with the US government concerning its relationships with local authorities and the Syrian State Oil Company (many employees are Syrian and are based in the country). Because of the sanctions imposed by the previous US administration, the company cannot transfer financial resources from the US to Syria and vice-versa. Sanctions can also be applied to individuals and we understand that the US administration applied them to the owner of an investment fund with a 6% interest in the company.

In Iraq, the Maysan project is located in the Shia provinces in the south-east region of the country. The most obvious difficulty is the security situation and the slow speed of progress on projects from the Iraq government. We have attached no value to the Maysan projects, leaving plenty of room for upside should the situation improve.

Exploration risk: Upside dependent on successful exploration

Exploration is inherently uncertain. In the short term, the exploration risk in Syria is low as Gulfsands is focused on developing the Khurbet East and Yousefieh fields. In the Gulf of Mexico, the company plans to drill appraisal/development wells in mature proven areas that could easily be tied-back to existing facilities. In Tunisia, the geographical spread of the assets and presence of most of its prospects near other prolific fields reduces risk. Further, Tunisia is well developed in terms of oil exploration and has good infrastructure and strong government support.

Valuation: Exploration upside from Syria

We are raising Gulfsands' RENAV to 330p from 301p (February 2010), assuming a long-term (2012+) Brent price of \$60/bbl. The RENAV takes into consideration the reduction of production forecasts for the Syrian assets mainly due to the delay in deployment of the Yousefieh assets, and the addition of Tunisian assets to the company's portfolio. We have also included Twaiba and Abu Ghazal which we value at 19p risked (41p unrisked). If Abu Ghazal, a robust structural closure targeting 5-18mmboe of unrisked resources, is successful, it offers the highest potential upside of the Syrian prospects at c 50mmboe.

To value the Khurbet East field, we assumed its crude oil output to be sold at a \$6.5/bbl discount to Brent crude and gross production of c.18,000bbl/d by end 2010 moving towards c.27,000bbl/d in 2013, when full field facilities will be in place. We also assumed that Yousefieh will be fast-

tracked with a dedicated EPF module in 2012, with production increasing to 6,000boepd in 2012. In Tunisia, we assumed revenues to come from the Lambouka and Chorbane fields, which are expected to come on-stream by 2014 and 2012, respectively. We have valued the Lambouka field assuming a gas case, forecasting an initial production of 13,000boepd in 2014 and increasing to ~23,000boepd in 2014, when the Italian part of the asset comes on-stream. The Chorbane asset is expected to be low risk, with initial production of 8,000boepd in 2012 and increasing to 15,000boepd in 2014.

Exhibit 8: Gulfsands valuation table

Assets	Country/ Licence	WI %	Hydroc. Fluid	Net Capex \$m	CoS %	Unrisked Reserves/Resources Gross mmboe	Net (WI) mmboe	Netback NPV/boe \$/boe	EMV \$m	Value/sh p
FD shares (million)										
\$/£										
131										
1.5										
Developed										
US	US		Oil-Gas		100%		4.7	3.2	15	8
Khurbet East	Syria	50%	Oil		100%	53.2	26.6	14.3	380	193
Khurbet East - Upside	Syria	50%	Oil		90%	13.8	6.9	14.3	89	45
Under development										
Yousefieh	Syria	50%	Oil	2	90%	11.3	5.7	10.4	52	27
						Total	43.9		Total	273
Cash/(Net Debt)									69	35
WC adj.									(8)	(4)
G&A									(26)	(13)
Other									(2)	(1)
Core NAV									Total	290
Exploration/Appraisal										
South Yousefieh	Syria	50%	Oil	3	25%	11.0	5.5	10.4	12	6
South Souedieh	Syria	50%	Oil	3	20%	30.0	15.0	13.0	37	19
Twaiba	Syria	50%	Oil	3	50%	9.0	4.5	12.5	27	14
Abu Ghazal	Syria	50%	Oil	3	50%	5.0	2.5	12.5	14	7
Lambouka - Italy	Italy	30%	Gas	11	65%	5.8	1.7	-0.1	(4)	(2)
Lambouka - Tunisia	Tunisia	30%	Gas	11	65%	5.8	1.7	-2.5	(7)	(3)
Chorbane	Tunisia	40%	Oil	0	65%	0.0	0.0	0.0	0	0
						Total	75		Total	40
RENAV									Total	330

Source: Edison Investment Research

The prices used for our valuation are oil at \$60/bbl and gas at \$4.5/mscf, with a discount rate of 10%.

Exhibit 9: Sensitivity analysis considering a range of oil prices and chance of success assumptions

RENAV Oil Price (\$/bbl)	Discount rate (%)				
	7.5%	10.0%	12.5%	15.0%	17.5%
50	317	295	276	258	243
60	357	330	307	286	268
70	396	365	338	314	293
80	435	399	369	342	318

Source: Edison Investment Research

Financials: Generating free cash

In H110, Gulfsands saw an 81% increase in revenues to \$52.5m. This was mainly due to the increase in oil prices and production. The average production was 9,689boepd in H110, considerably up from 6,165boepd in H109. Accordingly, we forecast 2010 revenues to increase by 37% to \$115m based on an improved oil macro environment, higher production at Khurbet East relative to 2009, the start of production at the Yousefieh field and restored production in the US. We expect revenue to further increase by 20% y-o-y in 2011 on the back of higher production due to the ramping up of the Yousefieh and Khurbet East fields.

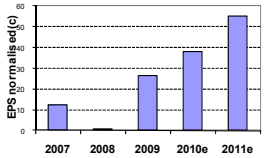
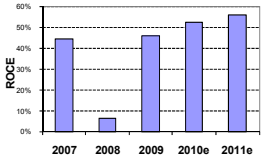
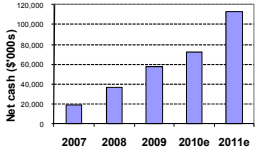
We forecast Gulfsands to generate around \$73.5m of operating cash flow in 2010 (assuming a \$77.2/bbl Brent price), which, combined with net cash of \$57.6m at the end of 2009, fully covers the

planned \$60m of investment in 2010 and could potentially leave the company with net cash of \$72m at the year end. The higher investment is due to the addition of its Tunisian assets to the portfolio. Low operating (\$2.5-3.0/bbl) and development costs (well costs of \$2.5-4.0m) in Syria provide the company with good leverage to a higher oil price.

Exhibit 10: Summary financials

	\$'000s	2007	2008	2009	2010e	2011e
Year end 31 December						
PROFIT & LOSS						
Revenue		37,309	53,600	84,415	115,471	138,445
Cost of Sales		(15,883)	(17,567)	(19,250)	(23,869)	(22,782)
Gross Profit		21,426	36,033	65,165	91,603	115,663
EBITDA		11,484	7,864	47,270	69,603	94,663
Operating Profit (before GW and except.)		11,484	(487)	34,489	50,077	71,545
Exceptionals		(720)	(6,384)	(5,882)	4,000	0
Operating Profit		10,764	(6,871)	28,607	54,077	71,545
Other		(1,475)	(1,667)	(1,056)	(1,084)	(1,084)
Net Interest		1,190	1,229	293	1,436	2,625
Profit Before Tax (norm)		11,199	(925)	33,726	50,429	73,087
Profit Before Tax (FRS 3)		10,479	(7,309)	27,844	54,429	73,087
Tax		2,557	1,932	(12)	(500)	(500)
Profit After Tax (norm)		13,756	1,007	33,714	49,929	72,587
Profit After Tax (FRS3)		13,036	(5,377)	27,832	53,929	72,587
Average Number of Shares Outstanding (m)		107.2	115.6	119.3	121.0	121.0
EPS - normalised (c)		12.8	0.9	28.3	41.3	60.0
EPS - FRS 3 (c)		12.2	(4.7)	23.3	44.6	60.0
Gross Margin (%)		57.4%	67.2%	77.2%	79.3%	83.5%
EBITDA Margin (%)		30.8%	14.7%	56.0%	60.3%	68.4%
Operating Margin (before GW and except.) (%)		30.8%	(0.9%)	40.9%	43.4%	51.7%
BALANCE SHEET						
Fixed Assets		94,203	90,565	101,650	141,925	166,206
Intangible Assets		28,593	343	7,091	13,091	18,091
Tangible Assets		49,532	77,055	82,569	116,844	136,125
Investment in associates		0	0	0	0	0
Long-term financial assets		16,078	13,167	11,990	11,990	11,990
Current Assets		29,687	54,749	83,655	114,989	155,773
Stocks		0	2,401	4,165	10,111	8,058
Debtors		11,154	15,536	21,867	32,332	34,611
Cash		18,533	36,812	57,623	72,546	113,104
Other		0	0	0	0	0
Current Liabilities		(23,496)	(17,122)	(17,094)	(52,726)	(43,681)
Creditors		(6,672)	(11,245)	(13,411)	(30,690)	(26,070)
Tax and social security		(16,824)	(5,877)	(3,683)	(22,036)	(17,611)
Short term borrowings		0	0	0	0	0
Provision for decommissioning		0	0	0	0	0
Long Term Liabilities		(18,756)	(20,430)	(27,937)	(22,036)	(17,611)
Deferred Tax Liabilities		(1,932)	0	0	0	0
Provision for decommissioning		(16,824)	(20,430)	(27,937)	(22,036)	(17,611)
Net Assets		81,638	107,762	140,274	182,151	260,688
CASH FLOW						
Operating Cash Flow		5,055	16,908	41,539	73,470	92,817
Net Interest		1,190	1,229	293	1,436	2,625
Tax		(356)	(524)	(66)	(500)	(500)
Capex		(24,764)	(19,292)	(24,966)	(59,483)	(54,384)
Acquisitions/disposals		0	0	455	0	0
Financing		23,581	19,958	3,556	0	0
Dividends		0	0	0	0	0
Other		0	0	0	0	0
Net Cash Flow		4,706	18,279	20,811	14,923	40,558
Opening net debt/(cash)		(13,827)	(18,533)	(36,812)	(57,623)	(72,546)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(18,533)	(36,812)	(57,623)	(72,546)	(113,104)

Source: Gulfsands Petroleum accounts, Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
			Litigation/regulatory	○
			Pensions	○
			Currency	●
			Stock overhang	○
			Interest rates	◐
			Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	Company details	
EPS CAGR 07-11e	45.7	ROCE 10e	52.3	Gearing 10e	N/A	Address:
EPS CAGR 09-11e	44.8	Avg ROCE 07-11e	40.8	Interest cover 10e	N/A	2-4 Cork Street
EBITDA CAGR 07-11e	69.4	ROE 10e	27.4	CA/CL 10e	2.2	London
EBITDA CAGR 09-11e	41.5	Gross margin 10e	16.8	Stock turn 10e	32	United Kingdom W1S 3LG
Sales CAGR 07-11e	38.8	Operating margin 10e	43.4	Debtor days 10e	102	Phone
Sales CAGR 09-11e	28.1	Gr mgn / Op mgn 10e	0.4	Creditor days 10e	97	020 7434 6060
						Fax
						020 7434 6061
						www.gulfsands.com

Principal shareholders	%	Management team
Schroders Investment Mgmt Ltd	20.5	CEO: Richard Malcolm
Abdul Rahman MD Abdullah Kayed	9.5	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.
Nordman Continental SA (dup A)	7.2	
Mahdi Sajjad (dup A)	7.2	
Al Mashreq Inv Fund	5.8	
Hugh Sloane	4.1	
George Robinson	4.1	
Kenneth Peter Judge (dup)	3.4	
Hamilton Capital Partners Ltd (dup)	3.3	CFO: Andrew Rose
		Andrew Rose is the former CFO of Burren Energy, an independent UK oil & gas company acquired by ENI in January 2008. He joined Burren Energy as CFO in 2001, when it was a private company. Prior to this, he was head of corporate finance for Eastern Europe, Middle East and Africa at Société Générale.
Forthcoming announcements/catalysts	Date *	Chairman: Andrew West
AGM	May 2011	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.
Syrian analyst trip	Oct 2010	
Trading update	Jan 2011	
Preliminary results	March 2011	
<i>Note: * = estimated</i>		
Companies named in this report		
ADX Energy		

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