Gulfsands Petroleum plc
Half-Yearly Financial Report

Six months to 30 June 2014

Unaudited

Gulfsands Petroleum plc
Interim Report 2014

Gulfsands Petroleum plc is an independent oil and gas exploration and production company, incorporated in the United Kingdom, whose shares are traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange (symbol: GPX).

The Group’s major focus is on the Middle East and North Africa where it has oil exploration and development projects in the Syrian Arab Republic (currently suspended owing to EU sanctions) and oil and gas exploration projects in Morocco and Tunisia. Gulfsands is also Operator of two exploration licences in Colombia and produces oil and gas from a portfolio of properties in the USA, offshore Gulf of Mexico.

2014 Half-Yearly Highlights

- Total bank and cash resources totaled $29.3 million at 30 June 2014 which included $8.4 million of cash and cash equivalents and $20.9 million of restricted cash balances.
- Audited Group working interest 2P reserves of 75.8 mmboe and un-risked, best estimate working interest prospective resources increased to 526 mmboe at 31 December 2013.
- 214 BOE per day of net revenue interest production in the first six months of 2014.
- Continued reduction in general administrative expenses to $3.1 million for the first half of 2014 (H1 2013: $7.5 million) reflecting cost savings and a focus on operated activities.
- 2D and 3D seismic surveys completed in Morocco in the first half of 2014.
- Drilling commenced in June 2014 on the LTU-1 well, a gas discovery, on the Rharb centre permit in Morocco.
- Award of the Moulay Bouchta license in Morocco in April 2014 with Gulfsands appointed Operator.
- Syrian assets remain shut-in and secure during continuation of sanctions.

Chief Executive's comments

As we reported in our recent Annual Report, 2013 represented a year of significant change as we established ourselves as operators in Morocco, Tunisia and Colombia. These changes significantly reshaped our business and I am pleased to report that during the first half of 2014, the drilling of the LTU-1 well confirmed the meaningful progress we have made in building a viable new business in Morocco.

Notwithstanding the intensity of our exploration and commercial activities in these three countries, we nevertheless succeeded in achieving further and very significant reductions in our overheads and the general costs of in-country operations. Both of these objectives remain important themes in our efforts to minimize the financial resources utilized in the building of our new businesses. There was, however, a significant increase in exploration expenditure during the period reflecting, in large part, the very active investment programme in Morocco at the end of 2013 and during the first half of 2014.

During the first half we completed work on the 2D and 3D seismic programmes on the Fes and Rharb Permits in Morocco respectively and, following processing of the 3D data collected on the Rharb permit, the LTU-1 well was the first drill target to be selected using this much better quality data. The successful results achieved in the LTU-1 well confirmed the wisdom of our decision to delay further drilling until this high quality data was available and as a result we are now able to select drill targets with a higher level of confidence.

We are now in discussions with ONHYM to agree a programme to develop and commercialise the LTU-1 discovery before the end of 2014 and achieve first gas sales from this discovery shortly thereafter. These discussions follow the successful conclusion of negotiations with ONHYM that resulted in the award of the important Moulay Bouchta licence which complements our Rharb Sud and Fes licence areas and brings together a contiguous licence area covering Morocco's most important onshore oil prospective areas. ONHYM has now provided us with a very large amount of drilling and seismic data covering the Rharb Sud, Moulay Bouchta and Fes licence areas and after tremendous effort by our team of geoscientists in London, we expect to have refined and prioritized our first oil prospective drill targets by the end of 2014.

The remarkable progress made with our exploration activities in Morocco has in no small measure been due to the quality of our technical staff and our decision to redeploy, to Morocco, a number of our talented staff previously working in our operations in Syria. I wish to thank our loyal staff for the tremendous efforts they have made to help us achieve this early success with programmes that are expected to run for many years to come.

While primarily busy in Morocco we have nevertheless also been very active in Tunisia and Colombia preparing to undertake exploration on our projects in each of those countries. In the course of those preparations we have received a number of enquiries about our willingness to consider working with well known, potential joint venture partners in undertaking the exploration programmes to be conducted in the next few years. We will continue to examine these approaches which fit with our strategy of having well-funded and technically competent partners share with us the cost of future exploration.

While the continuing unrest in Syria and the EU's economic sanctions have caused our oil and gas production capability at Block 26 to remain idle and unavailable to generate revenues for the benefit of our stakeholders, we are at least fortunate in being able to report that our facilities in Syria's far north east remain safe and secure and largely untouched by the unfortunate circumstances prevailing in the country. Our dedicated technical team remains at the ready and prepared to return to operational control of our Block 26 fields, as soon as relevant sanctions permit. Maintaining our own technical capability and status as a recognized, regional oil and gas operator, particularly in Morocco, represents an important element of our strategy to protect and preserve our important assets in Syria and demonstrate that we continue to have the technical competence and ambition to return to operations in Syria.

Chief Executive's comments (continued)

Overall, we are very pleased with the progress made during the first half of 2014 at each of our projects in Morocco, Colombia and Tunisia as we believe each project provides our Group with the potential to create value for our shareholders. That we have managed to deliver this significant progress while continuing to carefully husband our financial resources is in itself a considerable achievement.

As we progress with our strategy, the Board has concluded that it is the right time to change the Company's Auditor to BDO LLP. BDO has extensive experience in the oil and gas sector and, particularly with companies on the AIM market. We thank Deloitte for their past services as Auditor, through very interesting, and sometimes difficult times, for the Group but look forward to working with BDO in the future

We are very conscious of the need to manage carefully the financial resources we have available to help us in building upon these new business initiatives while carefully protecting our interests in Syria and maintaining a demonstrable capability to enable a swift return to operational control of Block 26 operations. These would be significant challenges at the best of times but especially so when undertaken at a time of company-wide overhead reductions. We would therefore like to record our sincere appreciation for the tremendous efforts made by our employees and members of the Board to help the Company deliver on its strategy to diversify our business and build projects of considerable value in Morocco, Colombia and Tunisia.

Finally, as we complete the preparation of this interim report, we have a number of important initiatives underway which are designed to help the company capture and develop some of the significant business opportunities we foresee emerging across the MENA region. We are working very hard to conclude these initiatives which we hope to be in a position to announce in the near future.

Operations Review

Syria

Gulfsands is the Operator of the Block 26 Production Sharing Contract ("PSC") and holds a 50% working interest in the PSC along with Sinochem. The Group is not presently involved in any production or exploration activities on Block 26 as force majeure has been declared in respect of the contract following the introduction of EU sanctions against Syria.

The Group has ensured that it remains compliant with all applicable sanctions in relation to Syria and intends to return to production and exploration activities as soon as permitted.

Block 26 covers an area of 5,414 km² in north east Syria and the PSC grants rights to explore, develop and produce hydrocarbons from all depths outside the pre-existing fields within the area and from the deeper stratigraphic levels below the pre-existing discovered fields. The final exploration period of the PSC was set to expire in August 2012 when force majeure was declared in December 2011. It is anticipated that an extension in the exploration period can be negotiated with the Syrian authorities to at least replace that period of time which was lost when force majeure was declared. Rights to the benefits of production from discovered fields last for a minimum of 25 years from the date of development approval with an extension thereto of 10 years available, at the partners' option.

Under the Group's operatorship, two oil fields of Cretaceous age have been discovered and developed within the PSC area, Khurbet East (2008) and Yousefieh (2010). In addition, two further oil and gas discoveries of Triassic age have been identified beneath the Cretaceous oil producing reservoir in the Khurbet East field and within the Butmah and Kurrachine Dolomite formations. Development approvals for these new discoveries were granted in late 2011.

The development and operation of these fields is undertaken by Dijla Petroleum Corporation ("DPC"), a joint operating company formed between Gulfsands, Sinochem and the General Petroleum Corporation ("GPC") for this purpose, to which staff of both Gulfsands and GPC have previously been seconded. Since the introduction of EU sanctions on 1 December 2011 that identified GPC as a designated entity and the subsequent declaration of *force majeure* under the PSC, Gulfsands has had no involvement with the operations of DPC, and Gulfsands staff seconded to DPC have been withdrawn, leaving DPC under the management of GPC secondees.

Sanction Compliance

Gulfsands has, as required from time to time, taken legal advice with respect to its obligations under the sanctions then in place and has liaised regularly with relevant regulators and generally acted cautiously to ensure it remains compliant with all relevant sanctions. The Board is determined to ensure that the Group's activities remain compliant with all relevant sanctions and management will continue to liaise closely with the relevant regulatory authorities to ensure this objective is achieved while continuing to keep GPC fully informed of the breadth and scope of restrictions on our activities as a result of continuing compliance with applicable sanctions.

Morocco

Gulfsands is the Operator of a highly prospective, contiguous portfolio of onshore oil and gas exploration permits covering an area of approximately 7,210 km^2 in northern Morocco with proven petroleum systems and including multiple exploration leads already identified. The Group has material equity interests in the three Contracts which govern the Rharb Centre, Rharb Sud and Fes permits and the recently acquired Moulay

Bouchta permit.

Operations Review (continued)

In April 2014 the Group finalised agreements with Morocco's Office National des Hydrocarbures et des Mines ("ONHYM") for the acquisition of the newly created Moulay Bouchta permit ("Moulay Bouchta"). Gulfsands was awarded operatorship of the permit with a 75% participating interest while ONHYM retained a 25% participating interest, the attributable cost of which will be carried by Gulfsands upon the usual terms for such participation, through the exploration phase of the permit. The Moulay Bouchta permit encompasses an area of approximately 2,850 km^2 and is located to the north of the Group's Rharb Sud permit and extends eastwards to surround the western, northern and eastern boundaries of the Fes Block onshore in northern Morocco.

The Moulay Bouchta permit area is considered to include the key remaining prospective acreage in an area where the existence of a working petroleum system has been confirmed with the discovery and development of three oil fields that lie within the new permit, the most recent of which was the Haricha Field which had produced a total of 2.8 million barrels of oil and 4.2 bcf of gas when production ceased in 1990. It is the intention of the Group to evaluate the potential for deeper and potentially larger structures containing Jurassic and Cretaceous aged reservoirs within the permit area that are similar to targets already identified on the adjacent Fes permit. The permit is also believed to contain Tertiary aged reservoirs that may contain biogenic gas accumulations similar to those that occur in the adjacent Rharb Centre permit area, where commercially viable natural gas accumulations are found at depths of approximately 800-2000 metres.

A portion of the permit area has already been the subject of a 175 km^2 3D seismic survey and these data together with legacy 2D seismic data over other portions of the licence area will be supplemented by regional seismic data previously acquired by the Group.

It is anticipated that in addition to the reprocessing and interpretation of legacy 2D and 3D seismic data, an additional 500 km of 2D seismic data will be captured in a survey to be carried out during the first two year exploration period. The Group will also undertake a legacy oil field reactivation study during this first exploration period as part of a minimum exploration work programme expected to cost approximately $3.5 million.

During the period Gulfsands drilled its fourth gas exploration well in the Rharb Centre permit area. The well, LTU-1, targeting the Lalla Yetou Updip prospect was spudded on 20 June 2014 and was drilled to a total depth of 1,182 meters. Elevated gas readings obtained while drilling, as well as interpretation of wireline logs, indicated the presence of a gas bearing reservoir section of 12 metres gross thickness at the pre-drill target interval depth. The main reservoir encountered appeared consistent with the pre-drill expectation of a turbidite distributary channel/fan complex, with laminated sand and silt layers and normal bed grading. A gas-to-water contact was interpreted in the well, based on gas shows and petrophysical data, at a depth approximately 13 metres below the gross reservoir section, also consistent with the pre-drill expectation.

After the conclusion of drilling and formation evaluation operations, the 12 metre gross reservoir section was perforated and a short production clean up flow period was undertaken. Within one hour after commencing the cleanup flow period, the well had unloaded the completion fluids and was producing 100% gas to surface with 0% bulk solids and water (BS&W). The estimated flow rate for the well, based on empirical calculation methods, was approximately 6.6 mmscfpd on a 28/64" choke. After the clean up flow period the well was shut in and is now temporarily suspended as a future gas producer.

The LTU-1 gas discovery is to be tied back to the area gas export pipeline system, and related civil works involving the installation of production facilities and connecting flow trunk lines are currently being evaluated. The Group is presently in discussions with ONHYM with respect to this development and understands that the tie-back work could be completed during the fourth quarter of 2014 with commercial production to follow

shortly thereafter.

The Rharb drilling campaign is expected to continue during the latter half of 2014, with two prospects identified from the new 3D seismic data being drill ready. Numerous related follow up opportunities have also been identified, including drilling targets analogous to a recent discovery by Circle Oil on adjacent acreage. A six month extension to the Rharb exploration permit was granted by ONHYM in August 2014 extending the current licence period to 9th January 2015.

2D seismic data has been acquired across the Fes permit area in a 650 km survey commenced in 2013 and completed early 2014. This data has been processed and the time and depth migrated data incorporated into regional geological projects where it is being assimilated with existing legacy 2D seismic and full tensor gravity data. An updated view of the permit prospectivity will be obtained as a result of further study of this enlarged data set, and it is anticipated that the first exploration drilling targets for light oil will be identified early in 2015.

The Group are continuing to assess the value of acquiring further seismic and gravity data across all of its Moroccan permits with a view to improving the definition of oil and gas prospectivity, and identifying potential future drilling locations, with a particular emphasis on the oil prospectivity of the Fes, Moulay Bouchta and Rharb Sud permits.

Tunisia

Gulfsands has a 100% interest in the operated Chorbane exploration permit onshore Tunisia covering approximately 1,942 km^2.

The Tunisian Authorities (Comité Consultatif des Hydrocarbures or “CCH”) have approved the transfer of all of ADX Energy Limited’s remaining legal interest (30%) in the Chorbane permit, onshore Tunisia, to Gulfsands Petroleum Tunisia Limited, a wholly owned subsidiary of the Company. The Company’s subsidiary is Operator of the Chorbane permit and is now the legal owner of a 100% interest in the permit.

The Company has notified ADX Energy Limited ("ADX") of its intention to set off payment of a sum of $1.5 million, which is payable to ADX pursuant to an agreement in respect of the transfer mentioned above, against claims the Company has against ADX and its subsidiaries in respect of the non-performance by ADX of various obligations arising under the same agreement.

There remains an ongoing dispute as to whether “completion” under the agreement has contractually occurred. The Company’s position is that completion has occurred and the Company’s subsidiary is now the legal owner of a 100% interest in the permit. This matter is now in the hands of the Company's lawyers.

Meanwhile, the Group has prepared for a tender of a 106 km 2D seismic programme over two separate areas of the permit identified as prospective for the location of the next exploration well and is currently in discussion with the Tunisian authorities concerning the location and plans for the seismic survey.

The data captured in this survey will be used to finalise a drilling location within the permit for an exploration well anticipated to be drilled in 2015.

The Group is currently considering a potential farm-down of its interests in the Chorbane licence prior to undertaking any significant financial commitment with respect to exploration on the permit.

Operations Review (continued)

Colombia

Gulfsands has Exploration and Production Contracts ("E&P Contracts") over two onshore contract areas, PUT 14 and LLA 50 covering approximately 977 km^2

The Group are undertaking the preliminary studies required to be completed prior to the commencement of 2D seismic acquisition programmes on both contractual areas. Discussions with other operators in the Putumayo and Llanos areas and seismic contractors active in these areas have commenced with a view to coordinating and sharing logistics for the 2D seismic programmes being planned on both contractual areas.

On PUT 14 the "Consulta Previa", a specific period for consulting with local indigenous and tribal peoples regarding the implementation of any project that may have an impact on their culture, heritage, social – economical conditions and environment will commence in October. This Consulta Previa is a common procedure, and is expected to be complete within six months. In parallel, a PMA "Plan de Manejo Ambiental", or Environmental Management Plan, is being prepared across the whole contract area, completion of which will allow the commencement of a seismic survey in mid-2015.

On LLA 50, a MMA "Medidas Manejo Ambiental", or Environmental Management Measures, is being prepared across the whole contract area, completion of which will allow the commencement of a seismic survey in late 2015. The annual weather window (dry season) for seismic operations in this region is quite narrow, typically restricting seismic acquisition to the period from mid-December to mid-April.

US

Gulfsands owns a small portfolio of non-operated oil and gas assets in the Gulf of Mexico, in the shallow "shelf" region offshore Louisiana. These comprise working interests in six producing fields and certain other leases that are no longer commercially producing as well as overriding royalties in other properties. The US interests are not considered to be part of the Group's core business and options continue to be evaluated with regard to the disposal of these assets.

Proved and Probable reserves at 31 December 2013 amounted to 1.4 mmboe on a working interest basis (1.1 mmboe on a net revenue interest basis), comprised of 77% oil and 23% gas.

Production on a working interest basis from the Gulf of Mexico assets, averaged 270 boepd in the first six months of 2014 (2013: 198 boepd). After royalties, net revenue interest production in the first half 2014 averaged 214 boepd (2013: 158 boepd). These production increases are attributed to the successful completion in early 2014 of development operations with respect to "behind pipe" reserves on the EI 32 field.

Decommissioning operations were minimal during the first half of 2014. The removal of the HI A-561 "A" Platform has recently been completed and plans for the remainder of 2014 include the decommissioning and removal of the EC 148 "A" and "B" platforms, the removal of two inactive caissons in the EI 32 Field and the abandonment of two wells in WD 64.

Financial Review

2014 Financial Highlights

- Revenue from US Gulf of Mexico assets increased in the half year by 40% to $3.1 million (H1 2013: $2.2 million).
- Total administrative expenses decreased significantly to $3.1 million (H1 2013: $7.5 million) reflecting cost savings and a focus on operated activities.
- The loss before tax for the first half of 2014 reduced to $9.2 million (H1 2013: $11.8 million).
- Investing cash outflow for E&E expenditure for the period totaled $18.8 million (H1 2013: $4.7 million).
- Total cash and bank resources amount to $29.3 million at 30 June 2014 (31 December 2013: $52.9 million) inclusive of $8.4 million (31 December 2013: $33.8 million) of cash and cash equivalents and $20.9 million (31 December 2013: $19.1 million) restricted cash balances

Operating Performance

Revenue from Gulfsands' interest in the US Gulf of Mexico assets increased for the first half of 2014 by 40% from $2.2 million for H1 2013 to $3.1 million for H1 2014. This was due to an increase in overall daily NRI production to 214 boepd (H1 2013: 158 boepd) primarily due to increased production at EI 32 as a result of the successful sidetrack of well #30. US operations provided a gross profit for the period of $0.8 million (H1 2013: gross loss of $0.4 million).

Total administrative expenses decreased significantly to $3.1 million (H1 2013: $7.5 million). The decrease is due to a combination of: a continued focus on cost reduction across the Group which contributed $2.5 million; a progression in the Group's business model toward operatorship of its assets as well as increased operational activity which has resulted in recoveries from partners and amounts capitalised increase by $1.6 million; and a reduction in share-based payment charges of $0.4 million.

Exploration write-offs for the first half of 2014 totaled $4.4 million (H1 2013: $3.0 million). $3.9 million relates to Moroccan operations of which $1.0 million was the remaining costs of the BFD-2 well in Rharb Centre which was completed January 2014 and determined non-commercial. A further $0.4 million of costs associated with the 2013 unsuccessful wells, OZI-1 and AKR-1, has been written off. In addition, $2.5 million of 2014 operational office overhead relating to exploration activity in Morocco and Tunisia deemed by Management to be unsuccessful was written off in the period.

During the period a provision of $2.0 million has been made for the Group's share of estimated costs that may arise in respect of damage caused to the SS271 platform and a drilling rig during operations in the Gulf of Mexico. Management is continuing discussions with the Operator with respect to the incident and anticipates the eventual costs to the Group will be mitigated, through negotiation with the Operator and insurance recovery.

The Group reports a reduced loss before tax for the six months of $9.2 million (H1 2013: $11.8 million).

Balance Sheet

The Group's intangible exploration and evaluation assets are held at a net book value of $44.3 million at 30 June 2014 (31 December 2013: $37.1 million). Capital expenditures during the six month period totaled $11.6 million (H1 2013: $22.3 million) including: $1.6 million on the fourth Rharb Centre well, LTU-1, for which drilling commenced on 20 June 2014; $1.3 million for the three well first phase drilling program in Rharb Centre, with the final well of that phase, BFD-1, completing in January 2014; $1.0 million of Rharb 3D seismic costs with processing completed in the first quarter of 2014; $2.8 million of 2D seismic costs over the Fes area with the acquisition and processing completing in the first quarter of 2014; and $3.7 million of capitalised overhead

against the Moroccan, Tunisia and Colombian permits, relating to operational offices. Write-offs for the period totaling $4.4 million (H1 2013: $3.0 million) are described above.

Financial Review (continued)

The Group's producing Gulf of Mexico oil and gas assets were held at a net book value of $14.2 million at 30 June 2014 (31 December 2013: $12.4 million). Capital expenditure in the period of $2.8 million predominantly related to the sidetrack of well #30 at EI 32, which, as discussed above, has already resulted in significantly increased oil revenues from this field.

The fair value of the Group's net investment in DPC remains unchanged at $102.0 million as it has been concluded that there have been no significant changes during the period to the key judgements and estimates utilized in the valuation of this investment.

Trade and other receivables at 30 June 2014 have increased to $5.4 million (31 December 2013: $3.5 million), predominantly due to the timing of partner recoveries. Current trade and other payables at 30 June 2014 have decreased to $11.8 million (31 December 2013: $15.2 million), predominantly due to the payment of 2013 year end operational liabilities.

Decommissioning provisions have decreased to $12.7 million at 30 June 2014 (31 December 2013: $13.2 million) principally as a result of decommissioning expenditures of $0.7 million incurred on US properties in the period.

Cash Flow

Operating cash outflow was substantially reduced in the period to $2.0 million (H1 2013: $5.4 million) largely as a consequence of the continued general overhead cost reduction program as discussed above.

Investing cash outflow during the period totaled $23.4 million (H1 2013 $28.4 million). Of this, $18.8 million relates to E&E expenditure inclusive of: $17.1 million on Moroccan operations, $0.8 million on Tunisian operations and $0.9 million on Colombian operations. $1.75 million was also deposited as security to guarantee work obligations in respect of the Moulay Bouchta licence awarded during the period.

Financial Position

The Group had total cash and bank resources of $29.3 million at 30 June 2014 (31 December 2013: $52.9 million) inclusive of $8.4 million (31 December 2013: $33.8 million) of cash and cash equivalents and $20.9 million (31 December 2013: $19.1 million) restricted cash balances representing funds securitised as collateral in respect of future work obligations across the Group's interests.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	**6 months ended 30 June 2014 (Unaudited) $' 000**	6 months ended 30 June 2013 (Unaudited) $' 000	Year ended 31 December 2013 (Audited) $' 000
Revenue	3	**3,105**	2,212	4,367
Cost of sales				
Depletion		**(935)**	(624)	(1,267)
Impairment		**-**	(443)	(58)
Other cost of sales		**(1,406)**	(1,519)	(2,860)
Total cost of sales		**(2,341)**	(2,586)	(4,185)
Gross profit/(loss)		**764**	(374)	182
General administrative expenses		**(3,091)**	(7,105)	(10,408)
Share based payments		**(47)**	(421)	(516)
Total administrative expenses	3	**(3,138)**	(7,526)	(10,924)
Exploration costs written off	3	**(4,390)**	(3,004)	(12,301)
USA rig and platform damage		**(2,000)**	-	-
Syrian inventory provision / write off		**-**	-	(2,905)
Other Syrian adjustments		**-**	(471)	(383)
Operating loss	3	**(8,764)**	(11,375)	(26,331)
Discount expense on decommissioning provision		**(197)**	(250)	(500)
Net interest income		**114**	66	89
Bank fees and charges		**(182)**	(107)	(104)
Foreign exchange (losses)/gains		**(129)**	(90)	89
Loss before taxation from continuing activities		**(9, 158)**	(11,756)	(26,757)
Taxation		**-**	-	-
Loss for the period - attributable to owners of the Parent Company		**(9,158)**	(11,756)	(26,757)
Loss per share from continuing operations (cents):				
Basic	4	**(7.77)**	(9.98)	(22.70)
Diluted	4	**(7.77)**	(9.98)	(22.70)

There are no items of comprehensive income not included in the Income Statement.
The results relate entirely to continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

	Notes	**30 June 2014 (Unaudited) $' 000**	31 December 2013 (Audited) $' 000
ASSETS			
Non-current assets			
Property, plant and equipment		**14,649**	12,893
Intangible assets		**44,716**	37,558
Long-term financial assets		**20,887**	19,138
Investments	5	**102,000**	102,000
		182,252	171,589
Current assets			
Inventory		**2,326**	2,247
Trade and other receivables		**5,410**	3,542
Cash and cash equivalents		**8,388**	33,824
		16,124	39,613
Total assets		**198,376**	211,202
LIABILITIES			
Current liabilities			
Trade and other payables		**11,772**	15,245
Provision for decommissioning		**2,547**	2,573
		14,319	17,818
Non-current liabilities			
Trade and other payables		**6,355**	6,155
Provision for decommissioning		**10,178**	10,578
		16,533	16,733
Total liabilities		**30,852**	34,551
Net assets		**167,524**	176,651
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	6	**13,131**	13,131
Share premium		**105,926**	105,926
Merger reserve		**11,709**	11,709
Treasury shares		**(11,502)**	(11,502)
Retained profit		**48,260**	57,387
Total equity		**167,524**	176,651

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital $'000	Share premium $'000	Merger reserve $'000	Treasury shares $'000	Retained profit $'000	Total equity $'000
At 1 January 2013	**13,131**	**105,926**	**11,709**	**(11,619)**	**83,776**	**202,923**
Share-based payment charge	-	-	-	-	421	421
Loss for the period	-	-	-	-	(11,756)	(11,756)
At 30 June 2013	**13,131**	**105,926**	**11,709**	**(11,619)**	**72,441**	**191,588**
Options exercised	-	-	-	117	(148)	(31)
Share-based payment charge	-	-	-	-	95	95
Loss for the period	-	-	-	-	(15,001)	(15,001)
At 31 December 2013	**13,131**	**105,926**	**11,709**	**(11,502)**	**57,387**	**176,651**
Options exercised	-	-	-	-	(16)	(16)
Share-based payment charge	-	-	-	-	47	47
Loss for the period	-	-	-	-	(9,158)	(9,158)
At 30 June 2014	**13,131**	**105,926**	**11,709**	**(11,502)**	**48,260**	**167,524**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	**6 months ended 30 June 2014 (Unaudited) $' 000**	6 months ended 30 June 2013 (Unaudited) $' 000	Year ended 31 December 2013 (Audited) $' 000
Cash flows from operating activities				
Operating loss		**(8,764)**	(11,375)	(26,331)
Depreciation, depletion and amortisation		**1,290**	1,217	2,144
Impairment charge		**-**	443	58
Exploration costs written off	3	**4,390**	3,004	12,301
Other Syrian adjustments		**-**	471	383
Syrian inventory provision/write off		**-**	-	2,905
Share-based payment charge		**47**	421	516
Interest received		**114**	66	89
Foreign exchange (losses)/gains		**(129)**	(90)	89
Bank fees		**(182)**	(107)	(104)
Increase in receivables		**(1,469)**	(219)	(286)
Increase in payables		**2,687**	743	349
Net cash used in operating activities		**(2,016)**	(5,426)	(7,887)
Investing activities				
Acquisition of subsidiary undertaking		**-**	(17,103)	(17,103)
Exploration and evaluation expenditure		**(18,826)**	(4,661)	(17,302)
Oil and gas properties expenditure		**(2,037)**	(31)	(1,245)
Increase in inventory		**(78)**	(541)	(2,247)
Other capital expenditures		**(296)**	(22)	(642)
Change in restricted cash balances		**(1,750)**	(4,999)	(8,550)
Decommissioning costs paid		**(417)**	(1,098)	(2,151)
Movements in balances due to or from oil and gas partnerships		**-**	75	-
Net cash used in investing activities		**(23,404)**	(28,380)	(49,240)
Financing activities				
Other payments made in connection with options exercised		**(16)**	-	(31)
Net cash used in financing activities		**(16)**	-	(31)
Decrease in cash and cash equivalents		**(25,436)**	(33,806)	(57,158)
Cash and cash equivalents at beginning of period		**33,824**	90,982	90,982
Cash and cash equivalents at end of period		**8,388**	57,176	33,824

1. General Information

This half-yearly financial report was approved by the Board of Directors and authorised for issue on 29 September 2014.

This condensed set of financial statements for the six months ended 30 June 2014 is unaudited and does not constitute statutory accounts as defined by the Companies Act.

The information for the year ended 31 December 2013 contained within the condensed financial statements does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial statements for the year ended 31 December 2013 have been delivered to the Registrar of Companies and the auditor’s report on those financial statements was unqualified, and did not contain a statement made under Section 498 of the Companies Act 2006. The auditor’s report included an emphasis of matter in respect of the fair value of the Group’s suspended operations in the Syrian Arab Republic (see note 5), and in respect of the Group's ability to continue as a going concern (see note 2).

2. Accounting Policies

Basis of preparation

This half-yearly financial report, which includes a condensed set of financial statements of the Company and its subsidiary undertakings ("the Group") has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") including IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Going concern

The condensed set of financial statements included in this half-yearly financial report has been prepared on a going concern basis of accounting as the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future as set out below

As reported herein, the Group had $8.4 million of cash and cash equivalents available at 30 June 2014, trade and other receivables of $5.4 million and short-term liabilities of $14.3 million. At the date of this report the balance of cash and cash equivalents stands at $6.7 million.

As reported in the 2013 Annual Report, the Board is pursuing a number of opportunities to bridge the shortfall between currently-available resources and the expenditures required to satisfy minimum work obligations and to appraise the opportunities in its portfolio whilst continuing to maintain its very important position in Syria. These resourcing opportunities include farm-outs of interests as well as asset-level and corporate-level financing initiatives.

In accordance with FRC guidance in this area, the Directors have been required to conclude, as at the date of this report, that there is material uncertainty that such additional resources can be procured and failure to so do might cast significant doubt upon the Company’s and the Group’s ability to continue as a going concern and impact upon their ability to realise their assets and discharge their liabilities in the normal course of business. Such a scenario could impact upon the carrying value of intangible exploration and evaluation assets and on the recoverability of certain of those long-term financial assets placed as security in respect of contract work obligations.

2. Accounting Policies (continued)

Going concern (continued)

However, whilst recognising these uncertainties, at its meeting on 23rd September 2014, the Board concluded that, given the quality of the Group's assets and the advanced state of discussions with the prospective counter-parties with which we are engaged, the various initiatives being pursued provide a reasonable basis of expectation that appropriate resources will be accessed, not only to enable the Group to continue as a going concern, but to exploit the potential of the Group's business model. The Board has therefore concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

New accounting standards, amendments and interpretations issued and effective during the period

The condensed set of financial statements have been prepared using accounting bases and policies consistent with those used in the preparation of the audited financial statements of the Group for the year ended 31 December 2013 and those to be used in the year ending 31 December 2014.

Since the 2013 Annual report and accounts was published, no new standards and interpretations have been issued that would have, on adoption, a material financial impact on the financial statements for the six months ended 30 June 2014.

3. Segmental Information

The Group currently operates in four principal geographical areas, Morocco, Colombia, Tunisia and the USA with suspended operations in Syria. All segments are involved with oil and gas exploration or production activities. The other column represents corporate and head office costs. The Group's revenue, results and certain asset and liability information for the period are analysed by reportable segment as follows:

30 June 2014 (Unaudited)

	Syria	Morocco	Tunisia	US	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sale revenues	-	-	-	3,105	-	-	3,105
Operating loss	(395)	(4,045)	(457)	(1,662)	(54)	(2,151)	(8,764)
Financing cost							(394)
Net loss							(9,158)
G&A expenditure	(344)	(107)	(3)	(477)	(54)	(2,106)	(3,091)
Total assets	105,116	44,905	5,288	19,049	1,161	22,857	198,376
Total liabilities	(4,049)	(6,783)	(1,510)	(16,953)	(26)	(1,531)	(30,852)
Capital expenditure:							
Exploration and evaluation	-	10,852	454	-	331	-	11,637
Oil & gas properties	-	-	-	2,750	-	-	2,750
Exploration costs write off	-	(3,936)	(454)	-	-	-	(4,390)
USA rig and platform damage	-	-	-	(2,000)	-	-	(2,000)
Impairment of oil and gas assets	-	-	-	-	-	-	-
Impairment of Syrian E&E	-	-	-	-	-	-	-
Inventory provision/write off	-	-	-	-	-	-	-

30 June 2013 (Unaudited)

	Syria	Morocco	Tunisia	US	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sale revenues	-	-	-	2,212	-	-	2,212
Operating loss	(1,357)	(70)	(3,267)	(1,154)	-	(5,527)	(11,375)
Financing cost							(381)
Net loss							(11,756)
G&A expenditure	(1,007)	(70)	(263)	(662)	-	(5,103)	(7,105)
Total assets	107,784	25,662	2,811	16,548	-	72,112	224,917
Total liabilities	(9,363)	(4,333)	(1,081)	(16,995)	-	(1,557)	(33,329)
Capital expenditure:							
Exploration and evaluation	471	21,780	901	-	-	-	23,152
Oil & gas properties	-	-	-	232	-	-	232
Exploration costs write off	-	-	(3,004)	-	-	-	(3,004)
USA rig and platform damage	-	-	-	-	-	-	-
Impairment of oil and gas assets	-	-	-	(443)	-	-	(443)
Impairment of Syrian E&E	(471)	-	-	-	-	-	(471)

Inventory provision/write off	-	-	-	-	-	-	-

3. Segmental Information (continued)

31 December 2013 (Audited)

	Syria	Morocco	Tunisia	US	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sale revenues	–	–	–	4,367	–	–	4,367
Operating loss	(4,471)	(10,165)	(2,434)	(820)	(11)	(8,430)	(26,331)
Financing cost							(426)
Net loss							(26,757)
G&A expenditure	(1,573)	(18)	(280)	(1,000)	(11)	(7,526)	(10,408)
Total assets	104,128	39,924	5,673	16,348	489	44,640	211,202
Total liabilities	(3,766)	(12,562)	(1,835)	(14,836)	(347)	(1,205)	(34,551)
Capital expenditure:							
Exploration and evaluation	474	41,783	3,553	–	243	–	46,053
Oil & gas properties	–	–	–	2,467	–	–	2,467
Exploration costs write off	–	(10,147)	(2,154)	–	–	–	(12,301)
USA rig and platform damage	-	-	-	-	-	-	-
Impairment of oil and gas assets	–	–	–	(58)	–	–	(58)
Impairment of Syrian E&E	(474)	–	–	–	–	–	(474)
Inventory provision/write off	(2,905)	–	–	–	–	–	(2,905)

4. Loss Per Share

The calculation of the basic and diluted earnings per share is based on the following shares in issue:

	6 months ended 30 June 2014 (Unaudited)	6 months ended 30 June 2013 (Unaudited)	Year ended 31 December 2013 (Audited)
Weighted average number of ordinary shares	**117,886,145**	117,844,680	117,855,702
Options	**323,716**	417,196	336,946
Weighted average number of diluted shares	**118,209,861**	118,261,876	118,192,648

The calculation of basic loss per share is based on the loss attributable to equity shareholders of $9.2 million (H1 2013: $11.8 million loss) and the weighted average number of ordinary shares in issue during the period. The diluted earnings per share is calculated using the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. Where earnings are negative the impact of share options is anti-dilutive and hence, basic and diluted loss per share from continuing operations are the same.

5. Available For Sale Financial Assets

The Group is party to a PSC for the exploitation of hydrocarbon production in Block 26 in Syria. Pursuant to the PSC the Group operates its Syrian oil and gas production assets through a joint venture administered by DPC in which the Group has a 25% equity interest. The Group lost joint control of DPC on 1 December 2011 following the publication of European Union Council Decision 2011/782/CFSP. For the purposes of EU sanctions, DPC is considered to be controlled by General Petroleum Corporation. Since the Group has neither joint control nor significant influence over the financial and operating policy decisions of the entity, it carries its investment in DPC and the associated rights under the Block 26 PSC as an available-for-sale financial asset. The fair value attributed to DPC at 30 June 2014 is $102 million (31 December 2013: $102 million).

The basis of calculation of the fair value of the investment in DPC continues to be the estimated future cash flows that could be generated in respect of the Group's entitlement reserves in Block 26, using a long-term Brent oil price assumption of $90/bbl, discounted at a rate of 15% per annum. The resulting net present value is further reduced to reflect the Board's view of the specific risks associated with investments in the Syrian oil and gas sector at the current time. Such risks include potential delay in resumption of oil production and in receipt of revenues from Block 26, potential additional costs associated with re-commencement of operations and the potential inability to resume operations in Block 26. The impact of this risking methodology has been to reduce the valuation of the asset by 80%. The valuation represents a level 3 measurement basis as defined by IFRS 7.

There is a high degree of subjectivity inherent in the valuation due to the unknown duration of the sanctions and the eventual outcome of events in Syria. Accordingly it may change materially in future periods depending on a wide range of factors. The following table sets out the impact that changes in the key variables would have on the carrying value of the asset:

	Change **%**	**Change in carrying value of investment** **$'000**
Increase in forecast capital expenditure	5%	(1,902)
Decrease in long term commodity prices	5%	(11,610)
Increase in forecast operating expenditure	5%	(1,113)
Change in discount rate to 10%	5%	31,907
Change in discount rate to 20%	5%	(21,916)
Change in the Syrian oil and gas sector risk to 90%	10%	(51,000)

The Directors have reviewed the carrying value of this available for sale financial asset at 30 June 2014 and are of the opinion that the valuation, although subject to significant uncertainty, is appropriate. The valuation methodology reflects the difficulty of predicting the timing of future activities in Syria, taking into consideration the current exceptional circumstances in the country and is not necessarily reflective of the value of the Group's investments in its Syrian operations over the long term.

6. Share Capital

	30 June 2014 Number	31 December 2013 Number
Authorised:		
Ordinary shares of 5.714 pence each	**175,000,000**	175,000,000
	$' 000	$' 000
Allotted, called up and fully paid:		
121,989,500 (31 December 2013: 121,989,500) ordinary shares of 5.714 pence each	**13,131**	13,131

The movements in share capital, share options and restricted shares were as follows:

	Number of ordinary shares	**Number of share options**	**Number of restricted shares**	**Weighted average price of options £**
At 31 December 2013	121,989,500	1,636,000	363,649	2.72
Restricted shares cash settled	-	-	(33,000)	
Share options lapsed	-	(250,000)	-	1.86
At 30 June 2014	**121,989,500**	**1,386,000**	**330,649**	**2.87**

The restricted shares have an exercise price of 5.714 pence per share.

7. Capital Commitments

The capital commitments of the Group in respect of its exploration activities are detailed in the 2013 Annual Report and Accounts. Changes to these commitments since the year end are as follows:

Moroccan Moulay Bouchta permit - licence expiry date and deadline for fulfilment of capital commitments June 2016. Against the committed work programme, comprising acquisition of a 500km 2D seismic survey, re-processing and interpretation of existing seismic data, and completion of a legacy oil field reactivation study, the Company has provided security of $1.75 million, which amount is included within restricted cash balances at 30 June 2014.

8. Post Balance Sheet Events

Rharb permit six month extension granted

A six month extension to the Rharb exploration permit was granted by ONHYM in August 2014 extending the licence period to 9th January 2015.

LTU-1 discovery

During the period Gulfsands drilled its fourth well in the Rharb centre permit area. The well, LTU-1, targeting the Lalla Yetou Updip prospect was spudded on 20 June 2014 and was drilled to a total depth of 1,182 meters where a discovery was made. The well has been temporarily suspended as a future gas producer. The LTU-1 gas discovery is to be tied back to the ONHYM 4" area gas export pipeline, and related civil works involving the installation of production facilities and connecting flow trunk lines are currently being evaluated. The Group believes the tie-back work could be completed during the fourth quarter of 2014 with commercial production to follow shortly thereafter.