Gulfsands Petroleum plc
Half-Yearly Financial Report

Six months to 30 June 2015

Unaudited

Gulfsands Petroleum plc
Interim Report 2015

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 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 (where operations are suspended owing to EU sanctions) and oil and gas exploration projects in Morocco and Tunisia. Gulfsands also has interests in two exploration licences in Colombia.

2015 Half-Yearly Summary

- Group working interest Proved plus Probable Reserves of 73.5 MMboe.
- Syrian assets remain shut-in and secure during continuation of sanctions.
- Cash available for use by the Group of $1.5 million.
- Restricted cash balances after provisions for recoverability of $6.4 million.
- Drilling and testing of DRC-1 and DOB-1 proved up two further gas discoveries.
- Exploration and evaluation assets were impaired by $22.1 million in the period.
- Continued significant reduction in the ongoing office expenses across the Group.
- Initiated farm-out process for Moroccan and Colombian assets.
- The Company is preparing to raise approximately $22 million via an open offer to all shareholders.

Executive Chairman's Statement

In the 2014 Annual Report I referred to several challenges for 2015, including restructuring of our portfolio, and refinancing of our business; I believe we are making progress on both of these.

The Group holds interests in several projects in Morocco, all at different stages in the exploration, development and production cycle; what is common to all our interests is that each has significant outstanding work commitments that need to be completed within the coming months. We have invested heavily in these assets, both in the acquisition of the interests and also in the field activities undertaken over the last two years. This investment has led to a better understanding of the sub-surface structures which in turn culminated in the three discoveries at LTU-1, DOB-1 and DRC-1. However, we have decided that our financial exposure to these Moroccan assets should be reduced and we are actively working with several parties who have expressed an interest in partnering Gulfsands, particularly in the Rharb Centre gas development area.

Gulfsands holds a 100% interest in the Chorbane contract in Tunisia. The current exploration period under the contract originally ran to mid-July 2015 and Gulfsands has submitted an application for a two year extension to this period, during which the work obligation of acquiring 200 km of 2D seismic and drilling one exploration well must be completed. If the application is successful the Group will look to farm-down its 100% interest in exchange for a carried work programme; if the application is unsuccessful, the contract will terminate.

The Group holds 100% interests in two Colombian exploration blocks. Under the contracts for Llanos Block 50 and Putumayo Block 14, the Group has a minimum work obligation of acquiring approximately 100 km of 2D seismic and drilling one exploration well on each block before November 2016 for Llanos Block 50 and November 2017 for Putumayo Block 14. The Group is actively seeking farm-in candidates to share the cost of the exploration programme on these blocks.

In addition Gulfsands is the operator of the Block 26 Production Sharing Contract ("PSC") in Syria and holds a 50% working interest. The PSC is currently in force majeure as a result of the EU sanctions against Syria.

Financial overview

The Group posted a loss for the period of $31.3 million, predominantly as a result of exploration and evaluation asset impairments in the period of $22.1 million in relation to the Moroccan Fes permit. The financial commitments of the Fes contract are inconsistent with the Group's revised strategy, and therefore Gulfsands has initiated a farm-out process for the Fes contract. However, given the Fes licence expiry date in September 2015, the outstanding work commitments on the permit which could not physically be fulfilled before this date, and the uncertainty of securing an industry partner before the licence expiry date, the expenditure to date attributed to the Fes permit of $22.1 million, inclusive of $10.5 million fair value attributed at acquisition, has been fully impaired at 30 June 2015.

Gulfsands completed exploration and evaluation asset investments of $5.7 million during the period, principally in Morocco. At 30 June 2015 the Group has unrestricted cash balances of $1.5 million with net current trade and other payables of $3.2 million and ongoing costs currently of $0.7 million per month.

The Company is preparing a financing to raise approximately $22 million via an open offer to all shareholders ("Fundraising"). The Company is preparing a circular for shareholders to include details of the Fundraising and a notice of an extraordinary general meeting to approve the resolutions to facilitate the Fundraising. The open offer to all shareholders will require the publication of an open offer prospectus.

At the end of June 2015 Arawak Energy Bermuda Limited assigned the Arawak Loan Facility to Weighbridge Trust Limited, for the benefit of Waterford Finance and Investment Limited ("Waterford") and Richard Griffiths (and companies owned and controlled by him) ("Griffiths"). The facility is now referred to as the Weighbridge Loan Facility. It remains the intention of the Company to repay the Weighbridge Loan Facility as soon as the Fundraising is completed. The assignment allowed for the possibility of further draw-downs under the facility and in July 2015 a further $1.0 million has been drawn-down. A total of $11 million has been drawn-down under this facility at the date of this Report. Further draw-downs may be required prior to completion of the Fundraising, and based on discussions with all parties, the Directors have a reasonable expectation that the Group will be able to draw-down another $1.0 million under the facility.

The Group has material work obligations that must be completed under its various exploration contracts/licences and if these obligations are not met the Group may be forced to forfeit both its interest in these contracts/licences and any sums of restricted cash lodged with host governments as guarantees for our performance of the minimum work obligations.

Executive Chairman’s Statement (continued)

The Group is currently engaged in discussions to restructure its minimum work obligations and to bring in partners to reduce the Group’s net exposure to such obligations to a level that the Board considers sustainable and financeable. Alternatively, it may divest itself of assets as is deemed necessary.

Notwithstanding the confidence that the Board has in its ability to finance the Group’s re-shaped business, the Directors conclude that at this time there is material uncertainty that such finance can be procured and failure to do so might cast significant doubt upon the Company’s and the Group’s ability to continue as a going concern and that the Company and the Group may therefore be unable to realise their assets and discharge their liabilities in the normal course of business.

Board and Management changes
In February 2015 Ken Judge left the Board and was served notice to terminate his executive services contract as legal counsel.

In April 2015 Mahdi Sajjad was removed from his role as the Company’s Chief Executive. Mayer Brown International LLP, acting on behalf of Mr Sajjad, claim that the action taken constituted a material adverse change to Mr Sajjad’s employment which he had not consented to. Furthermore, Mr Sajjad has elected to treat his employment terminated as of 8 May 2015 and claims certain payments are now due under his employment contract with Gulfsands Petroleum Levant Limited and in relation to his role as the Company’s Chief Executive. He further claims unfair dismissal. Mayer Brown International LLP have advised that Mr Sajjad intends to commence formal litigation proceedings. At the Company’s Annual General Meeting on 30 June 2015, Mr Sajjad was not re-elected as a Director of Gulfsands.

In April 2015 Andrew West stood down as Non-Executive Chairman and remains on the Board as a Non-Executive Director. Simultaneously I was appointed to the Board as a Director and Executive Chairman.

Also in April 2015 Andrew Morris was appointed to the Board as a Non-Executive Director.

In April 2015 Alan Cutler resigned from his executive role as Director - Finance and Administration; it is expected that Alan will step down from the Board and leave the Company during the third quarter of 2015.

At the Company’s Annual General Meeting in June 2015 Ian Conway retired as a Director and did not stand for re-election.

Following the above changes the Audit Committee is chaired by Andrew Morris and the Remuneration Committee is chaired by Joe Darby; John Bell and James Ede-Golightly are members of both committees.

Outlook for 2015 and beyond
The Group remains committed to maintaining its presence in Syria, and it considers its partnership with General Petroleum Corporation (“GPC”) as a key element for the safe stewardship of Block 26 while the various sanctions prevent Gulfsands from a more active role.

In Morocco the portfolio of interests vary greatly in nature; however to capitalise on these opportunities the Group will need to secure funds from existing and new investors or engage with new industry partners to farm-in to the projects to reduce the financial exposure to the Group. We shall continue to encourage potential partners to visit our data room so they may properly assess, firsthand, the opportunities on offer.

We shall seek to farm-out the assets we hold in Colombia and Tunisia ensuring we can benefit from any success but without being exposed to the full cost of exploration.

The Group faces many challenges over the coming months, including seeking extensions to contracts/licences and completing our work programmes, securing new funds sufficient to repay the Weighbridge Loan Facility and to provide the necessary working capital to allow progress to be made on our assets.

Alastair Beardsall
Executive Chairman
4 August 2015

Operations Review

Syria

Gulfsands is the operator of the Block 26 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.

Position in H1 2015

- Maintained an office presence in Damascus.
- Block 26 facilities remain safe and secure.
- Retained technical capabilities through staff redeployment.
- Continued compliance with applicable sanctions.

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 remaining 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 extension thereto at the partners' option.

Under the Group's operatorship, two oil fields containing reservoirs of Cretaceous age have been discovered and developed within the PSC area, Khurbet East (2008) and Yousefieh (2010). During 2011 combined production from these fields reached a level of just under 25,000 barrels of oil per day ("bopd") before the impact of EU sanctions resulted in the curtailing of production levels. In addition, two further oil and gas discoveries with reservoirs of Triassic age have been identified beneath the Cretaceous aged oil producing reservoir in the Khurbet East field and within the Kurrachine and Butmah Dolomite formations. Development approvals for these discoveries were granted in 2008 and 2011 respectively. A further oil discovery was made late in 2011 by Gulfsands in the Cretaceous aged reservoirs at the Al Khairat exploration well, this discovery awaits further evaluation and development work.

The operation of these fields during the production phase is undertaken by Dijla Petroleum Corporation ("DPC"), a joint operating company formed between Gulfsands, Sinochem and the GPC for this purpose, to which staff of both Gulfsands and GPC had previously been seconded. Since the introduction of EU sanctions on 1 December 2011 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 taken extensive legal advice with respect to its obligations under the sanctions in place at the time 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 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 to comply with applicable sanctions.

Morocco

Gulfsands is the operator of a contiguous portfolio of onshore oil and gas exploration permits covering an area of approximately 7,210 km^2 in northern Morocco which incorporate proven petroleum systems. The Group has material equity interests in the three contracts which govern the Moulay Bouchta, Fes, Rharb Centre and Rharb Sud permits.

Progress in H1 2015

- The Group announced gas discoveries at the DRC-1 and DOB-1 well locations on the Rharb Centre permit, with maximum well test gas flow rates for each well in excess of 10 million standard cubic feet per day.
- 100% exploration success record maintained when drilling utilising data from Gulfsands Rharb Centre permit 3D seismic survey.
- Reprocessing of Gulfsands Fes permit 2D seismic data by specialist consultants has been completed, and subsequent in-house re-interpretation and remapping of lead concepts is yielding promising results.
- Increase in Group Moroccan Contingent and Prospective Resources following completion of 2015 reserves and resources report undertaken by UK subsurface consultancy Senergy (GB) Limited ("Senergy Report").
- Tender processes undertaken for 2D seismic surveys on Moulay Bouchta (530 km) and Fes (350 km) permits.

Moulay Bouchta contract

Contract expiry date:	First exploration phase, June 2016.
Minimum work obligation:	Acquisition of 500 km of 2D seismic data to be captured in a new survey; reprocessing and interpretation of selected legacy 2D seismic lines and the existing 3D seismic data; and a legacy oil field reactivation study. Further details are provided in note 8 to the Half-Yearly Financial Report.

Gulfsands acquired operatorship of the Moulay Bouchta permit during 2014, taking a 75% participating interest while Office National des Hydrocarbures et des Mines ("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 km² 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 permit onshore in northern Morocco. It covers terrain where the existence of a working petroleum system has been confirmed with the discovery and development of three oil fields, the most recent of which was the Haricha Field which had produced a total of 2.8 MMboe 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 possibly larger structures containing Jurassic and Cretaceous aged reservoirs within the permit area.

Work programmes are continuing with respect to the meeting of the minimum work obligation activities on the permit;

- a tender process is being undertaken for the acquisition by a contractor company of 530 km of 2D line seismic within the permit;
- legacy 2D seismic data from the permit area have been selected for reprocessing ;
- contractors with a good track record for performing reprocessing work within this type of geological terrain are under evaluation to conduct the work on the 2D data set, and in addition to reprocess the entire Haricha Field 3D survey data set;
- a reservoir modeling study of the depleted Haricha Field is in progress with the aim to identify any potential for infield and/or area re-activation; and
- prospectivity for exploration and near field appraisal drilling opportunities from existing seismic data is under evaluation.

Operations Review (continued)

Moulay Bouchta contract (continued)

During the period the Senergy Report has been issued whereby, net unrisked Prospective Resources have been granted for leads identified within the permit of (in million barrels of oil recoverable, "MMbo"):

Low Case	0.5
Best Estimate	11.4
High Case	74.9

The exploration risk level associated with the drilling of these leads is considered to be in the medium to high range.

The Group is pursuing options with respect to funding this work programme including bringing in industry partners.

Fes contract

Contract expiry date:	September 2015.
Minimum work obligation:	Acquisition of an additional 350 km of 2D seismic data to be captured in a new survey; 100 km² of new 3D seismic data; and drilling three exploration wells. Further details are provided in note 8 to the Half-Yearly Financial Report.

During the period the Senergy Report has been issued whereby, net unrisked Prospective Resources have been granted for leads identified within the permit of (in MMbo);

Low Case	21.4
Best Estimate	478.0
High Case	2,250.2

The exploration risk level associated with the drilling of these leads is considered to be in the medium to high range. This result is unchanged versus the Senergy Report issued a year earlier in H1 2014.

2D seismic data had been acquired across the Fes permit area in a 650 km survey that commenced in 2013 and was completed in early 2014. Following this a conventional seismic processing of the data was undertaken that was completed in July 2014, however the results of this processing work did not yield the step change uplift in data quality and imaging that was anticipated.

In H1 2015 an advanced and bespoke approach was applied to further reprocess and upgrade the entire 2D data set that was more specifically tailored to the geological fold and thrust belt setting in the Fes permit where the data was acquired. This additional seismic data reprocessing was carried out in Calgary, Canada, by specialists using techniques not previously applied in Morocco. Results from this reprocessed data set have yielded greater clarity in data imaging, which in turn offers opportunities to improve upon the geological interpretation of the data and on the reliability of mapping of key prospective potential oil bearing horizons.

The results from this H1 2015 reprocessing work have been followed by a further phase of re-interpretation and mapping work conducted in-house during this period. Early indications are that the current levels of net unrisked prospective resources booked for the permit are supported by the latest re-interpretation and mapping work, and that the upgraded lead concepts can consider to have been de-risked as compared to those presented in the Senergy Report.

Although progress has been made with the interpretation of the seismic data during the period, the financial commitments of the Fes contract are inconsistent with the Group's revised strategy, and therefore Gulfsands has initiated a farm-out process for the Fes contract.

Rharb contract

Contract expiry date:	November 2015.
Minimum work obligation:	Drilling three exploration wells. Further details are provided in note 8 to the Half-Yearly Financial Report.

A ten month extension to the Rharb exploration contract was granted by ONHYM in January 2015 extending the licence period to 9 November 2015. The contract governs the Rharb Centre and Rharb Sud permits.

During H1 2015, Gulfsands completed the drilling and testing of its fifth and sixth biogenic gas exploration wells in the Rharb Centre permit area, at the Dardara South East location (“DRC-1”) and the Douar Ouled Balkhair location (“DOB-1”) respectively. Both wells proved to be gas discoveries, and both were completed and then suspended as future gas production wells.

These two wells were located and drilled utilising Gulfsands Rharb Centre 3D seismic survey data that was acquired in 2013 and processed in 2014. Together with the gas discovery made at the Lalla Yetou Updip location (“LTU-1”) in 2014, Gulfsands has now drilled three exploration wells on this 3D survey and has achieved three discoveries, constituting a 100% successful exploration record when drilling utilising this 3D data set.

Subsequent to these drilling operations the Group has conducted a detailed technical assessment over the LTU-1, DOB-1 and DRC-1 gas discoveries that has included the identification of potential locations for further drilling in the near vicinity of these discoveries. The Group has additionally been working with its partner, ONHYM, on strategies to commercialise the discoveries made. These discussions are ongoing at the date of this Report.

During the period the Senergy Report has been issued whereby, net unrisked Contingent and Prospective Resources have been granted for all gas discoveries, prospects and leads identified within the Rharb Centre permit. The booked Contingent and Prospective Resources therefore have increased for the permit versus the Senergy Report issued a year earlier in H1 2014 to the following (in Bcf) ;

Contingent Resources		Prospective Resources	
1C	3.3	Low Case	8.9
2C	9.3	Best Estimate	24.7
3C	26.3	High Case	53.4

The exploration risk level associated with the drilling of the identified prospects and leads is considered to be in the low to medium range.

On the Rharb Sud permit, work continues on the identification of viable exploration lead concepts from legacy seismic and well data.

During the period the Senergy Report has been issued whereby, net unrisked Prospective Resources have been granted for leads identified within the Rharb Sud permit of (in MMbo);

Low Case	0.4
Best Estimate	11.0
High Case	66.4

The exploration risk level associated with the drilling of these leads is considered to be in the medium to high range.

Following the drilling and completion of DOB-1 in H1 2015, Gulfsands now has three remaining wells to drill across the Rharb concession (inclusive of both Rharb Centre and Sud permits) to meet work obligation commitments by the end of the licence period on 9 November 2015. The Group is in discussions with ONHYM with regards to re-scheduling these work obligations.

In parallel, the Group are considering options for funding this work programme and the development of discoveries which may include bringing in industry partners and an active farm-out process is underway.

Tunisia

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

Chorbane contract

Contract expiry date:	Second phase July 2015.
Minimum work obligation:	Drilling one exploration well. Further details are provided in note 8 to the Half-Yearly Financial Report.

The current exploration period under the contract originally ran to-mid July 2015 and Gulfsands has submitted an application for a two year extension to this period during which the work obligation of acquiring 200 km 2D seismic and drilling one exploration well must be completed. If the application is successful the Group will look to farm-down its 100% interest in exchange for a carried work programme; if the application is unsuccessful, the contract will terminate.

During the period the Senergy Report has been issued whereby, net unrisked Prospective Resources have been granted for prospects and leads identified within the Chorbane contract of (in MMboe);

Low Case	12
Best Estimate	44
High Case	129

The exploration risk level associated with the drilling of these identified prospects and leads is considered to be high.

Colombia

Gulfsands has Exploration and Production Contracts ("E&P contracts") over two onshore contract areas, Llanos Block 50 ("LLA 50") and Putumayo Block 14 ("PUT 14"), covering approximately 514 km^2 and 464 km^2 respectively.

Llanos Block 50

Contract expiry date:	First exploration phase, November 2016.
Minimum work obligation:	Acquisition of an additional 103 km of 2D seismic data to be captured in a new survey; and drilling one exploration well. Further details are provided in note 8 to the Half-Yearly Financial Report.

Putumayo Block 14

Contract expiry date:	First exploration phase, November 2017.
Minimum work obligation:	Acquisition of an additional 93 km of 2D seismic data to be captured in a new survey; and drilling one exploration well. Further details are provided in note 8 to the Half-Yearly Financial Report.

The Group continues to undertake the preliminary studies required to be completed prior to the commencement of either 2D or possibly exploration-oriented 3D seismic acquisition programmes on the contract areas.

The next phase of the work programme on PUT 14 includes both a "Consulta Previa" consultation with local indigenous and tribal peoples regarding operations to be conducted in the area, and a PMA "Plan de Manejo Ambiental" (Environmental Management Plan) that is required for the commencement of a seismic survey.

On LLA 50, a MMA "Medidas Manejo Ambiental" (Environmental Management Measures), is being prepared across the contract area, completion of which will allow the commencement of a seismic survey

The Group has recently initiated a farm-out exercise for its interests in the contract areas prior to any significant financial commitment with respect to further exploration work.

Financial Review

Financial highlights for the six months ended 30 June 2015

- The loss from continuing operations for the first half of 2015 was $31.3 million (H1 2014: $7.2 million).
- Gulfsands has continued to reduce its office expenses which, excluding restructuring costs have reduced by 31% in the first half of the year compared to the first half of 2014.
- Investment in exploration and evaluation ("E&E") assets during the period of $5.7 million (H1 2014: $11.6 million), predominantly the drilling of DRC-1 and DOB-1 on the Rharb Centre permit.
- $22.1 million of E&E assets related to the Moroccan Fes permit have been impaired in the period; in addition the related restricted cash balances of $5.0 million has also been provided against.
- The Group continues to value its investment in its Syrian interest at $102.0 million.
- Cash and cash equivalents reduced by $6.4 million in the period to $1.5 million at 30 June 2015 (31 December 2014: $7.9 million).

Operating performance

General administrative expenses	**Six months ended 30 June 2015 $' 000**	Six months ended 30 June 2014 $' 000
Office expenses	**(4,919)**	(7,138)
Partner recoveries	**418**	1,374
Restructuring costs	**(786)**	-
Depreciation and amortisation	**(100)**	(354)
Office expenses capitalised	**1,864**	3,453
General administrative expenses	**(3,523)**	(2,665)

General administrative expenses for the first half of 2015 total $3.5 million (H1 2014: $2.7 million). This increase reflects one-off restructuring costs incurred in the period as well as a decreased level of partner recoveries resulting in part from the termination of the Colombian joint venture agreement at the start of 2015. Underlying office expenses have decreased significantly, by some 31%, resulting from the increasing efforts to manage costs to fit the current business model and strategy.

Exploration write-offs for the period were $1.4 million (H1 2014: $4.4 million) and predominantly consist of the write-off of costs associated with re-structuring and terminating drilling operations contracts for the Moroccan Rharb Centre permit.

E&E asset impairments for the period were $22.1 million and relate to the Moroccan Fes permit only. The financial commitments of the Fes contract are inconsistent with the Group's revised strategy, and therefore Gulfsands has initiated a farm-out process for the Fes contract. However given the Fes licence expiry date in September 2015, the outstanding work commitments on the permit which could not physically be fulfilled before this date and the uncertainty of securing an industry partner before the licence expiry date, the expenditure to date attributed to the Fes permit of $22.1 million, inclusive of $10.5 million fair value attributed at acquisition, has been fully impaired at 30 June 2015. In addition to the impairment of E&E assets a provision has been made against related restricted cash balances securing minimum work obligations on the Fes contract of $5.0 million, as these may not be recoverable if the licence is not extended. As part of this restricted cash is payable to a third party on its release the resulting net charge to the Income Statement is reduced to $3.5 million.

The Group reported a loss before tax for continuing operations for the half year ended 30 June 2015 of $31.3 million (H1 2014: loss from continuing operations $7.2 million). The first half of 2014 also included a loss from discontinued operations of $1.9 million in respect of the US Gulf of Mexico operations which were disposed of in December 2014.

Balance Sheet

The Group's intangible exploration and evaluation assets are held at a net book value of $36.0 million at 30 June 2015 (31 December 2014: $53.0 million). Capital expenditures for the six months to June 2015 totalled $5.7 million (H1 2014: $11.6 million) including: external third party drilling costs of $2.8 million on the sixth Rharb Centre well, DOB-1, for which drilling commenced on 28 January 2015; $0.8 million of external third party drilling costs remaining for the DRC-1 well which commenced drilling in December 2014; and $1.8 million of capitalised general office expenditure against the Moroccan and Colombian licences, relating to operational offices. Both the DRC-1 and DOB-1 wells were successfully drilled in the period to target depth, discoveries declared and the wells temporarily suspended as future gas producers. $0.8 million has also been capitalised in the period in relation to an increase in estimates for Rharb Centre decommissioning provisions as a result of these wells being drilled.

There have been write-offs totaling $1.4 million in the period predominantly relating to costs associated with re-structuring and terminating drilling operations contracts for the Moroccan Rharb Centre permit. Expenditure attributed to the Moroccan Fes permit of $22.1 million, including $10.5 million of fair value attributed at acquisition, has been fully impaired in the period.

Management has reviewed the carrying value of all its remaining E&E assets at the date of this Report and notes that there are uncertainties caused by the upcoming expiry dates on certain contracts and the potential non fulfillment of work obligations in the necessary timeframes which could result in termination of those contracts. Management's strategy is to protect the value of all of its exploration and evaluation assets, and it is seeking contract extensions and the restructuring of certain of its work obligations to allow the contracts to be appropriately re-financed or divested in part or whole. It should be noted that if Management is unsuccessful in their strategies for the E&E assets, the carrying value of the related assets and the restricted cash securing those work obligations could become impaired. The contract/licence expiry dates, capital commitments and restricted cash balances held are detailed further in note 8 to the Half-Yearly Financial Report.

The fair value of the Group's net investment in its Syrian interests remains unchanged at $102.0 million. The Board have reviewed the status of the investment and the valuation thereof. The Board's view is that there has been little significant change to the circumstances and status of the Group's Syrian interests. The Board are still unable to provide a firm view as to the eventual outcome and the timing of resolution of the situation in Syria that would lead to the EU lifting sanctions against Syria, allowing Gulfsands to return, however, they continue to consider that its position in respect of its interests remains strong and all indications are that the Syrian authorities expect Gulfsands and its partner to return to operational control of their interests in accordance with the terms of the PSC as soon as circumstances permit. The carrying value of the Syrian interest continues to be supported by the Group's valuation model based on the estimated future cash flows that could be generated from the Group's remaining entitlement reserves in Block 26 in Syria. The Board continues to hold the view that its current valuation of $102.0 million, remains fair and appropriate.

Decommissioning provisions relate to abandonment and restoration provisions for the Rharb Centre Moroccan wells and total $1.8 million at 30 June 2015 (31 December 2014: $1.0 million). Decommissioning provisions increased during the period as a result of the completion of the DOB-1 and DRC-1 wells on the Rharb Centre permit.

The outstanding loan balance at 30 June 2015 is $10.4 million (31 December 2014: $4.9 million) following the draw-down of the second $5.0 million tranche on 9 January 2015 and interest and facility fees rolled up in the period. At the end of June 2015 the lender, Arawak Energy Bermuda Limited, entered into an assignment agreement ("Assignment") with Weighbridge Trust Limited ("Weighbridge"), which is acting as agent for Waterford Finance and Investment Limited and Richard Griffiths (and companies owned and controlled by him) and, under the assignment, Weighbridge acquired the loan facility (now referred to as the Weighbridge Loan Facility). The loan matures on 30 November 2017 and is repayable in full on that date. Gulfsands intend to re-pay the loan balance post Fundraising and in certain circumstances the loan may be callable in advance of this date, therefore the loan balance has been reclassified as a current liability at 30 June 2015.

Cash flow

The total decrease in cash and cash equivalents during the period was $6.4 million (six months ended 30 June 2014: $25.4 million). Operating cash outflow from continuing operations increased in the period to $3.9 million (H1 2014: $2.2 million) largely as a result of exceptional recoveries from partners in 2014 in relation to historic expenditure. Investing cash outflow from continuing operations during the period totalled $7.4 million (H1 2014: $21.0 million). This predominantly consists of exploration expenditure inclusive of $5.5 million spent on Moroccan operations and $1.5 million paid in final settlement of the amount payable for the 2013 acquisition of the additional interest in the Chorbane contract. Cash received from financing activities totalled $5.0 million, due to the draw-down of the second tranche of the Arawak Loan Facility.

Financial position

At 30 June 2015 the Group had total unrestricted cash and cash equivalents of $1.5 million (31 December 2014: $7.9 million).

Restricted cash balances at the end of the period (which are presented as long-term financial assets in the Balance Sheet) totaled $6.4 million (31 December 2014: $11.5 million), and represent funds securitised as collateral in respect of future work obligations – principally in respect of the Group's Moroccan and Colombian interests. At 30 June 2015 a provision was made against the restricted cash balance securitised as collateral in respect of future work obligations on the Fes permit of $5.0 million, consistent with the impairment of the Fes E&E asset. Of this amount, $1.5 million (31 December 2014: $1.5 million) would be payable to a third party if the deposit were to be released by ONHYM and, consequently, this payable has also been provided against. The remaining restricted cash balances should continue to be released to the Group as work programmes are completed with $0.5 million to be repaid to a third party upon release. It should be noted that if Management are unsuccessful in their strategy of contract/licence extensions and farm-outs then the carrying value of the remaining restricted cash securing the work obligations may become impaired.

The condensed set of financial statements included in this Half-Yearly Financial Report have been prepared on a going concern basis of accounting which has been approved by the Board. The basis on which the Board has reached this decision is detailed in note 2 to the Half-Yearly Financial Report.

INDEPENDENT REVIEW REPORT TO GULFSANDS PETROLEUM PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2015 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Changes in Equity, the Consolidated Cash Flow Statement and notes to the Half-Yearly Financial Report.

We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Half-Yearly Financial Report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the Half-Yearly Financial Report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-Yearly Financial Report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Emphasis of matter – Fair value of the Group's producing operations in Syria

Without modifying our conclusion on the Half-Yearly Financial Report for the period ended 30 June 2015, we draw attention to the disclosures made in note 9 to the Half-Yearly Financial Report concerning the valuation of the Group's suspended producing operations in Syria, which are recorded at the Directors' best estimate of their fair value following the loss of joint control in December 2011. There is significant uncertainty as to the duration of the EU sanctions imposed in December 2011 and the eventual outcome of events in Syria. The potential impact any outcome will have on the recoverable amount from the producing operations in Syria (current value of $102.0 million) is not known.

Emphasis of matter – Going concern

Without modifying our conclusion on the Half-Yearly Financial Report for the period ended 30 June 2015, we have considered the adequacy of the disclosures made by the Directors in note 2 to the Half-Yearly Financial Report and the Executive Chairman's Statement concerning the Group's ability to continue as a going concern. The Group requires additional funding and careful management of its commitments in order to meet both capital and administrative obligations and liabilities as they fall due. The Directors believe, based upon discussions with major shareholders that the Group will be able to secure the necessary funds required within the timescale, but there are currently no binding agreements in place.

These conditions, along with the other matters explained in note 2 to the Half-Yearly Financial Report and the Executive Chairman's Statement, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The condensed financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern, which would principally relate to the impairment of the Group's non-current assets as licence commitments would not be met and licences may then be revoked with restricted cash balances not recovered.

BDO LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
4 August 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	**6 months ended 30 June 2015 (Unaudited) $' 000**	6 months ended 30 June 2014 (Unaudited) $' 000	Year ended 31 December 2014 (Audited) $' 000
Continuing operations				
General administrative expenses		**(3,523)**	(2,665)	(5,469)
Share-based payments		**-**	(47)	(56)
Total administrative expenses	3	**(3,523)**	(2,712)	(5,525)
Impairment of exploration and evaluation assets	7	**(22,107)**	-	-
Provision against restricted cash balances	4	**(3,500)**	-	-
Exploration costs written off	7	**(1,439)**	(4,390)	(6,040)
Other Syrian adjustments		**-**	-	(202)
Operating loss	3	**(30,569)**	(7,102)	(11,767)
Loan financing cost	10	**(536)**	-	(70)
Other finance income		**8**	14	18
Other finance expenses		**(152)**	(28)	(76)
Foreign exchange losses		**(65)**	(129)	(218)
Loss before taxation from continuing activities		**(31,314)**	(7,245)	(12,113)
Taxation		**-**	-	-
Loss for the period from continuing activities		**(31,314)**	(7,245)	(12,113)
Discontinued operations				
Loss for the period from discontinued operations	5	**-**	(1,913)	(3,978)
Loss for the period - attributable to owners of the parent company		**(31,314)**	(9,158)	(16,091)
Loss per share from continuing operations (cents)				
Basic and diluted	6	**(26.52)**	(6.14)	(10.28)
Loss per share attributable to the owners of parent company (cents)				
Basic and diluted	6	**(26.52)**	(7.77)	(13.65)

There are no items of comprehensive income not included in the Income Statement.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015

	Notes	30 June 2015 (Unaudited) $' 000	31 December 2014 (Audited) $' 000
ASSETS			
Non-current assets			
Property, plant and equipment		**244**	285
Intangible assets	7	**36,303**	53,352
Long-term financial assets		**6,431**	11,514
Investments	9	**102,000**	102,000
		144,978	167,151
Current assets			
Inventory		**2,213**	2,361
Trade and other receivables		**1,150**	1,028
Cash and cash equivalents		**1,509**	7,907
		4,872	11,296
Total assets		**149,850**	178,447
LIABILITIES			
Current liabilities			
Trade and other payables		**4,316**	5,882
Loan facility	10	**10,391**	-
Provision for decommissioning		**380**	580
		15,087	6,462
Non-current liabilities			
Trade and other payables		**4,090**	6,178
Loan facility	10	**-**	4,855
Provision for decommissioning		**1,463**	397
		5,553	11,430
Total liabilities		**20,640**	17,892
Net assets		**129,210**	160,555
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	11	**13,131**	13,131
Share premium		**105,926**	105,926
Merger reserve		**11,709**	11,709
Treasury shares		**(11,502)**	(11,502)
Retained profit		**9,946**	41,291
Total equity		**129,210**	160,555

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital $'000	Share premium $'000	Merger reserve $'000	Treasury shares $'000	Retained profit $'000	Total equity $'000
At 31 December 2013	**13,131**	**105,926**	**11,709**	**(11,502)**	**57,387**	**176,651**
Options settled or 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**
Options settled or exercised	-	-	-	-	(45)	(45)
Share-based payment charge	-	-	-	-	9	9
Loss for the period	-	-	-	-	(6,933)	(6,933)
At 31 December 2014	**13,131**	**105,926**	**11,709**	**(11,502)**	**41,291**	**160,555**
Options settled or exercised	-	-	-	-	(31)	(31)
Loss for the period	-	-	-	-	(31,314)	(31,314)
At 30 June 2015	**13,131**	**105,926**	**11,709**	**(11,502)**	**9,946**	**129,210**

The merger reserve arose on the acquisition of Gulfsands Petroleum Ltd and its subsidiaries by the Company by way of share-for-share exchange in April 2005, in conjunction with the flotation of the Company on the Alternative Investment Market of the London Stock Exchange.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	**6 months ended 30 June 2015 (Unaudited) $' 000**	6 months ended 30 June 2014 (Unaudited) $' 000	Year ended 31 December 2014 (Audited) $' 000
Cash flows from operating activities				
Operating loss for continuing operations		**(30,569)**	(7,102)	(11,767)
Depreciation, depletion and amortisation		**100**	354	602
Impairment of exploration and evaluation assets	7	**22,107**	-	-
Provision against long term financial assets	4	**3,500**	-	-
Exploration costs written off	7	**1,439**	4,390	6,040
Other Syrian adjustments		**-**	-	202
Share-based payment charge		**-**	47	56
(Increase)/decrease in receivables		**(79)**	(673)	1,598
(Decrease)/increase in payables		**(341)**	976	(254)
Finance expenses paid		**(19)**	(28)	(76)
Interest received		**8**	14	18
Foreign exchange losses		**(65)**	(129)	(218)
Net cash used in operating activities by continuing operations		**(3,919)**	(2,151)	(3,799)
Net cash generated by operating activities of discontinued operations		**-**	137	2,347
Net cash used in operating activities		**(3,919)**	(2,014)	(1,452)
Investing activities				
Exploration and evaluation expenditure		**(7,387)**	(18,828)	(26,987)
Inventory purchased		**(49)**	(78)	(1,420)
Other capital expenditures		**(12)**	(296)	(340)
Change in restricted cash balances		**-**	(1,750)	4,750
Net cash used in investing activities by continuing operations		**(7,448)**	(20,952)	(23,997)
Net cash used in investing activities of discontinued operations		**-**	(2,454)	(5,011)
Net cash used in investing activities		**(7,448)**	(23,406)	(29,008)
Financing activities				
Loan draw-down	10	**5,000**	-	5,000
Transaction costs paid on loan facility		-	-	(215)
Other payments in connection with options exercised		**(31)**	(16)	(61)
Net cash generated by/(used in) financing activities of continuing operations		**4,969**	(16)	4,724
Net cash used in financing activities of discontinued operations		-	-	-
Total net cash generated by/(used in) financing activities		**4,969**	(16)	4,724
Cash disposed as part of disposal of discontinued operations		**-**	-	(181)
Decrease in cash and cash equivalents		**(6,398)**	(25,436)	(25,917)
Cash and cash equivalents at beginning of period		**7,907**	33,824	33,824
Cash and cash equivalents at end of period		**1,509**	8,388	7,907

1. General information

This Half-Yearly Financial Report was approved by the Board of Directors and authorised for issue on 4 August 2015.

This condensed set of financial statements for the six months ended 30 June 2015 is unaudited and does not constitute statutory accounts as defined by the Companies Act.

The information for the year ended 31 December 2014 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 2014 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, and in respect of the Group's ability to continue as a going concern.

2. Accounting policies

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").

Basis of preparation

The condensed set of financial statements included in this Half-Yearly Financial Report has been prepared on a going concern basis of accounting which has been approved by the Board. The basis on which the Board has reached this decision is as follows:

Going concern

As at the date of this Report, the Group has cash balances immediately available to it totaling approximately $2.0 million with net current trade and other payables of approximately $3.3 million and ongoing costs currently approximating to $0.7 million per month. Restricted cash balances and the work commitments to which they relate are described in note 8. In addition the Company intends to repay the loan facility as soon as practicable, which at the date of this Report $11.0 million has been drawn-down, this loan is described in note 10. Early repayment will cause a minimum of $1.0 million of interest and fees to also become payable.

The Board is in the process of restructuring the business and actioning its strategy for each asset as laid out in the Operations Review on pages 3 to 7 of this Report. This includes substantially reducing its costs whilst, farming-down, divesting or otherwise rationalising certain interests and the associated work commitments.

The Company is preparing a financing to raise approximately $22 million via an open offer to all shareholders ("Fundraising"). The Company is preparing a circular for shareholders to include details of the Fundraising and a notice of an extraordinary general meeting to approve the resolutions to facilitate the Fundraising. The open offer to all shareholders will require the publication of an open offer prospectus.

In the short-term the Group has been tightly managing its payables on a daily basis and has been able to draw-down some limited interim funding from the newly-assigned loan facility. At the end of June 2015 Arawak Energy Bermuda Limited entered into an assignment agreement ("Assignment") with Weighbridge Trust Limited ("Weighbridge"), which is acting as agent for Waterford Finance and Investment Limited ("Waterford") and Richard Griffiths (and companies owned and controlled by him) ("Griffiths"). Under the Assignment, Weighbridge acquired the Arawak Loan Facility for the benefit of Waterford and Griffiths (now referred to as the Weighbridge Loan Facility). It is the intention of the Group to repay the Loan Facility as soon as the Fundraising is completed. Waterford and Griffiths, as existing shareholders in the Company, acquired the Loan Facility on this basis, and they have given a firm undertaking to subscribe for up to $11 million of new shares in Gulfsands as part of the proposed Fundraising to facilitate repayment of the facility in full. In July 2015 a further $1.0 million has been drawn-down under the facility and further draw-downs may be required prior to completion of the Fundraising. Based on discussions with all parties, the Directors have reasonable expectation that the Group will be able to draw-down another $1.0 million under the facility.

Going concern (continued)

This Fundraising should allow the Group to achieve the following:

- repayment of the Weighbridge Loan Facility;
- rationalisation of existing minimum work commitments; and
- further appraisal and exploitation of selected assets.

Following completion of a review of the going concern position of the Company and Group at the meeting of the Board of Directors on 4 August 2015, including the uncertainties described above, the Board has concluded that, with current consolidated cash and cash equivalents totaling $2.0 million and taking into account both the revised strategy of farming-down or divesting assets and the new financial resources that the Board might reasonably expect to become available, the Company and the Group will have sufficient resources to continue in operational existence for the foreseeable future, a period not less than twelve months from the date of approval of this Half-Yearly Financial Report. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis in preparing these Financial Statements.

Notwithstanding the confidence that the Board has in its ability to stabilise and finance the Group's re-shaped business, the Directors, in accordance with Financial Reporting Council guidance in this area, conclude that at this time there is material uncertainty that such finance can be procured and failure to do so might cast significant doubt upon the Company's and the Group's ability to continue as a going concern and that the Company and the Group may therefore be unable to realise their assets and discharge their liabilities in the normal course of business. Such scenario could impact upon the carrying value of intangible exploration and evaluation assets as disclosed in note 7 and on the recoverability of certain restricted cash amounts held in escrow to support guarantees of performance of minimum work obligations, as disclosed in note 8.

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 2014 and those to be used in the year ending 31 December 2015.

Since the 2014 annual report and accounts was published, no new standards and interpretations have been issued that would have a material financial impact on adoption on the condensed financial statements for the six months ended 30 June 2015.

3. Segmental information

The Group currently operates in three principal geographical areas: Morocco, Colombia and Tunisia 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. The comparatives for the six months ended 30 June 2014 and the year end 31 December 2014 have been re-presented to reflect the US Gulf of Mexico operations as discontinued operations.

30 June 2015 (Unaudited)	**Syria**	**Morocco**	**Tunisia**	**Colombia**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total administrative expenses	**(111)**	**(57)**	**(198)**	**(94)**	**(3,063)**	**(3,523)**
Exploration costs written-off	**-**	**(1,439)**	**-**	**-**	**-**	**(1,439)**
Impairment of exploration and evaluation assets	**-**	**(22,107)**	**-**	**-**	**-**	**(22,107)**
Provision against restricted cash balances	**-**	**(3,500)**	**-**	**-**	**-**	**(3,500)**
Operating loss	**(111)**	**(27,103)**	**(198)**	**(94)**	**(3,063)**	**(30,569)**
Net financing (costs)/income						**(745)**
Net loss from continuing operations						**(31,314)**
Total assets	**102,382**	**28,581**	**5,278**	**1,582**	**12,027**	**149,850**
Total liabilities	**(3,723)**	**(5,652)**	**(45)**	**(43)**	**(11,177)**	**(20,640)**
E&E capital expenditure	**-**	**5,455**	**25**	**245**	**-**	**5,725**

30 June 2014 (Unaudited)	Syria	Morocco	Tunisia	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total administrative expenses	(344)	(107)	(3)	(54)	(2,204)	(2,712)
Exploration costs written-off	-	(3,936)	(454)	-	-	(4,390)
Operating loss	(344)	(4,043)	(457)	(54)	(2,204)	(7,102)
Net financing (costs)/income						(143)
Net loss from continuing operations						(7,245)
Total assets	105,116	44,905	5,288	1,161	41,906	198,376
Total liabilities	(4,049)	(6,783)	(1,510)	(26)	(18,484)	(30,852)
E&E capital expenditure	-	10,852	454	331	-	11,637

31 December 2014 (Audited)	Syria	Morocco	Tunisia	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total administrative expenses	(482)	(149)	10	(168)	(4,736)	(5,525)
Exploration costs written-off	-	(5,246)	(794)	-	-	(6,040)
Other Syrian adjustments	(202)	-	-	-	-	(202)
Operating loss	(684)	(5,395)	(784)	(168)	(4,736)	(11,767)
Net financing (costs)/income						(346)
Net loss from continuing operations						(12,113)
Total assets	102,325	51,845	5,256	1,324	17,697	178,447
Total liabilities	(3,827)	(6,486)	(1,587)	(69)	(5,923)	(17,892)
E&E capital expenditure	-	19,188	794	982	-	20,964

4. Provision against restricted cash balances

At 30 June 2015 a provision has been made against restricted cash balances securing minimum work obligations on the Fes contract of $5.0 million, as these may not be recoverable if the licence is not extended as minimum work commitments will not have been completed. As $1.5 million of this restricted cash is payable to a third party on its release the resulting net charge to the Income Statement is reduced to $3.5 million on derecognition of this liability.

	6 months ended 30 June 2015 $'000	6 months ended 30 June 2014 $'000	Year ended 31 December 2014 $'000
Provision against restricted cash balances	**5,000**	-	-
Derecognition of amounts due to third parties on release of restricted cash balances	**(1,500)**	-	-
Net provision against restricted cash balances	**3,500**	-	-

5. Discontinued operations

In November 2014 the Group entered into a sale agreement with Hillcrest Resources Ltd to dispose of its wholly-owned US subsidiary Gulfsands Petroleum USA, Inc. The disposal completed on the 18 December 2014.

The comparative condensed Income Statement has been restated to show the discontinued operation separately from continuing operations.

	6 months ended 30 June 2015 $'000	6 months ended 30 June 2014 $'000	Year ended 31 December 2014 $'000
Revenue	-	3,105	5,366
Expenses	-	(5,018)	(6,870)
Loss before tax	-	(1,913)	(1,504)
Loss on disposal of discontinued operations	-	-	(2,474)
Net loss attributable to discontinued operations (attributable to owners of the parent company)	-	(1,913)	(3,978)

6. 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 2015 (Unaudited)	6 months ended 30 June 2014 (Unaudited)	Year ended 31 December 2014 (Audited)
Weighted average number of ordinary shares	**117,886,145**	117,886,145	117,886,145
Options	**197,102**	323,716	204,749
Weighted average number of diluted shares	**118,083,247**	118,209,861	118,090,894

The basic and diluted loss per share has been calculated using the loss for the six months ended 30 June 2015 of $31.3 million (six months ended 30 June 2014: $7.2 million, year ended 31 December 2014: $12.1 million) for continuing operations and $31.3 million (six months ended 30 June 2014: $9.2 million, year ended 31 December 2014: $16.1 million) for the loss attributable to the owners of the parent company. The basic loss per share was calculated using a weighted average number of shares in issue less treasury shares held of 117,886,145 for all periods. The weighted average number of ordinary shares, allowing for the exercise of share options, for the purposes of calculating the diluted loss per share was 118,083,247 (six months ended 30 June 2014: 118,209,861 and year ended 31 December 2014: 118,090,894).

Where there is a loss, the impact of share options is anti-dilutive and hence, basic and diluted loss per share are the same.

7. Intangible assets

	Exploration and Evaluation Assets				Computer	
	Syria	Morocco	Tunisia	Colombia	software	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
At 31 December 2014	10,505	46,555	5,195	1,225	2,370	65,850
Additions	-	5,455	25	245	1	5,726
Change in decommissioning estimates	-	821	-	-	-	821
Exploration expenditure written-off	-	(1,439)	-	-	-	(1,439)
At 30 June 2015	**10,505**	**51,392**	**5,220**	**1,470**	**2,371**	**70,958**
Accumulated amortisation:						
At 31 December 2014	-	-	-	-	(1,518)	(1,518)
Charge for period	-	-	-	-	(50)	(50)
At 30 June 2015	**-**	**-**	**-**	**-**	**(1,568)**	**(1,568)**
Accumulated impairment:						
At 31 December 2014	(10,505)	-	-	-	(475)	(10,980)
Charge for the period	-	(22,107)	-	-	-	(22,107)
At 30 June 2015	**(10,505)**	**(22,107)**	**-**	**-**	**(475)**	**(33,087)**
Net book value at 30 June 2015	**-**	**29,285**	**5,220**	**1,470**	**328**	**36,303**
Net book value at 31 December 2014	-	46,555	5,195	1,225	377	53,352

Syria

The accumulated costs of E&E assets in Syria represent the Group's share of the drilling costs of the Al Khairat, Twaiba and Wardieh wells and certain 3D seismic surveys. The Al Khairat well was successfully tested but commercial development approval is yet to be granted by the government of the Syrian Arab Republic. The Twaiba and Wardieh wells are still under evaluation.

Following the imposition of EU sanctions against the oil industry in Syria, an impairment test was conducted and the carrying value of all E&E assets in Syria was impaired to nil as it is was unclear whether the Group would be able to apply for commercial development approval in the manner contemplated by the Production Sharing Contract. That position remains at the date of this Report.

Morocco

Moroccan E&E assets at 30 June 2015 represent exploration expenditure on the Rharb Centre, Rharb Sud, Fes and Moulay Bouchta permits, in addition to $17.8 million of fair value attributed to the Fes, Rharb Centre and Rharb Sud permits at acquisition in 2013, less write-offs of unsuccessful exploration expenditure on the Fes and Rharb Centre permits and impairment of the expenditure attributed to the Fes permit.

In respect of the Rharb petroleum contract, drilling of the fifth well, DRC-1, commenced in December 2014 and completed in January 2015. Shortly after, drilling of the sixth well, DOB-1 commenced and completed in February 2015. Both wells were successfully drilled to target depths, hydrocarbon discoveries made and the wells have both been temporarily suspended as future gas producers.

Management has reviewed the carrying value of all its interests in Morocco as at the date of this Report. The financial commitments of the Fes contract are inconsistent with the Group's revised strategy, and therefore Gulfsands have initiated a farm-out process for the Fes contract. However given the Fes licence expiry date in September 2015, the outstanding work commitments on the permit which could not physically be fulfilled before this date and the uncertainty of securing an industry partner before the licence expiry date, the expenditure to date attributed to the Fes permit of $22.1 million, inclusive of $10.5 million fair value attributed at acquisition, has been fully impaired at 30 June 2015.

7. Intangible assets (continued)

Morocco (continued)

Management notes that the Rharb contract expires in November 2015 and there currently remain work obligations to be performed on this contract which, if not completed before expiry, could lead to ONHYM terminating the Rharb contract. Three discoveries have been made on the Rharb permit over the last year and the Management believe that within the time frame to licence expiry it is still realistic to complete the outstanding work obligations if funding were available to finance these commitments. Management has commenced a farm-out process and would seek to restructure some of the work obligations to allow the contracts to be appropriately re-financed or divested in part or whole. The Moulay Bouchta contract expires in June 2016, again providing sufficient time to complete work obligations should funding be available. Should Management be unsuccessful in this strategy, the carrying value of those assets and the restricted cash securing those work obligations would become impaired. However, Management has considered the risks and determined that no further impairment in the carrying value of its remaining Moroccan interests is appropriate at this time.

Tunisia

At 30 June 2015 the Tunisian E&E assets represent expenditures under the Chorbane contract including amounts paid during 2013 and 2015 to increase participation in the contract. The Chorbane contract was due to expire on 12 July 2015. Gulfsands lodged a joint official extension application with the Entreprise Tunisienne d'Activités Pétrolières on 11 May 2015 to the Direction Générale de l'Energie for a two year extension but are awaiting a meeting of the Consultative Commission on Hydrocarbons for this extension to be granted. Until a decision is made the contract will not expire and Management feels confident that an extension will be granted. If an extension is granted, a farm-down or divestment of the Group’s interests would be anticipated. Management have reviewed its intention for this asset and the carrying value thereof as at the date of this Report and concluded that no impairment of its carrying value is required. Management notes however, that if the contract is not extended or if satisfactory terms in any farm-down or divestment cannot be obtained then the carrying value of this asset might become impaired. There is no security deposit or other guarantee in place with respect to these work obligations.

Colombia

The Group has interests in E&P contracts over two blocks in Colombia: Llanos 50 and Putumayo 14, which expire in November 2016 and November 2017 respectively. At 30 June 2015 the E&E assets of $1.5 million represent costs incurred in respect of these blocks which are in the early stages of exploration. Management’s strategy is to farm-down or divest the Group’s interests in these contracts and a broker has been engaged to run the farm-out process in-country. Management has reviewed its intentions for these assets, and believes it is too early to make a prediction on the likelihood of a successful farm-out or to determine what price could be achieved. Therefore they have concluded that no impairment of the carrying value is required. Both the asset carrying values and the restricted cash amounts could become impaired should the Group fail to satisfy the work obligations or to realise sufficient value from any divestment or farm-out.

8. Work obligation commitments

At 30 June 2015 the Group had the following capital commitments in respect of its exploration activities:

Morocco

Fes permit – licence expiry date and deadline for fulfilment of capital commitments; September 2015

- Drilling of three exploration wells.
- Acquisition of a further 350 km of 2D seismic.
- Acquisition of 100 km² of 3D seismic.
- Total cost of commitments outstanding estimated at $32.8 million inclusive of a $5.7 million carry in favour of a third party.

$5.0 million (31 December 2014: $5.0 million) of deposits have been lodged to support guarantees given to ONHYM in respect of completion of these minimum work commitments, however at 30 June 2015 the recoverability of these amounts has been fully provided against. Of these amounts, $1.5 million (31 December 2014: $1.5 million) that would be payable to a third party if the deposits were to be released by ONHYM has been provided against but remains a contingent liability.

8. Work obligation commitments (continued)

Morocco (continued)

Rharb permit – licence expiry date and deadline for fulfilment of capital commitments extended to November 2015

- Drilling of a further three exploration wells.
- Total cost of commitments outstanding estimated at $7.3 million.

$1 million (31 December 2014: $1 million) of deposits have been lodged to support guarantees given to ONHYM in respect of completion of these minimum work commitments. Of these amounts $0.5 million (31 December 2014: $1 million) is payable to a third party following release of deposits by ONHYM.

Moulay Bouchta permit - licence expiry date and deadline for fulfilment of capital commitments; June 2016

- Acquisition of 500 km of 2D seismic.
- Reprocessing and interpretation of existing seismic data.
- Legacy oil field reactivation survey.
- Total cost of commitments estimated at $6.5 million.

$1.75 million (31 December 2014: $1.75 million) of deposits have been lodged to support guarantees given to ONHYM in respect of completion of these minimum work commitments.

Tunisia

Chorbane permit – contract expiry date and deadline for fulfilment of capital commitments; July 2015 (subject to an application for extension)

- Drilling of one exploration well.
- Total commitments outstanding estimated at $7.0 million.

Colombia

Putumayo 14 - licence expiry date and deadline for fulfilment of capital commitments; November 2017

- Drilling of one exploration well.
- 2D seismic minimum 93 km.
- Total commitments outstanding estimated at $22.2 million.

Llanos 50 - licence expiry date and deadline for fulfilment of capital commitments; November 2016

- Drilling of one exploration well.
- 2D seismic minimum 103 km.
- Total commitments outstanding estimated at $15.2 million.

$3.2 million (2013: $3.2 million) of deposits have been lodged to support guarantees given to the Agencia Nacional de Hidrocarburos in respect of completion of these minimum work commitments on Putumayo 14 and Llanos 50.

The deposits referenced in this note are shown as restricted cash amounts within long-term financial assets on the Balance Sheet. There were no other material obligations or contracts outstanding in relation to ongoing projects not provided or disclosed in this Half-Yearly Financial Report.

9. Available-for-sale financial assets

Available-for-sale financial assets are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.

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 GPC. 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 2015 is $102 million (31 December 2014: $102 million).

9. Available-for-sale financial assets (continued)

The valuation that the Group carries for its investment in DPC is supported by the Group's economic model of the estimated future cash flows that could be generated in respect of the Group's entitlement reserves in Block 26. The model uses oil prices quoted on the current forward Brent oil price curve, with an assumption of 2% price inflation beyond the end of the quoted curve discounted using a 15% discount rate. The basic model also assumes a short-term resumption of production. The net present value ("NPV") derived from this model ("the base case NPV") is then subjected to scenario analysis taking into account the Board's view of specific risks associated with investments in the Syrian oil and gas sector at the current time including the potential for significant delay in resumption of oil production and in receipt of revenues, potential additional costs associated with re-establishment of operations and, ultimately, a potential inability to resume operations. This methodology supports a valuation for the Group's investment in DPC of $102 million which represents a 74% discount to the base case NPV. The valuation represents a level 3 measurement basis as defined by IFRS 7 'Financial Instruments: Disclosures.'

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%	(1,888)
Decrease in long-term commodity prices	5%	(6,214)
Increase in forecast operating expenditure	5%	(1,015)
Change in discount rate to 10%	5%	40,022
Change in discount rate to 20%	5%	(25,267)

The Directors have reviewed the carrying value of this available-for-sale financial asset at 30 June 2015 and are of the opinion that the valuation, although subject to significant uncertainty, remains appropriate in the circumstances, although not necessarily reflective of the value of the Group's investments in its Syrian operations over the long-term.

10. Convertible loan facility

At the end of June 2015 Arawak Energy Bermuda Limited entered into an assignment agreement with Weighbridge Trust Limited, which is acting as agent for Waterford Finance and Investment Limited and Richard Griffiths (and companies owned and controlled by him). Under the assignment Weighbridge acquired the loan facility.

The convertible loan facility has an initial available facility of $10 million, followed by a further two tranches of $5 million which are subject to certain conditions precedent. The loan bears interest at the rate of 10% per annum on the drawn-down facility, which is rolled up into the loan balance quarterly from the date of the draw-down. A commitment fee of 3% is charged on the initial $10 million available facility undrawn during the initial twelve month availability period and is rolled up into the loan balance quarterly from the date of the loan draw-down. The loan matures on 30 November 2017 and is repayable in full on that date. Gulfsands intend to re-pay the loan balance post Fundraising and in certain circumstances the loan may be callable in advance of this date, therefore the loan balance has been reclassified as a current liability at 30 June 2015. Weighbridge however, have given a firm undertaking that they will not exercise their rights to call for repayment of the loan for a period of three months from the date of assignment.

The loan facility is secured by a share mortgage over the shares in Gulfsands Petroleum Morocco Ltd (the holding company for the Group's interests in Morocco) and a floating charge over all of the assets of Gulfsands Petroleum Holdings Ltd (a subsidiary company) with further credit support provided by a guarantee from the Company.

10. Convertible loan facility (continued)

The loan amount (including amounts drawn and, accrued unpaid interest and fees) is convertible at any time prior to maturity into ordinary shares of the Company, initially at a price of £0.80. In the event that the Company issues new shares prior to: conversion, repayment or maturity of the loan facility; the lender shall have the right but not the obligation to subscribe for new shares, up to the amount of the loan amount at that time, at the same subscription price per share as paid by the other subscribers. If the lender elects not to participate in such issue of new shares, the mechanics of conversion of the loan amount provide that an adjustment be made in order that the lender's conversion rights will continue to represent an entitlement to the same proportion of the Company's issued share capital, after the new issue of shares, as they represented prior to such new issue of shares. Weighbridge have given a firm undertaking that they will not exercise their conversion rights under the loan agreement for a period of three months from the date of assignment.

Gulfsands may require conversion of the outstanding balance of the loan facility into ordinary shares of the Company, initially at a price of £0.80, in the event Gulfsands' share price, on an unadjusted basis, exceeds £1.04 per share for a period of more than 20 consecutive trading days at any time prior to the expiry of the term of the facility.

On 9 January 2015 the Group drew-down the second $5.0 million tranche of the loan facility.

The movement on the loan balance in the year is represented as follows:	$'000
At 1 January 2015	4,855
Loan draw-down	5,000
Interest expense	500
Commitment fee	5
Amortisation of transaction costs	31
At 30 June 2015	**10,391**

11. Share capital

	30 June 2015	31 December 2014
Authorised:	**Number**	Number
Ordinary shares of 5.714 pence each	**175,000,000**	175,000,000
Allotted, called up and fully paid:	**$' 000**	$' 000
121,989,500 (31 December 2014: 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 2014	121,989,500	1,386,000	233,736	2.87
Restricted share options cash settled	-	-	(87,303)	
Share options lapsed	-	(855,000)	-	3.20
At 30 June 2015	**121,989,500**	**531,000**	**146,433**	**2.35**

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

The Company holds 4,103,355 shares in Treasury at 30 June 2015 (31 December 2014: 4,103,355).

12. Post balance sheet events

In July 2015 a further $1.0 million has been drawn-down under the Weighbridge Loan Facility.

Glossary of Terms

1C	Low estimate (P90) Contingent Resources
2C	Best estimate (P50) Contingent Resources
3C	High estimate (P10) Contingent Resources
Bcf	Billion cubic feet of gas
boe	Barrels of oil equivalent where the gas component is converted into an equivalent amount of oil using a conversion rate of 1 Bcf to 0.1667 MMboe
bopd	Barrels of oil per day
Chance of Development	In accordance with the 2007 SPE PRMS, a guideline risk factor should be stated associated with the Contingent Resources quoted for each category; the risk factor indicates the likelihood that the Group will ultimately commercially develop the resource. The risk factor considers all technical and non-technical factors that are impacting or are likely to impact on the likelihood of development, and is termed the "Chance of Development".
Chance of Discovery	In accordance with the 2007 SPE PRMS, a guideline risk assessment should be provided associated with the Prospective Resources quoted for Low, Best and High estimate categories. The risk assessment here is the Chance of Discovery; the additional risk assessment relating to the Chance of Development is not normally quantified at this level of resource classification.
Contingent Resources	Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development projects, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are further categorised by the SPE into 1C, 2C and 3C according to the level of uncertainty associated with the estimates.
DPC	Dijla Petroleum Company
E&E	Exploration and evaluation
E&P contracts	Exploration and production contracts
GPC	General Petroleum Corporation
Griffiths	Companies owned and controlled by Richard Griffiths
IFRS	International Financial Reporting Standards
MMbo	Millions of barrels of oil
MMboe	Millions of barrels of oil equivalent
NPV	Net present value
ONHYM	Office National des Hydrocarbures et des Mines (Morocco)
Prospective Resources	Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. They are further categorised by the 2007 SPE PRMS into Low, Best and High estimates. The quoted Low, Best and High estimates are the 90% probability ("P90"), 50% probability ("P50") and 10% probability ("P10") values respectively derived from probabilistic estimates generated using a Monte Carlo statistical approach.
Probable reserves	Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be more than a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated Proved plus Probable reserves.
Proved reserves	Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty (normally over 90% if measured on a probabilistic basis) to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.
PSC	Production Sharing Contract
P10	There exists a 10% probability that the true quantity or value is greater than or equal to the stated P10 quantity or value
P50	There exists a 50% probability that the true quantity or value is greater than or equal to the stated P50 quantity or value
P90	There exists a 90% probability that the true quantity or value is greater than or equal to the stated P90 quantity or value
Senergy Report	Reserves and resources report issued by UK subsurface consultancy Senergy (GB) Limited
Waterford	Waterford Finance and Investment Limited
Weighbridge	Weighbridge Trust Limited