Gulfsands Petroleum Plc
("Gulfsands" or the "Company")

Annual Audited Results for the year ended 31 December 2015

18 March 2016

Gulfsands, the AIM listed oil and gas company (AIM: GPX) with activities in Syria, Morocco, Tunisia and Colombia, is pleased to announce its audited results for the year ended 31 December 2015.

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2015 Summary

- Group working interest 2C Contingent Resources of 87.3 mmboe.
- Involvement in Syrian operations remains suspended during continuation of EU sanctions.
- Initiated farm-out process for remaining Moroccan, Tunisian and Colombian assets.
- Exploration periods for Fes and Rharb permits in Morocco expired during 2015.
- Cash available for use by the Group at 31 December 2015 of $0.4 million.
- Restricted cash balances of $3.7 million after provisions against recovery.
- Exploration write-offs and impairments of $53.8 million in the year.
- Continued significant reduction in the ongoing expenses across the Group.

Post period highlights

- Open offer completed, with 354,837,296 shares subscribed for and admitted to AIM on 14 January 2016, raising £14.2 million.
- The Convertible Loan Facility was repaid in full on 14 January 2016.
- Cash available post Open Offer and after the repayment of the loan was $5.6 million.

Executive Chairman's Statement

Dear Shareholder

2015 and early 2016 have continued to be a challenging time for Gulfsands. The Board has focussed on realigning the strategy of the Group to be consistent with its financial capacity and risk tolerance and continues to pursue a strategy of farm-out and divestiture for the non-Syrian assets. The Syrian assets remain a core part of the Group's strategy and we monitor the situation closely and ensure our ongoing readiness to return to operation when the political situation allows.

During the year the Board prepared an Open Offer to raise £14.2 million which allowed shareholders to participate in the re-financing of the Company while strengthening the balance sheet and dramatically reducing the debt burden. Further capital may be required during the next twelve months, as explained further in the going concern section of the Financial Review.

During 2015 the Group's interests in Morocco were reduced from three licences, covering four permits to one licence covering one permit.

The Moulay Bouchta licence, awarded to Gulfsands during 2014, covers an area of some 2,800 km², including three abandoned legacy oil fields which demonstrate that there is an active hydrocarbon system present, likely to be oil prone. The initial two year exploration period runs to June 2016 during which time the Group must acquire 500 km of new 2D seismic and reprocess some existing seismic data. Gulfsands are in discussions with Office National des Hydrocarbures et des Mines (''ONHYM'') regarding the outstanding work commitments on Moulay Bouchta and are hopeful a forward plan can be agreed that allows Gulfsands to continue to participate in the exploration of our remaining interest in Morocco.

The exploration period of the Fes and Rharb licences in Morocco expired on 25 September and 9 November 2015 respectively. The Company continues to work with ONHYM to resolve the outstanding issues of potential penalties for non-fulfilment of work obligations, outstanding balances of training budgets and the final abandonment of wells and site restoration.

In Tunisia the Group was granted a two year extension on its Chorbane licence during which the work obligation of acquiring 200 km 2D seismic and drilling one exploration well must be completed; the current exploration phase will expire in July 2017. The Group is looking to farm-down its 100% interest in exchange for a carried work programme.

The Group also holds 100% interest 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 the end of the current phase which runs to 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.

Financial overview

The Group posted a loss for the year of $69.2 million, including E&E write-offs and impairments of $53.8 million. At year end the Group had total cash and cash equivalents of $0.4 million. At the date of this Report the Group had unaudited cash and cash equivalents of $3.5 million.

In 2014 the Group entered into a $20 million Facility Agreement with Arawak Energy Bermuda Ltd as a means of securing working capital. In June 2015 the Facility Agreement was acquired by Waterford Finance and Investment Ltd and Mr. Richard Griffiths who together continued to provide working capital for the Group through to January 2016 when the outstanding loan with interest, totalling $14.5 million, was repaid, out of the proceeds of the Open Offer.

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

The 2015 Financial Statements have been prepared on a going concern basis, and further details on this can be found in the Financial Review.

Board and Management changes

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

On 13 April 2015 Mahdi Sajjad was removed from his role as the Company's Chief Executive and on 30 June 2015 he was not re-elected as a Director at the Company's Annual General Meeting. Mr. Sajjad has brought a claim in the High Court against Gulfsands Petroleum Levant Limited ("Gulfsands Levant"), a subsidiary of the Group, which arises out of his removal by the Board as CEO and termination of his employment. Mr. Sajjad has also brought a claim in the Employment Tribunal against Gulfsands Levant for constructive unfair dismissal based on the same factual circumstances as his High Court claim. In addition Mr. Sajjad also brought a claim before the Lebanese Arbitration Board against Gulfsands Petroleum (MENA) Limited in relation to the branch office in Beirut. The Group is currently engaged in defending Mr. Sajjad's claims and in pursuing its counter-claim against Mr. Sajjad.

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. Andrew is Chairman of Madagascar Oil Limited and his career includes a period with the global accounting firm Ernst & Young. Mr. Morris makes a valuable contribution to the Board on both technical and financial matters.

In April 2015 Alan Cutler gave notice of resignation from his executive role as Director - Finance and Administration. He stepped down from the Board in August 2015 and left the Company in October 2015.

At the Company's Annual General Meeting in June 2015 Ian Conway retired from the Board and did not stand for re-election. He continues his executive role as Technical Director.

Outlook for 2016 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.

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

I would like to thank all our staff for their hard work over the last twelve months and look forward to working with them in the future to develop Gulfsands into an oil and gas company we can all be proud to be part of.

Yours sincerely,

Alastair Beardsall
Executive Chairman

17 March 2016

Disclaimer
This results announcement contains certain forward-looking statements that are subject to the risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Group believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to a variety of factors including specific factors identified in this statement and other factors outlined in the Group's 2015 Annual Report.

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 Group (also 50% working interest).

Gulfsands 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 in 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 during 2015
- Continued compliance with applicable sanctions.
- Block 26 facilities, wells and infrastructure remain secure and predominantly functional.
- Office presence maintained in Damascus.
- Retained technical capabilities through staff redeployment.

Block 26 covers an area of 5,414 km² in north east Syria and the PSC grants rights to the joint venture contractors 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. 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 of a further ten years thereto at the partners' option. Gulfsands joint venture partner in Block 26 is Sinochem Group, a Chinese conglomerate primarily engaged in the production and trading of chemicals and fertilizer, and exploration and production of oil.

Under the Group's operatorship, two oil fields containing reservoirs of Cretaceous age have been discovered and appraised 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 before the impact of EU sanctions resulted in the curtailing of production levels. Two additional oil and gas discoveries within reservoirs of Triassic age have been identified within the Kurrachine and Butmah Dolomite formations, beneath the Cretaceous aged oil producing reservoir in the Khurbet East field. Development approvals for these Triassic discoveries were granted in 2008 and 2011 respectively. A further oil discovery was made late in 2011 by Gulfsands in the Cretaceous aged reservoirs penetrated by the Al Khairat exploration well, a few kilometres east of the Yousefieh field. This discovery awaits further evaluation and development work, and is not currently incorporated into the Company's existing Production Licence areas.

Operation of the Khurbet East and Yousefieh fields during the production phase has been undertaken by Dijla Petroleum Corporation ("DPC"), a joint operating company formed between Gulfsands, Sinochem and Syrian General Petroleum Company ("GPC") for this purpose, to which staff of both Gulfsands and GPC had previously been seconded. As a consequence of the EU's imposition of further sanctions in Syria which came into effect in early December 2011, in accordance with the terms of the PSC for Block 26, a Notice of Force Majeure was served on GPC, the principal counterparty to the PSC. The imposition of EU Sanctions has prohibited Gulfsands' involvement in petroleum production operations in Syria and restricted its activities in relation to Block 26 generally and unless and until these sanctions are lifted or otherwise modified so as to permit the Company's return to its prior involvement in those activities, the Company will be obliged to maintain its current position with respect to Block 26 PSC matters.

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.

The final exploration period of the PSC was set to expire in August 2012, eight months after Force Majeure was declared in December 2011. While the final exploration period legally expired in August 2012, it is understood that the Syrian authorities may be prepared to grant the Group an additional period to undertake exploration work on Block 26 to replace that period of time which was lost when Force Majeure was declared. 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 and conditions allow.

During 2015 the Group's Syria Reserves were reclassified to Contingent Resources as a result of the continuing EU Sanctions in Syria. This process was subject to external audit and confirmation.

Since December 2011 Gulfsands has received from DPC updates on oil volumes produced from the Group's Syrian fields under DPC's operation. These updates have been received on an infrequent and irregular basis and it has not been possible for Gulfsands to verify the content of the information provided. The Group has been updating its remaining recoverable resource volumes for these fields on at least an annual basis based on the information that has been received from DPC.

In February 2016 the Group received information from DPC stating that a total volume of 266,934 bbls of oil had been produced from the Group's fields during 2015 and exported by pipeline to the regional oil gathering station at Tal Addas, 22 km north east of the Group's Production Concessions.

In addition at this time DPC reported, for the first time, that oil also had been lifted from the Group's fields by an alternative oil export method, via production into tankers using gantry loading at the Khurbet East Production Facility. Furthermore DPC advised for the first time that this alternative export method had been in operation throughout 2014 and 2015, and that oil production during this period via this export method was an additional 3,138,739 bbls (2014: 1,984,390 bbls, and 2015: 1,154,349 bbls) .

Based on this new production information the Group has updated the previously reported total oil production for 2014 of 399,325 bbls of oil to 2,383,715 bbls of oil via both export methods. 2015 total oil production via both export methods is now updated to a total 1,421,283 bbls of oil. The Group has not recognised any revenue for this or indeed any production, post the imposition of EU sanctions, but has updated its remaining recoverable resource volumes for these fields based on this new production information.

The Group has evaluated that it holds within the Massive, Butmah and Kurrachine reservoirs of Khurbet East field, and the Yousefieh field, 2C Contingent Resources of 69.7 mmbbls of oil and condensate, and 33.4 bcf of gas (working interest basis).

The Group has also evaluated that the oil discovery at Al Khairat contains 2C Contingent Resources of 12.0 mmbbls of oil (working interest basis). These resources have been subject to external audit.

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 be certain of remaining compliant compliance 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.

Plan to monitor assets during 2016
- Continued compliance with applicable sanctions.
- Maintain an office presence in Damascus whilst reducing the Group's technical capabilities in order to save costs.
- Continue efforts to assimilate and verify where possible information from the field regarding:
  - asset operations and facility / well integrity.
  - overall status of security in the near field area.
- Re-confirm to the extent that it is possible Gulfsands' position on cost recovery.
- Update Gulfsands plans to maintain readiness to resume operational activities when sanctions are lifted.

Morocco

Gulfsands is the operator of the onshore Moulay Bouchta exploration permit in northern Morocco which incorporates proven conventional oil and biogenic gas petroleum systems. Moroccan hydrocarbon exploration and exploitation permits are subject to a tax/royalty fiscal system which is considered favourable by international standards.

Moulay Bouchta Contract

Contract expiry date:	First exploration phase, June 2016.
Minimum work obligation:	Acquisition and processing 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 3 to the Annual Financial Statements.

The Group acquired operatorship of the Moulay Bouchta permit during 2014, taking a 75% participating interest while Morocco's 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 and until a commercial hydrocarbon discovery is made.

The Moulay Bouchta permit encompasses an elongated area running west to east covering approximately 2,820 km², and is located to the north of the cities of Rabat, Meknes and Fes. It covers terrain where the existence of a working petroleum system has been confirmed with the discovery and development of three light 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. The prospectivity within Moulay Bouchta is considered to relate mainly to the potential for deeper and possibly larger hydrocarbon bearing structures within Jurassic and Cretaceous aged reservoirs to exist and be found within the permit area.

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

- prospectivity for exploration and near field appraisal drilling opportunities as evaluated from existing seismic data is ongoing;
- a tender process has been undertaken during 2015 for the acquisition of 500 km of 2D line seismic within the permit, and a contractor company has been selected for this work once sanctioned and fully funded;
- 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 reprocess the entire Haricha Field legacy oil field 3D survey data set;
- a reservoir modelling study of the depleted Haricha Field is in progress with the aim to identify any potential for infield and/or area re-activation.

Following interpretation of existing 2D legacy seismic data, and prior to the acquisition of further 2D data, the Group has identified best estimate Prospective Resources of 11.4 mmboe of oil and gas (75% working interest) within the Moulay Bouchta permit area. These resources have been subject to external audit.

Gulfsands are in discussions with ONHYM regarding the outstanding work commitments on Moulay Bouchta, and are hopeful a forward plan can be agreed that allows Gulfsands to continue to participate in the exploration of its remaining interest in Morocco.

The Group has initiated a process of divestment or farm-down of its interest in the Moulay Bouchta Petroleum Agreement, as a means of reducing its future financial commitments. If the Group is unable to farm-down or divest its interest in the agreement on favourable terms the Group is at risk of forfeiting its interest, and all or part of the $1.75 million of restricted cash held as a performance guarantee for completing the minimum work programme on the permit area.

Note that there exists no parent company guarantee under the Moulay Bouchta Petroleum Agreement.

Other Exploration contracts

Fes contract

The Fes contract expired on 24 September 2015.

During 2015 reprocessing by specialist consultants of 650 km of 2D seismic data acquired by Gulfsands across the Fes permit was undertaken, and subsequent in-house re-interpretation and remapping of lead concepts yielded promising results.

A request was made to ONHYM in March 2015 for the granting of a two year extension to the contract period in order for the Company to conduct a farm-out process and thereby secure funding for executing the remaining work programme on the permit.

On 16 October 2015 the Group announced that the extension period of the Fes Petroleum Agreement had expired and the request to further extend the agreement was not granted by ONHYM, and furthermore that:

- ONHYM advised that Gulfsands Morocco will forfeit its $5.0 million in restricted cash held as a performance guarantee in relation to its minimum work obligation under the Fes Petroleum Agreement and the restricted cash had been drawn by ONHYM; and
- ONHYM had requested details of the costs incurred during the six year extension period in order to determine if a penalty was payable, with such penalty being the estimated cost of the minimum exploration work programme of $18.5 million, less the costs actually incurred in respect of exploration work required to be carried out during the extension period. At least $18.5 million has been spent on exploration activity during the extension period.

The Group believes there are no grounds for any potential claims for financial sums and penalties and is seeking legal advice on the matter.

On 25 January 2016 Gulfsands gave notice to ONHYM that if various matters: including that of any potential penalty for non-fulfilment of the minimum exploration work programme; and Gulfsands seeking the return of guarantee funds called; are not resolved at the end of a 60-day period then Gulfsands reserves the right to proceed with arbitration as set out under the Fes Petroleum Agreement.

Note, no parent company guarantee exists under the Fes Petroleum Agreement.

Rharb contract
A ten month extension to the Rharb exploration contract, which governs the Rharb Centre and Rharb Sud permits, was granted by ONHYM in January 2015. Subsequently on 9 November 2015 the Rharb contract expired.

During 2015, on the Rharb Centre permit area Gulfsands completed the drilling and testing of its fifth and sixth biogenic gas exploration wells, at the Dardara South East location ("DRC-1") and the Douar Ouled Balkhair location ("DOB-1") respectively. Both wells proved to be gas discoveries, with maximum well test gas flow rates for each well in excess of 10 million standard cubic feet per day, and both were completed and then suspended as future gas production wells.

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

On 9 November 2015, the Group submitted a request to further extend the Rharb Petroleum Agreement for a period of two years to allow the Group to appraise the three gas discoveries it had made during the 2014/15 period within the Rharb Centre permit area.

On 30 November 2015, the Company received a response from ONHYM, dated 26 November 2015, advising that its request for an extension to the Rharb Petroleum Agreement had been rejected and furthermore that:

- Gulfsands Morocco will forfeit its $1.0 million in restricted cash held as a performance guarantee in relation to its minimum work obligation under the Rharb Petroleum Agreement;
- ONHYM is seeking a penalty equal to the estimated cost of the minimum exploration work programme of the Rharb Petroleum Agreement less the costs actually incurred in respect of exploration work required, whereby ONHYM is claiming a sum of $7.5 million;
- ONHYM advised they will also, by separate request, seek the outstanding amount under the training obligation of the Rharb Petroleum Agreement; and
- ONHYM was seeking an update on the Group's progress in relation to the abandonment of the legacy producing wells and the cleaning and restoring of the well sites in the Rharb Centre permit area.

The Group strongly refutes the claims for financial sums and penalties and is seeking legal advice on the matter. The estimated cost of the minimum exploration work programme under the Rharb Petroleum Agreement is $15.0 million and at least $15.0 million has been spent on exploration activity during the extension period.

On 25 January 2016 Gulfsands gave notice to ONHYM that if various matters: including that of any potential penalty for non-fulfilment of the minimum exploration work programme; and Gulfsands seeking the return of guarantee funds called; are not resolved at the end of a 60-day period then Gulfsands reserves the right to proceed with arbitration as set out under the Rharb Petroleum Agreement.

Note, no parent company guarantee exists under the Rharb Petroleum Agreement.

The Group also holds interests in three exploitation concessions lying within the Rharb permit area as follows:

- Zhana 1, a 25 year concession that expires in June 2025 (GPX: 65%, ONHYM: 35%);
- Zhana 2, a 15 year concession that expires in February 2018 (GPX: 75%, ONHYM: 25%); and
- Sidi Amer 1, a 15 year concession that expires in July 2019 (GPX: 75%, ONHYM: 25%).

There are four wells on these three concessions that penetrate depleted, or near depleted gas reservoirs. The Group has no plans to re-enter or produce from these four legacy wells or gas fields as such activities have been evaluated to be economically unattractive for re-activation work.

Tunisia

Gulfsands has a 100% interest in the operated Chorbane exploration permit onshore Tunisia covering approximately 1,942 km². The permit is subject to a PSC signed in 2009. The fiscal terms of the PSC are considered reasonable when compared on an international basis.

Chorbane contract

Contract expiry date:	Second phase July 2017 following approval by the Ministry of a two year extension.
Minimum work obligation:	Drilling one exploration well; and acquisition of 200km seismic data. Further details are provided in note 3 to the Annual Financial Statements.

The current exploration period under the contract originally ran to-mid July 2015. In May 2015 Gulfsands submitted an application for a two year extension to this period during which the work obligation of acquiring 200 line km of 2D seismic and the drilling of one exploration well must be completed. The application was confirmed as being successful by the Tunisian Ministry of Industry, Energy and Mines during December 2015, and the contract thereby extended to July 2017. The Group will now proceed to divest the asset or alternatively farm-down its 100% interest in exchange for a carried work programme.

The exploration risk level associated with the drilling of identified prospects and leads is considered to be medium for light oil in Eocene and Cretaceous aged formations which exhibit moderate to good reservoir quality, but relatively high for wet gas in deeper Jurassic aged formations which are anticipated to be of low reservoir quality.

The Group has identified best estimate Prospective Resources of 44 mmboe of oil and gas (100% working interest) within the Chorbane permit area. This resource estimate has been subject to external audit.

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 km² and 464 km² respectively. Gulfsands is operator of both Blocks with 100% working interest. Both contracts were awarded as part of the Ronda 2012 national licencing round, and are subject to tax/royalty systems incorporating a low bid level of additional "X" factors royalties and work programme contributions.

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 3 to the Annual Financial Statements.
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 3 to the Annual Financial Statements.

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

The Group requires funding to execute the work programme on the permit and to this end has initiated during 2015 a farm-out or divestment exercise for its interests in the contract areas prior to any significant financial commitment with respect to further exploration work. This process is ongoing.

During the first quarter of 2015 Gulfsands Sud America Limited informed its then joint venture partner in Colombia, Luna Energy, that it was obliged to serve notice of default on Luna, on account of non-payment of outstanding cash calls relating to the LLA 50 and PUT14 E&P contracts. Subsequently, as payment remained non-forthcoming, Luna defaulted on its interests and Gulfsands assumed 100% working interest in both Blocks.

Reserves and Resources Report

Reserves

Reserves are categorised into Proved, Probable and Possible Reserves in accordance with the 2007 Petroleum Resources Management classification system ("PRMS") of the Society of Petroleum Engineers ("SPE"). Definitions for Proved, Probable and Possible Reserves are contained in the Glossary.

Working interest reserves estimates for Syria have to date represented the proportion, attributable to the Group's 50% participating interest, of forecast future hydrocarbon production during the economic life of the Block 26 PSC, including the share of that production attributable to General Petroleum Corporation ("GPC"). Hydrocarbons discovered on the Block 26 PSC contract area in Syria have been evaluated as reserves for several years leading up to, and after, the imposition of EU Sanctions in Syria. The Group's reserves over this period have been based on estimates made by Gulfsands' technical teams which are then reviewed by independent petroleum engineers from external parties. External reviews of the Group's reserves have been performed by Senergy (GB) Limited ("Senergy") since 2009. Since this time commercial oil production from the Block 26 area has exceeded 21 mmbbls.

The Company recognises that it cannot give a definite timeline for the resumption of the full field development of the discovered fields within Block 26 that was suspended under the declaration of Force Majeure in 2011. Furthermore, the SPE PRMS Guidelines suggest that if the (re)commencement of development is five or more years from the date of evaluation then the volumes of hydrocarbons should be classified as Contingent Resources. The Company has concluded as of December 2015 that the uncertainty in any timeline over which EU sanctions in Syria may be lifted require that the volumes of oil, gas and condensate previously reported as Syria reserves be reclassified by the Company as Contingent Resources. This is discussed further in the Resources section.

Whilst no definite timeline for the conflict can be substantiated, the Board believes that the EU Sanctions ultimately will be lifted and will continue to monitor all activity focused on resolving the situation in Syria and reconsider the basis for reversing this reclassification in line with any future developments.

Resources

The Group's resources are based on estimates made by Gulfsands' technical teams which are then reviewed by independent petroleum engineers from external parties. External reviews of the Group's resources have been performed for the Group by Senergy since 2009.

Summary of 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.

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".

The estimation and reclassification of Syrian reserves attributed to the Block 26 Khurbet East and Yousefieh Production Concessions to Contingent Resources conducted in December 2015 has been prepared by the Company and reviewed by Senergy. In estimating the resources it has been assumed that the period of time elapsed during which the Group has declared Force Majeure on its Block 26 development and production activities will ultimately be added as an equivalent time period extension to the contractually specified time period following which the Block 26 Production Concessions were due to expire.

As a consequence of the EU's imposition of further sanctions in Syria which came into effect in early December 2011, GPC has assumed operational full control and responsibility for the management of DPC (the joint venture operating company set up for managing development and production operations within Block 26), and Gulfsands has withdrawn all of its staff previously seconded to DPC.

Since December 2011 Gulfsands has received from DPC updates on oil volumes produced from the Group's Syrian fields under DPC's operation. These updates have been received on an infrequent and irregular basis and it has not been possible for Gulfsands to verify the content of the information provided. The Group has updated its remaining recoverable resource volumes for these fields on at least an annual basis based on the information that has been received from DPC.

In February 2016 the Group received information from DPC stating that a total volume of 266,934 bbls of oil had been produced from the Group's fields during 2015 and exported by pipeline to the regional oil gathering station at Tal Addas, 22 km north east of the Group's Production Concessions.

In addition at this time DPC reported, for the first time, that oil also had been lifted from the Group's fields by an alternative oil export method, via production into tankers using gantry loading at the Khurbet East Production Facility. Furthermore DPC advised for the first time that this alternative export method had been in operation throughout 2014 and 2015, and that oil production during this period via this export method was an additional 3,138,739 bbls (2014: 1,984,390 bbls, and 2015: 1,154349 bbls) .

Based on this new production information the Group has updated the previously reported total oil production for 2014 of 399,325 bbls of oil to 2,383,715 bbls of oil via both export methods. 2015 total oil production via both export methods is now updated to a total 1,421,283 bbls of oil.

These revised reported produced oil volumes for 2014 and 2015 have been used by the Gulfsands technical team to update the Group's Contingent Resource bookings (Gulfsands working interest 50%), which are stated as of 1 January 2016. The resource figures have not been reviewed by independent resource engineers.

In addition, Contingent Resources are estimated for the oil discovery at Al Khairat which is located a few kilometres outside of the Company's existing Block 26 Production Concession areas, and these estimates have been reviewed by Senergy.

Unrisked working interest basis
As at 1 January 2016

	Constituent	1C	2C	3C	**Risk factor** (Chance of development)
Syria Block 26					
(Working interest 50%)					
Khurbet East & Yousefieh	Oil + Condensate, mmbbl	39.4	69.7	112.1	90%
Production Concessions	Gas, bcf	14.7	333.4	68.7	90%
Al Khairat discovery	Oil, mmbbl	2.9	12.0	45.7	30%
Total	**mmboe**	**44.7**	**87.3**	**169.3**	

Risked working interest basis

Total	**mmboe**	**38.5**	**71.4**	**124.9**	

NB Certain figures may not add up due to roundings.
"Oil" includes condensate and NGLs.
Gas is converted to mmboe at the conversion factor 1 bcf = 0.1667 mmboe.

Summary of 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.

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.

The Group has estimated Prospective Resources for its Moroccan Moulay Bouchta and Tunisian Chorbane onshore permits, and these estimates have been reviewed by Senergy.

Unrisked working interest basis
As at 1 January 2016

	Constituent	Low	Best	High	**Risk factor** (Chance of discovery)
Morocco Moulay Bouchta permit					
(Working interest 75%)					
Jurassic leads	Oil and Sales Gas, mmboe	1	11	75	Medium-High
Morocco total	**mmboe**	**1**	**11**	**75**	

	Constituent	Low	Best	High	**Risk factor** (Chance of discovery)
Tunisia Chorbane permit					
(Working interest 100%)					
Sidi Agareb prospect Eocene / Upper Cretaceous	Oil, mmbbl	8	27	63	9%-25%
Lafaya Deep & Sidi Daher prospects Jurassic leads	Sales Gas, bcf	21	103	398	11%
Tunisia total	**mmboe**	**12**	**44**	**129**	

NB Certain figures may not add up due to roundings.
"Oil" includes condensate and NGLs.
Gas is converted to mmboe at the conversion factor 1 bcf = 0.1667 mmboe.

Financial Review

Selected operational and financial data

	Year ended 31 December 2015	Year ended 31 December 2014
	$' 000	$' 000
General administrative expenses	**(6,965)**	(5,469)
Exploration costs written-off/impaired	**(53,799)**	(6,040)
Loss from continuing operations	**(69,200)**	(12,113)
E&E cash expenditure	**(10,085)**	(26,987)
Cash and cash equivalents	**420**	7,907
Restricted cash balances	**3,691**	11,514

Financial highlights for the year ended 31 December 2015

- The loss for the year from continuing operations was $69.2 million (2014: $12.1 million).
- Gulfsands has continued to reduce its office expenses which, excluding restructuring costs, have reduced by 36% in the year compared with 2014.
- $51.0 million of E&E assets related to the Moroccan Fes and Rharb Petroleum Agreements have been written-off in the year following the expiry of the contracts in September and November respectively; in addition the related restricted cash balances of $6.0 million have also been provided against.
- $2.8 million of E&E assets related to the Moroccan Moulay Bouchta Petroleum Agreement have been fully impaired at 31 December 2015; in addition the related restricted cash balances of $1.75 million have also been provided against.
- The Group continues to value its investment in its Syrian interest at $102.0 million.
- The Arawak Loan Facility was assigned to Weighbridge Trust Limited in June 2015. During the year, prior to the assignment $5.0 million was drawn-down under the facility. A further $3.2 million was drawn-down under the facility post assignment.
- Cash and cash equivalents reduced by $7.5 million in the year to $0.4 million at 31 December 2015 (31 December 2014: $7.9 million).

Operating performance

	Year ended 31 December 2015	Year ended 31 December 2014
General administrative expenses	**$' 000**	$' 000
Office expenses	**8,727**	13,640
Partner recoveries	**(552)**	(2,137)

Restructuring costs	**1,044**	—
Depreciation and amortisation	**506**	602
Office expenses capitalised	**(2,760)**	6,636
General administrative expenses	**6,965**	5,469

General administrative expenses for the year ended 31 December 2015 total $7.0 million (2014: $5.5 million). This increase reflects: one-off restructuring costs incurred in the year as part of the Management restructuring; a decreased level of partner recoveries resulting in part from the termination of the Colombian joint venture agreement at the start of 2015; and a reduction in costs capitalised against E&E assets as a result of the reduced operational activity in the year and the expiry of the Moroccan Rharb and Fes Petroleum Agreements. Underlying office expenses have actually decreased significantly, by some 36%, resulting from the increasing efforts to manage costs to fit the current business model and strategy.

Exploration write-offs in the year totalled $51.0 million (2014: $6.0 million) and are a result of the expiry of both the Fes and Rharb Petroleum Agreements in Morocco during the year. The Fes Petroleum Agreement expired on 24 September 2015 and all E&E expenditure related to the Fes permit has been fully written-off in the year, with write-offs totalling $22.2 million, inclusive of $12.0 million fair value recognised on acquisition. The Rharb Petroleum Agreement expired on 9 November 2015, and the Group's request to further extend the agreement for a period of two years to allow the Group to appraise the gas discoveries made in 2014/15 was rejected. All E&E expenditure related to the Rharb Centre and Rharb Sud permits has been fully written-off in the year, with write-offs totalling $28.8 million, inclusive of $5.8 million fair value recognised on acquisition.

On the expiry of the contracts, ONHYM advised that Gulfsands Morocco would forfeit its restricted cash held as performance guarantees in relation to its minimum work obligations under the Fes Petroleum Agreement and the Rharb Petroleum Agreement. ONHYM drew the $5.0 million restricted cash held under the Fes contract during the year and this has been written-off in the year. $1.5 million of the restricted cash balance was due back to a third party in the event of its release so the net charge to the Income Statement in the year is $3.5 million. ONHYM did not draw the $1.0 million restricted cash held under the Rharb contract until January 2016 but the recovery of this has been fully provided against at 31 December 2015. $0.5 million of the restricted cash balance was due back to a third party in the event of its release so the net charge to the Income Statement in the year is $0.5 million.

E&E asset impairments for the year were $2.8 million (2014: Nil) and relate to the Moroccan Moulay Bouchta permit only. The financial commitments of the Moulay Bouchta contract are inconsistent with the Group's revised strategy and Gulfsands have therefore initiated a farm-out process for this contract. However given the licence expiry date for the initial exploration phase in June 2016, 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 licence expiry, the expenditure to date attributed to the Moulay Bouchta permit of $2.8 million, inclusive of a potential $1.75 million penalty for non completion of the minimum work obligations, has been fully impaired at 31 December 2015. In addition, the recovery of restricted cash balances of $1.75 million held as a performance guarantee in relation to the minimum work obligation under the Moulay Bouchta contract has been fully provided against at 31 December 2015.

The Group reported a loss before tax for continuing operations for the year ended 31 December 2015 of $69.2 million (2014: loss from continuing operations $12.1 million). The results of 2014 also included a loss from discontinued operations of $4.0 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 $7.1 million at 31 December 2015 (31 December 2014: $53.0 million) and relate to Tunisian and Colombian assets only. Capital expenditures for the year totalled $8.5 million (2014: $21.0 million) and predominantly relate to the drilling of the DRC-1 and DOB-1 Rharb Centre wells in Morocco. The DRC-1 well commenced drilling in December 2014 and the DOB-1 well commenced drilling on 28 January 2015. Both the DRC-1 and DOB-1 wells were successfully drilled in the year to target depth, discoveries declared and the wells temporarily suspended as future gas producers. The Rharb Petroleum Agreement expired in November 2015 so these costs have since been fully written-off. There have been write-offs totalling $51.0 million in the year and E&E impairments of $2.8 million all which relate to the Moroccan assets.

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 fulfilment 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 farmed-down or divested. 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 3 to the Annual Financial Statements.

The Group's investment in DPC, the entity established in Syria, pursuant to the PSC, to administer the Group's Syrian oil and gas development and production assets (and which is considered to also include the related rights to production under the PSC), is recorded as an available-for-sale investment. Due to the unknown duration of EU sanctions in force against Syria and uncertainty over the eventual outcome of events in the country, any valuation attributed to the investment is highly subjective and subject to material change and uncertainty. Management have reviewed their internal valuation methodology and believe that as a result of the further passage of time and the high degree of judgement required, it is no longer possible to reliably estimate the investment's fair value. Management will therefore carry forward the last valuation which could be reliably determined, being the $102 million previously disclosed and will carry forward this value. This value will be reviewed periodically for impairment and any impairment losses recognised through the Income Statement.

At 31 December 2015 Management have carried out an impairment review, using an economic model of the estimated future cash flows that could be generated in respect of the Group's entitlement volumes in Block 26. The Management team have reviewed this economic model in detail and believe due to the high degree of subjectivity inherent in the valuation it is imperative that the valuation model and its key drivers and assumptions are as transparent as possible. Management assessed the key drivers to be: the oil price, and the delay to resumption of production. For the year ended 31 December 2015 Management have decided to use the Brent forward curve to 2022 for its oil price assumption, and then a 2% per annum escalation factor applied thereafter as the forecast for the 'base case' comparative. Given the other sources of oil price data reviewed, Management consider this to be a conservative approach. Gulfsands cannot give a definite timeline for the resumption of the full field development of the discovered fields within Block 26 that was suspended under the declaration of Force Majeure in 2011. Whilst no definite timeline can be substantiated, the Board continues to believe that the EU Sanctions will be lifted within five years and will continue to monitor all activity focused on resolving the situation in Syria. Management have decided to use commencement of production in five years as the 'base case' comparative.

The 'base case' comparative model calculates: a gross Contractor undiscounted NPV(0) of $1.48 billion; Gulfsands 50% interest NPV(0) of $0.74 billion and Gulfsands discounted NPV(15) of $107.2 million. Therefore Management believe no impairment is necessary and have maintained the $102 million carrying value on the Balance Sheet at year end.

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 Directors have reviewed the carrying value of this available-for-sale financial asset at 31 December 2015 and are of the opinion that the carrying value, although subject to significant uncertainty, remains appropriate in the circumstances.

Inventory held at 31 December 2015 totals $1.1 million (2014: $2.4 million). Due to Management's revised strategy to farm-out/divest its remaining Moroccan licence, it is anticipated that the inventory will not be utilised on future drilling and production activities in Morocco and instead value will be extracted via disposal. Therefore a provision of $1.1 million has been made at 31 December 2015 to reduce the value of the inventory to its expected net realisable value of $1.1 million.

At 31 December 2015 the Group has decommissioning and/or restoration obligations in respect of a number of wells and well sites in Morocco under the Moroccan Hydrocarbon Code totalling $0.4 million (2014: $1.0 million). The wells and well sites are located on the expired Rharb and Fes permits and on the three exploitation concessions located within these permits. These include the three discoveries on the Rharb Centre permit: LTU-1, DRC-1 and DOB-1, which have all been temporarily suspended. Included within the decommissioning and/or restoration obligations are obligations on all legacy wells drilled prior to the Group's acquisition of those interests. Following further examination during 2015 of the scope of work involved, it is anticipated that the fulfilment of these obligations can be completed via rigless operations, resulting in a reduction in the provision. As the Rharb and Fes petroleum contracts expired during the year, at 31 December 2015 all decommissioning provisions are disclosed as current liabilities and no discount rate has been applied to the estimated cost of decommissioning works.

The outstanding balance on the Weighbridge Loan Facility at 31 December 2015 is $14.4 million (31 December 2014: $4.9 million) following the draw-down of a further $8.2 million and interest and facility fees rolled up during the year. The Company announced on 30 June 2015 that Arawak had entered into an assignment agreement with Weighbridge Trust Limited ("Weighbridge"), acting as agent for Waterford Finance and Investment Limited ("Waterford") and Mr. Griffiths, to acquire the Convertible Loan Facility from Arawak. On 22 June 2015, the Group and Weighbridge entered into an agreement pursuant to which Weighbridge, acting as trustee for Waterford and Mr. Griffiths with respect to their interests in the Convertible Loan Facility, provided certain undertakings to the Company. Under the terms of the agreement, Weighbridge provided undertakings that it would not, at any time prior to 23 September 2015, exercise its rights to call for repayment of all outstanding amounts, whether immediately or within the notice period of 90 days, to exercise its conversion rights or to exercise its right to participate in any issue of new ordinary shares pursuant to the terms of the Convertible Loan Facility. Under the terms of the agreement, the Company agreed to grant its consent to the assignment of the Convertible Loan Facility from Arawak to Weighbridge. On 27 August 2015, Weighbridge agreed to extend each of its undertakings to 31 January 2016, being the Open Offer Long Stop Date. It also agreed to release the Company from its undertakings regarding necessary share authorities contained in the Convertible Loan Facility agreement. In providing the undertakings to subscribe for their existing entitlements under the Open Offer, and to Underwrite the remaining Open Offer Shares to be issued under the Open Offer, it was agreed that the principal amount and interest and all fees and penalties accrued and outstanding under the Convertible Loan Facility would be applied in paying up in full the Open Offer Shares to be subscribed pursuant to the Open Offer and the Underwriting. Post year end the loan was discharged in full on 14 January 2016.

Cash flow
The total decrease in cash and cash equivalents during the year was $7.5 million (2014: $25.9 million). Operating cash outflow from continuing operations increased in the year to $5.5 million (2014: $3.8 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 $10.1 million (2014: $24.0 million). This predominantly consists of exploration expenditure inclusive of $8.0 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 $8.2 million, due to further draw-downs under the Weighbridge Loan Facility following its assignment.

Financial position
At 31 December 2015 the Group had total unrestricted cash and cash equivalents of $0.4 million (31 December 2014: $7.9 million).

Restricted cash balances at the end of the year (which are presented as long-term financial assets in the Balance Sheet) totalled $3.7 million (31 December 2014: $11.5 million), and represent funds securitised as collateral in respect of future work obligations – with amounts not provided against principally in respect of the Group's Colombian interests. At 31 December 2015 a provision of $2.75 million has been made against the restricted cash balances securitised as collateral in respect of future work obligations on the Rharb and Moulay Bouchta permits. During 2015 $5.0 million of restricted cash balances were written-off in relation to the Fes Petroleum Agreement as ONHYM called these funds. 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.

Going concern
As at the date of this Report, the Group has cash balances immediately available to it totalling approximately $3.5 million with net current trade and other payables of approximately $1.2 million and ongoing costs expected to further decrease in the second half of 2016 approximating to $0.2 million per month.

Significant focus has been given during the year to strengthening the Balance Sheet of the Group. On 27 August 2015, the Company announced a Capital Raising to raise gross proceeds of approximately $22.0 million before costs by way of an Open Offer. The Open Offer was conditional upon, among other things, the passing of certain resolutions to permit the Open Offer to proceed. On 14 September 2015, the Company convened a general meeting of shareholders to vote on the resolutions, at which all the resolutions were duly passed by shareholders. As a result, on 16 December 2015 the Company dispatched its Prospectus to shareholders setting out the detailed terms and conditions of the Open Offer. The Open Offer was made to all Qualifying Shareholders (which excludes those shareholders resident in Australia and the US) to provide an opportunity to subscribe for an aggregate of 354,837,296 Open Offer Shares (representing a subscription of 350,733,941 new Ordinary Shares and a purchase of 4,103,355 Treasury Shares) on the basis of 3.01 Open Offer Shares for every 1 Existing Share held as at the Record Date, being 5:00 p.m. on 14 December 2015, at an Open Offer Price of 4.0 pence per Open Offer Share. Waterford and Mr. Griffiths, as existing shareholders in the Company, each irrevocably undertook to subscribe for their full entitlements under the Open Offer and undertook to underwrite the remaining Open Offer Shares whereby they would acquire any of the shares that were not subscribed for by Qualifying Shareholders under the Open Offer. In providing the undertakings to subscribe for their existing entitlements under the Open Offer, and to Underwrite the remaining Open Offer Shares to be issued under the Open Offer, it was agreed that the principal amount and interest and all fees and penalties accrued and outstanding under the Convertible Loan Facility would be applied in paying up in full the Open Offer Shares to be subscribed pursuant to the Open Offer and the Underwriting. The Open Offer closed for acceptances at 11:00 a.m. on 12 January 2016 and the Company announced that it had received valid acceptances in respect of 151,760,157 Open Offer Shares from Qualifying Shareholders, and that pursuant to the Underwriting, a further 203,077,139 Open Offer Shares had been subscribed for by Waterford and Blake, a company owned and controlled by Mr. Griffiths, such that a total of 354,837,296 Open Offer Shares had been subscribed for under the Open Offer representing share proceeds of approximately £14.2 million ($20.4 million). At the closing of the Open Offer and after satisfaction of the Convertible Loan Facility, the Group had cash and cash equivalents of $5.6 million.

The Group has continued a strategy of reducing costs and trying to reduce its net financial exposure to its oil and gas operations. The Group is running a farm-out process for its interests in projects in Colombia, Tunisia and Morocco and is optimistic to recover its performance bonds where appropriate and receive some consideration in recognition of the work already completed on the various projects. The Group is also seeking to recover the restricted cash, placed with banks as a guarantee for the completion of exploration activities on the Rharb and Fes permits, and recently drawn on by ONHYM. However, there is no certainty that these initiatives will be successful or that material cash in-flow will be achieved. If these initiatives are not successful the Group's cash forecast indicate that further funding would be required in approximately eight months time.

Based upon its experience and ongoing discussions with existing shareholders and potential partners, the Board is confident that the Group will be able to access appropriate resources to finance the revised strategy that it is moving forward with, however there are no binding agreements or commitments in place.

Following completion of a review of the going concern position of the Company and Group at the meeting of the Board of Directors on 16 March 2016, including the uncertainties described above, the Board has concluded that, with current consolidated cash and cash equivalents totalling $3.5 million and taking into account both the Board's 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 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 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. These Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Consolidated Income Statement
for the year ended 31 December 2015

	Notes	**2015 $'000**	2014 $'000
Continuing Operations			
General administrative expenses		**(6,965)**	(5,469)
Share-based payments		**–**	(56)
Exploration costs written-off/impaired	3	**(53,799)**	(6,040)
Restricted cash balances forfeited/provided against		**(5,750)**	–
Inventory impairment		**(1,117)**	–
Other Syrian adjustments		**–**	(202)
Operating loss	1	**(67,631)**	(11,767)
Foreign exchange losses		**(43)**	(218)
Loan facility finance cost	5	**(1,351)**	(70)
Other finance expenses		**(188)**	(76)
Other finance income		**13**	18
Loss before taxation from continuing activities		**(69,200)**	(12,113)
Taxation from continuing activities		–	–
Loss for the year from continuing operations		**(69,200)**	(12,113)
Discontinued Operations			
Loss for the year from discontinued operations		–	(3,978)
Loss for the year attributable to owners of the parent company		**(69,200)**	(16,091)

Loss per share from continuing operations (cents)

Basic and diluted	2	**(58.70)**	(10.28)
Loss per share attributable to the owners of the parent company (cents)			
Basic and diluted	2	**(58.70)**	(13.65)

There are no items of comprehensive income outside of the Consolidated Income Statement.

Consolidated Balance Sheet
as at 31 December 2015

	Notes	**2015** **$'000**	2014 $'000
Assets			
Non-current assets			
Property, plant and equipment		**159**	285
Intangible assets	3	**7,168**	53,352
Long term financial assets		**3,691**	11,514
Investments	4	**102,000**	102,000
		113,018	167,151
Current assets			
Inventory		**1,096**	2,361
Trade and other receivables		**790**	1,028
Cash and cash equivalents		**420**	7,907
		2,306	11,296
Total assets		**115,323**	178,447
Liabilities			
Current liabilities			
Trade and other payables		**5,719**	5,882
Loan facility	5	**14,406**	–
Provision for decommissioning		**448**	580
		20,573	6,462
Non-current liabilities			
Trade and other payables		**3,427**	6,178
Provision for decommissioning		–	397
Loan facility	5	–	4,855
		3,427	11,430
Total liabilities		**24,000**	17,892
Net assets		**91,324**	160,555
Equity			
Capital and reserves attributable to equity holders			
Share capital		**13,131**	13,131
Share premium		**105,926**	105,926

Merger reserve	**11,709**	11,709
Treasury shares	**(11,502)**	(11,502)
Retained (losses)/profit	**(27,940)**	41,291
Total equity	**91,324**	160,555

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	Share capital $'000	Share premium $'000	Merger reserve $'000	Treasury shares $'000	Retained profit $'000	Total equity $'000
At 1 January 2014	13,131	105,926	11,709	(11,502)	57,387	176,651
Loss for 2014	–	–	–	–	(16,091)	(16,091)
Transactions with owners:						
Options settled or exercised	–	–	–	–	(61)	(61)
Share-based payment charge	–	–	–	–	56	56
Total transactions with owners	–	–	–	–	(5)	(5)
At 31 December 2014	13,131	105,926	11,709	(11,502)	41,291	160,555
Loss for 2015	–	–	–	–	(69,200)	(69,200)
Transactions with owners:						
Options settled or exercised	–	–	–	–	(31)	(31)
Total transactions with owners	–	–	–	–	(31)	(31)
At 31 December 2015	**13,131**	**105,926**	**11,709**	**(11,502)**	**(27,940)**	**91,324**

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.

Consolidated Cash Flow Statement for the year ended 31 December 2015

	Notes	**2015 $'000**	2014 $'000
Cash flows from operating activities			
Operating loss from continuing operations		**(67,631)**	(11,767)
Depreciation and amortisation		**507**	602
Loss on disposal of tangible fixed assets		**10**	–
Exploration costs written-off/impaired	3	**53,799**	6,040
Restricted cash balances forfeited/provided against		**5,750**	–
Inventory impairment		**1,117**	–
Other Syrian adjustments		–	202
Share-based payment charge		–	56

Decrease in receivables		**516**	1,598
Increase / (decrease) in payables		**522**	(254)
Foreign exchange losses		**(43)**	(218)
Finance expenses paid		**(101)**	(76)
Interest received		**13**	18
Net cash used in operating activities by continuing operations		**(5,541)**	(3,799)
Net cash generated by operating activities of discontinued operations		–	2,347
Total net cash used in operating activities		**(5,541)**	(1,452)
Investing activities			
Exploration and evaluation expenditure		**(10,085)**	(26,987)
Inventory purchased		–	(1,420)
Other capital expenditures		**(30)**	(340)
Change in restricted cash balances		–	4,750
Net cash used in investing activities by continuing operations		**(10,115)**	(23,997)
Net cash used in investing activities by discontinued operations		–	(5,011)
Total net cash used in investing activities		**(10,115)**	(29,008)
Financing activities			
Loan draw-down	5	**8,200**	5,000
Transaction costs paid on loan facility	5	–	(215)
Other payments in connection with options exercised		**(31)**	(61)
Net cash provided by financing activities of continuing operations		**8,169**	4,724
Net cash used in financing activities of discontinued operations		**–**	–
Total net cash provided by financing activities		**8,169**	4,724
Cash disposed as part of disposal of discontinued operations		–	(181)
Decrease in cash and cash equivalents		**(7,487)**	(25,917)
Cash and cash equivalents at beginning of year		**7,907**	33,824
Cash and cash equivalents at end of year		**420**	7,907

Condensed Notes to the Annual Financial Statements for the year ended 31 December 2015

General information

Gulfsands Petroleum plc is a public limited company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and incorporated in the United Kingdom. The principal activities of the Company and its subsidiaries ("the Group") are that of oil and gas production, exploration and development. The address of the registered office is 1 America Square, Crosswall, London, United Kingdom, EC3N 2SG. This announcement was authorised for issue in accordance with a resolution of the Board of Directors on 17 March 2016.

The financial information for the year ended 31 December 2015 set out in this announcement does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 19 May 2015 and delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting ("AGM").

While the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to distribute the full financial statements that comply with IFRS in April 2016.

Audit Report

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2015 or 2014, but is derived from those accounts. The Auditor has reported on those accounts; its reports were unqualified, but did contain two emphasis of matter paragraphs in 2015 in respect of: going concern, on which further details are available below and in the Financial Review; and in respect of the carrying value of the Syrian investment, on which further details are included in note 4 to the Annual Financial Statements. The Auditor's Report did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

Basis of preparation

The Annual Financial Statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards adopted for use in the European Union. However, this announcement does not itself contain sufficient information to comply with IFRS. The Company will publish full financial statements that comply with IFRS in April 2016.

The Annual Financial Statements have been prepared under the historical cost convention except for the share-based payments.

The Annual Financial Statements are presented in US Dollars. The majority of all costs associated with foreign operations are denominated in US Dollars and not the local currency of the operations. Therefore the presentational and functional currency of the Group, and the functional currency of all subsidiaries, is the US Dollar.

Going concern

The Annual Financial Statements have been prepared on the going concern basis which has been approved by the Board, notwithstanding the material uncertainty, as discussed in the going concern section of the Financial Review.

Accounting policies

The accounting policies applied in this announcement are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements. A number of amendments to existing standards and interpretations were applicable from 1 January 2015. The adoption of these amendments did not have a material impact on the Group's financial statements for the year ended 31 December 2015.

1. Segmental analysis of continuing operations

For management purposes, at 31 December 2015 the Group operated in three geographical areas: Morocco, Tunisia and Colombia with suspended operations in Syria as discussed in note 4. All segments are involved with the production of, and exploration for, oil and gas. The "Other" segment represents corporate and head office costs.

The Group's result and certain asset and liability information for the year are analysed by reportable segment as follows.

Year ended 31 December 2015

	Syria $'000	Morocco $'000	Tunisia $'000	Colombia $'000	Other $'000	Total $'000
Total administrative expenditure	(180)	(950)	(418)	(112)	(5,305)	(6,965)
Exploration costs written-off/impaired	—	(53,799)	—	—	—	(53,799)
Restricted cash balances forfeited/ provided against	—	(5,750)	—	—	—	(5,750)
Inventory impairment	—	(1,117)	—	—	—	(1,117)
Operating loss	(180)	(61,616)	(418)	(112)	(5,305)	(67,631)
Financing cost						(1,569)
Net loss from continuing activities						(69,200)
Total assets	102,574	1,385	5,294	1,913	4,157	115,323
Total liabilities	(3,929)	(3,211)	(74)	(49)	(16,737)	(24,000)
E&E capital expenditure	—	7,773	75	654	—	8,502

Year ended 31 December 2014

	Syria $'000	Morocco $'000	Tunisia $'000	Colombia $'000	Other $'000	Total $'000
Total administrative expenditure	(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)
Financing cost						(346)
Net loss from continuing activities						(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

2. Loss per share

The basic and diluted loss per share has been calculated using the loss for the year ended 31 December 2015 of $69.2 million (2014: $12.1 million) for continuing operations and $69.2 million (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 ordinary shares in issue less treasury shares held of 117,886,145 (2014: 117,886,145). 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 117,965,804 (2014: 118,210,676).

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

3. Intangible assets

	Exploration and Evaluation assets					
	Syria $'000	**Morocco $'000**	**Tunisia $'000**	**Colombia $'000**	**Computer software $'000**	**Total $'000**
Cost:						
At 1 January 2014	10,505	31,636	5,195	243	2,483	50,062
Additions	–	19,188	794	982	10	20,974
Change in decommissioning estimates	–	977	–	–	–	977
Disposals	–	–	–	–	(123)	(123)
Exploration expenditure written-off	–	(5,246)	(794)	–	–	(6,040)
At 31 December 2014	10,505	46,555	5,195	1,225	2,370	65,850
Additions	–	7,773	75	654	2	8,504
Change in decommissioning estimates	–	(529)	–	–	–	(529)
Exploration expenditure written-off	–	(51,007)	–	–	–	(51,007)
At 31 December 2015	**10,505**	**2,792**	**5,270**	**1,879**	**2,372**	**22,818**
Accumulated amortisation:						
At 1 January 2014	–	–	–	–	(1,524)	(1,524)
Charge for 2014	–	–	–	–	(46)	(46)
Disposals	–	–	–	–	52	52
At 31 December 2014	–	–	–	–	(1,518)	(1,518)
Charge for 2015	–	–	–	–	(360)	(360)
At 31 December 2015	**–**	**–**	**–**	**–**	**(1,878)**	**(1,878)**
Accumulated impairment:						
At 1 January 2014 and 31 December 2014	(10,505)	–	–	–	(475)	(10,980)
Impairment provision for 2015	–	(2,792)	–	–	–	(2,792)
At 31 December 2015	**(10,505)**	**(2,792)**	**–**	**–**	**(475)**	**(13,772)**
Net book value at 31 December 2015	**–**	**–**	**5,270**	**1,879**	**19**	**7,168**

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 31 December 2015 represent exploration expenditure on the Moulay Bouchta permit. The financial commitments of the Moulay Bouchta contract are inconsistent with the Group's revised strategy and therefore Gulfsands have initiated a farm-out process for the Moulay Bouchta contract. However given the licence expiry date for the initial exploration phase in June 2016, 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 licence expiry, the expenditure to date attributed to the Moulay Bouchta permit of $2.8 million, inclusive of $1.75 million potential penalty for non completion of the minimum work obligations, has been fully impaired at 31 December 2015.

On 24 September 2015 the Fes Petroleum Agreement expired. All E&E expenditure related to the Fes permit has been fully written-off in the year, with write-offs totalling $22.2 million, inclusive of $12.0 million fair value recognised on acquisition.

On 9 November 2015, the extension period of the Rharb Petroleum Agreement expired and the Company's request to further extend the Rharb Petroleum Agreement for a period of two years to allow the Company to appraise the gas discoveries made in 2014/15 was rejected. All E&E expenditure related to the Rharb Centre and Rharb Sud permits has been fully written-off in the year, with write-offs totalling $28.8 million, inclusive of $5.8 million fair value recognised on acquisition.

Tunisia
At 31 December 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. A two year extension to the PSC was granted on 22 December 2015, extending the contract date to 12 July 2017. Management's strategy is to farm-down or divest the Group's interests in the PSC and has initiated a farm-out process. Management has reviewed its intentions for the Chorbane asset, 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 there are no indicators of impairment and no impairment of the carrying value is required. The asset carrying value could become impaired should the Group fail to satisfy the work obligations or to realise sufficient value from any divestment or farm-out.

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 31 December 2015 the E&E assets of $1.9 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. Management intend to apply for extensions to both contracts. Therefore they have concluded that there are no indicators of impairment and 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.

Work obligation commitments
At 31 December 2015 the Group had the following capital commitments in respect of its exploration activities:

Morocco
Moulay Bouchta permit – initial Exploration phase expiry date and deadline for fulfilment of capital commitments; June 2016

- Acquisition and processing of a 500 km of 2D seismic.
- Reprocessing and interpretation of selected legacy 2D seismic lines and existing 3D seismic data.
- Legacy oil field reactivation survey.
- Total cost of commitments estimated at $3.9 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. These have been fully provided against at 31 December 2015 as, given the licence expiry date for the initial exploration phase in June 2016, the outstanding work commitments on the permit could not physically be fulfilled before this date and therefore it is likely the deposit would not be recoverable. After the potential forfeiture of restricted cash balances a further $1.75 million potential penalty for non completion of the minimum work obligations could be enforced on the Group. This has been provided for as a liability within these accounts.

Tunisia
Chorbane permit – second phase of contract expiry date and deadline for fulfilment of capital commitments; July 2017

- Drilling of one exploration well.
- Acquisition of 200 km 2D seismic data
- Total commitments outstanding estimated at $10.7 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.
- The Company has also undertaken to spend $100,000 on an additional work programme obligation which may be satisfied via the acquisition of an additional 5km of 2D seismic.
- Total commitments outstanding estimated at $16.1 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.
- The Company has also undertaken to spend $100,000 on an additional work programme obligation which may be satisfied via the acquisition of an additional 5km of 2D seismic.
- Total commitments outstanding estimated at $13.9 million.

$3.2 million (2014: $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 long-term financial assets in the Balance Sheet.

4. Investments
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 carrying value of the available-for-sale investment at 31 December 2015 is $102 million (2014: $102 million).

Due to the unknown duration of EU sanctions in force against Syria and uncertainty over the eventual outcome of events in the country, any valuation attributed to the investment is highly subjective and subject to material change and uncertainty. Management have reviewed their internal valuation methodology and believe that as a result of the further passage of time and the high degree of judgement required, it is no longer possible to reliably estimate the investment's fair value. Management will therefore carry forward the last valuation which could be reliably determined, being the $102 million previously disclosed. This value will be reviewed periodically for impairment and any impairment losses recognised through the Income Statement.

Impairment review of the Group's investment in DPC
In order to carry out an impairment review, Management use an economic model of the estimated future cash flows that could be generated in respect of the Group's entitlement volumes in Block 26. The Management team have reviewed this in detail and believe due to the high degree of subjectivity inherent in the valuation it is imperative that the valuation model and its key drivers and assumptions are as transparent as possible. Management assessed the key drivers to be:

- the oil price, and
- the delay to resumption of production.

1. Oil price
There has been a significant downward movement in the oil price in the latter part of 2014, throughout 2015 and to date in 2016. It is difficult to assess at this early stage whether this will be a medium term price shock or a rebasing of the oil price. For the year ended 31 December 2015 Management have used the Brent forward curve to 2022 and then a 2% per annum escalation factor applied thereafter as the forecast for the 'base case' comparative valuation for the impairment review. Given the other sources of oil price data reviewed, Management consider this to be a conservative approach.

2. Delay to resumption of production

Gulfsands cannot give a definite timeline for the resumption of the full field development of the discovered fields within Block 26 that was suspended under the declaration of Force Majeure in 2011. Whilst no definite timeline can be substantiated, the Board continues to believe that the EU Sanctions will be lifted within five years and will continue to monitor all activity focused on resolving the situation in Syria. Management have decided to use commencement of production in five years as the estimate 'base case' comparative valuation for the impairment review.

Other model assumptions

The model uses the production profiles based upon 2C contingent resources at Khurbet East (Massive, Butmah and Kurrachine Dolomite) and Yousefieh. Receivables are included in relation to oil produced and invoiced but not yet received, and oil produced and not yet invoiced, on the expectation that these amounts will be recovered once EU sanctions are lifted. A 15% discount rate is then applied to give a net present value ("NPV").

The valuation model calculates:
a Gross Contractor undiscounted NPV(0) of $1.48 billion
Gulfsands 50% interest NPV(0) of $0.74 billion.
Gulfsands discounted NPV(15) of $107.2 million.

The Group has used the NPV (15) of $107.2 million to conclude that no impairment is necessary but the following table sets out the NPV(15)'s calculated when adjusting the two key drivers: oil price and time delay to resumption of production. All figures are presented in $'000:

Oil price	**Delay to first production**		
	3 year delay	5 year delay	7 year delay
20% decrease	90,797	69,409	52,687
10% decrease	114,959	88,352	67,582
Brent forward curve	138,955	**107,234**	82,393
10% increase	162,941	126,099	97,239
20% increase	186,809	144,872	112,012
30% increase	210,603	163,587	126,740

The following table sets out the impact that changes in the key variables would have on the comparative valuation of the asset, $107.2 million, for the impairment review.

	Change in comparative valuation of investment from $107.2 million $'000
Delay until first production	
7 years	(24,841)
3 years	31,722
Oil price	
20% decrease	(37,825)
10% decrease	(18,882)
10% increase	18,866
20% increase	37,639
30% increase	56,354
Change in discount rate to	
20%	(45,079)
10%	84,692
Change in forecast capex	
5% increase	(3,916)
5% decrease	3,916
Change in forecast opex	
5% increase	(2,836)
5% decrease	2,823

The Directors have reviewed the carrying value of this available-for-sale financial asset at 31 December 2015 and are of the opinion that no impairment is required to the carrying value. Although the carrying value is subject to significant uncertainty, Management believe it 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. Management reiterate that there is a high degree of subjectivity inherent in the valuation calculated for impairment purposes, 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 and an impairment may then be required.

5. Convertible loan

On 18 November 2014, the Group and Arawak Energy Bermuda Ltd ("the Lender") entered into an agreement pursuant to which the Lender agreed to provide a three year loan facility of up to $20.0 million. The Convertible Loan Facility (including amounts drawn, accrued but unpaid interest and fees) was convertible at any time prior to maturity into ordinary shares, initially at a price of £0.80, a premium of approximately 100% to the share price at the close of trading on the date of the agreement.

In the event that the Company issued new ordinary shares prior to conversion, repayment or maturity of the Convertible Loan Facility, the Lender had the right but not the obligation to subscribe for new ordinary shares, up to the amount of the loan facility outstanding at that time, at the same subscription price per share as paid by the other subscribers. If the Lender elected not to participate in such issue of new ordinary shares, the mechanics of conversion of the Convertible Loan Facility provided that an adjustment be made in order that the Lender's conversion rights continued to represent an entitlement to the same proportion of the Company's issued share capital after the new issue of ordinary shares as they represented prior to such new issue of ordinary shares.

Except with the prior agreement of the Lender, in the event of a new issue of ordinary shares the Company was required to apply any proceeds of such issue in excess of $10.0 million to the repayment of amounts outstanding under the Convertible Loan Facility at that time.

The Company may require conversion of the outstanding balance of the Convertible Loan Facility into ordinary shares in the event that the quoted price for the Company's ordinary shares on AIM, on an unadjusted basis, exceeds £1.04 for a period of more than 20 consecutive trading days at any time prior to the expiry of the term of the Convertible Loan Facility.

Interest at the rate of 10% per annum was capitalised quarterly and was to be repaid at the end of the term. A commitment fee was also capitalised quarterly and was to be repaid at the end of the term, equivalent to 3% of available undrawn amounts during the twelve month availability period.

An initial advance of $5.0 million was made by the Lender to the Group in November 2014 and a further $5.0 million was advanced in January 2015, of which half was to fund the Group's ongoing exploration and development activities in Morocco and half to provide working capital for the Group's general corporate purposes. Under the terms of the Convertible Loan Facility, two further advances, each of $5.0 million, were to be made available contingent upon additional exploration drilling success in Morocco, satisfactory to the Lender. The further advances were to be available exclusively to progress the Group's Moroccan work programme.

The Convertible Loan Facility was secured by a floating charge over all of the assets of Gulfsands Petroleum Holdings Ltd, the holding company for the Group's interest in Block 26, and a share mortgage over the shares in Gulfsands Petroleum Morocco Ltd (the holding company for the Group's interests in Morocco) with further credit support provided by a guarantee from the Company. The Convertible Loan Facility contained representations, warranties and indemnities in favour of the Lender and provides for events of default and a negative pledge.

The Group was entitled to retain any collateralised deposits released to it during the term of the Convertible Loan Facility together with the first $5.0 million proceeds of any farm-out arrangement into which it enters with respect to its Moroccan interests, provided that such cash is retained and applied to the Group's Moroccan work programme.

The Company may prepay the facility upon 60 days' notice.

The Lender could require repayment of the Convertible Loan Facility in certain circumstances, namely in the event of (a) a change of control of the Company; (b) the dismissal of two or more of the Company's Executive Directors; (c) the removal of two of the Directors of the Company at a General Meeting; and (d) Gulfsands' termination of the strategic cooperation agreement with Arawak International Energy International Ltd ("Arawak").

On 23 January 2015, Arawak terminated its strategic cooperation agreement with the Company. On 3 February 2015, Mr. Ken Judge was removed as an Executive Director of the Company and on 30 June 2015, Mr. Mahdi Sajjad was removed as a Non-Executive Director of the Company (having been removed as CEO on 22 April 2015). Under the terms of the Convertible Loan Agreement, these events constituted circumstances under which the holder of the facility may demand repayment of the Convertible Loan Facility in full. In all circumstances of repayment, a repayment fee of $1.0 million would be payable, less any interest or fees already capitalised or paid on the amount repaid.

The Company announced on 30 June 2015 that Arawak had entered into an assignment agreement with Weighbridge Trust Limited ("Weighbridge"), acting as agent for Waterford Finance and Investment Limited ("Waterford") and Mr. Griffiths, to acquire the Convertible Loan Facility from Arawak. Subsequent to the assignment of the Convertible Loan Facility, a further $3.2 million was advanced under the facility during the latter half of 2015.

In anticipation of acquiring the debt, on 22 June 2015, the Group and Weighbridge entered into an agreement pursuant to which Weighbridge, acting as trustee for Waterford and Mr. Griffiths with respect to their interests in the Convertible Loan Facility, provided certain undertakings to the Company. Under the terms of the agreement, Weighbridge provided undertakings that it would not, at any time prior to 23 September 2015, exercise its rights to call for repayment of all outstanding amounts, whether immediately or within the notice period of 90 days, to exercise its conversion rights or to exercise its right to participate in any issue of new ordinary shares pursuant to the terms of the Convertible Loan Facility. Under the terms of the agreement, the Company agreed to grant its consent to the assignment of the Convertible Loan Facility from Arawak to Weighbridge. On 27 August 2015, Weighbridge agreed to extend each of its undertakings to 31 January 2016, being the Open Offer Long Stop Date. It also agreed to release the Company from its undertakings regarding necessary share authorities contained in the Convertible Loan Facility agreement. In providing the undertakings to subscribe for their existing entitlements under the Open Offer, and to Underwrite the remaining Open Offer Shares to be issued under the Open Offer, it was agreed that the principal amount and interest and all fees and penalties accrued and outstanding under the Convertible Loan Facility will be applied in paying up in full the Open Offer Shares to be subscribed pursuant to the Open Offer and the Underwriting.

The movement in the loan balance in the year is represented as follows:

	$'000
At 1 January 2015	4,855
Loan draw-down	8,200
Interest expense	1,142
Amortisation of transaction costs	209
At 31 December 2015	**14,406**

Glossary of Terms

1C	Low estimate (P90) Contingent Resources
2C	Best estimate (P50) Contingent Resources
3C	High estimate (P10) Contingent Resources
AIM	Alternative Investment Market of the London Stock Exchange
Arawak	Arawak Energy Bermuda Ltd
bbls	Barrels of oil
bcf	Billion cubic feet of gas
Blake	Blake Holdings Limited
DD&A	Depletion, depreciation and amortisation
DOB-1	Douar Ouled Balkhair location
DPC	Dijla Petroleum Company
DRC-1	Dardara South East location
E&E	Exploration and evaluation
E&P	Exploration and production
FRC	Financial Reporting Council
GPC	General Petroleum Corporation
Gulfsands Morocco	Gulfsands Morocco Limited
IFRS	International Financial Reporting Standards
km	Kilometres
km²	Square kilometres
Lender	Arawak Energy Bermuda Ltd
LLA 50	Llanos Block 50
MENA	Middle East and North Africa
mmbbl	Millions of barrels of oil
mmboe	Millions of barrels of oil equivalent
NGLs	Natural gas liquids
NPV	Net present value
ONHYM	Office National des Hydrocarbures et des Mines (Morocco)
Possible Reserves	Possible Reserves are those additional reserves which analysis of geological and engineering data suggests are less likely to be recoverable than Probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (“3P”) reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be more than a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

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.
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
PRMS	The 2007 Petroleum Resources Management classification system of the SPE
PSC	Production Sharing Contract
PUT 14	Putumayo Block 14
Senergy	Senergy (GB) Limited
SPE	Society of Petroleum Engineers
Waterford	Waterford Finance and Investment Limited
Weighbridge	Weighbridge Trust Limited