Gulfsands Petroleum plc
Half-Yearly Financial Report

Six months to 30 June 2017

Unaudited

Gulfsands Petroleum plc
Interim Report 2017

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

The Group's core interest is in Block 26, North East Syria (under Force Majeure as a result of EU sanctions), which contains a world class reservoir. The Group also has non-core exploration projects in Morocco and Colombia.

Highlights

Continued good progress made streamlining the business to focus on its assets in Syria

- Exit from Tunisia initiated.
- Continued participation in Morocco is dependent on finding a partner. In the absence of which, the Board is considering a complete exit from Morocco
- Initiatives continue to find a partner / partners for our Colombian assets:
    - Llanos 50 licence in Colombia extended by 18 months to May 2018, and work commenced on MMA and EIA environmental work.
    - On Putumayo 14 licence in Colombia work commenced on the Consulta Previa and PMA. Discussions with ANH continue in regards to an extension of the licence.
    - Structured marketing campaign progressing to find a partner / partners.

Core assets in North East Syria appear to be in good order, materially undamaged and operationally fit

- Group working interest 2C Contingent Resources in Syrian assets of 86.4 mmboe (reclassified from 2P reserves in 2015 due to force majeure), giving over 20 year resource life based on the pre-sanction production plans.
- Involvement in Syrian operations remains suspended during continuation of EU sanctions, which Gulfsands remains committed to full compliance with.
- Production in Block 26, without the participation of Gulfsands, has reportedly increased to approximately 15-20,000 barrels of oil per day during 2017 although this has not been verified - no revenues recognised by Gulfsands.
- While the status of this production under the terms of the PSC is unclear at this time, the production does appear to demonstrate the reservoir quality and that the field continues to be operable.
- Increasing stability in the area surrounding Block 26, with no recent, major disruptions.
- Gulfsands is focused on maintaining its readiness to resume operational activities once sanctions are lifted.

Capital efficiency initiatives delivering significantly reduced costs

- Ongoing cash cost of running the business down a further 28% on a pro-rated basis from $5.0 million for FY 2016 to $1.8 million for 1H 2017.
- Further cost efficiencies planned for the remainder of 2017 and into 2018.

Continued financial support from major shareholders

- Completion of Secured Term Financing Facility (the "2017 Facility") of up to £4.0 million (c. $5.0 million) in February 2017.
- 3 tranches of the 2017 Facility have been drawn down, totaling $3.1 million (£2.4 million).
- Cash at 30 June 2017 of $1.7 million. Current cash available of $2.3 million (excluding the remaining undrawn 2017 Facility available of £1.6 million, which is subject to approval from the lenders).

Business development to be focused on the Levant region

John Bell, Managing Director said:
"Continued g*ood progress has been made during the period to streamline the business as we further reduced costs, focused on capital efficiency, managed down non-core assets, while protecting and preserving the value of our core assets in North East Syria. The Board is cautiously encouraged by the improving environment in Syria during the past few months, and the ongoing constructive narrative within the international community*".

The Group's strategy continues to be to focus on capital efficiency and protecting and preserving the value within Block 26, its core assets in North East Syria, by ensuring readiness to recommence operations there once EU sanctions and the security situation permit

Dear Shareholder

Having spent much of 2015 and 2016 realigning the strategy of the Group to be consistent with its financial capacity and risk tolerance, during 2017 the Board has begun to turn its focus to the future. In particular, this has involved increasing our focus on exploring strategic options for our Colombian assets so that they can be taken forward independently of the main Group, thus allowing the core Gulfsands business to focus on the Middle East region and ensuring our ongoing readiness to return to operations in Syria when the political situation allows and EU sanctions are lifted.

In Syria, Gulfsands is the operator of, and holds a 50% working interest in the Block 26 Production Sharing Contract ("PSC"), a geo-technically world class asset. Block 26 is located in the relatively stable area of North East Syria and, although Gulfsands is unable, due to EU sanctions, to be involved in operations, the assets appear to be in good order, materially undamaged and operationally fit. 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. During the reporting period, the Group was informed by DPC that the oil fields in Block 26 were returned to production in January 2017, with oil being produced from up to twelve production wells. The average oil production rate from both fields combined between January 2017 and the end of August appears to be around 15-20,000 BOPD. The Company continues to work on verifying this information and the status of this production under the terms of the PSC is unclear at this time. Gulfsands has not recognised any revenue for any production under the PSC since the advent of Force Majeure. Gulfsands remains committed to full compliance with EU sanctions and is focused on maintaining its readiness to resume operational activities once sanctions are lifted.

The Board is cautiously encouraged by the improving environment in Syria and the ongoing constructive narrative within the international community.

During the period, we continued to rationalise the non-core portfolio in Tunisia, Morocco, and Colombia.

In Tunisia, the Group chose not to seek a further extension to its Chorbane licence and so that licence was allowed to expire shortly after the reporting period, on 12 July 2017. The Group therefore, no longer has any remaining oil and gas interests in country, and so has initiated the orderly closedown of its Tunisian branch.

In Morocco, the Group's remaining licence, Moulay Bouchta, expired on 20 June 2017. Post expiry, constructive discussions with the Office National des Hydrocarbures et des Mines ("ONHYM") have continued and a further extension of the initial phase to June 2018 remains available to the Group. The Company has stated that it only intends to take advantage of this extension if it is able to find a partner which would be interested in a farm-out of this project. No such partner has been found to date.

Elsewhere in Morocco, the Group continues discussions with ONHYM to close out outstanding matters relating to the Rharb and Fes permits which expired in 2015.

In Colombia, Gulfsands has focused on positioning these assets as an attractive standalone South American business. We continue to build a strong and open relationship with Agencia Nacional de Hidrocarburos ("ANH"). This has helped us secure an 18 month extension on LLA-50 to May 2018 and we continue dialogue regarding the potential extension on PUT-14 licence which currently is scheduled to expire in November 2017. We believe that with these extensions the licences will be attractive and a worthy platform for a standalone South American business. Technically, the assets continue to be de-risked through ongoing work on both licences and the completion of 170km of seismic reprocessing which has reconfirmed the leads we have seen in the LLA-50 licence. The Group is working hard to find a partner to take the assets forward and has initiated a structured marketing campaign to find such a partner. This could take the form of a conventional farm-out or could involve other structures to allow these assets to move forward as an independent strategy.

Financial overview

During the period the Group has continued to enjoy the support of its major shareholders. In February 2017, these shareholders provided further funding for the Group through a Secured Term Financing Facility (the "2017 Facility") of up to £4 million (c. $5 million) which is to be drawn-down in five tranches, subject to certain conditions. As of 30 June 2017, three tranches had been drawn down and if the remaining two tranches are fully drawn, subject to approval by the lenders, this 2017 Facility should fund the Group's expected G&A through to H2 2018.

Note 2 (Going concern) of this Half Yearly Financial Report describes further the funding requirements.

The Group posted a loss for the period of $2.6 million (1H 2016: $4.8 million), including expenditures on Exploration and Evaluation assets of $0.24 million, which were immediately written off or impaired, inventory write-down resulting from the impending sale of surplus Moroccan inventory of $0.25 million (which was completed post period-end), and an impairment of restricted cash of $0.3 million held against the Colombian business.

The Group continues to focus on controlling costs to a sustainable level given the activities of the Group. This initiative has resulted in the ongoing office expenses across the Group falling again by a pro-rata amount of 28% from $5.0 million for the 12 months ended 31 December 2016 to $1.8 million for the 6 month period ended 30 June 2017 (see Financial Review on page 4).

At 30 June 2017, the Group had total unrestricted cash and cash equivalents of $1.7 million.

As at 30 June 2017, the Group had $3.2 million debt outstanding including accrued interest and fees under the 2017 Facility. The 2017 Facility of up to £4.0 million (c. $5.0 million) was entered into in February 2017 with our major shareholders. The maturity date of the 2017 Facility is three years from the first drawdown date (i.e. February 2020), at which date all outstanding amounts will be repayable in cash unless the Company has exercised an equity conversion right. Under this equity conversion right the 2017 Facility is extinguishable with equity at maturity, at the Company's option into shares of the Company at a price equal to the lower of (i) the 90 day average closing price at the time of repayment and (ii) the lowest price at which the Company has raised equity capital during the life of the Facility.

At the date of this Report, the Group had unaudited unrestricted cash and cash equivalents of $2.3 million, which includes proceeds from the sale of inventory in Morocco.

The Group continues to have material work obligations under its various exploration licences, as outlined in note 5, and if these obligations are not met, the Group may be forced to forfeit its working interests in these contracts and any sums of restricted cash lodged with host governments as guarantees for our performance of the minimum work obligations. Since some of the licences contain provisions for the payment of penalties if the minimum work obligations are not fulfilled, potential penalties may also apply. The Company is currently engaged in various discussions to restructure its minimum work obligations and to divest or bring in partners in order to reduce or eliminate the Group's net exposure to such obligations. There is no certainty that any or all of the restructurings or farm-outs or divestments will be successful.

The 30 June 2017 Half Yearly Financial Statements have been prepared on a going concern basis (see note 2), and further details on this can be found in the Financial Review on page 4.

Outlook

The Group has made significant progress in controlling costs and the Board believes it now has a business structure which is sustainable going forward. Its number one priority is to preserve and protect the value inherent in its Syrian assets.

We continue to enjoy the support of our major shareholders, without whose support, the Company would be seriously financially challenged.

Our exit from Tunisia is underway, and our strategy with respect to Morocco is clear and is wholly dependent on finding an appropriate partner in the short term. We continue to work to find a partner / partners for our Colombian assets. This will enable us to then focus on Syria and regional business development.

We would like to thank all our staff for their continued hard work and look forward to working with them in the future to rebuild Gulfsands into an oil and gas company we can all be proud to be part of.

Yours sincerely,

John Bell	James Ede-Golightly
Managing Director	Non-Executive Chairman

28 September 2017

Financial Review

Financial highlights for the six months ended 30 June 2017

- The loss before taxation for the first half of 2017 was $2.6 million (H1 2016: $4.8 million).
- Continued reduction of General and Administrative expenses, with gross office expenses falling a further 28% on a pro-rated basis from $5.0 million for the 12 months ended 31 December 2016 to $1.8 million for the 6 month period ended 30 June 2017.
- $0.2 million investment in Colombia incurred, although immediately impaired in accordance with the accounting treatment of year-end 2016.
- The Group continues to carry its investment in its Syrian interest at $102.0 million.
- Cash and cash equivalents increased by $0.7 million in the period to $1.7 million at 30 June 2017, following $3.1 million of draw-downs under the 2017 Facility (£2.4 million).

Operating performance:

General and Administrative expenses	Six months ended 30 June 2017 $' 000	Twelve months ended 31 December 2016 $'000
Office expenses	(1,785)	(4,986)
Partner recoveries	229	276
Restructuring costs	(135)	-
Depreciation, amortisation and loss on disposal of PPE	(5)	(78)
Office expenses capitalised	194	606
General and Administrative expenses	(1,502)	(4,182)

General and Administrative expenses for the first half of 2017 fell to $1.5 million. This decrease, from $4.2 million in the year ended 31 December 2016, is a result of continued initiatives to reduce the ongoing expenses across the Group to fit the current business model and strategy.

Exploration and Evaluation (E&E) asset impairments for the period totaled $0.24 million (H1 2016: $1.39 million) and relate to costs incurred during the period in Colombian and Morocco which have immediately been impaired in accordance with the Group's accounting policy.

The E&E asset related to Moulay Bouchta, including any costs incurred during the period, remains fully impaired in line with the Board's determination at 2016 year end as a result of the licence expiry date for the initial exploration phase being June 2017. Management are currently considering extending the licence for a further twelve months, with ONHYM indicating a willingness to extend the Initial Phase to June 2018, however the Company will only take advantage of this extension if it is able to find a partner which would be interested in a farm-out of this project. No such partner has been found to date.

Also in accordance with 2016 year-end accounting treatment, which was determined in light of the potential expiry of the Putumayo 14 and Llanos 50 licences, the Company has continued to impair costs incurred on those licences, given the on-going uncertainty of securing an industry partner before licence expiries. The investment during the year on the licences, which was immediately impaired, was $0.2 million ($0.1 million Putuamyo-14, $0.1 million Llanos-50). Alongside this, all restricted cash balances of $1.8 million (Llanos-50) and $1.7 million (Putumayo-14) held as performance guarantees in relation to the minimum work obligation under the contracts continue to be fully provided against at 30 June 2017. The company continues a marketing campaign to attract a partner for both licences.

The Group reported a loss before tax for the half year ended 30 June 2017 of $2.6 million (2016: $4.8 million).

Balance Sheet

The Group's intangible exploration and evaluation assets are held at a net book value of $nil at 30 June 2017 (31 December 2016: $nil million). Capital expenditures for the six months to 30 June 2017 totaled $0.24 million (H1 2017: $0.6 million) and predominantly relate to capitalised local office and London Head Office costs attributed to the Colombian Llanos 50 and Putumayo 14 licences, and seismic reprocessing on the Moroccan Moulay Bouchta licence.

Management's aim is to protect 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.

However, management reviewed the carrying value of all its remaining E&E assets at the 2016 year end and, given the potential impending expiry dates, it decided to impair all E&E assets. As of the date of this Report, despite developments, including with respect to contract extensions and initiatives to find potential partners which are detailed elsewhere in this Report, the Board does not consider it to be appropriate to reverse the impairments.

The contract/licence expiry dates, capital commitments and restricted cash balances held are detailed further in note 5 to the Half-Yearly Financial Report.

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. The Board has therefore concluded that, consistent with its policy at 31 December 2016, it should carry forward the last valuation which could be reliably determined, being the $102 million previously disclosed although this remains subject to significant uncertainty, as described in note 6. At 30 June 2017 the Directors have reviewed the carrying value of this available-for-sale financial asset and are of the opinion that no impairment is required to the carrying value.

Although the carrying value is subject to significant uncertainty, Management believes 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.

The Company sold its entire Moroccan inventory to an oil and gas operator in-country shortly after the period-end for $0.85 million and therefore, Inventory held at 30 June 2017 has been revalued to $0.85 million (31 December 2016: $1.1 million), resulting in a further provision of $0.25 million during the period.

At 30 June 2017, 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. A provision has been established for these obligations totaling $1.6 million (31 December 2016: $1.6 million) reflecting the Group's current estimate of decommissioning and/or restoration obligations. The wells and well sites are located on the expired Rharb and Fes permits and on the three exploitation concessions located within these permits. Included within the decommissioning and/or restoration obligations are obligations on all legacy wells drilled prior to the Group's acquisition of those interests. The Rharb and Fes petroleum contracts expired during 2015, and as at 30 June 2017 all decommissioning provisions are disclosed as current liabilities and no discount rate has been applied to the estimated cost of decommissioning works. The Group remains in dispute with ONHYM about whether these obligations should be satisfied by the $6.0 million inappropriately retained by ONHYM for the Bank Guarantees relating to these licences.

Cash flow

The total increase in cash and cash equivalents during the six months ended 30 June 2017 was $0.7 million (H1 2016: cash increase $1.4 million). Operating cash outflow decreased in the period to $1.8 million (H1 2016: $2.5 million) largely as a result of the significant reduction in office expenses across the Group resulting from the increasing efforts to manage costs to fit the current business model and strategy. Investing cash outflow decreased during the period to $0.2 million (H1 2016: $1.6 million), the reduction is due to the limited operational activity taking place during the period. Cash received from financing activities totaled $3.1 million (£2.4 million), due to the draw-down of tranches 1-3 of the Secured financing facility.

The outstanding loan balance at 30 June 2017 is $3.2 million (31 December 2016: $nil million) follows the draw-down of the first three drawdowns of £0.8 million, with interest and facility fees rolled up in the period. The secured financing facility matures on 23 February 2020 and is repayable in full on that date, although it is extinguishable by the issue of equity if the Board decides to do so.

Financial position

At 30 June 2017 the Group had total unrestricted cash and cash equivalents of $1.7 million (31 December 2016: $1.0 million). The condensed set of financial statements included in this Half-Yearly Financial Report have been prepared on a going concern basis of accounting which has been approved by the Board. The basis on which the Board has reached this decision is detailed in note 2 to the Half-Yearly Financial Report.

INDEPENDENT REVIEW REPORT TO GULFSANDS PETROLEUM PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2017 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Changes in Equity, the Consolidated Cash Flow Statement and notes to the Half-Yearly Financial Report.

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

Directors' responsibilities

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

Our responsibility

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

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

Without modifying our conclusion on the Half-Yearly Financial Report for the period ended 30 June 2017, we draw attention to the disclosures made in note 6 to the Half-Yearly Financial Report concerning the valuation of the Group's suspended producing operations in Syria, which is recorded at $102 million following the loss of joint control in December 2011. There is significant uncertainty as to the duration of the EU sanctions imposed in December 2011 and the eventual outcome of events in Syria. The potential impact any outcome will have on the carrying value from the producing operations in Syria is not known.

Emphasis of matter – Going concern

Without modifying our conclusion on the Half-Yearly Financial Report for the period ended 30 June 2017 we have considered the adequacy of the disclosures made by the Directors in note 2 to the Half-Yearly Financial Report concerning the Group's ability to continue as a going concern. The Group requires additional funding and careful management of its commitments in order to meet both planned operating and capital programmes as they fall due. The Directors believe, based upon discussions with existing shareholders that the Group will be able to secure the necessary funds, but there are currently no binding agreements in place.

These conditions, along with the other matters explained in note 2 to the Half-Yearly Financial Report, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The condensed financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

BDO LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
28 September 2017

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

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	6 months ended 30 June 2017 (Unaudited) $' 000	6 months ended 30 June 2016 (Unaudited) $' 000	Year ended 31 December 2016 (Audited) $' 000
General and Administrative expenses		(1,502)	(1,847)	(4,182)
Share-based payments		(172)	-	(161)
Exploration costs written-off/impaired	4	(241)	(1,386)	(8,055)
Inventory impairment		(242)	-	-
Decommissioning – change in estimates		-	-	(1,139)
Penalty provisions – change in estimates		-	-	(2,800)
Restricted cash balances provided against		(300)	(1,479)	(3,191)
Operating loss		(2,457)	(4,712)	(19,528)
Loan financing cost		(72)	(51)	(51)
Other finance income		11	4	23
Other finance expenses		(41)	(10)	(162)
Foreign exchange (losses) gains		(20)	18	(37)
Loss before taxation		(2,579)	(4,751)	(19,755)
Taxation		-	-	-
Total loss and comprehensive loss for the period/year-end - attributable to owners of the parent company		(2,579)	(4,751)	(19,755)
Loss per share attributable to the owners of parent company (cents)				
Basic and diluted		(0.004)	(0.01)	(4.17)

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017

	Notes	30 June 2017 (Unaudited) $' 000	31 December 2016 (Audited) $' 000
ASSETS			
Non-current assets			
Property, plant and equipment		26	28
Intangible assets	4	-	-
Long-term financial assets	7	500	500
Investments	6	102,000	102,000
		102,526	102,528
Current assets			
Inventory		850	1,092
Trade and other receivables		483	171
Cash and cash equivalents		1,730	1,036
		3,063	2,299
Total assets		105,589	104,827
LIABILITIES			
Current liabilities			
Trade and other payables		1,617	1,531
Provisions		6,137	6,137
		7,754	7,668
Non-current liabilities			
Trade and other payables		3,339	3,446
Loan facility	8	3,190	-
		6,529	3,446
Total liabilities		14,283	11,114
Net assets		91,306	93,713
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		18,803	18,803
Share premium		110,737	110,737
Merger reserve		11,709	11,709
Accumulated losses		(49,943)	(47,536)
Total equity		91,306	93,713

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Share capital	Share premium	Merger reserve	Treasury shares	Accumulat ed losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2015 (audited)	13,131	105,926	11,709	(11,502)	(27,940)	91,324
Loss for the period	-	-	-	-	(4,751)	(4,751)
Transactions with owners						
Shares issued	5,047	3,485	-	11,502	-	20,034
At 30 June 2016 (unaudited)	18,178	109,411	11,709	-	(32,691)	106,607
Loss for the period	-	-	-	-	(15,004)	(15,004)
Transactions with owners						
Shares issued	625	1,326	-	-	-	1,951
Share-based payment charge	-	-	-	-	159	159
At 31 December 2016 (audited)	18,803	110,737	11,709	-	(47,536)	93,713
Loss for the period	-	-	-	-	(2,579)	(2,579)
Transactions with owners						
Share-based payment charge	-	-	-	-	172	172
At 30 June 2017 (unaudited)	18,803	110,737	11,709	-	(49,943)	91,306

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	6 months ended 30 June 2016 (Unaudited) $' 000	6 months ended 30 June 2015 (Unaudited) $' 000	Year ended 31 December 2016 (Audited) $' 000
Cash flows from operating activities				
Operating loss for continuing operations		(2,457)	(4,712)	(19,528)
Depreciation, depletion and amortisation		2	72	89
Loss on disposal of tangible fixed assets		-	15	62
Exploration costs written-off/impaired/costs accrued	4	241	1,386	8,055
Decommissioning estimates adjustment		-	-	1,139
Restricted cash balances forfeited/provided against	7	300	1,479	3,191
Inventory impairment		242	-	-
Share-based payment charge		177	-	159
(Increase)/decrease in receivables		(349)	237	391
Increase/(decrease) in payables		11	(1,028)	1,587
Finance expenses paid		(41)	(10)	(162)
Interest received		11	4	23
Foreign exchange (losses)/gains		(20)	18	(37)
Net cash used in operating activities		(1,883)	(2,539)	(5,031)
Investing activities				
Exploration and evaluation expenditure		(241)	(1,615)	(1,879)
Other capital expenditures		-	(3)	(2)
Increase in restricted cash balances		(300)	-	-
Net cash used in investing activities		(541)	(1,618)	(1,881)
Financing activities				
Loan draw-down/(repayment)	8	3,118	-	(14,457)
Funds received under Open offer/share Placing		-	5,969	20,427
Share placing		-	-	1,949
Open offer finance costs		-	(391)	(391)
Net cash generated by financing activities		3,118	5,578	7,528
Increase in cash and cash equivalents		694	1,421	616
Cash and cash equivalents at beginning of period/year		1,036	420	420
Cash and cash equivalents at end of period/year		1,730	1,841	1,036

1. General information

This Half-Yearly Financial Report was approved by the Board of Directors and authorised for issue on 28 September 2017.

This condensed set of financial statements for the six months ended 30 June 2017 is unaudited and does not constitute statutory accounts as defined by the Companies Act.

The information for the year ended 31 December 2016 contained within the condensed financial statements does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial statements for the year ended 31 December 2016 have been delivered to the Registrar of Companies and the auditor's report on those financial statements was unqualified, and did not contain a statement made under Section 498 of the Companies Act 2006. The auditor's report included an emphasis of matter in respect of the fair value of the Group's suspended operations in the Syrian Arab Republic, and in respect of the Group's ability to continue as a going concern.

2. Accounting policies

This Half-Yearly Financial Report, which includes a condensed set of financial statements of the Company and its subsidiary undertakings ("the Group") has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) as adopted for use in the EU.

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

The condensed set of financial statements have been prepared using accounting bases and policies consistent with those used in the preparation of the audited financial statements of the Group for the year ended 31 December 2016 and those to be used in the year ending 31 December 2017.

Since the 2016 annual report and accounts was published, no new standards and interpretations have been issued that would have a material financial impact on adoption on the condensed financial statements for the six months ended 30 June 2017.

Basis of preparation

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

Going concern

On 15 February 2017, the Company entered into a Secured Term Financing Facility (the "2017 Facility") of up to £4 million (the "Facility") with its Major Shareholders (the "Lenders"). The 2017 Facility is available for drawdown by the Company in five equal tranches of £0.8 million each, the first three of which have been drawn and the final two of which remain available on or after 30 September 2017 and 31 December 2017 respectively, subject to re-approval by each of the Lenders prior to each drawdown request. Further details of the 2017 Facility are outlined in note 8.

As at the date of this Report, the Group has cash balances immediately available to it totaling approximately $2.3 million. Ongoing General and Administrative costs are expected to be in the region of $0.25 million per month through the second half of 2017.

In the absence of any other sources of cash flow, the Group will need to raise additional capital by the end of Q4 2017 to fund ongoing operations. There remains up to £1.6 million (c. $2.1 million) available under the 2017 Facility, and should that be approved for drawdown by the Lenders, the Group's cash forecast indicates that the Group would have sufficient funds to fund approved exploration work programmes (as aforementioned in this Interim report) and estimated general and administrative overheads until Q4 2018, excluding unapproved but contractual work obligation capital commitments and potential penalties in respect of its licences.

2. Accounting policies (continued)

If the Company and Group does not complete the minimum work commitments under its various oil and gas licences within agreed time periods, either directly, or via strategic divestments or transactions with third party entities, penalties equal to the unfulfilled contracted work commitments may be payable. These could be substantial and additional details of the capital commitments for the Company's licences are fully described in note 5. Potential liabilities to licences in Morocco and Tunisia are housed in dedicated subsidiaries without any parent company guarantees in place. In analysing the Group's financial needs the Board has considered the timing and likelihood of the payment of all current and potential liabilities.

Following completion of a review of the going concern position of the Company and Group at the meeting of the Board of Directors on 25 September 2017, including the uncertainties described above, the Board has concluded that, with current consolidated cash and cash equivalents totaling $2.3 million and taking into account both the Board's current strategy and the 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.

3. Segmental information

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

30 June 2017 (Unaudited)	Syria	Morocco	Tunisia	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total administrative expenses	(287)	(233)	(69)	(120)	(965)	(1,674)
Exploration costs written-off/impaired	-	(47)	-	(194)	-	(241)
Inventory impairment	-	(242)	-	-	-	(242)
Restricted cash balances forfeited/provided against	-	-	-	(300)	-	(300)
Operating loss	(287)	(522)	(69)	(614)	(965)	(2,457)
Net financing costs						(122)
Loss before taxation						(2,579)
Total assets	102,471	958	9	97	2,054	105,589
Total liabilities	(3,974)	(2,684)	(3,920)	(83)	(3,622)	(14,283)
E&E capital expenditure	-	47	-	194	-	241

30 June 2016 (Unaudited)	Syria	Morocco	Tunisia	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total administrative expenses	(57)	(315)	(210)	(121)	(1,144)	(1,847)
Exploration costs written-off/impaired	-	(379)	-	(1,007)	-	(1,386)
Restricted cash balances forfeited/provided against	-	-	-	(1,479)	-	(1,479)
Operating loss	(57)	(694)	(210)	(2,607)	(1,144)	(4,712)
Net financing costs						(39)
Loss before taxation						(4,751)
Total assets	102,480	1,251	5,320	1,077	3,658	113,786
Total liabilities	(3,770)	(2,408)	(69)	(42)	(890)	(7,179)
E&E capital expenditure	-	379	25	179	-	583

3. Segmental information (continued)

31 December 2016 (Audited)	Syria	Morocco	Tunisia	Colombia	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total administrative expenses	(456)	(421)	(322)	(238)	(2,906)	(4,343)
Exploration costs written-off/impaired	-	(528)	(5,314)	(2,213)	-	(8,055)
Decommissioning – change in estimate	-	(1,139)	-	-	-	(1,139)
Penalty provision – change in estimate	-	1,000	(3,800)	-	-	(2,800)
Restricted cash balances forfeited/provided against	-	-	-	(3,191)	-	(3,191)
Operating loss	(456)	(1,088)	(9,437)	(5,642)	(2,905)	(19,528)
Net financing costs						(227)
Loss before taxation						(19,755)
Total assets	102,539	1,190	9	53	1,036	104,827
Total liabilities	(4,048)	(2,608)	(3,896)	(78)	(484)	(11,114)
E&E capital expenditure	-	528	44	334	-	906

4. Intangible assets

	Exploration and Evaluation Assets				Computer software	Total
	Syria	Morocco	Tunisia	Colombia		
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
At 1 January 2016	10,505	2,792	5,270	1,879	2,372	22,818
Additions	-	528	44	334	-	906
Exploration expenditure written-off	-	-	(5,314)	-	-	(5,314)
At 31 December 2016	10,505	3,320	-	2,213	2,372	18,410
Additions	-	47	-	194	-	241
Exploration expenditure written-off	-	-	-	-	-	-
At 30 June 2017	10,505	3,367	-	2,407	2,372	18,651
Accumulated amortisation:						
At 1 January 2016	-	-	-	-	(1,878)	(1,878)
Charge for year	-	-	-	-	(19)	(19)
At 31 December 2016	-	-	-	-	(1,897)	(1,897)
Charge for period	-	-	-	-	-	-
At 30 June 2017	-	-	-	-	(1,897)	(1,897)
Accumulated impairment:						
At 1 January 2016	(10,505)	(2,792)	-	-	(475)	(13,772)
Charge for the year	-	(528)	-	(2,213)	-	(2,741)
At 31 December 2016	(10,505)	(3,320)	-	(2,213)	(475)	(16,513)
Charge for the period	-	(47)	-	(194)	-	(241)
At 30 June 2017	(10,505)	(3,367)	-	(2,407)	(475)	(16,754)
Net book value at 30 June 2017	-	-	-	-	-	-
Net book value at 31 December 2016	-	-	-	-	-	-

4. Intangible assets (continued)

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.

Colombia

The Group has interests in E&P contracts over two blocks in Colombia: Putumayo 14 ("PUT-14") and Llanos 50 ("LLA-50").

During the period the Llanos-50 licence was successfully extended by 18 months to May 2018, and the Company commenced work on reprocessing legacy seismic and initial environment studies in advance of further seismic acquisition. However, there remains uncertainty as to whether the Group will attract a partner to execute the full work programme and so, in accordance with the Group's accounting policy, it is considered appropriate to retain the impairment of the Llanos-50 E&E asset set up in 2016 and to impair any addition expenditure incurred in 1H 2017, totaling $0.1 million. Alongside this, the recovery of restricted cash balance held as performance guarantees in relation to the minimum work obligation under this contract, which was $1.5 million at 31 December 2016 and was increased during the Period to $1.8 million), continues to be fully provided against ($1.5 million was impaired in 1H 2016, and $0.3 million was impaired in H1 2017).

The Putumayo-14 licence expires in November 2017. In October 2016, the Company entered into a farm-out agreement with Samarium Energy & Resources Corporation ("Samarium") for the Putumayo-14 contract, though this subsequently terminated in May 2017. The Company continues an active and constructive dialogue with the Agencia Nacional de Hidrocarburos ("ANH") regarding an extension to the Putumayo-14 licence and has commenced work on the initial phase of work, the Consulta Previa. However, given the time left on the licence, in accordance with Group policy it has been decided to fully impair the expenditure attributed to the Putumayo-14 licence, of $0.1 million in 1H 2017 (31 December 2016: $1.1 million). Alongside this, the recovery of restricted cash balance of $1.7 million (31 December 2016: $1.7 million) held as performance guarantees in relation to the minimum work obligation under this contract continues to be fully provided against.

No provision has been recognised as at 30 June 2017 for the outstanding minimum work obligation commitments for either the Llanos-50 licence or the Putuamyo-14 licence, as management is in active and positive discussion regarding further licence extensions with ANH and has an active farm-out process underway for both licences.

Management's strategy is to farm-down or divest the Group's interests in the Putumayo-14 licence and the Llanos-50 licence and a broker has been engaged to run the farm-out process. 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.

Morocco

Moroccan E&E assets at 30 June 2017 represent exploration expenditure on the Moulay Bouchta licence. The initial exploration phase of the licence expired on 20 June 2017. In light of the licence expiry, all the expenditure to date attributed to the Moulay Bouchta licence has been impaired, including $0.02 million in 2017, $0.5 million in 2016 and $2.8 million in 2015 (inclusive of $1.75 million potential penalty for non-completion of the minimum work obligations). As part of the extension granted during 2016, the minimum work obligations relating to the Moulay Bouchta contract was reduced from $3.5 million to $2.5 million and so the possible penalty accrued was also reduced from $1.75 million to $0.75 million. This adjustment was not booked through E&E assets but directly to the Income Statement as an adjustment to estimates of penalty provisions.

ONHYM have indicated a willingness to extend the Initial Phase further, from three years to four years meaning that it would then run through to June 2018. The Company has indicated that it is considering the further extension but will only take advantage of it if it is able to find an appropriate partner which would be interested in a farm-out to help take the project forward. No such partner has been found to date.

4. Intangible assets (continued)

Tunisia

At 30 June 2017 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 but the Group was unable to agree an appropriate work program with Entreprise Tunisienne d'Activités Pétrolières ("ETAP"). In accordance with the Group's policy the expenditure attributed to Chorbane Contract ($5.3 million) was fully written-off during 2016 after the Group had informed the Tunisian authorities that, if it could not find a partner, it intended to cease all Tunisian Operations.

The Group has not been able to attract such a partner and so the Group has decided not to seek a further extension and instead has allowed the Contract to lapse, and the Chorbane PSC expired on 12 July 2017.

As at 30 June 2017 $3.8 million (31 December 2016: $3.8 million) has been accrued as potential penalties of the minimum work programme.

5. Work obligation commitments

At 30 June 2017, the Group had the following capital commitments in respect of its exploration activities:

Colombia

Llanos 50 - first exploration phase expiry date and deadline for fulfilment of capital commitments; May 2018 (following 18 month extension confirmed in May 2017)

- Drilling of one exploration well.
- 2D seismic minimum 160 km.
- The Company's total commitments outstanding estimated at $13.9 million, plus an additional $1.4 million for the extension i.e. $15.2 million.
- The work obligation commitment has not been provided for as the licence has not expired and the Group is actively seeking partners for a farm-in, or other arrangement to take these assets forward as a standalone strategy.

$1.8 million (31 December 2016: $1.5 million) of deposits have been lodged to support guarantees given to the Agencia Nacional de Hidrocarburos in respect of completion of the minimum work commitments on Llanos 50. These have been fully provided against as at 30 June 2017, given the licence expiry date for the initial exploration phase in May 2018.

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

- Drilling of one exploration well.
- 2D seismic minimum 98 km.
- The Company's total commitments outstanding estimated at $16.1 million.
- The work obligation commitment has not been provided for as the licence has not expired and the Group is actively seeking partners for a farm-in, or other arrangement to take these assets forward as a standalone strategy.

$1.7 million (31 December 2016: $1.7 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. These remain fully provided against as at 30 June 2017, having been impaired in 2016, given the licence expiry date for the initial exploration phase in November 2017.

Morocco

Moulay Bouchta permit – initial exploration phase expiry date and deadline for fulfilment of capital commitments; June 2017

- Acquisition and processing of 200 km of 2D seismic.
- Reprocessing and interpretation of selected legacy 2D seismic lines
- Legacy oil field reactivation survey.
- Total cost of commitments estimated at $2.5 million.

5. Work obligation commitments (continued)

As at 30 June 2017 $1.75 million (31 December 2016: $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 30 June 2017 (having been provided against in 2016), given the licence expiry date for the initial exploration phase in June 2017.

ONHYM have indicated a willingness to extend the Initial Phase further, from three years to four years meaning that it would then run through to June 2018. The Company has indicated that it is considering whether to pursue the extension, but that this decision would be predicated on it finding an appropriate partner to help take the project forward. The Company has not yet been successful in securing one and so, as of 20 June 2017, the Moulay Bouchta licence expired; with the minimum work obligations remaining outstanding. The Company remains in active dialogue with ONHYM to find a mutually beneficial way in which to pursue the work programme. If the licence is relinquished, in addition to the potential forfeiture of $1.75 million restricted cash balance , a further $0.75 million potential penalty for non-completion of the minimum work obligations could be enforced on the Group. A provision of $0.75 million remains accrued for this potential penalty as at 30 June 2017 (which was accrued for in 2016).

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

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 of 2D seismic data, although this was disputed by ETAP.
- Total contractual commitment: $3.8 million for the drilling of the exploration well.

There are no guarantees against the obligations relating to the Chorbane Licence. Given the impending expiry of the licence and the inability of the Group to attract a partner to move the assets forward, the Board decided not to seek a further extension and instead has allowed the Contract to lapse, and the Chorbane PSC expired on 12 July 2017. A provision has been recognised of $3.8 million to reflect the potential penalty for non-fulfilment of the contractual work programme.

Note, no parent company guarantee exists under the Chorbane exploration permit.

There were no other material obligations or contracts outstanding in relation to ongoing projects not provided or disclosed in this Half-Yearly Financial Report.

6. Available-for-sale financial assets

The Group is party to a PSC for the exploitation of hydrocarbon production in Block 26 in Syria. Pursuant to the PSC the Group operates its Syrian oil and gas production assets through a joint venture administered by DPC in which the Group has a 25% equity interest. The Group lost joint control of DPC on 1 December 2011 following the publication of European Union Council Decision 2011/782/CFSP. For the purposes of EU sanctions, DPC is considered to be controlled by General Petroleum Corporation. Since the Group has neither joint control nor significant influence over the financial and operating policy decisions of the entity, it carries its investment in DPC and the associated rights under the Block 26 PSC as an available-for-sale financial asset. The carrying value of the available-for-sale investment at 30 June 2017 is $102 million (31 December 2016: $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. At 31 December 2015, Management reviewed their internal valuation methodology and determined that as a result of the further passage of time and the high degree of judgement required, it was no longer possible to reliably estimate the investment's fair value. Management therefore concluded to carry forward the last valuation which could be reliably determined, being the $102 million previously disclosed in the 2015 Half-Yearly Financial Report.

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

At 30 June 2017 the Directors have reviewed the carrying value of this available-for-sale financial asset and are of the opinion that no impairment is required to the carrying value. Although the carrying value is subject to significant uncertainty, Management believes 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. The 2016 Annual Report and Accounts, available on the Company's website, discloses sensitivity analysis for this valuation in note 4.2.

7. Long-term financial assets

Long-term financial assets comprise balances held in bank accounts subject to escrow agreements as collateral for performance bonds issued.

	6 months ended 30 June 2017 $'000	Year ended 31 December 2016 $'000
Restricted cash balances	5,741	5,441
Provision against recovery of restricted cash balances	(5,241)	(4,941)
Total restricted cash balances	500	500

Gross restricted cash balances as at 30 June 2017 include $5.24 million (31 December 2016: $4.94 million) of such deposits collateralising guarantees given to state regulators to secure minimum exploration work commitments in Morocco under the Moulay Bouchta Petroleum Agreement ($1.75 million) the Llanos-50 licence in Colombia ($1.78 million) and the Putumayo 14 licence ($1.71 million) in Colombia, which have all been fully provided against at 30 June 2017. Gross restricted cash balances increased during the period by $0.3 million, following the increase in the deposit required on Llanos 50 following the extension of that contract. This was subsequently impaired as detailed in note 4. The remaining $0.5 million relates to the exploration period of Block 26 in Syria, which is under Force Majeure.

Further details of the minimum work obligations which these guarantees relate to are set out in note 5 to this Half-Yearly Financial Report.

8. Secured Term Financing Facility

On 15 February 2017, the Company closed a Secured Term Financing Facility of up to £4 million (the "2017 Facility") with its major Shareholders, Waterford, Blake and ME Investments Limited. The 2017 Facility is available for drawdown by the Company in five equal tranches of £0.8 million, the first available immediately upon the satisfaction of various administrative conditions precedent (completed in February 2017), and the further tranches being available on or after 31 March 2017 (drawn in early April), 30 June 2017 (drawn in late April, by unanimous approval of the Lenders), 30 September 2017 and 31 December 2017. The first two tranches, were committed by the Lenders, and the final three tranches are subject to re-approval by each of the Lenders prior to each drawdown request.

At the date of this report, the first three tranches have been drawn down.

Interest on loans made (together with accrued fees and interest) runs at 7% per annum. A commitment fee of 1% per annum runs on any undrawn proportion of the Facility. All fees and interest accrue quarterly until maturity. All, or part, of the undrawn portion of the Facility may be cancelled at any time by the Company. The Company may prepay the whole or any part (if at least £0.8 million) of the outstanding amounts at any time subject to paying a 10% premium on the amount pre-paid. The proceeds will be used for general and administrative expenses of the Group and for working capital purposes.

The maturity date of the 2017 Facility is three years from the first drawdown date (i.e. February 2020), at which date all outstanding amounts will be repayable in cash unless the Company has exercised an equity conversion right. Pursuant to that right, the outstanding amounts to be repaid may be converted at the Company's option into shares of the Company at a price equal to the lower of (i) the 90 day average closing price at the time of repayment and (ii) the lowest price at which the Company has raised equity capital during the life of the 2017 Facility.

8. Secured Term Financing Facility (continued)

The Facility is secured: by a mortgage over the shares of the Company's direct subsidiary, Gulfsands Petroleum Limited; by a charge over certain intercompany receivables of the Company; by a charge over certain bank accounts of the Company (should the Lenders require such a charge to be created); and through the issue of one ordinary share in the share capital of Gulfsands Petroleum Limited to the security trustee. The security trustee for the Facility is Weighbridge Trust. The articles of association of Gulfsands Petroleum Limited have also been amended to include certain reserved matters requiring unanimous shareholder consent, pre-emption provisions and compulsory transfer provisions. In addition to the right to enforce the security, on an insolvency-related event of default, the Lenders have the right to convert outstanding amounts under the Facility into a direct equity holding in Gulfsands Petroleum Limited, at a fair price (from a financial point of view taking into account all relevant circumstances) to be determined by an expert at the time.

On 23 February 2017 the Group drew-down the first £0.8 million tranche of the loan facility. The second and third tranches were drawn-down on 3 April 2017 and 23 April 2017 respectively.

The movement on the loan balance in the year is represented as follows:	$'000
At 1 January 2017	-
Loan draw-down	3,118
Interest expense	62
Commitment fee	10
At 30 June 2017	3,190

9. Contingent Liabilities

Claim by Al Mashrek Group in Syria

Al Mashrek Global Investment Ltd ("Al Mashrek") has filed a claim with the Courts in Damascus, Syria, against Gulfsands Petroleum Levant Limited (incorporated in Cayman Islands) ("GPLL") and the Syrian registered branch of GPLL on the grounds that Al Mashrek was not properly notified of the Open Offer completed in January 2016 and hence lost the opportunity to subscribe for new shares in the Open Offer and as a result Al Mashrek's equity was subsequently diluted.

The Court of Appeal of Damascus has issued an order of provisional attachment on GPLL's moveable and immovable assets, including GPLL's share of Block 26, to secure Al Mashrek's claim of an amount of Syrian pounds equivalent to $2.0 million. While Gulfsands continues to investigate the alleged claim it is determined to protect its rights in Syria. Gulfsands are seeking legal advice on this matter. Management believe the outflow of funds in relation to this claim to be possible but not probable and therefore no provision has been made as at 30 June 2017.

Penalties sought by ONHYM under the Rharb Petroleum Agreement

As disclosed in more detail in the 2016 Annual report, in late 2015, the extension period of the Rharb Petroleum Agreement expired and the Company requested 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. ONHYM further advised in November 2015 that:

- Gulfsands Morocco would 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 was seeking a penalty equal of the estimated cost of the minimum exploration work programme of the Rharb Petroleum Agreement less the actual costs actually incurred in respect of the work required, whereby ONHYM is claiming a sum of $7.5 million;
- ONHYM also claimed the outstanding amount under the training obligation of the Rharb Petroleum Agreement;
- ONHYM was seeking an update on the Company'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 Company strongly refutes the claims for financial sums and penalties and is seeking legal advice on the matter. In these 2017 Interim Results the $1.0 million restricted cash balance has been fully provided against and decommissioning and restoration provisions of $1.6 million covering all Gulfsands drilled wells and legacy wells have been provided for, although the Company considers that this decommissioning obligation should be fully satisfied by part of the performance guarantees inappropriately taken by ONHYM on the Rharb and Fes licences (see note 10). No provisions have been made for training obligations or the penalty.

10. Contingent Assets

Recovery of guarantee amounts under the Rharb Petroleum Agreement

As disclosed in more detail in the 2016 Annual report, in late 2015, the Company received a response from ONHYM stating 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 drew this amount in January 2016. Gulfsands have provided ONHYM with details of the costs actually incurred in respect of the exploration work required to be carried out during the extension period and these costs significantly exceed the $15 million estimated costs of the minimum exploration work programme. Therefore Gulfsands believe that in accordance with the Rharb Petroleum Agreement no penalty payment is due. As a result the $1.0 million drawn by ONHYM was not drawn under the provisions of the Rharb Petroleum Agreement as no penalty was due and therefore should be refunded back to Gulfsands. Of the $1.0 million, $0.33 million is due back to a third party if released by ONHYM. No asset has been recognised in these Financial Statements for this contingent asset.

Recovery of guarantee amounts under the Fes Petroleum Agreement

As disclosed in more detail in the 2016 Annual report, in late 2015 (16 October 2015), the Company announced that the extension period of the Fes Petroleum Agreement expired on 24 September 2015 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. Gulfsands provided ONHYM with details of the costs actually incurred in respect of the exploration work required to be carried out during the extension period, which costs significantly exceed the $18.5 million estimated costs of the minimum exploration work programme. Gulfsands believes that in accordance with the Fes Petroleum Agreement no penalty payment is due. As a result the $5.0 million drawn by ONHYM was not drawn under the provisions of the Fes Petroleum Agreement as no penalty was due and therefore should be refunded back to Gulfsands. Of the $5.0 million, $1.33 million is due back to a third party if released by ONHYM. No asset has been recognised in these Financial Statements for this contingent asset.

11. Post balance sheet events

Tunisia Chorbane

The Chorbane PSC expired shortly after the period end on 12 July 2017. Tunisia did not fit with the Company's stated strategy and so the Group's continuing involvement in Tunisia was dependent on finding a partner which could help it take the Chorbane project forward. The Group was not able to attract such a partner and so the Group decided not to seek a further extension and instead allowed the Contract to lapse.

Glossary of Terms

ANH	Agencia Nacional De Hidrocarburos (Colombia)
bcf	Billion cubic feet of gas
boe	Barrels of oil equivalent where the gas component is converted into an equivalent amount of oil using a conversion rate of 1 bcf to 0.1667 mmboe
Contingent Resources	Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development projects, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are further categorised by the SPE into 1C, 2C and 3C according to the level of uncertainty associated with the estimates.
DPC	Dijla Petroleum Company
E&E	Exploration and evaluation
E&P contracts	Exploration and production contracts
ETAP	Entreprise Tunisienne d'Activités Pétrolières (Tunisia)
GPC	General Petroleum Corporation
GPLL	Gulfsands Petroleum Levant Limited
GPML	Gulfsands Petroleum Morocco Limited
IFRS	International Financial Reporting Standards
LLA 50	Llanos Block 50
mmbo	Millions of barrels of oil
mmboe	Millions of barrels of oil equivalent
ONHYM	Office National des Hydrocarbures et des Mines (Morocco)
Prospective Resources	Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. They are further categorised by the 2007 SPE PRMS into Low, Best and High estimates. The quoted Low, Best and High estimates are the 90% probability ("P90"), 50% probability ("P50") and 10% probability ("P10") values respectively derived from probabilistic estimates generated using a Monte Carlo statistical approach.
PSC	Production Sharing Contract
PUT14	Putumayo Block 14