

Interim Results for the Six Months Ended 30 June 2007

London, 27th September, 2007: Gulfsands Petroleum plc ("Gulfsands", the "Group" or the "Company" - AIM: **GPX**), the oil and gas production, exploration and development company with activities in the U.S.A., Syria and Iraq announces its interim results for the six months ended 30 June 2007. These figures are presented under IFRS for the first time.

Summary

- **Strong overall performance for first half of 2007**
- **Revenue, net cash flow from operations, assets, equity up from half year 2006**
- **Gross profit, operating profit, and profit before tax all up from half year 2006 on a UK GAAP basis (prior to IFRS conversion)**
- **Oil and gas discovery at Khurbet East in Block 26 Syria, followed by successful appraisal well**

HIGHLIGHTS

Due to the conversion from UK GAAP to IFRS the re-stated first half of 2006 results show a significant gain of \$4.0 million resulting from oil and gas hedges in place at that time. Without this adjustment and conversion to IFRS, on a UK GAAP basis the first half of 2007 would have been substantially stronger than the first half of 2006 in terms of revenue, gross profit, operating profit and profit before tax.

	IFRS adjusted		UK GAAP equivalent	
	H1 2007	H1 2006	H1 2007	H1 2006
	\$ Million	\$ Million	\$ Million	\$ Million
Revenue	19.3	16.2	19.2	12.1
Gross profit	8.2	8.6	7.7	3.8
Operating profit	4.0	6.1	3.4	0.9
Profit before tax	2.3	6.3	1.7	1.5
Profit for the period (profit after tax)	1.1	4.6	0.7	0.9

- Revenue for the Group increased by 19% to \$19.3 million (H1 2006: \$16.2 million). UK GAAP equivalent was \$19.2 million (H1 2006: \$12.1 million);
- Gross profit for the Group was \$8.2 million (H1 2006: \$8.6 million). UK GAAP equivalent was \$7.7 million (H1 2006: \$3.8 million);
- Operating profit for the Group was \$4.0 million (H1 2006: \$6.1 million). UK GAAP equivalent was \$3.4 million (H1 2006: \$0.9 million);
- Profit before tax for the Group was \$2.3 million (H1 2006: \$6.3 million). UK GAAP equivalent was \$1.7 million (H1 2006: \$1.5 million);
- Profit for the period (profit after tax) for the Group was \$1.1 million (H1 2006: \$4.6 million). UK GAAP equivalent was \$0.7 million (H1 2006: \$0.9 million);

- Net cash inflow from operations for the Group increased by 44% to \$5.2 million (H1 2006: \$3.6 million);
- Total assets of the Group increased by 13% to \$101 million (H1 2006: \$88.9 million);
- Equity of the Group increased by 3% to \$74.7 million (H1 2006: \$72.7 million);
- Average daily production for the Group increased by 24% to 2,566 working interest barrels of oil equivalent per day ("boepd") (H1 2006: 2,076 boepd); and
- The Company announced a significant oil and gas discovery in Syria known as Khurbet East with potential recoverable reserves in excess of 100 million barrels of oil equivalent. This discovery was followed up with a successful appraisal well.

Gulfsands' CEO, John Dorrier, said:

"The figures announced today represent a solid result for the Company during the first half of 2007 from our US oil and gas production operation. Looking forward, the Company's oil and gas discovery at Khurbet East could begin to make a significant financial impact as early as 2008 if we achieve our plans for early production. We expect additional exploration successes in Block 26, Syria and have high hopes of acquiring additional projects in Syria and Iraq to further enhance the Company's financial performance during the years following 2008."

For further information please refer to the Company's website www.gulfsands.net or contact:

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These interim results can also be viewed on Gulfsands' website: www.gulfsands.net

CHAIRMAN'S STATEMENT

In the first six months of 2007 the Group recorded solid financial results, drilled a significant oil and gas discovery in Khurbet East, Syria and commenced a full field appraisal and early development and production plan for the Khurbet East Field. Subsequent to 30 June the Company received proceeds of £11.6 million from a strategic equity private placement in the Middle East.

Financial

Conversion of our financial reporting from UK GAAP to IFRS has resulted in a significant change to the Company's financial performance as compared to the first half of 2006.

This relates primarily to oil and gas hedges that were in place in 2006 and as a result of the conversion of the financials from UK GAAP to IFRS a one-time \$4.0 million financial instrument gain is reflected in the re-stated results for the first half of 2006. Additionally, an \$821,000 reduction in depletion occurred as a result of the IFRS conversion. Due to these one-time gains (which were not cash items) a more valid comparison would be under UK GAAP.

On a UK GAAP basis, revenue of \$19,152,000 and gross profit of \$7,695,000 for the first six months of 2007 compares to revenue of \$12,143,000 and gross profit of \$3,781,000 for the same period of 2006. This improvement in gross profit was achieved despite higher than expected operating costs associated with final maintenance and repairs due to the 2005 hurricanes and the unwinding of discounts on decommissioning also related to the hurricanes of 2005.

Overall profit before tax to the Group on a UK GAAP basis for the first six months of 2007 was \$1,727,000 and profit after tax was \$699,000 as compared to profit before tax of \$1,462,000 and profit after tax of \$880,000 for the same period of 2006.

Syria

In the first half of 2007 Gulfsands made a significant oil and gas discovery on Block 26, which has been named Khurbet East, with potential recoverable reserves in excess of 100 million barrels of oil equivalent. Since the discovery the Company has drilled a successful appraisal well and has commenced plans for an early production programme and full field development of the Khurbet East discovery with initial production targeted for the second half of 2008. The Company has been granted rights of access to local pipeline and other infrastructure. This includes an export oil pipeline which is located within the presently mapped boundaries of the Khurbet East Field. A pipeline tie-in facility may be able to be located just 2 kilometres away from the first two wells drilled in the field. Subsequent to 30 June, the Company initiated the first extension period of exploration on Block 26 which commenced on 23 August 2007 for a further period of three years.

Capital expenditures net to the Group in Block 26 were \$7.0 million during the first six months of 2007.

USA

Production for the first six months of 2007 in the Gulf of Mexico and onshore Gulf Coast totaled 464,374 working interest barrels of oil equivalent (2,566 barrels of oil equivalent per day) and net revenue interest barrels (working interest barrels less royalties) totaled 351,829. This compares to 373,700 working interest barrels (2,076 barrels of oil equivalent per day) and 266,498 net revenue interest barrels for the first six months of 2006.

Both working interest and net revenue interest volumes for 2007 do not include plant product volumes of 55,004 and 41,643 barrels of oil equivalent respectively. Revenue for the half year of 2007 totaled \$19,253,000 which includes gas sales of \$10,983,000, oil sales of \$6,637,000, plant product sales (ethane, propane, isobutane, normal butane and gasoline) of \$1,100,000 and operating fees of \$533,000. Approximately 69% of the daily production was in natural gas at a price of approximately \$7.55 per million cubic feet, and 31% in oil production priced at approximately \$60.71 per barrel.

Total capital expenditures, excluding plugging abandonment, in the U.S. during the first six months of 2007 were \$1.5 million.

Iraq

Discussions with the Iraqi Government have continued on the Maysan Gas Project and this has become a high priority for the Group. Additionally, the Company is in discussions with various parties in the region on numerous other projects in both southern and northern Iraq.

The Maysan Gas Project is a midstream project that expects to gather gas currently being flared at oil fields in Southern Iraq. The project brings the gas to a central processing plant to clean it of impurities, removing the light hydrocarbon liquid fraction (natural gas liquids), and then transmits the natural gas for further distribution and use in Iraq. The extracted hydrocarbon liquids are then transmitted to a southern port for storage, offloading and export.

Outlook

The outlook for the Group remains financially strong as a result of continued high energy prices coupled with the possible commencement of first production in the second half of 2008 from the Khurbet East Field in Syria. Following this significant discovery and the recent strategic private equity placement with Middle Eastern investors of £11.6 million, the Company has become more active in the Middle East and is moving forward with good prospects of securing one or more projects in Syria and Iraq through the strong relationships it has developed within both countries.

Andrew West
Chairman of the Board
26 September 2007

Gulfsands Petroleum plc

Interim Results

SIX MONTHS TO 30 JUNE 2007

Unaudited

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	6 months ended		Year ended
		30 June 2007	30 June 2006	31 December 2006
		(unaudited) \$'000	(unaudited) \$'000	\$'000
Revenue	3	19,253	16,167	33,934
Cost of sales				
- Depreciation		(2,199)	(1,658)	(4,716)
- Impairment		-	-	(1,334)
- Other cost of sales		(8,811)	(5,883)	(14,465)
Gross profit		8,243	8,626	13,419
Administrative expenses before exceptional items		(3,394)	(2,266)	(4,455)
Share based payments		(328)	(294)	(851)
Hurricane repairs		(517)	-	(2,573)
Total administrative expenses		(4,239)	(2,560)	(7,879)
Operating profit		4,004	6,066	5,540
Unwinding of discount on decommissioning		(2,153)	(341)	(2,223)
Interest income		432	582	1,193
Profit before taxation		2,283	6,307	4,510
Taxation		(1,219)	(1,695)	(2,433)
PROFIT FOR THE PERIOD	3	1,064	4,612	2,077
Attributable to:				
Equity holders of the Company		1,064	4,606	2,077
Minority interests		-	6	-
PROFIT FOR THE PERIOD		1,064	4,612	2,077
Earnings per share (cents):				
Basic	4	1.03	4.94	2.17
Diluted		1.02	4.90	2.15

The results shown above relate entirely to continuing operations.

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	Notes	30 June 2007 (unaudited) \$'000	30 June 2006 (unaudited) \$'000	31 December 2006 \$'000
ASSETS				
Non current assets				
Property, plant & equipment	5	45,583	40,181	46,247
Intangible assets	6	22,108	7,637	15,097
Deferred tax asset		-	530	176
		67,691	48,348	61,520
Current assets				
Trade and other receivables	7	11,861	10,053	9,629
Cash and cash equivalents		21,101	30,457	26,724
		32,962	40,510	36,353
Total assets		100,653	88,858	97,873
LIABILITIES				
Current liabilities				
Trade and other payables	8	(16,160)	(8,679)	(16,036)
Fair value derivatives		-	(261)	(101)
		(16,160)	(8,940)	(16,137)
Non-current liabilities				
Deferred tax liability		(838)	-	-
Provision for liabilities and charges	9	(8,947)	(7,218)	(8,420)
		(9,785)	(7,218)	(8,420)
Total liabilities		(25,945)	(16,158)	(24,557)
NET ASSETS		74,708	72,700	73,316
EQUITY				
Capital and reserves attributable to equity holders				
Share capital	10	11,047	10,019	11,047
Share premium account		56,506	54,680	56,506
Other reserves		12,888	12,003	12,560
Profit and loss account		(5,733)	(4,268)	(6,797)
		74,708	72,434	73,316
Minority Interests		-	266	-
TOTAL EQUITY and RESERVES		74,708	72,700	73,316

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		6 months ended		Year ended
	Notes	30 June 2007	30 June 2006	31 December 2006
		(unaudited)	(unaudited)	
		\$'000	\$'000	\$'000
Net cash inflow from operations	11	5,191	3,584	15,999
Interest received		432	582	1,193
Taxation paid		(860)	-	(1,111)
Net cash (outflow)/inflow from operating activities		(428)	582	82
Investing activities		(10,386)	(11,346)	(29,849)
Financing activities				
Cash proceeds from issue of shares		-	1,076	3,931
Net cash inflow from financing activities		-	1,076	3,931
Net decrease in cash and cash equivalents		(5,623)	(6,104)	(9,837)
Cash and cash equivalents at beginning of period		26,724	36,561	36,561
Cash and cash equivalents at end of period		21,101	30,457	26,724

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	<i>Share capital \$'000</i>	<i>Share premium account \$'000</i>	<i>Other reserves \$'000</i>	<i>Profit and loss account \$'000</i>	<i>Total \$'000</i>
Six months ended 30 June 2007					
At 1 January 2007	11,047	56,506	12,560	(6,797)	73,316
Share based payment charge	-	-	328	-	328
Retained profit for the period	-	-	-	1,064	1,064
At 30 June 2007	11,047	56,506	12,888	(5,733)	74,708
Six months ended 30 June 2006					
At 1 January 2006	9,971	53,651	11,709	(8,873)	66,458
Share based payment charge	-	-	294	-	294
Share issues less costs	48	1,029	-	-	1,077
Retained profit for the period	-	-	-	4,606	4,606
At 30 June 2006	10,019	54,680	12,003	(4,268)	72,434

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. Basis of preparation

On 1 January 2007, in accordance with the AIM Market of the London Stock Exchange (“AIM”) and endorsed for use by the European Union, the Group adopted International Financial Reporting Standards (“IFRS”). This interim report for the six months ended 30 June 2007 and the comparative restated financial information for the year ended 31 December 2006 and the interim results for 2006 have been prepared in accordance with all applicable International Accounting Standards (“IAS”), International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued by the International Accounting Standards Board (“IASB”) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS and expected to be in effect for the year ending 31 December 2007. The financial information is prepared under the historical cost basis, except that oil and gas price derivative contracts are recognised at their fair values.

The next financial statements of the Group will be prepared in accordance with those International Reporting Financial Standards adopted by the European Union, and it is the expectation of the directors that the accounting policies applied in this interim report will be applied in those annual financial statements.

The interim financial information for the six months ended 30 June 2006 and 30 June 2007 is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial statements for the year ended 31 December 2006 have been delivered to the Registrar of Companies and the auditors’ report on those financial statements was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

Details of the Group’s conversion to IFRS and the impact on 2006 and prior UK GAAP results are presented in the IFRS First Time Adoption Statement (the “IFRS Statement”) which is available on the Group’s website (www.gulfsands.net). The comparative figures for the year ended 31 December 2006 and period ended 30 June 2006 which are presented in these interim results are based on the IFRS Statement. The IFRS Statement includes a summary of the Group’s significant accounting policies under IFRS and those policies have been applied to the interim results for the six months ended 30 June 2007.

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. Basis of preparation (continued)

The table below summarises the IFRS changes for the six months ended 30 June 2006 and the year ended 31 December 2006:

		<i>6 months ended</i>	<i>Year ended</i>
		<i>30 June 2006</i>	<i>31 December 2006</i>
		<i>\$'000</i>	<i>\$'000</i>
Profit before tax under UK GAAP		1,462	2,101
IAS 39: Financial Instruments	Under UK GAAP, oil and gas price derivative contracts did not impact the profit and loss account until the period in which the settlement occurred. Under IFRS, such contracts are shown in the balance sheet at fair value and period to period movements reflected in the income statement	4,024	4,184
IAS 16: Property, Plant and Equipment	Under UK GAAP Development & Production assets within Property, Plant and Equipment were depreciated using a unit of production method with net book values grouped into geographic cost pools. Under IFRS, these assets are still depreciated using a unit of production method but the cost pools are now broken down into cash generating units.	821	(441)
IFRS 6: Exploration and Evaluation of Mineral Resources & Accounting policy change	Under UK GAAP, impairment testing was done on a geographic cost pool basis, under IFRS 6, the cost pool size has been narrowed to individual cash generating units.	-	(1,334)
Profit before tax under IFRS		6,307	4,510

The interim report was approved by the Board of Directors on 25 September 2007.

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

2. Significant accounting policies

The significant accounting policies shown below are extracts from the full policies as detailed in the IFRS Statement released on 26 September 2007.

2.1 Oil and gas assets

There are two categories of oil and gas assets, Exploration and Evaluation assets which are included in Intangible assets and Development and Production assets that are included in Property, Plant and Equipment.

Exploration and evaluation assets

Recognition and measurement:

Exploration and evaluation assets ("E&E") consists of costs of license acquisition, exploration, evaluation, appraisal and development activities for and evaluating oil and gas properties. Costs incurred prior to having obtained the legal rights to explore an area ('pre-license costs') are expensed directly to the income statement as they are incurred and are not included in E&E assets. E&E costs are accumulated and capitalized into cost pools and added to Intangible Assets pending determination of commercial reserves.

The Group currently has only one intangible E&E cost pool, being Block 26 in Syria. E&E assets relating to each exploration license/prospect are not depreciated, but are carried forward until the existence or otherwise of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E assets are assessed for impairment on a cash generating unit basis as set out below and any impairment loss is recognised in the income statement. The carrying value of the E&E assets, after any impairment loss, is then reclassified as development and production assets in Property, Plant and Equipment.

Impairment:

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether commercial reserves exist.

Where the E&E assets concerned fall within the scope of a cash generating unit, the E&E assets are tested for impairment together with all development and production assets associated within the cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. Where the E& E assets to be tested fall outside the scope of a cash generating unit, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full.

Any impairment loss is recognized in the income statement as additional depreciation, and separately disclosed. On the balance sheet it is recorded against the carrying value of the related E&E asset.

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

2. Significant accounting policies (continued)

Development & production

Tangible oil and gas assets are grouped into a cash generating unit or groups of units for purposes of impairment testing and for depreciating the Development and Production assets. A cash generating unit is a well, field, area, block, region, or other defined area that is considered interrelated in producing revenue. Interrelationships can be measured by oil and gas production agreements, reserve reports, or other documentation showing such relationships. The only limitation in the size of a cash generating unit is that it cannot be larger than a reporting segment of the Group.

Recognition and measurement:

Development and production assets are accumulated on a cash generating unit basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, and the cost of recognizing provisions for future restoration and decommissioning.

Depreciation of producing assets:

Net book values carried within each cash generating pool are depreciated by a unit of production method using the ratio of oil and gas production in the year compared to the estimated quantity of commercial reserves at the beginning of the year. Changes in estimates of commercial reserves or future development costs are dealt with prospectively.

Impairment:

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount. The aggregate carrying value is compared against the recoverable amount of the cash generating unit, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves.

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the purchase method where the transaction meets the definition of a business combination.

Transactions involving the purchases of an individual field interest or a group of field interests, that do not qualify as a business combination, are treated as asset purchases and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied first to the carrying amount of the specific development/ production asset disposed of and any surplus is applied against the carrying amount of any unsuccessful E&E assets included in a cost pool. Any remaining excess is recorded as a gain on disposal in the income statement.

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

3. Segmental information

The Group operates a single class of business being oil and gas exploration and production. All revenue relates to income from the Group's oil and gas assets, and arose in USA.

The Group profit for the period is analysed by geographical area as follows:

	<i>Six Months ended 30 June</i>		<i>Year ended 31 December</i>
	<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
USA	6,096	7,572	8,525
Syria	(332)	(267)	(643)
Iraq	(313)	(218)	(497)
Colombia	(10)	(7)	(15)
Common costs	(1,437)	(1,014)	(1,830)
Group's profit before interest	4,004	6,066	5,540
Net finance costs	(1,721)	241	(1,030)
Taxation	(1,219)	(1,695)	(2,433)
Profit for the period	1,064	4,612	2,077

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

4. Earnings per share

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

	<i>Six months ended 30 June</i>		<i>Year ended 31 December</i>
	<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
	<i>except per</i>	<i>except per</i>	<i>except per</i>
	<i>share amounts</i>	<i>share amounts</i>	<i>share amounts</i>
Profit attributable to equity holders	1,064	4,606	2,077
Basic earnings (cents per share)	1.03	4.94	2.17
Diluted earnings (cents per share)	1.02	4.90	2.15
	<i>2007</i>	<i>2006</i>	<i>2006</i>
<i>Weighted average number of shares:</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
For basic earnings per share	103,018,750	93,168,063	95,565,086
Options outstanding	1,120,712	908,064	930,600
For diluted earnings per share	104,139,462	94,076,127	96,495,686

The calculation of basic earnings per share is based on the profit attributable to equity shareholders and the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated using the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

5. Property, plant and equipment

	<i>Oil and gas properties - USA</i>	<i>Other plant & equipment</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Cost:</i>			
At 31 December 2006	61,028	273	61,301
Additions	1,499	30	1,529
Disposals	-	(8)	(8)
At 30 June 2007	62,527	295	62,822
<i>Accumulated depreciation/impairment:</i>			
At 31 December 2006 as previously stated	(12,057)	(80)	(12,137)
Effect of IFRS Restatement	(2,917)	-	(2,917)
Restated at 1 January 2007	(14,974)	(80)	(15,054)
Charge for the period	(2,146)	(45)	(2,191)
Disposals	-	6	6
At 30 June 2007	(17,120)	(119)	(17,239)
Net book value at 30 June 2007	45,407	176	45,583
Net book value at 31 December 2006	46,054	193	46,247

6. Intangible assets

	<i>Exploration and evaluation assets - Syria</i>	<i>Computer Software</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Cost:</i>			
At 31 December 2006	15,066	49	15,115
Additions	7,018	-	7,018
At 30 June 2007	22,084	49	22,133
<i>Accumulated depreciation:</i>			
At 31 December 2006	-	(18)	(18)
Charge for the period	-	(7)	(7)
At 30 June 2007	-	(25)	(25)
Net book value at 30 June 2007	22,084	24	22,108
Net book value at 31 December 2006	15,066	31	15,097

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. Trade and other receivables

	30 June 2007 \$'000	30 June 2006 \$'000	31 December 2006 \$'000
Trade receivables	3,704	4,834	5,340
Other receivables	3,757	1,349	243
Underlift	919	919	919
Corporation tax recoverable	740	-	740
Prepayments and accrued income	2,741	2,951	2,387
	11,861	10,053	9,629

Underlift arose as a result of the acquisition of oil and gas properties in May 2004. Underlift represents a right to future economic benefit (through entitlement to receive equivalent future production), which constitutes an asset. This amount is due after more than one year.

8. Trade and other payables

	30 June 2007 \$'000	30 June 2006 \$'000	31 December 2006 \$'000
Trade payables	8,772	4,484	10,987
Other payables	4,100	-	875
Provision for decommissioning (note 9)	3,089	3,352	3,319
US Corporation tax payable	-	503	-
UK Corporation tax payable	199	340	855
	16,160	8,679	16,036

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

9. Provision for liabilities and charges

The provision for decommissioning relates to the expected future costs of plugging and abandoning the oil and gas properties held by Gulfsands Petroleum USA, Inc and Darcy Energy LLC. At 30 June 2007 the oil and gas properties have estimated plugging and abandonment dates between 2007 and 2032. The portion of the provision for decommissioning expected to be settled in 2007 totaling approximately \$3.1million is included in trade and other payables (see note 8) and the remainder totaling approximately \$8.9 million is included in provision for liabilities and charges in the consolidated balance sheet at 30 June 2007.

The provision for decommissioning is as follows:

	<i>\$'000</i>
At 31 December 2006	11,739
Liabilities settled during the period	(1,856)
Unwinding of discount on decommissioning provision	2,153
At 30 June 2007	12,036
Less: current portion (note 8)	(3,089)
	<u>8,947</u>

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

10. Share capital

	<i>30 June 2007 Number</i>	<i>30 June 2006 Number</i>	<i>31 December 2006 Number</i>
<i>Authorised:</i>			
Ordinary Shares (par value 5.714 pence per share)	175,000,000	175,000,000	175,000,000
	175,000,000	175,000,000	175,000,000

	<i>30 June 2007 \$'000</i>	<i>30 June 2006 \$'000</i>	<i>31 December 2006 \$'000</i>
<i>Allotted, called up and fully paid:</i>			
103,018,750 (2005 - 93,031,250) ordinary shares of 5.714 pence each	11,047	9,971	11,047

The movements in share capital and options are summarised below:

	<i>Number of ordinary shares</i>	<i>Number of share options</i>
At 31 December 2006	103,018,750	4,733,750
Share options granted	-	820,000
Share options exercised for cash	-	-
Stock options expired	-	(50,000)
At 30 June 2007	103,018,750	5,503,750

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

11. Reconciliation of operating profit to net cash inflow from operations

	6 months to 30 June 2007 \$'000	6 months to 30 June 2006 \$'000	Year ended 31 December 2006 \$'000
Operating profit	4,004	6,066	5,540
Depreciation	2,199	1,658	4,716
Disposal of assets	2	-	-
Impairment charge	-	-	1,334
Change in fair value of derivatives	(101)	(4,024)	(4,184)
Share based payment charge	328	294	851
Decrease in debtors, excluding deferred tax assets	(2,232)	(5,070)	(3,885)
Increase in creditors, excluding provision for liabilities and charges	991	4,660	11,627
Net cash inflow from operations	5,191	3,584	15,999

12. Post balance sheet events

In July 2007, the Company received £11.6 million from the private placement of 8 million ordinary shares with the Al Mashreq Investment Fund and Hickham Ventures, at £1.45 per new Ordinary Share. The new Ordinary Shares rank pari passu with the existing Ordinary Shares of the Company and were allotted and issued as fully paid in July 2007.

Also in July, a previous employee exercised 75,000 share options.

Following the issue and allotment of the new ordinary shares and the share options, the issued share capital of the Company was 111,093,750 Ordinary Shares.