Gulfsands Petroleum

North African business established

Edison investment research

The road out of Damascus

Oil & gas

15 February 2013

Gulfsands Petroleum has begun a new chapter, with recent Moroccan and Tunisian deals firmly establishing its non-Syrian MENA business. Morocco offers near-term gas production and longer-term oil-focused upside. Meanwhile, Tunisia represents further exploration through Gulfsands' existing interest and possible new deals through the JV. As a result of its cash reserve, Gulfsands is fully funded on its near-term activities in Morocco and Tunisia. If assumed gas production rates are achieved in Morocco, it could have the ability to execute further deals or increase its country presence or work programme.

Year end	Revenue ($m)	EBITDA ($m)	PBT ($m)	Debt ($m)	Net cash ($m)	Capex ($m)
12/11	7.9	(23.6)	(23.9)	0.0	124.2	(45.6)
12/12e	5.2	(21.5)	(13.5)	0.0	94.3	(6.4)
12/13e	6.5	(5.2)	(6.7)	0.0	27.7	(34.0)
12/14e	16.2	4.4	2.5	0.0	12.3	(19.8)

*PBT and EBITDA are normalised, excluding intangible amortisation, exceptional items and share-based payments.

Morocco: Near-term production, long-term upside

The purchase of Cabre Maroc from Caithness Petroleum, for $19m in cash and up to $11m in carry, provides Gulfsands with entry in three permits in onshore Morocco. The Rharb permit offers near-term cash flow, with production expected in H213. The permit is de-risked in part due to Circle Oil's impressive exploration success in the same basin. Fés and Taounate could contain deeper oil-focused exploration; with a seismic survey on Fés and a gravity survey on Taounate expected to begin 2013.

Tunisia, Gulf of Mexico (GOM) and Syria

Tunisia is the other current area of focus for Gulfsands. Seismic on Chorbane in H213 will provide an insight into the potential upside from the block. Further activity may also originate from the JV with Rift Basin Resources announced in November. In 2013 we expect the non-core GOM-producing assets to be divested. In Syria, Gulfsands' assets remain suspended, as the country continues to be in a state of crisis.

Fully funded, with further cash to invest

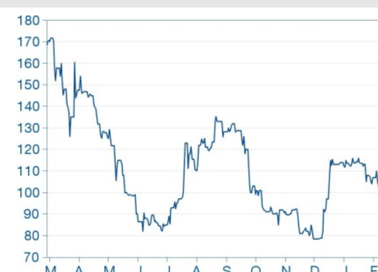
Gulfsands' estimated cash position of $94m in 2012 has enabled it to execute a number of deals to diversify the business away from Syria. We model the company to be fully funded over 2013-15. Assuming our forecast gas production rates are achieved, the group should be in a position to agree further deals, increase in-country presence or implement a more aggressive work programme on its existing permits.

Valuation: Share price floor set, upside unfolding

The core NAV containing cash, G&A and the Syrian assets generates a floor to the share price of 94p per share. We value Gulfsands' Moroccan Rharb permit (23p) and its Tunisian asset (3p) to generate a risked NAV of 119p per share. We consider this the start of the Moroccan story. Fés and Taounate could hold material oil potential, but do not currently have drillable prospects to value. Following seismic in H213, we expect to have a clearer understanding of the upside available in the permits.

Price	111.75p
Market cap	£132m
	$1.6/£
Shares in issue	117.8m
Free float	71%
Code	GPX
Net cash at 31 December 2012e ($m)	94
Primary exchange	LSE

Share price performance



%	1m	3m	12m
Abs	(3.4)	24.2	(35.9)
Rel (local)	(7.0)	11.6	(41.3)
52-week high/low		174.5p	78.5p

Business description

Gulfsands Petroleum is a MENA-focused full cycle company. It has significant assets in Syria, which are currently suspended due to sanctions, and oil and gas exploration assets onshore and offshore Tunisia, onshore Morocco and offshore Italy.

Next events

Rharb drilling	Q213-Q413
Rharb gas flow	Q313
Fés seismic	Q213
Chorbane Seismic	H213

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Investment summary: North African business established

Through the purchase of Cabre Maroc (private), Gulfsands has entered Morocco, making its most significant transaction since the emergence of the Syrian crisis. This is a long-awaited deal and, along with recent activity in Tunisia, firmly establishes Morocco and Tunisia as the non-Syrian legs to the business that the company intended to create. Morocco offers fast-track production through its shallow biogenic gas resources and also deeper, potentially material, oil-focused exploration in the company's other permits. Tunisia represents further exploration catalysts, but seismic is required before prospects can be identified. Gulfsands has been severely affected by the crisis in Syria, but with an estimated $94m (end-December 2012) cash balance and no debt, it has been diligent and patient in securing the deal that management hopes will allow it to replicate the same exploration and production success that has been achieved in Syria.

Morocco: Fast-track production and longer-term potential

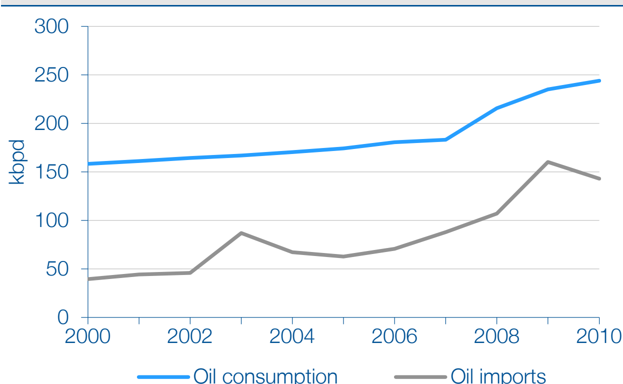
Snapshot of the country

Morocco has been attracting a large amount of attention recently. New entrants Genel Energy, Cairn Energy, Chariot Oil & Gas and now Gulfsands add to the existing long list of companies already operating in the country: Total, Anadarko, Kosmos Energy, Repsol, Enquest, Galp Energia, Dana Petroleum, Circle Oil, Transatlantic, RWE, Petrocanda, Longreach Oil and Gas, Fastnet Oil and Gas and San Leon Energy. This demonstrates the attractiveness of the region in terms of hydrocarbon potential, fiscal regime, domestic demand and export potential.

Energy requirements and fiscal regime

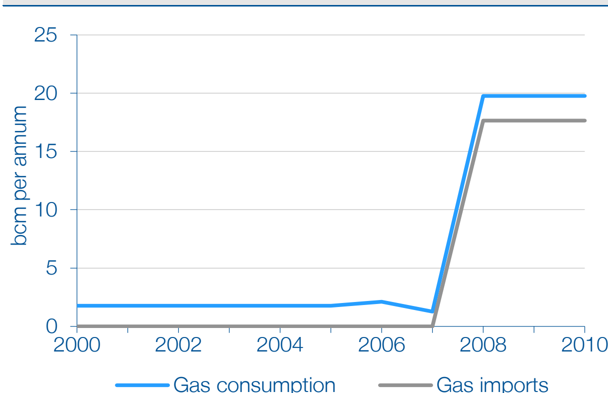
Morocco is significantly dependant on imports for its energy needs (Exhibits 1 and 2). It is a constitutional monarchy with a democratically elected government, which is classified as low risk and stable by Control Risks (a political risk consultancy). It is Africa's second-largest importer of energy and, with a developing population of 33 million, its demand for energy is expected to continue to grow. Additionally, Morocco is one of the world's largest phosphate miners, of which the production requires a significant amount of natural gas, thus supporting strong domestic demand.

Exhibit 1: Oil consumption vs oil imports



Source: EIA (Morocco does not export oil)

Exhibit 2: Gas consumption vs gas imports



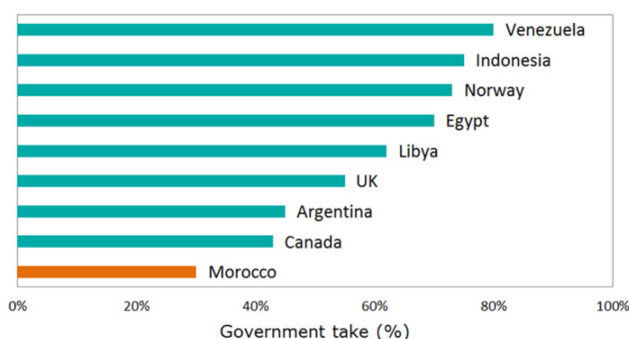
Source: EIA (Morocco does not export gas)

As a result of the continual demand for energy, Morocco has engineered a very attractive fiscal regime to encourage companies to explore for new domestic energy resources.

Summary of the fiscal terms:

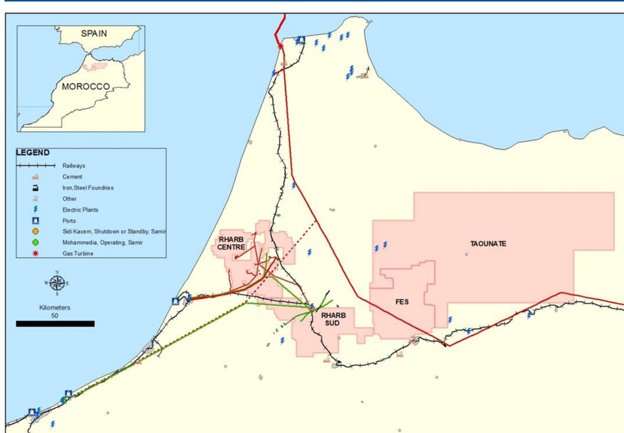
- Bonuses – negotiable discovery bonuses and production bonuses (payable once production limits are reached).
- Royalty – between 3.5% and 10%, depending on the terrain and production rates
- Surface fee: modest charge of 1,000 dirham per km^2.
- Cost recovery – not applicable.
- Corporate income tax – 30%, with a 10-year tax holiday on commercial discovery.
- State participation (Office National des Hydrocarbures et des Mines [ONHYM]) – usually 25% participating interest, to be exercised after commercial discovery. Contractors will carry ONHYM during E&A phases.
- Domestic obligation – the contractor is required to contribute to the needs of the domestic market before contemplating the export of hydrocarbons.

Exhibit 3: Government take



Source: Longreach Oil and Gas

Exhibit 4: Overview of permits: Rharb, Fés and Taounate



Source: Gulfsands Petroleum

As a result of this fiscal regime (Exhibit 3), the government take is significantly lower than comparable developing and developed countries. This makes a discovered resource significantly more valuable in Morocco than in one of the surrounding countries.

Entrance to Morocco: Purchase of Cabre Maroc

In January 2013, Gulfsands completed its acquisition of Caithness Petroleum's (private) Moroccan subsidiary Cabre Maroc (private). Gulfsands has agreed to pay Caithness $19m in cash and provide a carry up to $11m on the Fés and Taounate permits. Purchasing Cabre Maroc provides Gulfsands with equity interests in three permits, Rharb (75%), Fés (50%) and Taounate (45%). Taking into account ONHYM's back-in rights and the carry for Caithness, Gulfsands' exploration cost exposure on each permit is 100% at Rharb, 66.7% at Fés and 60% at Taounate. Within these three permits are eight licences totalling 13,352km^2. Rharb offers fast-track production through shallow biogenic gas resources, while Fés and Taounate offer longer-term, potentially oil-focused exploration.

Rharb permit: Shallow gas, near-term cash generator

Gulfsands' immediate focus in Morocco is the Rharb permit, representing fast-track cash flow generation. While the resource potential of this permit is unlikely to be material to the group, the permit should (in a success case) achieve quick production, which would help finance the company's activities. This area has been proven, most recently by Circle Oil, to contain shallow biogenic gas, which has c 99% methane content. Circle has had impressive exploration success, with 10

commercial gas discoveries achieved from an 11-well campaign (with one well still to be tested). Its booked reserves of 22bcf net and management's in-house estimates of 40-45bcf net demonstrate that these resources could support material sustained gas production. The Rharb permit has a number of features that we consider increase its attractiveness: (1) wells can be drilled quickly; taking a number of weeks to drill each well; (2) the almost-pure methane content means little or no processing will be required and Gulfsands should be able to tie production straight into customer facilities; and (3) exploration risk is low.

Gulfsands has provided an example production profile based on drilling six wells that would result in five producers. Each well is assumed to produce 1.4mmscf/d, with 14bcf produced over the life of the field. Given that Circle aimed to reach an exit rate of 8mmscf/d from three wells by the end of 2012, it may indicate that Gulfsands' well production assumptions could prove to be conservative.

Management would ideally like to drill up to nine wells, over 2013 and 2014. We understand the company is in the process of identifying a rig and may look to take more than one on contract. Given the speed with which these wells can be drilled, the availability of funding, a relatively flexible rig market and management's intention to drill nine wells, we have modelled a nine-well campaign, with seven producers (Exhibit 7).

Assuming $2m per well, this would result in a capex spend in 2013 of a gross cost of $18m (nine wells). While the cost to drill is largely stable, the cost of completion and tying in the production depends on how close the well is to existing infrastructure. As a result, well costs could come in slightly over or slightly under our estimate. Under the agreement with ONHYM, we model on the basis that Gulfsands incurs 100% of the cost, but 75% of the revenue, with ONHYM backing in for the resulting 25%.

Gulfsands expects to have two wells in production by Q313 producing c 2.8mmscfd (Exhibit 7). Gas production would be sold locally at an assumed price of $8.5/mscf. The realised price may well be higher, as it is reported that Circle, which produces the same gas and sells to the same market, achieves c $9/mscf. With very low operating costs, we model the discounted net back obtained on the Rharb permit to be c $5/mscf. If we assume a seven-well production model, the permit could generate an unrisked value of c $63m NPV over a seven-year period. The value of this permit is entirely dependent on the number of producing wells Gulfsands can drill and the resource potential. Exhibit 5 demonstrates that if higher rates, similar to Circle's estimated 2012 exit rate (c 2.7mmscf/d), could be achieved, the value of the permit could be substantially higher. Our current assumption of seven wells at 1.4mmscf/d would result in a $63m NPV (33p per share unrisked). This would increase 94% to an NPV of $122m (65p per share unrisked) by increasing the production to 2.4mmscf/d.

Exhibit 5: Sensitivity table: impact on NPV ($m) of Rharb permit depending on producers and rates

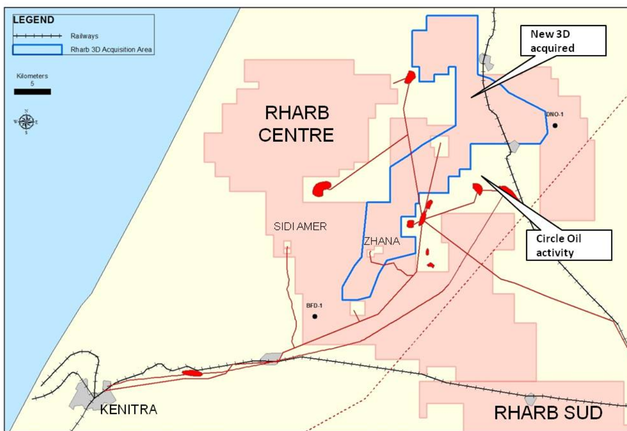
Number of producers	Per well production assumption (mmscf/d)				
	1.0	1.4	2.0	2.4	3.0
5	25	42	68	85	111
7	40	63	98	122	157
9	55	84	129	158	202
11	70	106	159	194	248

Source: Edison Investment Research

Depending on the number of wells and the resource potential discovered, the Rharb permit could deliver much higher revenues to Gulfsands. There is always the risk of exploration failure, but given the surrounding discoveries this is largely mitigated. With the exception of the immaterial Gulf of Mexico assets, Gulfsands has no current production and is entering a period of increasing capex. We consider targeting the Rharb permit, to deliver fast-track cash flow to finance the group, to be a logical move. Our key concern for Gulfsands on embarking on the aggressive Moroccan and Tunisian work

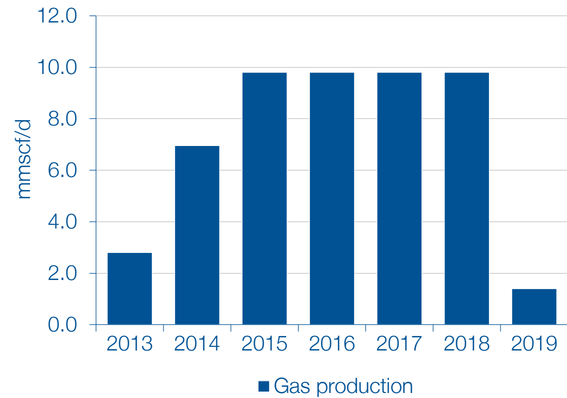
programme is cash burn. If Rharb can deliver near-term production, the expected cash burn should be minimised (Exhibit 13).

Exhibit 6: Rharb Permit



Source: Gulfsands Petroleum

Exhibit 7: Rharb production profile



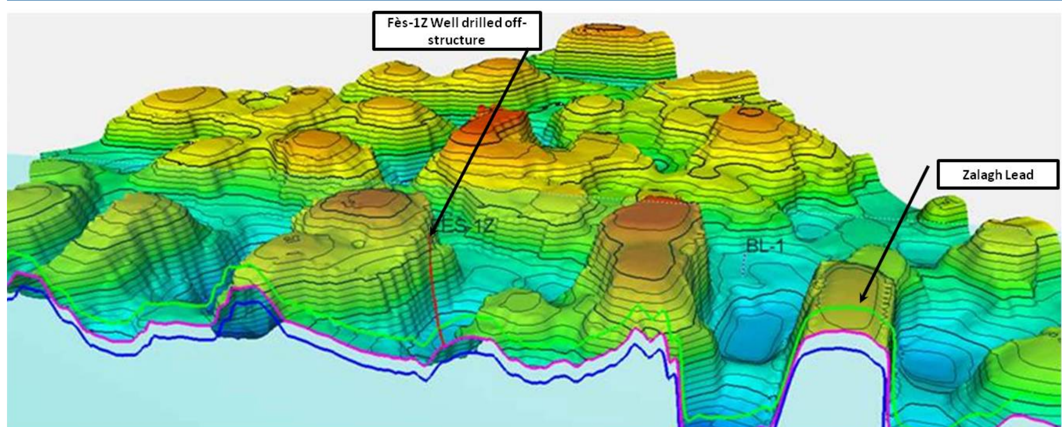
Source: Edison Investment Research

Fés permit: Higher capex and greater exploration potential

The Fés permit offers game-changing exploration in 2014. We understand Gulfsands will target much deeper oil horizons than the gas wells in the Rharb permit. Given these wells would be substantially deeper (3000-4000m), we would expect them to cost $5-$10m per well gross. In our model, we have assumed the upper range of $10m. The Fés permit has been tested by Caithness (Exhibit 8) but the well missed the structure. To prevent this occurring on future wells, Gulfsands will be obtaining 2D seismic over the permit, focusing on imaging the structural highs, which should help identify the prospects in the block.

We expect the company to begin seismic in Q213, with an exploration well drilled at the earliest in Q413, but more likely in H114.

Exhibit 8: Fés permit: gravity data interpretation



Source: Gulfsands Petroleum

Taounate permit: Success in Fés would de-risk Taounate

The Taounate permit borders the Fés permit with the geology between the two very similar. Taounate is significantly unexplored, with Caithness yet to perform any surveys on the permit. Gulfsands believes the work on Fés will help to technically de-risk the Taounate permit. Following the Fés seismic,

Gulfsands will acquire a full-tensor gravity survey. We expect this to occur in H213, with a seismic acquisition and/or an exploration well in 2014.

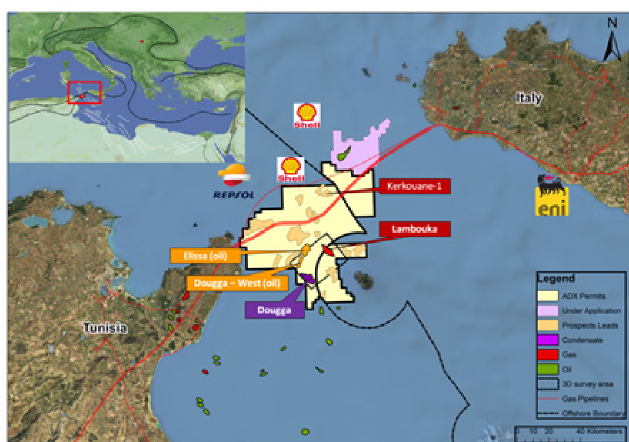
Activity on this permit is at an embryonic stage and, accordingly, very little is known of the potential the permit may hold. We expect Taounate to be similar to Fés in terms of the importance placed on the permit by management. Activity will likely involve deeper oil-focused wells rather than the shallow biogenic gas wells on Rharb.

Tunisia: Chorbane block – 2013 seismic survey

Following the deals executed in 2012, Gulfsands now holds a 70% interest in the onshore Tunisian Chorbane block (Rift Basin Resources Corp: 15%, ADX Energy: 15%). This is a positive move given the company's proven track record in exploring for hydrocarbons onshore MENA. Using the recent deal with ADX, in which Gulfsands acquired a 10% interest for $100k in cash and $600k in seismic carry, we can derive an implied value of $7m for the entire block and $4.9m for Gulfsands' 70% share (Exhibit 12).

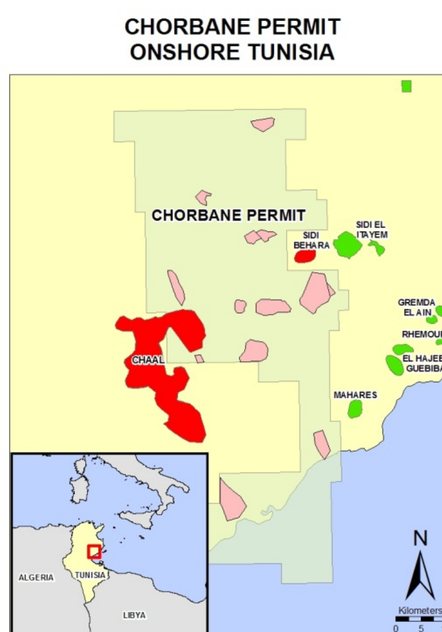
We understand the company intends to shoot 2D seismic in 2013, followed by an exploration well in 2014. This combined work programme is expected to cost c $7m gross. Taking into consideration the carry given to ADX, we would expect Gulfsands' net share of the costs to be $5.5m. Given that the 2013/2014 work programme is expected to cost $7m gross, we consider the value of the block is higher than the $7m attributed to it by the deal. However, until drillable prospects that can be valued are identified, we are unable to attribute a more accurate valuation than the one ascribed to it in the November 2012 deal. Due to the company's cash position, which we estimate to have been $94m at end-December 2012, we consider the activity funded.

Exhibit 9: Sicily Channel block assets



Source: ADX Energy

Exhibit 10: Chorbane Block



Source: ADX Energy

Sicily Channel: Material potential, but not aligned with strategy

Along with the onshore Tunisian announcement, Gulfsands concluded its purchase of an additional 10% working interest from Xstate Resources in the Kerkouane/Pantelleria block in the Sicily Channel.

Following this deal, Gulfsands holds a 40% working interest and ADX (operator) the remaining 60%. This position diverges from the company's strategy of focusing on assets that can be brought into near-term production and those that require the company's skillset, namely experience in onshore exploration and production. The Sicily Channel prospects are in semi-sub depth water, and if proven commercial could take at least four to five years to bring into production. Therefore, we consider this position a short-term play in a potentially prospective region. Although divergent from its strategy, Gulfsands has a non-operating working interest. We anticipate the company will work with the operator to bring in a partner that can take operatorship and implement a work programme. It would not be surprising if Gulfsands reduced its interest, if the opportunity arose, given the cost of a potential work programme.

Our key concerns in this block are around the ability of the operator, ADX, to fund its share of a potential work programme and the expiry of the licence in February 2014. The official work programme for the block is to drill an exploration well and re-enter and test the Lambouka well. We understand from management that, rather than focusing on the resource potential in Dougga and Lambouka, the partners could target the more likely oil prospects such as Dougga West or Elissa.

While we consider the licence non-core and unaligned with group strategy, we consider it important from a reputational point of view. As a result of its partnership with Rift Basin Resources, we speculate that Gulfsands will intend to invest further in Tunisia over the long term. If the licence is relinquished and commitments unfulfilled, it could damage relations with the government, which may affect its future onshore activities.

Strategic partnership: Rift Basin Resources

In November 2012, Gulfsands formed a strategic alliance with a young TSX-V listed oil and gas company, Rift Basin Resources. The strategic partnership will focus on opportunities in MENA. Any project acquired under the strategic alliance will have Gulfsands as operator with a 70% stake and Rift taking the resulting 30%. With the exception of the farm-in agreement (15%) into the onshore Tunisian Chorbane block, Rift has no other projects. Its strategy is to acquire working interests in the MENA region. We note that two of the main board members, Wayne Koshman (CEO) and Mongi Haffouz (President) have significant experience in MENA, particularly in Tunisia, and are ex-Voyageur Oil and Gas, leading us to speculate that Tunisia will play a material part in the strategic partnership.

Gulf of Mexico (GOM): Non-core; disposal required

The assets in GOM currently produce net 322boepd (56% liquids and 44% gas). As a result of the low US gas price, the net backs generated from GOM are modest, at c $16/boe. These assets are not aligned to the group strategy and management has indicated its intention to divest. We had expected this to be completed in 2012, but due to difficult market conditions management now expects the disposal to occur in 2013. We estimate these could be divested for c $2m. By disposing of the assets, the company will release its decommissioning provisions, the restricted cash and management's time. The proceeds, while modest, would help part-finance the company's G&A bill for the year.

Syria

Syria remains in a state of crisis and Gulfsands' assets continue to be suspended. We will not and cannot forecast when a resolution will be reached. It is unclear, even if Syria becomes a stable state, whether or not Gulfsands will be able to resume operatorship of its block 26 assets. However, management states that force majeure and its contractual rights remain. The company continues to have a presence in the country, monitoring its assets as much as possible. It has reduced costs

substantially, with G&A costs in Syria forecast to be c $4.2m per year. Although in its H112 interims, the company stated that the assets were producing at a rate of 22kbopd, management believes this to be an exceptional short period of production, with the 2012 average production forecast to be c 4-5kbopd. As a result, we would expect nearly all the company's material 74mmboe 2P reserves to remain. Additionally, under the production sharing contract, Gulfsands is due payment of any hydrocarbons that are produced and sold during the period of force majeure. While, as per EU sanctions, the company cannot accept or account for any of these payments, as at H112 it is estimated to be c $55m net to Gulfsands.

Forward work programme: Our assumptions

Following a period of inactivity after the eruption of the Syrian crisis, the next couple of years will see the beginning of a material work programme. Barring any further country entrances, Morocco and Tunisia will be the focus for the company. As demonstrated by the Gantt chart (Exhibit 11), Gulfsands should be involved in seismic, exploration, appraisal, development and production activities across a minimum of two and up to four countries. This is a marked shift for the company and should create a healthy pipeline of share price catalysts for investors.

Exhibit 11: Gantt chart – Gulfsands' 2013-15 potential work programme summary

			2013				2014				2015			
Country	Licence	Notes	Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
Morocco	Rharb	Seismic interpretation												
	Rharb	Exploration drilling (5-9 wells)												
	Rharb	Gas production start												
	Fés	2D Seismic												
	Fés	Exploration drilling												
	Taounate	Full Tensor Gravity												
	Taounate	Exploration drilling / seismic survey												
Tunisia	Chorbane	2D Seismic												
		Exploration drilling												
Sicily Channel	Kerkouane / Pantelleriia	Re-enter Lambouka												
		Exploration drilling?												
Syria	Block 26	End to the crisis?												

Source: Edison Investment Research

Valuation: Core NAV floor, upside unfolding

With Syrian assets suspended, Gulfsands' core NAV is a calculation of 2013 forecast cash, the balance sheet asset valuation of the Syrian assets and forecast G&A spend. Ascribing an accurate value to the company's Syrian assets is nearly impossible. Depending on the outcome in Syria, the assets are either worth nothing or substantially more than the balance sheet value. The market is currently applying a heavily risked value to the Syrian assets and given the difficulty of estimating this, we will continue to use the company's reported valuation. We do not expect any adjustment of this value in the 2012 annual financial statements (barring a slight adjustment for payment of Syrian creditors). As a result, our core NAV is 94p per share, which we consider provides a floor to the share price.

Following the deals in Tunisia and Morocco, our risked NAV values the Moroccan near-term production Rharb permit at 23p per share. We have risked Rharb at 75% as it is still exploration, but given Circle's work in the area, we would expect to increase this further in the event of a successful drilling campaign in 2013. In addition, we value the Tunisian Chorbane licence at 3p per share, based on the 2012 deal executed between Gulfsands and ADX. However, given the cost of the work programme, we expect there to be higher value within the permit, although we have no drillable prospects to value at present. Including these two risked assets in our valuation generates a risked NAV of 119p per share.

Although reasonable upside is attributed to Rharb, we consider Fés and Taounate to offer a potential step change to the company. While it is too early to attribute a valuation, as the company performs G&G work and identifies drillable prospects (expected H213), we would expect to introduce those prospects in either permit into our risked valuation in time. The Sicily Channel licence is also excluded due to the unknown progress of the work programme, partner funding and the risk of the licence expiry.

Exhibit 12: Valuation summary

Assets	Country/ license	WI %	CoS %	Net bcf	NPV $/mscf	EMV $m	Value/sh (p)
2012 estimated Cash/(Net Debt)						94	50
Syrian asset						102	54
G&A						(20)	(11)
Core NAV						**176**	**94**
Exploration/Appraisal							
Chorbane	Tunisia	70%				5	3
Rharb	Morocco	75%	75%	13.8	4.6	42	23
RENAV						**224**	**119**

Source: Edison Investment Research

Syria

The Syrian crisis offers a binary play much like exploration in a frontier basin. While it is impossible to place a 'chance of success' on the resolution of the Syrian crisis and the resumption of operations by Gulfsands, it is one of the two possible outcomes. Although we will only include the Syrian assets in our valuation based on the balance sheet value, the full value (via a DCF method) is a transformational amount. While we consider the investment proposal of Gulfsands now to be more than waiting for Syria to resolve, we do believe any positive long-term activity in the country should benefit Gulfsands and its shareholders immensely.

Financials: Fully funded, with further cash to invest

Until recently, Gulfsands had not explicitly demonstrated how its large cash balance would be utilised. As a result of the recent deals in Tunisia and, more importantly, Morocco, the company has begun to communicate a timetable of how its capital will be invested to generate shareholder value. We consider there is a fine balance between maintaining a healthy cash reserve and being too cash heavy. As a result of the Syrian crisis and inactivity on the company's part, the share price had begun to trend towards cash. Through these deals, Gulfsands now has a number of share price catalysts that should, under a success case, reinvigorate the share price.

Given the company will be entering into a period of higher capex spend, we are conscious of the movement of its cash position as it is the main source of funding. Near-term Rharb cash flow and the sharp reductions in G&A, due to the minimisation of Syrian activities, should help part-fund the forward work programme, but cash utilisation will still occur.

Exhibit 13 demonstrates that although capex spend is continuous, the group's cash balance remains material. Our capex forecast includes the known and assumed activity in Morocco and Tunisia. As it is unclear whether the operator can finance or farm-out its working interest and whether a work programme can be put in place before the licence expires in February 2014, we have excluded any capex spend in the Sicily Channel, at c $14-22m, from our model.

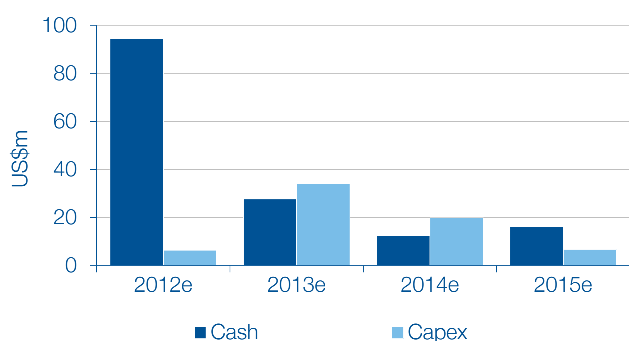
In addition to cash and capex movements, we highlight the change in forecast revenue (Exhibit 14). In 2013, the Rharb gas wells are expected to come on stream and produce for two quarters. In 2014/15, production ramps up to 9.8mmscf/d achieving stable production under an $8.5/mscf price deck.

Further cash utilisation

While it is encouraging to see Gulfsands firmly establish its North African business, we forecast that after the recent deal, the company will have a substantial cash balance of $28m (end-2013). If the assumed production rates from the Rharb permit can be achieved, Gulfsands will be net cash flow positive in 2015. As a result, we consider the company would have the ability to:

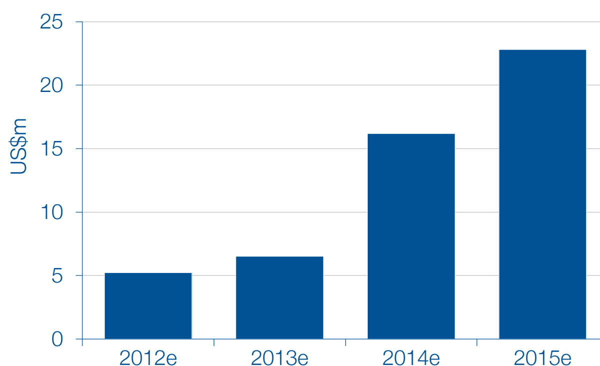
- Strike further deals, enlarging in-country presence or entering new countries.
- Implement a more aggressive exploration campaign than assumed. Increased activity in the deeper Fés and Taounate permits would require substantially higher capex.
- Re-start Syrian activities promptly, if a resolution to the crisis is reached and Gulfsands reassumes operatorship of its assets.

Exhibit 13: Forecast cash movement



Source: Edison Investment Research

Exhibit 14: Forecast revenue



Source: Edison Investment Research

Exhibit 15: Financial summary

$'000s	2011	2012e	2013e	2014e	2015e
December	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	7,907	5,232	6,515	16,190	22,803
Cost of Sales	(10,329)	(3,863)	(1,950)	(1,950)	(1,950)
Gross Profit	(2,422)	1,369	4,565	14,240	20,853
EBITDA	(23,625)	(21,505)	(5,213)	4,421	10,559
Operating Profit (Norm before amort. and except.)	(23,561)	(13,757)	(6,747)	2,471	8,609
Intangible Amortisation	(64)	0	0	0	0
Exceptional gain/(loss)	6,628	(7,099)	(416)	0	0
Exploration write offs/impairment	(32,544)	0	0	0	0
Share based payments	(2,522)	(1,202)	0	0	0
Other operating profit/(loss)	(638)	(238)	0	0	0
Operating Profit /(Loss)	(52,063)	(22,058)	(7,163)	2,471	8,609
Net Interest	270	448	0	0	0
Profit Before Tax (norm)	(23,929)	(13,547)	(6,747)	2,471	8,609
Profit Before Tax (FRS 3)	(52,431)	(21,848)	(7,163)	2,471	8,609
Tax	31	0	0	0	0
Profit from Suspended Syrian Operations	107,476	0	0	0	0
Profit After Tax (norm)	83,578	(13,547)	(6,747)	2,471	8,609
Profit After Tax (FRS 3)	55,076	(21,848)	(7,163)	2,471	8,609
Average Number of Shares Outstanding (m)	121	118	118	118	118
EPS - normalised (c)	69.1	(11.5)	(5.7)	2.1	7.3
EPS - normalised and fully diluted (c)	69.1	(11.5)	(5.7)	2.1	7.3
EPS - (IFRS) (c)	45.5	(18.5)	(6.1)	2.1	7.3
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	N/A	26%	70%	88%	91%
EBITDA Margin (%)	N/A	N/A	N/A	27%	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets	128,651	129,673	173,603	191,487	196,204
Intangible Assets	8,457	4,933	39,933	59,767	66,434
Tangible Assets	14,229	13,904	16,670	14,720	12,770
Syria - Suspended Activity	102,000	102,000	102,000	102,000	102,000
Other Investments	3,965	8,836	15,000	15,000	15,000
Current Assets	132,457	104,196	37,567	22,154	26,046
Materials	2,870	2,956	2,956	2,956	2,956
Debtors	5,347	6,903	6,903	6,903	6,903
Cash	124,240	94,337	27,708	12,295	16,187
Other	0	0	0	0	0
Current Liabilities	(18,173)	(13,536)	(9,933)	(9,933)	(9,933)
Creditors	(18,173)	(13,536)	(9,933)	(9,933)	(9,933)
Short term borrowings	0	0	0	0	0
Long Term Liabilities	(14,748)	(12,932)	(1,000)	(1,000)	(1,000)
Long term borrowings	0	0	0	0	0
Other long term liabilities	(14,748)	(12,932)	(1,000)	(1,000)	(1,000)
Net Assets	228,187	207,401	200,237	202,708	211,317
CASH FLOW					
Operating Cash Flow	93,992	(15,034)	(5,629)	4,421	10,559
Net Interest	270	224	0	0	0
Tax	55	0	0	0	0
Capex	(45,636)	(6,410)	(34,000)	(19,834)	(6,667)
(Acquisitions)/disposals	10,403	0	(17,000)	0	0
Financing / other cash flows	(15,469)	(8,684)	(10,000)	0	0
Dividends	0	0	0	0	0
Net Cash Flow	43,615	(29,904)	(66,629)	(15,413)	3,892
Opening net debt/(cash)	(80,625)	(124,240)	(94,337)	(27,708)	(12,295)
HP finance leases initiated	0	0	0	0	0
Other	0	0	0	0	0
Closing net debt/(cash)	(124,240)	(94,336)	(27,708)	(12,295)	(16,187)

Source: Edison Investment Research / Company accounts

Edison investment research

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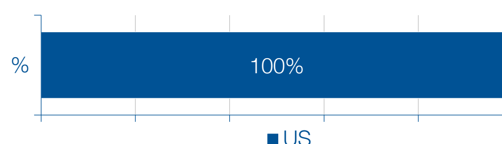
Revenue by geography



CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 2010-2014e	N/A	ROCE 2014e	N/A	Gearing	N/A	Litigation/regulatory	○
EPS 2012-2014e	N/A	Avg ROCE 2011-2015e	N/A	Interest cover	N/A	Pensions	○
EBITDA 2010-2014e	N/A	ROE 2014e	N/A	CA/CL	N/A	Currency	○
EBITDA 2012-2014e	N/A	Gross margin 2014e	N/A	Stock days	N/A	Stock overhang	○
Sales 2012-2014e	N/A	Operating margin 2014e	N/A	Debtor days	N/A	Political Risk	●
Sales 2012-2014e	N/A	Gr mgn / Op mgn	N/A	Creditor days	N/A	Oil/commodity prices	●

Management team

CEO: Richard Malcolm

A professional geoscientist with over 29 years' varied oil and gas experience, Mr Malcolm began his career as a petroleum geologist with Woodside Offshore Petroleum (Perth, Australia). In 1999, he joined OMV, where he was appointed managing director for OMV UK, the position he held until his appointment as CEO of Gulfsands.

Executive director and president: Mahdi Sajjad

Mr Sajjad joined Gulfsands in 1998. He became an executive director in 2005 and before his current role, he was VP of international development at Gulfsands. Before joining Gulfsands, he marketed products and engineering services in the Middle East and was involved in founding and financing several resource companies with interests in the Middle East.

Director of corporate development: Ken Judge

Mr Judge is a corporate lawyer with extensive business management and corporate development experience, having held numerous public company directorships and having been engaged in the establishment or corporate development of oil and gas, mining and technology companies in the UK, Middle East, US, Australia, Europe, Canada, Latin America and South-East Asia.

Non-exec chairman: Andrew West

Mr West has been chairman of Gulfsands since July 2006. An investment banker specialising in mergers and acquisitions by career, he has worked for Smith Barney (1981-85), Lehman Brothers (1985-90), Guinness Mahon (1990-97), and from 1997 to 1999 was managing director of Strand Partners.

Principal shareholders	(%)
Waterford Finance & Investment	20
Schroder Investment Management	17
Director Holdings	10
Kayed Abdul Rahman	10
Soyuzneftgas Capital Ltd	7

Companies named in this report

Genel Energy (GENL), Cairn Energy (CNE), Chariot Oil & Gas (CHAR), Total (TOT), Anadarko (APC), Kosmos Energy (KOS), Repsol (REP), Enquest (ENQ), Galp Energia (GALP), Circle Oil (COP), San Leon Energy (SLE), ADX Energy (ADX), Caithness Petroleum, OHNYM

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