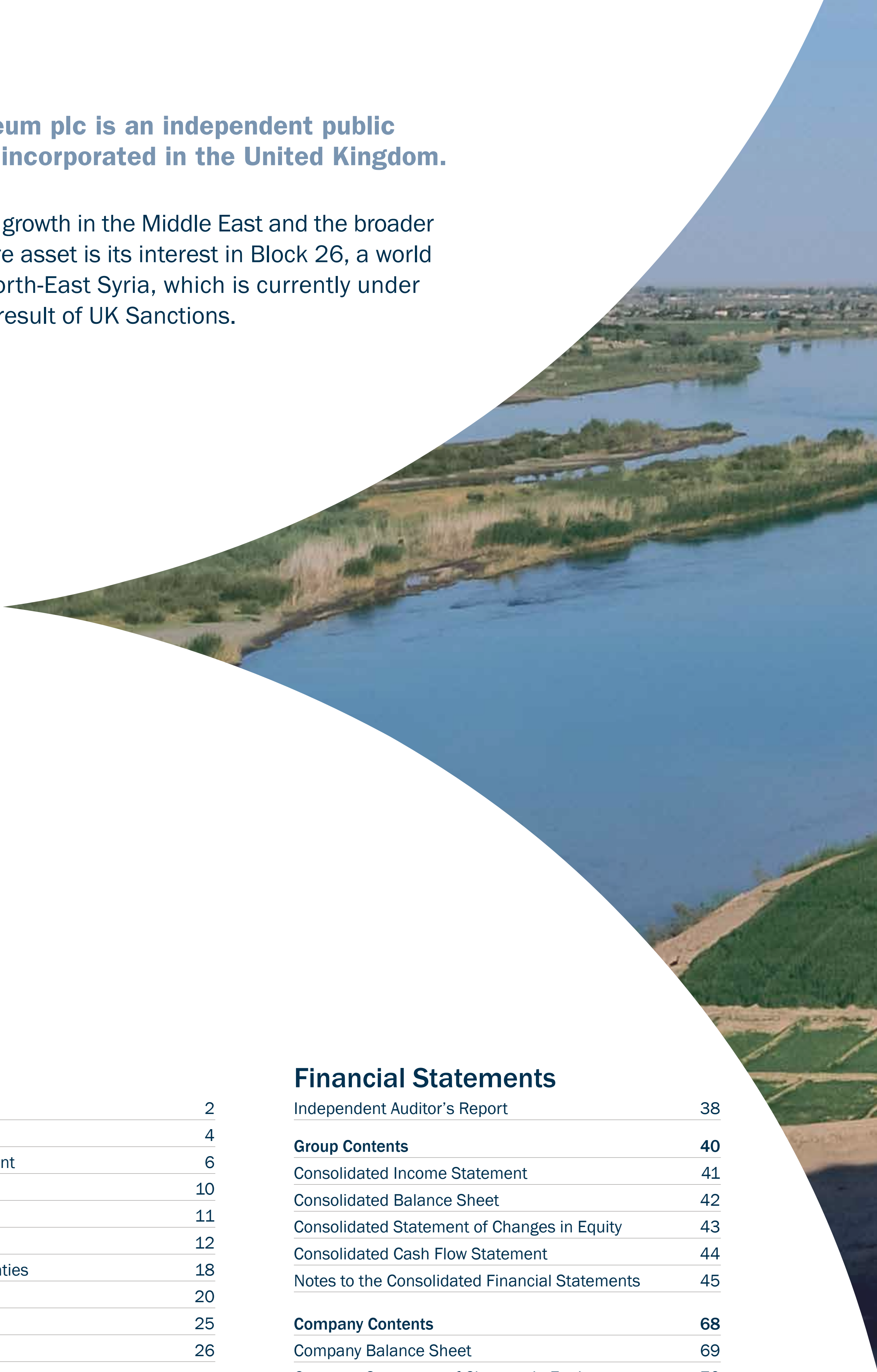
Gulfsands

ANNUAL REPORT AND ACCOUNTS 2023

Gulfsands Petroleum plc is an independent public energy company, incorporated in the United Kingdom.

The Group's focus is growth in the Middle East and the broader MENA region. Its core asset is its interest in Block 26, a world class resource in North-East Syria, which is currently under Force Majeure as a result of UK Sanctions.



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www.gulfsands.com

Strategic Report
Highlights

Gulfsands Petroleum plc is an independent, public energy company, incorporated in the United Kingdom, focused on material growth in the Middle East and North Africa region.

Gulfsands' ambition is to create a multi-billion-dollar asset portfolio, through the acquisition of operated and non-operated interests in the MENA region.

BUSINESS STRATEGY AND STRUCTURE

BUSINESS PLATFORM ESTABLISHED FOR REGIONAL BUSINESS DEVELOPMENT

Gulfsands is now debt free and focused on material business development in the MENA region.

£14.055 million outstanding balance under the 2017 Secured Term Financing Facility ("2017 Facility") was converted to equity and the 2017 Facility terminated prior to year-end.

Experienced technical, finance and administrative team with extensive regional experience assembled to lead business development initiatives.

Structured processes put in place to source, screen, analyse and evaluate potential opportunities.

Technology platform upgraded to facilitate integration of acquisitions and new ventures.

Strengthened Gulfsands' profile and visibility within the region and the industry, to be recognised as a credible partner of choice.

ESTABLISHMENT OF MIDDLE EAST BUSINESS HUB IN ABU DHABI

New MENA hub established in the world-renowned Abu Dhabi Global Market ("ADGM") in the UAE, along with a new MENA-dedicated subsidiary, Gulfsands Middle East Limited ("GMEL").

GMEL's focus will be on increasing Gulfsands' presence in the region, to both spearhead business development activities and to contribute meaningfully to the regional political discussion surrounding Syria.

Strategic Advisory Board continues to bring deep experience in the fields of finance and structuring, diplomacy, and international politics to support and enhance our business development initiatives.

CAPITAL EFFICIENCY AND CONTINUED MAJOR SHAREHOLDER FINANCIAL SUPPORT

Major Shareholder support remains strong.

Balance Sheet cleaned up, with 2017 Facility converted and terminated in late 2023, into equity at a price of 5 pence per share.

£2 million of equity financing ("2023 Equity Financing") was secured from Waterford, to provide G&A funding for 2024, at a price of 5 pence per share.

The business continues to be successfully managed within budgets and financial targets set by the Board.

At the date of this report, the Group had unaudited cash available for operations of $0.9 million and remains reliant on its Major Shareholder for additional funding, with £1 million remaining available under the 2023 Equity Financing to cover G&A for 2024.

The Board continues to discuss funding needs for 2025 G&A and beyond, and for potential business development transactions, with the Major Shareholder and with potential strategic investors.

SHARE TRADING POST DELISTING

The Company's shares continue to trade through the secondary trading auction facility provided by Asset Match (www.assetmatch.com).

SYRIA

THE GROUP'S CORE ASSET REMAINS THE BLOCK 26 ASSETS IN NORTH-EAST SYRIA

Currently in Force Majeure due to UK Sanctions.

Involvement in Syrian operations remains suspended during continuation of UK Sanctions, with which Gulfsands remains committed to full compliance.

Unauthorised production in Block 26, without the participation of Gulfsands, continues with average production of approximately 16,000 boepd throughout 2023.

No revenues have been recognised by Gulfsands.

Reported production levels appear to demonstrate the reservoir quality and that the assets are materially undamaged and operationally fit, however it is widely reported that unsophisticated oil field practices are leading to health and safety issues and significant environmental damage.

OIL THEFT CONTINUES

Block 26 assets continue to be unlawfully produced at a rate of around 16,000 boepd.

The Board has conclusive evidence that this unauthorised and unlawful production is undertaken by the People's Defence Units/Syrian Democratic Forces ("YPG/SDF") and its affiliates.

This unlawful production breaches the Company's contractual rights.

Unsophisticated oilfield practices are causing devastating pollution and damage to the local environment and health of local populations and is causing damage to the oil and gas reservoirs themselves.

The Board is determined to protect itself by asserting and defending its rights against this and indeed any unlawful activity in respect of Block 26.

PROJECT HOPE IS AN INITIATIVE TO EXPEDITE THE RETURN TO OPERATIONS IN SYRIA FOR THE BENEFIT OF ALL SYRIANS

Gulfsands is pioneering **"Project Hope"**, a Humanitarian and Economic Stimulus initiative whereby international energy companies would return to operations in North-East Syria, with allocated revenues used, with international oversight, to finance early recovery, humanitarian, environmental. Health. Economic and security projects across the country – for the benefit of all Syrian people (see page 25).

THE QUALITY OF THE BLOCK 26 ASSETS REMAINS AND IS CONFIRMED BY A NEW COMPETENT PERSONS REPORT

Independent consulting firm, Oilfield Production Consultants ("OPC"), undertook an independent Competent Persons Report ("CPR"), effective 1 January 2024, incorporating all available information relating to the Block 26 assets as of that date. The CPR confirmed:

- +20 years resource life and the potential to produce over 50,000 boepd from existing discoveries.
- Prospective portfolio takes the potential production of the field above 100,000 boepd.
- 2C Contingent Resources in Khurbet East (Massive, Butmah and K. Dolomite), Yousefieh, and Al Khairat fields as at 1 January 2024 of 110.4 million boe (net to Gulfsands). This is a 50% increase in 2C resources compared to 73.5 million boe in the 2022 Annual Report.
- OPC believes that the vast majority of these 2C Contingent Resources will be reclassified as 2P Reserves upon the lifting of Force Majeure.
- Combined unrisked, mid-case Prospective Resources of 545 million boe & risked, Prospective Resources of 134 million boe (both net to Gulfsands).

Economic Evaluations undertaken as part of the OPC review indicate a central range of EMV of Block 26 (Prospective and Contingent Resources), of $1.5 billion to $2 billion (net to Gulfsands), prior to taking into account above-ground risks.

READY TO RETURN TO OPERATIONS AS SOON AS CIRCUMSTANCES ALLOW

Full Field Development Plan of the Khurbet East, Yousefieh, and Al Khairat fields, prepared, reviewed and validated by OPC which is ready to implement, when circumstances allow, and can increase production to over 50,000 boepd from the existing fields.

CPR confirmed nine drill-ready prospects which could be targeted during an intensive drilling programme when circumstances allow, which could increase production to over 100,000 boepd.

Regional technical, finance and administrative team remains in place to implement re-entry plan as soon as viable.

Strategic Advisory Board established to assist Board and Management with complex political, legal and strategic aspects of re-entry.

Strategic Report
Chairman's Statement

Dear Shareholder,

I am delighted to write to you once more as Chairman after a year during which I believe Gulfsands has re-established itself as a dynamic MENA centric, growth-oriented energy company.

We began the year having just established our new business hub in the world-renowned Abu Dhabi Global Market ("ADGM") in the UAE, along with our new MENA-dedicated subsidiary, Gulfsands Middle East Limited ("GMEL"). GMEL's focus was, and continues to be, on increasing Gulfsands' presence in the region, to both step up business development activities and also enable us to be close to, and contribute meaningfully to, the regional political discussion surrounding Syria.

In terms of business development, we have seen a significant increase in activity with a healthy pipeline of deals that we believe can build Gulfsands into being a major, multi-billion-dollar player in the MENA energy space. We have not yet found the right deals for us, but I am certain that our dedicated team, using their unique regional knowledge and breadth of experience across a broad range of disciplines, will leave no stone unturned in trying to find the deals that will transform Gulfsands. Our local team in ADGM, led by our Vice Chairman Mark Cutis, and assisted by our Head Office team, have done a great job in establishing us in the region.

We look to business development activity to build a sustainable business, one that has a strong balance sheet and can generate strong free cashflow. In doing so, we will not, of course, allow anything to take our focus off our core assets in Syria.

We are now in the 14th year of the Syrian crisis, and 2023 began with things getting even bleaker when the devastating earthquakes that impacted Turkey and Syria in early February 2023 brought even more misery to many millions in the affected area. We send our profound condolences and sympathies to those affected.

We continue to lobby the international community and local stakeholders to find a solution to the crisis and we hope that our physical presence in the region will help us to structure and target our Syrian initiatives appropriately, taking into account the views of local stakeholders and, in doing so, galvanise regional support for such initiatives. Gulfsands remains committed to supporting work by the international community to deliver a long-term solution to the situation in Syria. Gulfsands is eager to work with all stakeholders, including those regional neighbours closely affected by the ongoing conflict, to try to find a way whereby Syria's energy resources can be used as a catalyst to bring relief to all Syrian people, after more than 13 years of devastating conflict.

Gulfsands continues to support Project Hope, our humanitarian and economic stimulus initiative, whereby international energy companies would return to operations in North-East Syria, with allocated revenues from oil sales used, under international oversight, to finance early recovery, humanitarian, health, economic (including youth employment), environmental and security projects across the country – for the benefit of all Syrian people. Project Hope is designed to be in line with UNSCR 2254 and to allow all Syrian people to benefit from the country's national resource endowment – and build self-sustainability and resilience for the future.

At a corporate level, we were delighted to clean up the balance sheet by fulfilling our long-stated objective of converting the entire 2017 Secured Term Financing Facility into equity. We envision that future financing will now be in the form of equity financing, until such time as projects are able to properly support and service third party debt.

Our progress is only possible through the hard work of our dedicated Gulfsands team, and our advisers including the Strategic Advisory Board who have continued to add tremendous value during the year. I thank them all for their ongoing support.

I wish you well for the year ahead and thank you for your faith in Gulfsands.

Michael Kroupeev
Non-Executive Chairman
23 May 2024

Strategic Report
Managing Director's Statement

The establishment of our new regional business hub in Abu Dhabi, and the conversion of our outstanding debt to clean up the balance sheet, enables Gulfsands' to press ahead with transformational business development in the MENA region while continuing to Protect and Preserve our rights in Syria and working to expedite the day when we can return to operations there, for the benefit of all Syrians.

Dear Shareholder

2023 was a year of substantive strategic progress as Gulfsands was able to re-establish itself as a dynamic MENA centric, growth-oriented energy company. Our newly established presence in the world-renowned Abu Dhabi Global Market ("ADGM") in Abu Dhabi, along with a new MENA-dedicated subsidiary, Gulfsands Middle East Limited ("GMEL"), has provided the platform to push ahead with our growth plans in the region while, of course, keeping our attention firmly on developments in Syria.

The year began with the devastating earthquakes that hit Turkey and Syria in early February. We know that the after-effects are still being felt today, and we all at Gulfsands send our sympathies and thoughts to those affected.

Our Strategy

With our MENA hub established, a clean balance sheet and the support of our Major Shareholder, we are now able to focus on our core strategy of building Gulfsands into a strong, independent energy company focused on material growth in the Middle East and North Africa ("MENA") region. Our ambition is to create a multi-billion-dollar company with assets across the MENA region. This strategy has two core strands:

1. Business development in the Middle East and North Africa ("MENA") region; and
2. To protect and preserve our rights in relation to our world class Block 26 assets in North-East Syria (currently under Force Majeure), and to prepare for, and work with the international community to expedite, a return to operations which will benefit all Syrians.

Business Development

Gulfsands, its Board and its Major Shareholders are fully committed to maintaining our presence in Syria, and to returning to operations there when circumstances allow. However, there is no certainty as to when that will be possible and so, in order to build a sustainable and thriving business for the near term, the Board has decided that we must look towards expanding the business through material, yet responsible, business development activities.

This means building a company with a strong balance sheet, and one which can generate strong free cashflow. We believe that the time is right for this strategy as the triple dynamics of Energy Security, Energy Transition and Energy Affordability, presents many opportunities for companies like Gulfsands who have extensive, technical, operational, financial, and commercial experience in our region of focus. Many of the countries in which we see opportunities, are either developing or facing post-conflict challenges. In these environments, the countries' own natural resources must be allowed to play an important role in rebuilding these countries. We believe that the challenge of alleviating energy poverty and re-invigorating economic growth, even if predicated on hydrocarbons in the short-term, must be seen as part of a "just and equitable" Energy Transition.

The establishment of our MENA Hub in Abu Dhabi is a sign of our commitment to this part of the strategy, and we are pleased with progress over the last 12 months as we have established ourselves in the region. This has included extensive engagement with key stakeholders including governments, authorities, industry players and potential new investors active in the region to deepen our understanding of the available opportunities. We cannot, of course, discuss individual potential transactions on which we are working, but suffice to say, we will focus in areas where we believe that our experience, network and capabilities give us a competitive advantage. This of course leads us to focus on the MENA region, where our team have extensive experience both from a technical and operational perspective.

We will learn from the lessons of the past and will look for a balance between near term cashflow and production, to make our business sustainable, while tapping into potentially transformational upside. We will also look to work with likeminded partners who we believe can bring complementary skills and resources to help increase the chance of success of these projects.

Continuing to responsibly invest in hydrocarbons, using modern oil field practices to reduce carbon footprint, especially in developing and post-conflict countries, is vital to both Energy Security but also to ensuring a "just and equitable" Energy Transition. Responsible development and environmental stewardship are therefore key elements of our strategy. For example, one of the key drivers of trying to return to operations in Syria, in addition to the material revenues that would be made available for the benefit of the long-suffering Syrian people, is that international oil practices could halt and even reverse the environmental carnage that is currently taking place due to unsophisticated and dangerous practices being employed.

We continue to screen and perform due diligence on a range of potential opportunities, and should any material developments occur in these areas, the Company will announce as and when any transactions are finalised.

Syria

Syria, and in particular Block 26 in North-East Syria, remains core to Gulfsands' strategy. Gulfsands remains the operator of this world class asset, holding a 50% working interest in the Block 26 Production Sharing Contract ("PSC"), alongside our joint venture partner Sinochem Group. Block 26 is located in North-East Syria and, due to UK Sanctions, Gulfsands is unable to be actively involved in operations having declared Force Majeure in respect of the PSC in 2011. In recent years our team has also been unable to officially visit Block 26 and so has had to rely on in-country sources and some third-party reporting to assess the current situation with respect of the assets.

Gulfsands remains committed to full compliance with applicable Sanctions and is therefore not involved in any production or exploration activities on Block 26 as Force Majeure was declared in respect of this PSC upon the introduction of UK Sanctions (then EU Sanctions) in respect of Syria in 2011. It also remains committed to follow, and comply with, international consensus in respect of Syria including UNSCR 2254.

It should be noted that following the Company's service of its Notice of Force Majeure and various legal steps taken by the state oil company, General Petroleum Corporation ("GPC") in Syria, GPC has assumed operational control and responsibility for the management of Dijla Petroleum company ("DPC"), the legal entity established to undertake the management and control of petroleum production operations and related infrastructure on Block 26.

Current Status

As previously reported, the Group has been informed by GPC/DPC that the oil fields in Block 26 were returned to regular production in January 2017. In-country sources, as well as several publicly available international news sources, confirm that this ongoing production continues and have identified that this production is undertaken by entities affiliated with the Autonomous Administration of North and East Syria (the "AANES"), Peoples Defence Unit ("YPG"), Syrian Democratic Forces ("SDF") and Syrian Democratic Council ("SDC"). The average daily production since 2017 has been just below 20 thousand barrels of oil equivalent per day ("boepd").

This production is unauthorised, unlawful and breaches the Company's contractual rights. It is described by GPC/DPC as "stolen" in its reports which the Company continues to receive during the Force Majeure period. While we are unable to independently audit these production numbers, these reports indicate that the average production during the year was around 16,000 boepd giving total unauthorised production during 2023 of around 5.8 million barrels of oil equivalent (2022: 6.0 million boe).

Gulfsands has not recognised or received any revenue for any production under the PSC since the advent of Force Majeure. This production does suggest however, that the assets appear to be in good order, materially undamaged and operationally fit.

We continue to monitor the ongoing oil theft on our website and are disappointed to report that the total value of stolen production since 2017 (at an average oil price of $70 per barrel) now exceeds $3.4 billion (being more than 48 million boe over that period). This is continuously recorded on our website, a screenshot of which is shown below:

Unauthorised Production from Block 26

Gulfsands' assets in Syria (Block 26) remain under force majeure. However, the fields continue to be unlawfully produced at a rate of around 16,000 BOE per day. Since the beginning of 2017, when this increased unlawful production was first reported, the amount of "lost" hydrocarbons and their potential value are as follows:

BARRELS LOST	POTENTIAL VALUE LOST
Barrels of oil equivalent (BOE) misappropriated from the Syrian people since January 2017	Potential value of hydrocarbons misappropriated from the Syrian people since January 2017
48,682,142.03	US$ 3,407,749,942 *
	* using an oil price of $70 per BOE

Screenshot from the Company's website 20 May 2024.

Managing Director's Statement (continued)

Production levels have reduced slightly during recent years with average rates falling from around 20,000 boepd to 16,000 boepd. We believe that this reduction in production reflects the unsophisticated oilfield practices being undertaken by the YPG/SDF. Not only that, but these practices lead to unsafe, unregulated operations which have a catastrophic effect on the environment and the health of local communities.

Asset Quality – A New Competent Persons Report

Gulfsands maintains a key focus on ensuring it is ready to recommence operations when circumstances, including sanctions, allow, while remaining sanction compliant in the meantime. Over recent years, our technical team has undertaken extensive internal analysis of the assets, incorporating recent production data and previously un-analysed re-processed seismic collated prior to the declaration of Force Majeure. The information has now been incorporated into a new technical and reserves analysis and Field Development Plan ("FDP"), the results of which we are very encouraged by.

We recently commissioned independent consulting firm Oilfield Production Consultants ("OPC") to prepare an updated the Competent Person's Report ("CPR") and economic evaluation of our revised analysis, and this has resulted in a 50% increase in Contingent Resources and has reiterated that Block 26 could still contain over a billion barrels of recoverable resource with the potential for production levels of around 50,000 boepd from existing discoveries and over 100,000 boepd from a full block development incorporating potential exploration upside.

While this evaluation did not, of course, take into account any of the above-ground risks associated with the assets, it did consider a range of possible valuation scenarios which indicated a central range of Expected Monetary Value ("EMV") of the Block 26 assets, including both Contingent and Prospective Resources, of $1.5 billion - $2 billion (net to Gulfsands).

Details of the updated Reserves and Resources can be found in the Operations Review on pages 20 – 23.

Syrian Humanitarian Crisis and Project Hope

Each year that passes represents another year of the devastating Civil War in Syria, and while the active warfare has subsided, the suffering of the Syrian people goes on. The United Nations' OCHA reports that 16.7 million Syrians are currently in need of humanitarian aid, up from 15.3 million in 2023. The agency also reports that 90% of Syrians now live below the poverty line. March 2024 represented the thirteenth anniversary of the crisis. Political resolution is not something that Gulfsands can directly influence or predict, however we support the UN's initiatives to broker peace and hope that the various stakeholders can find a pathway to political resolution under the established framework of UNSCR 2254. Gulfsands continues to step up its engagement with key stakeholders, including regional and international governments, and stands ready to play its part, to the extent sanctions allow, in any internationally approved initiatives that can help resolve the current crisis.

We have spent a significant amount of effort over the last year promoting and advocating for our Humanitarian and Economic Stimulus initiative, **Project Hope**. Under Project Hope, international companies, such as Gulfsands, would, with independent international oversight, be permitted to return to operations in North-East Syria, with allocated revenues from oil sales used to finance early recovery, humanitarian, health, economic (including youth employment), environmental and security projects across the country. This initiative is designed to be in line with UNSCR 2254 and to allow all Syrian people to benefit from their country's national resource endowment to build self-sustainability and resilience for the future.

More details on Project Hope can be found in the Operations Review on page 25.

Gulfsands continues to support Project Hope, our humanitarian and economic stimulus initiative, whereby international energy companies would, with international oversight, return to operations in North-East Syria, with allocated revenues from oil sales used to finance early recovery, humanitarian, health, economic, employment, environmental and security projects across the country – for the benefit of all Syrian people.

Environmental, Social and Governance

Central to both our business development activities, and our plans for Syria, remains a deep respect for our environmental, social and governance obligations. Our Sustainability Committee, led by myself, continues to ensure Sustainability considerations are taken into account in everything we do. This is a particular focus in our design for Project Hope.

You can read more about this in our Strategic Report where we describe our Environmental, Social and Governance (ESG) strategy which adopts the UN's Sustainable Development Goals ("SDG's") building blocks as core to its framework.

We continue to provide assistance, where we can, to the communities in which we operate. In addition to supporting the earthquake relief effort in early 2023, we also sponsored a fundraising event on World Refugee Day in London and continued with our support for STEM based learning, particularly for girls, in regional refugee camps. We plan to incorporate similar programmes into all our new ventures.

Financial Results for the Year

The Group posted an Operating Loss for the year of $2.9 million (2022: $1.2 million). After taking into account non-cash items such as foreign exchange and imputed interest on the zero-coupon 2017 Facility, this gave rise to an overall loss for the year of $5.4 million (2022: $1.5 million).

Our Core G&A has been stable at $2.7 million for the last two years, a level we aim to maintain and which our Major Shareholder has indicated they are willing to continue funding.

See the Financial Review on pages 26 – 29 for more details.

The biggest financial development of the year was the conversion of the 2017 Secured Term Financing Facility. Having taken two drawdowns during 2023, £750,000 in April 2023, and £1 million in September 2023, the 2017 Facility was terminated prior to year-end and the entire balance of $14.4 million was converted into Common Equity at a price of 5 pence per share. The settlement procedure was completed in mid-May 2024, and as of the date of this report all shares relating to the conversion have been issued and the Company is now debt free.

In the absence of revenue, the Group remains reliant on its Major Shareholder for funding and so, in parallel with the conversion, a further £2 million of equity financing (the "2023 Equity Financing"), at a price of 5 pence per share, was agreed with Major Shareholder, Waterford, to cover the estimated G&A for 2024. The Board continues to discuss the Group's funding needs, and sources of funding, going forward including the provision of funding for new ventures, with both the Major Shareholders and potential other providers of strategic capital.

More details on the 2017 Facility can be found on Note 3.6, and further discussion on Going Concern is included in Note 1.3a of this Annual Report.

Since the Company's delisting from AIM in April 2018, the Company continues to be a Public Limited Company (a "PLC") Gulfsands' shares continue to trade through the secondary trading auction facility provided by Asset Match. Anyone wishing to trade Gulfsands' shares should contact Asset Match directly at www.assetmatch.com.

Outlook for 2024 and beyond

Gulfsands' strategic focus remains clear – to become a strong, independent energy company focused on material growth in the Middle East and broader MENA region. Business development, spearheaded by our newly established Abu Dhabi hub, will be a key focus as we seek to identify opportunities that we believe can make Gulfsands a stronger and more sustainable business.

Our world class Block 26 assets remain a key element of that strategy. We will we continue to do all we can to preserve and protect our rights and assets in Syria and prepare our readiness for returning to operations as soon as circumstances allow. While the macro situation is, of course, beyond our control, we will continue to promote Project Hope and lobby the international community to find a solution to the situation in Syria for the benefit of all Syrian people.

I would like to close by thanking our shareholders for their continued support and express my gratitude to the entire Gulfsands team, who continue to deliver on our strategic objectives with incredible dedication.

Yours sincerely,

John Bell
Managing Director
23 May 2024

Our Business Model

After several years of restructuring the business, the Gulfsands Group now has the platform to deliver its core strategy of building a strong, independent energy company focused on material growth in the Middle East and broader MENA region. Our ambition is to create a multi-billion-dollar company with a portfolio of assets across the MENA region.

Our newly established presence in the world-renowned Abu Dhabi Global Market ("ADGM") in Abu Dhabi, along with a new MENA-dedicated subsidiary, Gulfsands Middle East Limited ("GMEL"), has provided the platform to push ahead with these growth plans in the region.

Protecting and Preserving our rights in respect of our Block 26 assets in Syria, remains a centrepiece to this strategy, and we continue to work to facilitate and prepare for a return to operations there, as soon as sanctions permit.

Our business model is based on the following building blocks:

Areas of Expertise

- Extensive experience operating in our core area of the Middle East and broader MENA region
- Experienced and entrepreneurial leadership team
- Access to strong technical skills from our in-house team and our network of advisers
- Commitment to excellence in HSSE and Sustainability
- Emphasis on building strong local organisations and skill sets.

Business Development Strategy

- Spearheaded through our MENA dedicated and Abu Dhabi based, subsidiary GMEL
- Utilise regional knowledge and relationships with partners, to identify new opportunities
- A disciplined approach to evaluating E&P opportunities
- To build a portfolio with a balance between producing assets with high impact upside
- Readiness to return to Syria with focus on growth in resources, reserves and sustainable production.

Corporate and Financial Discipline

- Careful stewardship of cash resources
- Strong emphasis on cost control and cost/benefit analysis
- Aim to make Gulfsands cashflow positive in the medium term
- Robust financial evaluation of all business development opportunities
- Rigorous approach to compliance and governance.

Business Conduct and Sustainability

- Striving to be a partner of choice in the countries and regions in which we operate
- Establishing strong relationships with our partners
- Respecting the environment and the health and safety of our employees and the local communities
- Working towards a just and equitable energy transition
- Respecting all relevant international and local legislation and regulations
- Being a good corporate citizen wherever we operate, in accordance with UN Sustainable Development Goals.

Strategic Priorities

The following tables set out our current strategic priorities and how we seek to progress towards their realisation:

Material growth in the MENA Region	• Establishment of GMEL in Abu Dhabi to spearhead regional business development. • Focus on assets with existing production with material embedded upside. • Increase and upgrade reserves and resources. • Deals which are value accretive and where Gulfsands has a competitive advantage to increase value. • Build a portfolio which can generate robust cashflow combined with potentially transformational upside. • Flexibility to move outside MENA region if opportunities dictate.
Protection, Preservation and Preparation for Re-entry of our Syrian interests	• Preserve all contractual rights by remaining compliant with Block 26 PSC's, and managing local business relationships in a manner consistent with all relevant sanctions and Force Majeure status. • Maintain our local management team in Syria, ensuring strong local expertise and presence. • Seek the political support of the international community to help enable a controlled and coordinated return to operations, when the time is right. • Promote Project Hope as a route to return to operations under international oversight and for the benefit of all Syrians (see page 25). • Rigorous re-entry planning process in progress to maintain readiness to return to conducting operations as soon as circumstances permit (see page 24).
To build a sustainable business model including maintaining HSES and community relations	• Maintain focus on Sustainability and ESG in all business activities, including business development. • Build Community Outreach, Security, Health and Safety and Environmental considerations into all our operations planning, including: all new business initiatives and Syria Re-entry Planning. • Key stakeholder engagement across government, community, regulatory and industry counterparties with an aim to being a preferred partner of choice.
Maintain our Competitive Advantage	• Target our focus on our core area of expertise - the MENA region. • Use our regional network to identify opportunities before they become public. • Efficient screening and evaluation of growth opportunities, especially via our strong technical team with extensive regional expertise. • Rigorous, multi-faceted due diligence and business planning processes incorporating Technical, Financial, Political and Operational expertise.
Ensure the Group is well financed and efficiently run	• Increased focus on cash generation to ensure financial sustainability. • Maintain control over costs. • Maintain the support of our Major Shareholders to ensure funding of ongoing G&A while extending outreach to identify new strategic investors (especially strategic MENA focused investors, aligned to our strategy). • 2023 Equity Financing has secured financing through to the end of 2024.
Embrace the Energy Transition	• Incorporate energy wastage and GHG reduction initiatives into all operations and planning to drive efficiencies. • Embrace new technologies into existing and new operations. • Explore parallel renewable projects alongside traditional Oil and Gas projects.

Strategic Report
Sustainability – Licence to Operate

It is imperative that Gulfsands maintains its "Licence to Operate" and therefore, throughout everything we do, we seek to maintain strong relationships with all the stakeholders with whom we interact. This is the only way to build a truly sustainable business model. Balancing the requirement of all constituents is critical to our success and central to our decision making.

Gulfsands seeks to maintain its "licence to operate" by being a responsible and reliable partner with all stakeholders.

Gulfsands is focused on building a sustainable business model that considers the social, environmental and governance impacts of all its projects. Gulfsands' focus on Environmental, Social and Governance ("ESG") permeates all business development activities, as well as its Re-Entry Planning Strategy for Block 26 in Syria. Gulfsands has a proven track record of implementing extensive sustainability initiatives when it was able to operate within Syria. We are guided throughout by the principles outlined by the UN Global Compact and the UN's Sustainable Development Goals ("SDG's").

Underpinning our strategy is compliance with specific applicable legislation and guidance including but not limited to:

- All applicable Sanctions including those imposed by UK Government (OFSI) and the US Government (OFAC); and
- All applicable Anti-bribery, corruption and money laundering rules; and
- Appropriate Corporate Governance Standards; and
- Best in class Health and Safety standards.

Strategic Report
Sustainability – ESG

Gulfsands' progress and performance in respect of sustainability and ESG is overseen and driven by the Sustainability Committee, chaired by the Managing Director. By adopting the UN's Sustainable Development Goals (SDGs) and applying a consultative mapping process specific to Gulfsands business and culture, we have selected the SDGs that apply to the three sustainability pillars, Environmental, Social and Governance. As Gulfsands is in Force Majeure and currently unable to operate its Block 26 assets, the sustainability plan captures the key elements of the go-forward strategy that will be incorporated into Syria Re-Entry Strategy and Plans, Asset Field Development Plans, and all new business development initiatives.

Environmental: Protecting the environment

E *Producing hydrocarbons in an environmentally responsible way.*

AMBITION	ACTION	SUSTAINABLE DEVELOPMENT GOALS	POLICIES / PROCEDURES
Minimise the impact of its operations on the local environment	• No spills or pollution to the local area of its facilities • Minimise impact to air quality, biodiversity and water around its facilities • Any future seismic, drilling or facilities operations continue to be preceded by Socio- Environmental Impact Assessment ("**SEIA**") studies • Focus on efficiency of operations and sustainable practices	15, 6, 12	• Re-entry Planning Strategy • Field Development Plans
Minimise its greenhouse gas emissions	• Reduce emissions from power and fuel consumption at its offices and facilities through increasing the use of low or zero carbon electricity • Reduce routine flaring, aspire to Zero Routine Flaring • Use the best available technology to improve energy efficiency at its facilities • Seek usage of associated gas for power generation • Prioritise gas for further power generation where appropriate • Study CCS options on its current and future operations to reduce carbon footprint and move towards net zero	13, 9, 12	• Field Development Plans • Gas prioritisation
Explore its next steps in the energy transition	• Evaluate renewable energy projects that could tie in with its current operations • Prioritise gas for further power generation where appropriate	7, 13	• Renewable technologies • Gas prioritisation

Social: Sharing the benefits

S *Ensure our projects make a difference to local communities and make a positive impact on the socio-economic development of the country, alleviating poverty, improving quality of life while also building, training, developing a cohesive and strong local workforce.*

AMBITION	ACTION	SUSTAINABLE DEVELOPMENT GOALS	POLICIES / PROCEDURES
Provide positive impact on the local community	• Run community outreach programmes • Support educational, medical/healthcare, archaeological, social objectives when Gulfsands resumes as operator of Block 26 • Look to supply local industrial and domestic consumption directly to meet local energy needs	1, 2, 3, 4, 7, 11, 9	• Integrated into Re-entry Planning • Humanitarian Initiatives as part of re-entry planning
Provide local economic opportunity	• Build local workforce with related education • Fulfil operations with local companies, contractors and employees • Ensure equal opportunities for all • Fair wages and rewarding careers	1, 2, 10, 8	• Humanitarian Initiatives as part of re-entry planning
Build a rewarding and fair workplace	• Ensure equal opportunities for all • Adhere to labour rights and safe/secure working environments • Invest to provide for employees: - Rewarding careers - Fair pay and conditions - Training - Well-being • Adherence to Code of Conduct and Ethics	4, 8, 10, 5	• Training Programs • Well-being • Code of Conduct and Ethics
Deliver a zero-harm workplace	• Ensure no injuries, lost workdays or work-related illnesses for our staff and communities • Incorporate Health and Safety into all management choices, plans and operations • Apply best industry practice policies and procedures in these areas and seek to manage its business and its contractors in accordance therewith	3, 8	• Health and Safety Policy • Incorporation into Development Plans

Governance: Setting high standards and being transparent

G *Sustainability begins at the top and permeates our entire Corporate Governance structure. We also operate under a range of regulations including sanctions and anti-bribery and corruption where we hold ourselves to the highest of standards through our Code of Conduct and Ethics policy.*

AMBITION	ACTION	SUSTAINABLE DEVELOPMENT GOALS	POLICIES / PROCEDURES
Maintain good governance	• Maintain appropriate Corporate Governance standards • Incorporate a focus on sustainability • Ensure all stakeholders are considered in decision making	17	• Independent Board Committees • Stakeholder engagement • See Corporate Governance Section
Manage and mitigate risks • Sanctions • Anti-bribery & corruption • Anti-money laundering	• Minimise the risk of breaches • Maintain best practice on compliance • Embed zero tolerance approach to bribery and money laundering • Maintain good Government relationships	16, 17	• Sanctions Policy • Anti-Bribery and Corruption Policy
Meet regulatory and legal requirements	• Maintain Code of Conduct and Ethics policy • Embrace zero tolerance approach to ethics breaches • Maintain whistle-blower procedures	17	• Code of Conduct and Ethics policy
Government Relations	• Disclose relevant and appropriate information to stakeholders • Maintain support of all relevant Governments	16, 17	• Strategic Advisory Board

Strategic Report
Sustainability – Track Record

Gulfsands' track record in sustainability

Prior to sanctions/Force Majeure, between 2009 – 2011, Gulfsands supported a number of initiatives with a level of financial assistance, activities and logistical support in Syria, including local communities and social and charitable organisations. Efforts were focused towards supporting programmes aimed to improve the health, welfare and prospects of children, women and the disadvantaged members of society, especially for people living in the North-East Syria, and central Damascus. These initiatives included:

Education:

- Schools in villages local to the Khurbet East and Yousefieh oil fields: Including provision of internet access, computers, peripherals and supplies, as well as the refurbishment of dedicated classrooms and programmes to train teaching staff;
- Financial and logistical support for organisations (such as FIRDOS, BIDAYA, SHABAB, AWRD and the Syrian Young Scholars), which provide access to education and educational infrastructure such as mobile libraries, micro finance and assistance for the development of micro-businesses.

Healthcare:

- Providing funding to BASMA (Children with Cancer) at the Al Buruni University Hospital in Damascus, and the Children's Hospital in Damascus;
- BANA (the Syrian institute for the Blind), where Gulfsands assisted to complete the construction of a facility and equipment for a computer-based Braille teaching programme and the construction and population of a digital audio library at BANA's Damascus headquarters;
- Support to AAMAL, the Syrian Organisation for the Disabled, the Syrian Association for Autistic Children which provides teaching and support facilities for children with learning difficulties, and the Light and Flowers Centre for Cerebral Palsy.

Culture:

- Funding for carbon dating and forensic work on discoveries made during the archaeological excavation of an ancient Urkesh Palace at the Tell Mozan site near to Block 26 in North-East Syria. Further details about this important work and the Gulfsands Urkesh Exploration Fund can be viewed at www.urkesh.org.

When the situation permits, Gulfsands will reactivate societal and charitable programmes to improve the health, welfare and prospects of people living in North-East Syria, and central Damascus, specifically children, women and disadvantaged members of society.

World Refugee Day fundraiser event, June 2023.

THE CHAFFINCH TRUST

PHOENIX SPACE

Strategic Report
Sustainability – Recent Community Initiatives

Recent Community initiatives

Since 2022, Gulfsands has partnered with Phoenix Space and the Chaffinch Trust to deliver life changing education opportunities to Syrian children whose lives have been ripped apart by the ongoing Syrian crisis, and who risk becoming a lost generation.

Phoenix Space is focused on offering impactful education and upskilling in the fields of Science, Technology, Engineering, and Mathematics (“STEM”), particularly to displaced youth and those in underserved communities, all inspired through the theme of space science. Their flagship STEM program was created to spark an interest in STEM fields among underprivileged youth and provide them with the foundational knowledge of algebra, geometry, and Newtonian mechanics, as well as the introduction to programming and space science. The students participate in a wide range of activities that fosters their creativity and develops their problem-solving and critical-thinking skills. The introduction to basic scientific investigation helps the participants to understand what science, maths, programming and engineering aim to do, and what problems they can solve.

In February 2023 Gulfsands funded a pilot project in Amman, Jordan for Syrian refugees aged between 14-16 years, attended by our Managing Director, John Bell, who commented: “It was my great pleasure to be invited to visit Jordan and see first-hand the inaugural cohort powered by the Gulfsands, Chaffinch Trust and Phoenix Space partnership. This pilot program marks an important milestone in the collaboration between ourselves, Phoenix Space and The Chaffinch Trust, and we look forward to continuing working together by providing displaced and underprivileged youth, quality education and empowering them to take part in transforming their lives and their communities. Congratulations to all students involved.”

Following the success of this pilot project, Gulfsands supported a larger programme in August, again with Phoenix Space and The Chaffinch Trust but this time, also in collaboration with Bluemont and UNHCR. This larger programme covered almost 200 students aged between 8 and 14 years, and took place in the Za’atari refugee camp in Jordan.

This again was a huge success, and Phoenix Space co-founder and CEO, Alevtina Nepomniachtchikh commented during the program, “At Phoenix Space, we believe that education is a powerful tool for empowerment and social change. Today STEM competencies are not a ‘nice to have’, but are essential in the context of Reskilling Revolution underpinned by rapid technological change. Investing in the enormous human capital of young refugees is a unique opportunity to include the most vulnerable members of our society in the global reskilling effort, equipping the young generation with tools to close the development gap and overcome inequality.”

To help raise awareness of both the STEM initiatives and the global refugee crisis, Gulfsands hosted a fundraising event at the prestigious Conrad St James Hotel on World Refugee Day, 20th June. The event heard that in the last 10 years, the number of displaced people in the world has doubled to over 100 million, according to UNHCR, creating the largest humanitarian crisis since WW2. We are grateful for the kindness and generosity of the attendees who heard inspiring messages from keynote speaker Sir Alan Duncan KCMG; as well as Gulfsands Managing Director John Bell, Chaffinch Trust Chairman Ben Goss OBE MVO, and Phoenix Space CEO Alevtina Nepomniachtchikh.

Gulfsands intends to support similar activities in host communities, both in and around Syria, and also all countries where we establish operations.

STEM education program in the Za’atari refugee camp in Jordan, in August 2023.

Strategic Report
Principal Risks and Uncertainties

The Group's approach to risk management aims to identify material risks as early as possible, to reduce or eliminate the probability of those risks occurring, and to mitigate, to the greatest extent practicable, the impact on the Group if an event does occur.

All staff within the Group take an active responsibility for identification of potential risks to the Group, to ensure these are communicated to the appropriate person, and to participate in the mitigation processes.

The Group considers its current principal risks and uncertainties to be as follows:

SYRIA GEOPOLITICAL RISKS

Nature of Risk	Mitigation
The Group's core assets are based in Syria. This country continues to be subject to political uncertainty and its society and infrastructure have been damaged significantly by civil war. The Group's interests in Syria are in Force Majeure as a consequence of UK Sanctions being imposed. There is no indication that these sanctions will be relaxed in the immediate future. It is not possible at this stage to predict how the Syrian authorities will interpret the contractual position relating to the Company's interests once sanctions are lifted and activity resumes, including the extension of the licence period to take account of the period of Force Majeure. This inability to operate also means that Gulfsands has no control over the day-to-day operations of Block 26, including the control of any unauthorised production.	The Group's ability to mitigate these risks is limited. However, the Group liaises closely with the UK authorities, and other available resources, to monitor and assess the geopolitical situation. The Group has declared Force Majeure and believes that its legal rights should be preserved upon its return to operations when circumstances allow. The Group is undertaking extensive work to prepare itself for the time when sanctions are lifted, and it can resume operation of the assets with our partners. The Group is not affiliated to any government, political party, religion, ethnic grouping or similar organisation, but seeks to maintain good relationships with communities and important local stakeholders. Where possible, and within the constraints of UK Sanctions, the Group continues to monitor information available in respect of field and geopolitical activity in respect of Block 26 and seeks to defend its rights against any unauthorised or unlawful activity. Gulfsands continues to step up its engagement with key stakeholders, including regional and international governments, and stands ready to play its part, to the extent sanctions allow, in any agreed UN-sponsored initiatives that can help resolve the current crisis. The Company is pioneering "Project Hope" a Humanitarian and Economic Stimulus initiative whereby international energy companies would, with International oversight, return to operations in North-East Syria, with allocated revenues from oil sales used to finance early recovery, humanitarian, economic and security projects across the country – for the benefit of all Syrian people.

BUSINESS DEVELOPMENT RISKS

Nature of Risk	Mitigation
Identification and Execution of the Right Deals Failure to select, secure and implement successful projects will impact the Group's financial performance and ability to finance the growth and development of the Group. The market for attractive oil and gas deals remains highly competitive. To be successful, deals must be attractive: • Technically; • Operationally; • Financial / Commercially; and • Politically. The Company must be able to secure sufficient, likeminded investors to secure and finance selected projects. **Local Buy-In for Prospective New Projects** New country entries require buy-in from governments, regulators, and local communities to ensure ongoing success of the projects.	Use our regional network to identify opportunities before they become public. Key industry outreach to be a preferred partner of choice. An integrated, multi-faceted approach due diligence and business planning processes incorporating Technical, Financial, Political and Operational expertise. Rigorous economic modelling based on chance of success and a range of possible outcomes. Extensive outreach to identify new strategic investors (especially strategic MENA focused investors, aligned to our strategy). Rigorous economic analysis to ensure appropriate investor return even in conservative, prudent scenarios (e.g. oil price environment). Local integration and pre-deal liaison on all business development opportunities with local stakeholders is key part of project selection.

FINANCING AND SHAREHOLDER RISKS

Nature of Risk	Mitigation
Reliance on Major Shareholders For Financing The Group currently has no revenue, with its only producing assets being in Syria and subject to UK Sanctions. The Group is dependant entirely upon external financing to support its ongoing activities. Given the unique nature of the Group's existing Syrian assets, the Group is currently particularly reliant on the continued support of its Major Shareholder(s) who have been the only sources of significant funding over the past 8 years. **Shareholder Concentration** A large proportion of the shares in the Company are held by two shareholders holding approximately 62.19% and 25.77% respectively (the "Major Shareholders"). This concentration could enable those Major Shareholders to exert influence on the Board and management which may reflect their interests to the detriment of the minority shareholders. In particular, Waterford could unilaterally propose and pass, or block an ordinary resolution of the Company, and Waterford and Blake together could propose and pass, or block a special resolution of the Company.	General & Administrative costs have been contained to a level acceptable to the Major Shareholder who has committed to fund this level through to the end of 2024, and is expected to support the Company beyond that. Further discussion regarding the current funding situation is contained in the going concern note 1.3a to the Consolidated Financial Statements. Extensive outreach to identify new strategic investors to support business development opportunities (especially strategic MENA focused investors, aligned to our strategy). Even post delisting, the Board has sought to continue to maintain high levels of corporate governance. The Board maintains a close relationship with its Major Shareholders who support the strategy outlined in this Annual Report.

ORGANISATIONAL RISKS

Nature of Risk	Mitigation
Reliance on Key Staff: The Group has a small staff of experienced people and relies heavily on their knowledge and experience in developing and delivering the Group's strategic objectives. There is therefore a heightened risk of loss of management continuity and impairment of the business model. **IT Infrastructure:** Risk of systems failure or cyber-attacks, resulting in loss of data, breaches of security or business interruption. **Compliance: Bribery and Corruption, UK Sanctions** The Group's licence to operate depends on its continued compliance with a range of relevant regulations including those relating to sanctions, bribery and corruption. These regulations are complex, and interpretation of their implications requires the Group to seek advice which is sometimes not definitive. The Group's failure to comply with such regulations could have a significant impact on its ability to operate as a result of reputational damage, legal liability and financial loss.	The Group undertakes internal succession planning where possible together with maintaining contact with a network of experienced people in the industry, including consultants on whom it may call if required. Contracts with key personnel have notice periods that allow sufficient time to source replacements. All core, business critical systems are now cloud-based, providing state of the art security and in-built redundancy, back-up and business continuity protection. Frequent staff training regarding cyber-security threats. The Group has a Code of Business Conduct which applies to all activities of the Group. This is complemented by specific sanction and anti-bribery guidance and policies. Business practices are reviewed against this code, guidance, and policies. Formal training and monitoring is provided across the Group particularly in respect of bribery, corruption and sanctions compliance. Professional advice is sought where required and periodic briefing is received to update the Board on developments in the regulatory framework.

HEALTH, SAFETY, ENVIRONMENT, SECURITY AND SUSTAINABILITY

Nature of Risk	Mitigation
The Group's licence to operate is critically dependent on: • the protection of the health and safety of its staff, its contractors and members of the community in which it operates; • the protection of the environment in which it operates; and • the security of its interests and assets. Failure in respect of these matters could severely impact on the Group's ability to work and obtain further business in its areas of operation as well as putting it at risk of legal and financial liabilities.	The Group maintains best practice policies and procedures in these areas and seeks to manage its business and its contractors in accordance therewith. The implementation of the Company's Sustainability framework and Sustainability Committee have increased the focus on this important area.

CLIMATE CHANGE AND THE ENERGY TRANSITION

Nature of Risk	Mitigation
Climate change concerns and the pursuit of a just energy transition may cause host governments to impose additional regulations upon Oil and Gas Operators.	The Board and management consider the impact of climate change and the energy transition on all potential acquisition projects. Incorporating energy transition targets and objectives (such as carbon capture, flaring reduction, and renewables) into dialogue with host government will help ensure common understanding of expectations and impact.

SYRIA

Gulfsands is the operator of the Block 26 Production Sharing Contract ("PSC") and holds a 50% working interest in the PSC along with Sinochem Group (also 50% working interest).

Gulfsands is not presently involved in any production or exploration activities on Block 26 as Force Majeure has been declared in respect of the PSC following the introduction of UK Sanctions in respect of Syria.

The Group seeks to ensure that it remains compliant with all applicable sanctions in relation to Syria and intends to return to production and exploration activities as soon as permitted.

POSITION DURING 2023

- Continued compliance with applicable sanctions.
- According to in-country sources, Block 26 facilities, wells and infrastructure are understood to remain secure and predominantly functional.
- Unauthorised production, undertaken by the YPG/SDF and its affiliates, has continued during the year at a rate of approximately 16,000 boepd.
- Office presence maintained in Damascus.
- Continued focus on readiness to re-enter when permitted.
- New updated CPR by OPC has resulted in a 50% increase in 2C Resources.
- Continued to develop the humanitarian and economic stimulus **Project Hope**.

Block 26 is located in North-East Syria. The PSC grants to the joint venture (i.e. Gulfsands and Sinochem) the exclusive right for the exploration, development and production in an area designated as "Block 26". This includes the rights to the benefits of production from discovered fields for a minimum of 25 years from the date of initial commercial production from such development area, with an extension of a further ten years thereto at the partners' option. Gulfsands' joint venture partner in Block 26 is Sinochem Group, a Chinese conglomerate primarily engaged in the production and trading of chemicals and fertilizer, and exploration and production of oil.

Under the Group's operatorship, two oil fields containing reservoirs of Cretaceous age have been discovered, appraised and approved for Development within the PSC area, Khurbet East (2008) and Yousefieh (2010). During 2011, combined production from these fields reached a level of just under 25,000 barrels of oil per day before the impact of EU/UK Sanctions resulted in the curtailing of production levels. Two additional oil and gas discoveries within reservoirs of Triassic age have been identified within the Kurrachine Dolomite and Butmah formations, beneath the Cretaceous aged oil producing reservoir in the Khurbet East field. Development approvals for these Triassic discoveries were granted in 2008 and 2011 respectively. A further oil discovery was made late in 2011 by Gulfsands in the Cretaceous aged reservoirs penetrated by the Al Khairat exploration well, a few kilometres east of the Yousefieh field. This discovery awaits further evaluation and development work and is not currently incorporated into the Company's existing Production Licence areas, although an application has been prepared and will be submitted as soon as sanctions allow.

Operation of the Khurbet East and Yousefieh fields during the production phase has been undertaken by Dijla Petroleum Company (**"DPC"**), a joint operating company formed between Gulfsands, Sinochem and Syrian state oil company, General Petroleum Corporation (**"GPC"**) for the purpose of undertaking the management and control of petroleum production operations and related infrastructure on Block 26. Staff of both Gulfsands and GPC were previously seconded to DPC. As a consequence of the EU's imposition of further sanctions in Syria which came into effect in early December 2011, in accordance with the terms of the PSC for Block 26, a Notice of Force Majeure was served on GPC, the principal counterparty to the PSC and the Syrian Ministry of Petroleum and Mineral Resources. The imposition of these sanctions prohibited Gulfsands' involvement in petroleum production operations in Syria and restricted its activities in relation

to Block 26 generally, and unless and until these sanctions (now UK Sanctions) are lifted or otherwise modified so as to permit the Company's return to its prior involvement in those activities, the Company will be obliged to maintain its current position with respect to Block 26 PSC matters.

It should be noted that following the Company's service of its Notice of Force Majeure and various legal steps taken by GPC, GPC has assumed operational control and responsibility for the management of DPC. Since the introduction of EU (now UK) Sanctions in early December 2011 and the subsequent declaration of Force Majeure under the PSC, Gulfsands has had no involvement with the operations of DPC, and Gulfsands staff seconded to DPC have been withdrawn, leaving DPC under the management of GPC secondees.

The Group has ensured that it remains compliant with all applicable sanctions in relation to Syria and intends to return to production and exploration activities as soon as permitted and conditions allow.

Exploration

The final exploration period of the PSC was due to expire in August 2012, nine months after the declaration of Force Majeure. The Company believes it is well positioned to progress a significant exploration work programme and will make its case for the reinstatement of this lost time period to undertake such a programme at the time of re-entry. This exploration work programme and related prospects were reviewed by OPC as part of the CPR process.

Production

Since December 2011, Gulfsands has received periodic updates from DPC on hydrocarbon volumes produced from the Group's Syrian fields under DPC's operation. These updates have often been received on an infrequent and irregular basis and it has not been possible for Gulfsands to audit or verify the content of the information provided.

In early 2017 the Company was informed by DPC that the Group's Syrian fields had returned to significant and regular production. In-country sources, as well as several publicly available international news sources, confirm that this ongoing production continues and have identified that this production is undertaken by the People's Defence Units/Syrian Democratic Forces ("YPG/SDF") and its affiliates. The unauthorised production covers all three fields of Khurbet East, Yousefieh, and now Al Khairat. The production is described by GPC/DPC as "stolen".

The average production rate from the three fields combined during 2023 appears to be around 16,000 boepd, giving total unauthorised production during 2023 of around 5.8 million barrels of oil equivalent made up of 5.2 million barrels of oil and 3.5 Bcf of gas (2022: 6.0 million boe).

Cumulative gross unauthorised production since early 2017 is approximately 46.8 million boe (2017: 6.4 million barrels, 2018: 7.0 million barrels, 2019: 7.1 million barrels, 2020: 7.4 million barrels, 2021: 7.1 million barrels, 2022: 6.0 million barrels, 2023: 5.8 million barrels).

The Company has been unable to independently audit the precise production numbers from DPC and has been unable to visit the fields for several years due to an inability to get security clearance. The Company, whilst remaining sanctions compliant, continually seeks to gain additional information regarding the ongoing status of production operations at its Syrian fields.

This production is unauthorised, unlawful and breaches the Company's contractual rights and the Board is determined to protect itself by asserting and defending its rights against this and indeed any unlawful activity in respect of Block 26. The Group has not recognised or received any revenue for this or indeed any production, post the imposition of UK Sanctions. It has however, updated its remaining recoverable resource volumes for these fields, based on this new production information.

Since the date of the first commercial oil production from the Block 26 area by the Group, cumulative oil production from the Group's fields is understood to have exceeded 72.2 million boe by year end 2023 (End of 2022: 66.4 million barrels), of which around 53.5 million barrels (2022: 47.7 million barrels), have been produced since Force Majeure was declared, and without the involvement of Gulfsands.

Operations Review (continued)

Reserves and Resources

Up until 2015, hydrocarbons related to the known discoveries of Khurbet East and Yousefieh were classified as Reserves. During 2015 these Reserves were reclassified to Contingent Resources as a result of the continuing UK Sanctions in Syria. The Company recognises that it cannot give a definite timeline for the resumption of the development of the discovered fields within Block 26 that was suspended following the declaration of Force Majeure in 2011. In such a circumstance the SPE PRMS Guidelines suggest that if the (re)commencement of development cannot be guaranteed to be within five years from the date of evaluation then the volumes of hydrocarbons should be classified as Contingent Resources rather than Reserves. The Company concluded in December 2015 that the uncertainty in any timeline over which UK Sanctions in Syria may be lifted required that the volumes of oil, gas and condensate previously reported as Syrian Reserves be reclassified by the Company as Contingent Resources.

Since 2015 this classification as Contingent Resources has continued, even though, as at 31 December 2023, the Board believes that UK Sanctions will be lifted well within five years (its base case assumption for the impairment review is three years). The Board will continue to monitor all activity focused on resolving the situation in Syria and will reconsider the basis for reversing this reclassification in line with any future developments.

Over recent years, the Gulfsands team has undertaken significant internal technical work to review estimated resources as part of the preparation for its return to Syria when circumstances allow. During 2019, and again in 2023/4 independent consultants, Oilfield Production Consultants (“OPC”) were commissioned to review, audit and validate this work, and prepare a Competent Persons Report (“CPR”) for the Board. This exercise included a comprehensive review of the Block 26 exploration and production interests (Contingent Resources and Prospective Resources) in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (“PRMS”) approved by the Society of Petroleum Engineers (“SPE”).

In estimating the Resources, it has been assumed that the period of time elapsed during which the Group has declared Force Majeure on its Block 26 development and production activities, will ultimately be added as an equivalent time period extension to the contractually specified Exploration Period and Production Concession Periods, though there can be no guarantee that this extension will be granted.

Contingent Resources

The Group’s evaluated Contingent Resources in the 2022 Annual Report were based on the 2019 CPR, as rolled forward, updated and reconfirmed as of 1 January 2023, taking into account, amongst other things the production that has occurred during 2019, 2020, 2021 and 2022. These 2C Contingent Resources in Khurbet East (Massive, Butmah and Kurrachine Dolomite), Yousefieh (Massive) and Al Khairat (Massive) fields as at 1 January 2023 were evaluated to be 73.5 million boe (net to Gulfsands).

The 2024 CPR (with an effective date of 1 January 2024), incorporating previously un-analysed re-processed seismic collated prior to the declaration of Force Majeure, and recent production related data, has led to an increase in these estimates. The 2024 CPR has concluded that Khurbet East (Massive, Butmah and Kurrachine Dolomite), Yousefieh (Massive) and Al Khairat (Massive) fields as at 1 January 2024 hold 2C Contingent Resources of 110.4 million boe (net to Gulfsands).

OPC believes that the vast majority of these 2C Contingent Resources will be reclassified as 2P Reserves upon the lifting of Force Majeure.

The results of the 2024 CPR represent a 50% increase in 2C resources compared to 73.5 million boe in the 2022 Annual Report, as follows:

		1C	2C	3C
Syria Block 26 (Working interest 50%)				
1 January 2023	Oil, Condensate and Gas, mmboe	43.1	73.5	107.7
1 January 2024	**Oil, Condensate and Gas, mmboe**	**60.3**	**110.4**	**181.8**
	% increase	**40**	**50**	**69**

Unrisked working interest basis
As at 1 January 2024

	Constituent	1C	2C	3C
Syria Block 26 (Working interest 50%)				
Khurbet East and Yousefieh	Oil, Condensate and Gas, mmboe	47.4	88.4	145.3
Al Khairat discovery	Oil and Gas, mmboe	12.9	22.0	36.5
Total	**mmboe**	**60.3**	**110.4**	**181.8**

Please note, certain figures may not add up due to rounding.
Gas is converted to mmboe at the conversion factor 1 bcf = 0.1667 mmboe

Prospective Resources

OPC reviewed the portfolio of nine identified prospects within Block 26, and in doing so, validated them as Prospects under PRMS definitions and also estimated associated Prospective Resources, on a risked and un-risked, pre-royalty basis. This work was rolled forward, updated and reconfirmed as of 1 January 2024, and is summarised below:

Prospective Resources (Unrisked)

The following table is a summary of OPC's estimate of the oil and gas Prospective Resources (Unrisked) attributable to Block 26 as of 1 January 2024. The figures are based on Gulfsands net 50% working interest ownership:

	Constituent	Low	Mid	High
Total Oil	mmstb	154	320	542
Total Gas	Bscf	877	1,355	1,945
Total Resources	**mmboe**	**300**	**545**	**866**

Prospective Resources (Risked)

The following table is a summary of OPC's estimate of the oil and gas Prospective Resources (Risked) attributable to Block 26 as of 1 January 2024. The figures are based on Gulfsands net 50% working interest ownership:

	Risked HCIIP (mmboe)	Risked Prospective Resources (mmboe)
Total	**419**	**134**

Economic Evaluation

OPC also undertook an economic evaluation of the Block 26 project as part of the 2024 CPR, though of course these evaluations did not take into account any of the above-ground risks associated with the assets.

Any valuation is sensitive to input assumptions including discount rates used, preservation of current PSC terms, oil price assumptions, timing of resumption of operations, and anticipated capex and opex costs including cost inflation. The OPC Economic Evaluations considered these factors, including related sensitivities. This sensitivity analysis indicates a central range of Expected Monetary Value ("EMV") of the Block 26 assets, including both Contingent and Prospective Resources, of $1.5 billion - $2.0 billion (net to Gulfsands).

Note that this economic evaluation was independent of the impairment review undertaken for the valuation of the Investment in Dijla Petroleum Company, which is explained in more detail in note 4.2.

Sanction compliance

Gulfsands has taken extensive legal advice with respect to its obligations under the sanctions in place and has liaised regularly with relevant regulators and advisers and has generally acted cautiously to be confident of remaining compliant with all relevant sanctions. The Board is determined to ensure that the Group's activities remain compliant, and management will continue to liaise closely with the relevant regulatory authorities and advisers to ensure this objective is achieved.

Plans For 2024

Gulfsands will continue to do all it can to preserve and protect its rights and assets in Syria as well as prepare its readiness for returning to operations as soon as circumstances allow.

While the macro situation is, of course, beyond the control of Gulfsands alone, management will continue to lobby the international community to find a solution to the situation in Syria for the benefit of all, especially the Syrian people. Gulfsands stands ready to play its part, to the extent sanctions allow, in any agreed UN-sponsored initiatives that can help resolve the current crisis. We intend to continue this dialogue with all stakeholders throughout the year.

In particular, Gulfsands is pioneering "Project Hope" a Humanitarian and Economic Stimulus initiative whereby international energy companies would return, with international oversight, to operations in North-East Syria, with allocated revenues from oil sales used to finance early recovery, humanitarian, economic and security projects across the country – for the benefit of all Syrian people.

More details of project Hope are available on the Company's website at www.gulfsands.com.

Operations Review – Syria Re-Entry Planning

Gulfsands' core Syria strategy is to **Protect** and **Preserve** its rights related to Block 26 and to **Prepare** for re-entry into Syria and a return to operations. While the Block 26 PSC remains in Force Majeure due to applicable sanctions, Gulfsands undertakes its re-entry planning in a strict observance of applicable sanctions and laws.

Gulfsands builds ESG and sustainability considerations into all its re-entry planning, as well as respecting the UN Security Council Resolution 2254, which appears to be the accepted blueprint for a Future Syria. It also maintains compliance with all local laws to protect its rights under its PSC while it remains in Force Majeure.

Gulfsands has undertaken a significant amount of internal technical work, formalising and analysing existing data, which has also been subject to a Competent Persons Report review by OPC as part of this re-entry preparation. The OPC review covered a Comprehensive Field Development Plan of the Contingent Resources (formerly Reserves) as well as a Comprehensive Exploration Plan for Prospective Resources within the exploration portfolio of identified prospects.

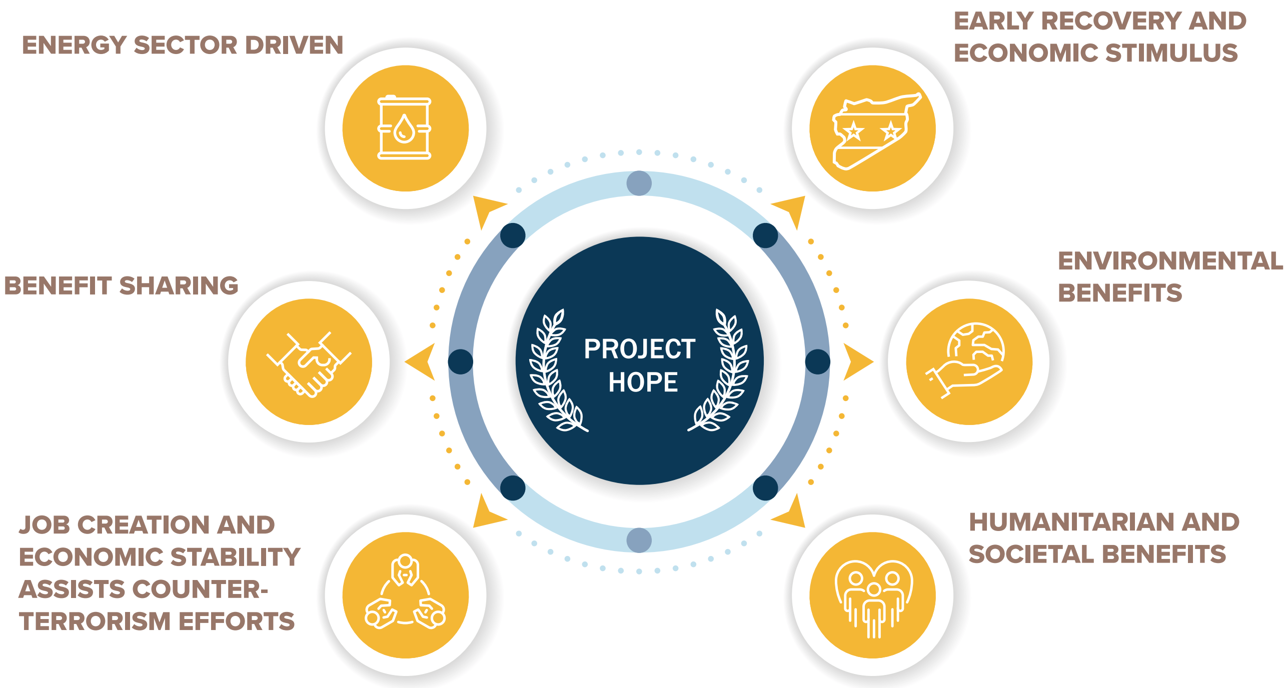
The Board believes, and the CPR has confirmed that upon re-entry, on a gross basis, Block 26 could be proven to contain over a billion barrels of recoverable resource with the potential for production levels of around 50,000 boepd from existing discoveries in the near term, and over 100,000 boepd from a full block development incorporating the potential exploration upside.

In addition to the technical aspects of the Company's projects, Gulfsands' re-entry plan also incorporates the following key objectives:

1. Support the safety and security of our in-country team and national staff.
2. Stay Legal – understand and ensure compliance with local and international laws & all applicable sanctions.
3. Protect and preserve our existing asset value in Syria by continuing to meet our PSC and other contractual obligations where possible under sanctions and mitigate value erosion and damage by non-state actors.
4. Protect the reputation of Gulfsands and partners and maintain support for Gulfsands and its partners with stakeholders globally and in-country.
5. Protect the environment: ensuring clean-up of current operations in Block 26 and implementation of leading sustainable oil field practices.
6. Sharing the benefits: Gulfsands will ensure immediate benefits flow to the Syrian people, through the generation of employment and training and community outreach programs, as well as specific Humanitarian initiatives.
7. Implement Gulfsands Re-Entry and Re-Engagement Strategy which allows us to actively and safely recommence Syrian Operations when Force Majeure and sanctions are lifted. This includes:
   - Stakeholder Engagement
   - ESG Plan Implementation
   - Adopt HSSE & Operational Management System
   - Journey to 100,000 barrels per day FDP Execution
   - Implementation of Legal and Financial frameworks and processes
   - IT and Digitisation roll out.

Strategic Report
Project Hope - Syrian Humanitarian and Economic Stimulus Initiative

Gulfsands is pioneering a multi-billion-dollar Humanitarian and Economic Stimulus Initiative whereby international energy companies would return, with international oversight, to operations in North-East Syria with allocated revenues from oil sales used to finance early recovery, humanitarian, health, economic (including youth employment), environmental and security projects across the country – for the benefit of all Syrian people. This initiative is designed to be in line with UNSCR 2254 and applicable sanctions. It's objective is to find a way to allow all Syrian people to benefit from their country's national resource endowment and build self-sustainability and resilience for the future. We call this initiative Project Hope.



The potential benefits are huge. Gulfsands estimates that, with investment, the Syrian oil industry could be rebuilt to produce around 500,000 barrels per day (up from around 80,000 today) within three to four years, with associated potential gross revenue of up to US$15 - $20 billion per year depending on the oil price. Resulting profits could be distributed into economic stimulus, humanitarian, youth employment and security initiatives across the country. These projects would help to create a more stable and secure environment, which would also contribute to counter terrorism efforts in Syria.

To put the potential revenue and benefit into context, the UN's humanitarian appeal for Syria for 2023 sought US$5.4 billion - but only 33% of this has been funded, leaving a shortfall of US$3.62 billion. It is clear that international donor fatigue is at an all-time high.

This potential is currently lost or stolen through black market trades and an active war economy. In addition, current oilfield operations are undertaken by non-specialist practitioners. As a result, the environmental, health and safety damage is alarming, and there is a significant risk that this national resource will be negatively impacted to the point where it may not be available for future generations.

There is a desperate need for humanitarian and early recovery assistance in Syria, including the need to set the right conditions for the return of significant numbers of refugees back to their homeland. The devastating earthquakes of 2023 only made the situation more acute. OCHA (the United Nations Office for the Coordination of Humanitarian Affairs) reports that 16.7 million Syrians are currently in need of humanitarian aid (up from 15.3 million in 2023). The agency also reports that 90% of Syrians now live below the poverty line, 12.9 million Syrians are food insecure, and there are around 6.7 million Syrian refugees (5.5 million being hosted by neighbouring countries).

Gulfsands is seeking support for this initiative at all levels and continues to develop this initiative through discussions with various local, regional and international stakeholders. We are also actively engaging with the global academic and analyst community, including NGO's and INGO's to explore the practical logistics of such an initiative.

Gulfsands welcomes any thoughts, insights, or suggestions on how to develop this initiative further.

Strategic Report
Financial Review

Selected operational and financial data

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
General and Administrative costs	(2,684)	(2,689)
Operating Loss	(2,882)	(1,226)
Loss before taxation	(5,398)	(1,496)
Cash and cash equivalents	636	1,108
Restricted cash balances	500	500

Financial highlights for the year ended 31 December 2023

- The Operating Loss for the year of $2.9 million (2022: $1.2 million).
- The main contributor to the increase in the Operating Loss was that in 2022, $1.52 million of restricted cash was recovered from the Llanos-50 licence.
- After taking into account non-cash items such as foreign exchange and imputed interest on the zero-coupon 2017 Facility, the total loss before taxation for the year was $5.4 million (2022: $1.5 million).
- General and Administrative costs were similar in both 2022 and 2023, at $2.7 million.
- The Group continues to hold its investment in its Syrian interest at a carrying value of $102.0 million.
- Two funding tranches of £0.75 million and £1.0 million were drawn down during the year (in April 2023 and September 2023) under the 2017 Secured Term Financing Facility ("2017 Facility").
- The entire Outstanding Amount under the 2017 Facility of £14.055 million ($17.85 million) was converted prior to year-end and the 2017 Facility Agreement terminated.
- An equity financing facility ("2023 Equity Financing"), of £2 million, was agreed with Major Shareholder, Waterford, prior to the year-end to cover estimated G&A throughout 2024.
- In March 2024, £1.0 million of equity financing was received from Waterford under this 2023 Equity Financing.
- As at the date of this Report, one equity financing tranche of £1 million remains available, due on 1st July 2024.
- Cash and cash equivalents were $0.64 million at 31 December 2023 (31 December 2022: $1.11 million).

INCOME STATEMENT

The Group reported an Operating loss for the year of $2.9 million (2022: $1.2 million), and after taking into account non-cash items such as foreign exchange and imputed interest on the zero-coupon 2017 Facility, a total loss before taxation for the year of $5.4 million (2022: $1.5 million).

General and administrative expenses

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Gross General and Administrative Expenses	3,260	3,265
Partner recoveries	(576)	(576)
General and Administrative Expenses	2,684	2,689

General and Administrative Expenses for the year ended 31 December 2023 totalled $2.7 million (2022: $2.7 million).

Foreign exchange losses totalled $0.6 million (2022: $1.2 million profit). Non-cash Interest on the 2017 Facility was $1.8 million in 2023 (2022: $1.4 million).

BALANCE SHEET

Exploration and Evaluation Assets

The Group's E&E assets are held at a net book value of $nil at 31 December 2023 (31 December 2022: $nil million). Certain exploration licence costs in Syria which are in Force Majeure, remain, but have been fully impaired.

Syria Investment

The Group's investment in Dijla Petroleum Company ("DPC"), the entity established in Syria, pursuant to the Block 26 PSC, to administer the Group's Syrian oil and gas development and production assets (and which for valuation purposes is considered to also include the related rights to production under the PSC), is recorded as a "Financial asset held at fair value through other comprehensive income". Due to the unknown duration of UK 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 there are a wide range of possible fair value measurements. Management reviewed its internal valuation methodology and continues to believe that as a result of the passage of time and the high degree of judgement required, it is not possible to reliably estimate the investment's fair value. Management, continues to consider that the historical cost figure of $102 million, represents an appropriate estimate of fair value, given there is a wide range of possible fair value measurements, being the last valuation which could be reliably determined. This value is reviewed at least annually for impairment and any impairment losses recognised through the Income Statement.

At 31 December 2023, management has carried out an impairment review, using an economic model of the estimated future cash flows that could be generated in respect of the Group's entitlement volumes (Contingent Resources) in Block 26 (see note 4.2 for details). This model was reviewed and updated as part of the Competent Person Report review by OPC. The Board continues to consider that its position in respect of its Block 26 interests remains strong, and expects Gulfsands and its partner's rights will be honoured and that it will be able to return to operational control of its interests in accordance with the terms of the PSC, as soon as circumstances permit. While no definite timeline can be substantiated for the resumption of the full field development of the discovered fields in Block 26, the Board continues to believe that the UK Sanctions will be lifted, or waivers and/or licences received, within the next five years and, based on the current situation in Syria, the Board has concluded, as it did last year, that its "base case" assumption for impairment calculation purposes to be a resumption of operations in three years.

The 'base case' economic model calculates, as at 31 December 2023, a gross contractor undiscounted NPV(0) of $4.63 billion, meaning a Gulfsands 50% interest undiscounted NPV(0) of $2.31 billion, as well as Gulfsands 50% interest discounted NPV(10) of $732.5 million and Gulfsands 50% interest discounted NPV(15) of $465.0 million. Therefore, management believes no impairment is necessary and has maintained the $102 million carrying value on the Balance Sheet at year end. Following consideration, management conclude that it is premature to revalue the carrying value upwards to reflect the potential NPV values, given the ongoing risks and uncertainties associated with the Syrian assets.

During the year the Company's technical team updated analysis of Block 26 assets including estimates of the oil and gas resources and the proposed Field Development Plan, incorporating recent production data and previously un-analysed re-processed seismic collated prior to the declaration of Force Majeure. Following the completion of this work, the Company commissioned independent consulting firm Oilfield Production Consultants ("OPC") to prepare a new Competent Person's Report ("CPR") and economic evaluation of this revised analysis.

This CPR confirmed a 50% increase in the 2C Contingent Resources attributable to the Block 26 assets, increasing the 2C Contingent resources from 73.5 million boe at 1st January 2023 to 110.4 million boe as at 1st January 2024. These certified increased resources have been used in the impairment review described above.

In parallel to the CPR, OPC undertook an economic evaluation of the Company's entire Block 26 assets including both Contingent and Prospective Resources. This evaluation, which did not take into account any of the above-ground risks associated with the assets, does consider a range of possible valuation scenarios and continues to indicate a central range of risked Expected Monetary Value ("EMV") of the Block 26 assets, including both Contingent and Prospective Resources, of $1.5 billion - $2.0 billion (net share to Gulfsands).

The Directors have reviewed the carrying value of this Financial Asset held at fair value through other comprehensive income, at 31 December 2023 and are of the opinion that the carrying value, although subject to significant uncertainty, remains appropriate in the circumstances.

Financial Review (continued)

Financing

During the year, two remaining tranches under the 2017 Facility were drawn down: £0.75 million (~$0.9 million) in May and £1.0 million (~$1.2 million) in September respectively. In December 2023, the Company converted the entire Outstanding Amount which totaled £14.055 million ($17.849 million) at a price of 5 pence per share. The 2017 Facility was then immediately terminated and all related security mechanisms released.

The Conversion was settled by the issuance of 192,706,643 new ordinary shares to Waterford for their 68.55% portion, being £9,635,332.11 (approximately $12,218k) of the 2017 Facility in December 2023. Settlement of the remaining 31.45% portion held by Blake, being £4,420,586.36 (approximately $5,629k) was deferred through a Deed of Settlement agreement. Under the Deed of Settlement, the Company had the right to settle the outstanding amount either in cash (for £4,420,586.36) or by the issuance of 88,411,728 shares. As at 31 December 2023, this amount was held on the Balance Sheet as the Equity Settlement Account (see note 3.7). Subsequent to the year end, in mid-May 2024, the Equity Settlement Account was settled through the issuance of 88,411,728 new ordinary shares to Blake at a price of 5 pence per share, in accordance with the Deed of Settlement.

As a result of the above transaction, as at the date of this Report, the Company is now debt free.

In late 2023, £2 million equity financing was secured from Waterford (the "2023 Equity Financing"), whereby equity will be issued at a fixed price of 5 pence per share). £1 million was received in March 2024 and further £1 million is due to be drawn down on 31st July 2024. This is expected to fund the Company's G&A through to the end of 2024.

Cash flow

The total change in cash and cash equivalents during the year was an out-flow of $0.5 million (2022: $0.2 million net in-flow). Net cash outflow from operating activities during the period totalled $2.5 million (2022: $1.3 million). Net cash received from financing activities totalled $2.1 million (2022: $1.5 million), predominantly made up of cash from the drawdowns under the 2017 Facility.

Cash position

At 31 December 2023 the Group had total cash and cash equivalents of $0.64 million (31 December 2022: $1.11 million).

Restricted cash balances at the end of the year (which are presented as long-term financial assets in the Balance Sheet) represent funds held as collateral in respect of future work obligations. The net amount, not provided against, totalled $0.5 million (31 December 2022: $0.5 million), and relates the Group's Syrian Block 26 interest.

Going concern

As at the date of this Report, the Group has free cash available for operations totalling approximately $0.9 million and ongoing general and administrative costs are expected to be approximately $0.2 million per month. One further tranche of £1 million is available under the 2023 Equity Financing to be drawn down on or after 31 July 2024. These funds are expected to fund the Company's general and administrative costs through 2024.

Additional funding will be required by early 2025. The Directors note that the Company remains reliant on the support of its Major Shareholder, Waterford. The Board maintains a good relationship with its Major Shareholder who continues to support the Company's strategy as outlined in this Report. Without this support, the Company would be seriously financially challenged.

As a result of its ongoing dialogue with the Major Shareholders regarding the Group's future business strategy and financing, the Board continues to believe that the Major Shareholder has the willingness and ability to continue supporting the Group going forward. In particular it is confident that the Major Shareholder will continue to fund the core G&A for the business for a period of at least twelve months from the date of approval of this Financial Report. However, there are no firm funding commitments in place, beyond the 2023 Equity Financing, as at the date of this Report.

In respect of business development, the Board acknowledges that any material transactions will likely need the support of additional strategic investors, and so any such transactions will be dependent upon appropriate funding being available. The intention of business development is to make the business sustainable and cashflow positive in the medium term, in order to remove the reliance on existing shareholders for funding going forward.

Following completion of a review of the going concern position of the Company and Group at the meeting of the Board of Directors on 23 May 2024, including consideration of the uncertainties described above, the Board has concluded that it is confident that, with free cash available for operations totalling $0.9 million, the remaining £1 million available to be drawn under the 2023 Equity Financing plus any additional financing that will need to be secured after that, the Company and the Group is likely to have sufficient resources to continue in operational existence for the foreseeable future, being 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 business, the Directors, in accordance with Financial Reporting Council guidance in this area, conclude that at this time there is material uncertainty that finance could be procured to fund ongoing costs and liabilities, 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.

These Financial Statements consolidate the accounts of Gulfsands Petroleum plc and all its subsidiary undertakings drawn to 31 December each year.

This Strategic Report was approved by the Board of Directors on 23 May 2024.

John Bell
Managing Director
23 May 2024

Cautionary statement

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this Report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have been guided by the requirements of section 414c of the Companies Act 2006. The Report has been prepared for the Group as a whole and therefore gives emphasis to those matters which are significant to the Group as a whole.

Governance
Board of Directors

Michael Kroupeev
Non-Executive Chairman

Mr Kroupeev has 28 years' experience working within the exploration and production sector. After University in Moscow and MBA at London Business School, he began his career working for Dana Petroleum plc as a Director in 1994. In 1995, Mr Kroupeev founded Waterford Finance and Investment Limited ("Waterford"). Waterford is an oil and gas focused vehicle, specialising in the financing of oil, gas and other energy related projects. He has been directly involved in the capital raising for natural resource projects and in acquiring, restructuring, developing and divesting such assets. Waterford has a number of substantial shareholdings in oil and gas companies with operations in Europe, Africa, Australasia and Former Soviet Union countries, and is a substantial shareholder of Gulfsands, holding a 62.19 percent interest in the Company. He was appointed a Non-Executive Director of Gulfsands in October 2016, and became Non-Executive Chairman in December 2020.

John Bell
Managing Director

Mr Bell is a Chartered Engineer with over 30 years of experience in the energy sector having worked at Vice President or Managing Director level at BP plc, Equinor and Suncor Energy (Syria). He has spent a large part of his career in the Middle East, as well as time in North Africa, the Americas, the UK North Sea, Scandinavia and the Caribbean, where he has successfully been involved in developments, operations, corporate restructuring, refinancing and growing businesses to provide enhanced shareholder returns. He has a First-Class Honours Degree in Engineering from Strathclyde University in Scotland and studied Executive Leadership at Haas School of Business, University of California, Berkeley. Previous public company directorships include Gulf Keystone Petroleum, Tethys Petroleum where he was Executive Chairman and Aminex where he was Non-Executive Chairman. Mr Bell joined the Board as a Non-Executive Director of Gulfsands in August 2014 and assumed the role of Managing Director in July 2016.

Andrew James Morris
Finance Director

Mr Morris has extensive international business experience and has advised and sat on the boards of companies, ranging from early-stage resource companies to emerging technology companies. He was founder of Persistency Capital, where he acted as both investor in, and adviser to, companies across a broad range of sectors and geographies. Previous directorships include Madagascar Oil Limited, Falcon Oil & Gas Ltd, SouthWest Energy Ltd, Kriisa Research Inc. and Direct Petroleum Exploration Inc. as well as Blake Oil and Gas Limited and various related parties. Previously, Mr Morris served as a director of Ernst & Young, where he advised a broad range of organisations on enterprise risk management including corporate governance, management reporting, financial control, operational risk and process improvement. Mr Morris holds a BSc (Hons) degree in Mathematics from Bristol University and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr Morris joined the Board of Gulfsands as a Non-Executive Director in April 2015 and became Finance Director in July 2016.

Joseph Darby
Senior Independent Non-Executive Director

Mr Darby has over 45 years of experience in the energy sector, including eight years with Shell Petroleum before becoming managing director of Thomson North Sea Ltd and later the Chief Executive of LASMO plc. He has held non-executive roles at Nordaq Energy plc, British Nuclear Fuels plc, Mowlem plc, Centurion Energy Inc and Alkane Energy plc. Mr Darby was previously chairman of Mowlem plc (2005-06) and Faroe Petroleum plc (2003-07). Mr Darby was also more recently a Non-Executive Director of Bowleven plc and a Non-Executive Director of Premier Oil plc. He is currently also a Non-Executive Chairman at Orcadian Energy Ltd. He was appointed a Non-Executive Director of Gulfsands in November 2012.

Directors' Report

The Directors present their Annual Report together with the audited Financial Statements of Gulfsands Petroleum plc and its subsidiary undertakings (the "Group" or the "Company" or "Gulfsands") for the year ended 31 December 2023.

Any significant events since the Balance Sheet date are detailed in the Consolidated Financial Statements, however an indication of possible future developments in the business of the Group are included in the Strategic Report on pages 2 to 29.

Dividends

The Directors do not recommend payment of a dividend in respect of 2023 (2022: $nil).

Capital structure

Equity

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are set out in note 6.1 to the Consolidated Financial Statements. The outstanding number of Issued Ordinary Shares as at 31 December 2023 is 765,202,428. The Company has both Ordinary and Deferred Shares outstanding as explained in note 6.1. The Ordinary and Deferred Shares carry no right to fixed income. Each Ordinary Share carries the right to one vote at general meetings of the Company. The Deferred Shares have no voting rights and are not entitled to dividends.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 6.1 to the Consolidated Financial Statements. No person has any special rights of control over the Company's share capital. As at 31 December 2023 all issued shares were fully paid.

Debt

Following the conversion and termination of the 2017 Secured Term Financing Facility, and completion of the subsequent settlement in accordance with the Deed of Settlement post year-end (see notes 3.6/3.7), the Company is now debt free as at the date of this Report.

The Conversion was settled by the issuance of 192,706,643 new ordinary shares to Waterford for their 68.55% portion, being £9,635,332.11 (approximately $12,218k) of the 2017 Facility in December 2023. Settlement of the remaining 31.45% portion held by Blake, being £4,420,586.36 (approximately $5,629k) was deferred through a Deed of Settlement agreement. Under the Deed of Settlement, the Company had the right to settle the outstanding amount either in cash (for £4,420,586.36) or by the issuance of 88,411,728 shares. As at 31 December 2023, this amount was held on the Balance Sheet as the Equity Settlement Account. (see note 3.7).

Subsequent to the year end, in mid-May 2024, the Equity Settlement Account was settled through the issuance of 88,411,728 new ordinary shares to Blake at a price of 5 pence per share, in accordance with the Deed of Settlement.

Substantial shareholders

The Company has been notified that as at 23 May 2024, following the full settlement of the 2017 Facility conversion, the Major Shareholders held the following number of Ordinary shares of the Company:

Name	Number of shares	% of shares in issue
Waterford Finance and Investment Limited (1)	543,312,087	62.19%
Blake Holdings Limited	225,100,323	25.77%

(1) Company associated with Michael Kroupeev.

Qualifying third party indemnity provisions

The Company has previously made qualifying third-party indemnity provisions for the benefit of its directors. These provisions remain in force at the reporting date.

Directors and their interests

The Directors who served during the year, except as noted, and their interests in the Company's shares, were as follows:

	At 31 December 2023		At 31 December 2022	
	Number of ordinary shares	Number of share options	Number of ordinary shares	Number of share options
A Morris	—	6,850,000	—	5,950,000
J Darby	100,250	—	100,250	—
J Bell	36,554	11,800,000	—	10,600,000
M Kroupeev [(1)]	523,312,087	1,000,000	330,605,444	1,000,000

(1) Mr. Kroupeev is an ultimate beneficial owner of Waterford Finance and Investment Limited.

Directors' interests in transactions

Details of transactions with Directors for the year ended 31 December 2023 are set out in note 6.4 to the Consolidated Financial Statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable laws and regulations, and International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom of Great Britain and Northern Ireland.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company financial statements in accordance with IFRS as adopted by the UK and IFRIC (IFRS Interpretations Committee) interpretations. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the UK and IFRIC (IFRS Interpretations Committee) interpretations, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of disclosure to the auditor

So far as the Directors, at the time of approval of their Report, are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Auditor

A resolution to reappoint MHA as auditor and to authorise the Directors to fix their remuneration will be put to shareholders at the Annual General Meeting.

By order of the Board,

John Bell
Managing Director
23 May 2024

Governance

Directors' Corporate Governance Report

for the year ended 31 December 2023

The Company delisted from the AIM market in April 2018 but remains a Public Limited Company ("PLC"). While non- listed companies are not subject to the requirements of the UK Corporate Governance Code on corporate governance, the Board has sought to continue to maintain appropriate standards of corporate governance, as it considers practicable for the size, stage of development and operations of the Group.

In order to communicate the Group's business conduct standards to employees, contract staff and contractor personnel across the Group, the Board has established a Code of Business Conduct and Ethics which is supported by detailed internal policies and procedures. Compliance with the Code of Business Conduct and Ethics is a contractual requirement for all personnel.

The Gulfsands Board

The role of the Board

The Board sets the Group's strategic objectives taking into account the financial and human resources available within the Group to meet these objectives. The Board determines the Company's key policies, values and standards, effectively communicating these throughout the Group. Periodically, the Board reviews the potential risks to the Group and ensures the probability of these risks affecting the business are minimised via management and mitigation.

The Board's role is to provide entrepreneurial leadership of the Group within a framework of effective controls and periodic reporting; this enables operational and financial performance to be actively monitored and managed.

The composition of the Board

Gulfsands' business carries political, commercial and technical risks. Accordingly, particular attention is paid to the composition and balance of the Board to ensure that it has experience of the oil and gas industry, the regulatory environments in which the Group operates and has appropriate financial and risk management skills to lead the Group.

The Board considers that objectivity and integrity are prerequisites for all appointments, as are the skills, experience, ability and diversity that will assist the Board in its key functions and decision-making. The Board sees the role of the Non-Executive Directors to be to independently and constructively challenge the performance of the Executive Management and to offer assistance and mentor where their skills and experience can assist the performance of the Management team in the delivery of agreed objectives.

The Board of Directors currently comprises four Directors; the Non-Executive Chairman, the Managing Director, the Finance Director, and one Non-Executive Director. The Board's one independent Non-Executive Director is Joe Darby, who is also Senior Independent Director. A brief description of each of the Directors' backgrounds and experience can be found on page 31. The Board continues to review its composition.

Terms and conditions of appointment of Non-Executive Directors are set out in appointment letters.

How the Board operates

A detailed schedule of matters reserved for the Board has been established and is periodically reviewed. The key matters reserved are the consideration and approval of:

- the Group's overall strategy and objectives;
- material acquisitions and disposals and major expenditure commitments;
- borrowing and hedging of oil and gas sales;
- the issuance of equity and options;
- annual work programme and budget;
- the Group's annual and, if prepared, half-yearly Financial Statements;
- Board appointments, remuneration and roles;
- corporate policies and corporate governance arrangements; and
- any transactions with related parties such as Major Shareholders.

Through the publication of regular announcements, and face-to-face meetings where appropriate, the Board has sought to communicate its strategy, objectives and performance to all shareholders on a timely basis.

The Board of Directors expects to hold face to face Board Meetings approximately six times per year. In addition, further meetings are convened by conference call to resolve urgent business matters.

Committees of the Board

The Company has established two sub-committees of the Board, an Audit Committee, and a Remuneration Committee; the purpose of which are to review areas of the business mandated by the Board and to present findings and recommendations to the Board for its decision. While the Board delegates certain of its duties, responsibilities and powers to the Committees, so that these can receive suitably focused attention, they both act on behalf of the full Board, and the matters reviewed and managed by the Committees remain the responsibility of the Board of Directors as a whole.

Each of the Committees has its own written terms of reference; copies of which are available on the Company's website.

1. Audit Committee

The Audit Committee is chaired by Joe Darby and its activities are governed by terms of reference that are available on the Company's website. The primary duties of the Audit Committee are:

- to review and consider the integrity of the Company's Financial Statements and regulatory announcements;
- to keep under review the effectiveness of the Company's internal controls;
- to assist the Board in ensuring that it receives appropriate financial and risk reporting to enable it to make its business decisions;
- to regularly review the Company's risk management processes and the risks to which the Company is exposed;
- to oversee the relationship with the external auditor;
- to review the Company's whistle-blowing processes; and
- to report to the Board on how the Audit Committee has discharged its responsibilities.

2. Remuneration Committee

The Remuneration Committee is chaired by Joe Darby and its activities are governed by terms of reference that are available on the Company's website. It is responsible for considering and making recommendations to the Board in respect of remuneration for the Chairman and Executive Directors. The Committee also has oversight of the remuneration arrangements for the direct reports to the Executive Directors, the remuneration for whom is set by the Managing Director in conjunction with the Chairman. The remuneration of Non-Executive Directors is a matter for the Chairman in consultation with the Managing Director and the Chairman of the Remuneration Committee, with fees being determined by the Board excluding the Non-Executive Directors.

The number of meetings of the Board and its Committees during 2023, and individual attendance by Directors, is shown below:

	Board	Audit	Remuneration
Number of meetings 2023	13	2	4
Attendance:			
Andrew Morris	13	2	n/a
Joe Darby	12	2	4
John Bell	13	2	n/a
Michael Kroupeev	12	1	4

Directors' Corporate Governance Report (continued)

for the year ended 31 December 2023

In addition to the formal Committees of the Board, the Company has established two additional Committees to help with the Governance of the Group:

Strategic Advisory Board

Given the complex nature of managing the Group's Syrian assets and the goal of an ultimate return to production when circumstances allow, as well as the Group's business development initiatives, the Company has sought significant political, legal and strategic advice. While some of this support has come from lawyers and advisers, the Company has found great value in creating a Board of advisors made up of individuals with deep experience in the fields of diplomacy, international politics, and post conflict rehabilitation.

Members of the Strategic Advisory Board include:

The Rt Hon Sir Alan Duncan KCMG

Sir Alan Duncan has had a career in both oil and politics. After studying at Oxford and Harvard he worked first for Shell, and then for ten years as a crude oil trader with Marc Rich & Co (now Glencore). He spent 27 years as a Member of Parliament, during which he was Minister for International Development and later Foreign Minister and deputy to Boris Johnson. In January 2020 he left Parliament and returned to the energy sector.

The Rt. Hon. Charles Hendry, CBE

Charles Hendry was Conservative MP for Wealden from 2001-2015 and was Minister of State for Energy from May 2010 until September 2012. He was previously the Conservative Party's spokesman on energy issues, from 2005-2010. On leaving Ministerial office, Prime Minister David Cameron appointed him as his Trade Envoy to Azerbaijan, Kazakhstan and Turkmenistan, a role he continued until leaving Parliament in 2015.

He was awarded the CBE in Her Majesty The Queen's 2019 Birthday Honours for his work in supporting British Trade in Russia and Central Asia. He is an Honorary Professor at the University of Edinburgh Business School and holds various other prestigious roles including being a Distinguished Fellow at the Atlantic Council, Vice President of the Energy Institute and Patron of the Nuclear Institute. He works extensively across the energy and trade sectors primarily focussing on the transition to net-zero.

Mark Nicolas Cutis

Mark Cutis is also Vice Chairman of our Abu Dhabi Subsidiary GMEL. He is a seasoned banking and capital markets executive with extensive global market experience spanning 40+ years. He has actively managed portfolios as CIO and CEO on behalf of both private as well as multilateral (EBRD) and sovereign wealth funds (ADIC) in multiple geographical locations.

Most recently, he was CEO of Abu Dhabi Global Market, the international financial centre of Abu Dhabi. Prior to that, he was Group CFO, and Chief Advisor of Abu Dhabi National Oil Company (2018 – 2021), and immediately prior to that was the founding CIO of Global Special Situations at Abu Dhabi Investment Council (2008 – 2018) now part of Mubadala. He has also run investment managers and financial institutions in London, Tokyo, and New York and has had work stints in Frankfurt and Moscow as well.

Mark holds a BA in Monetary Economics and History from Emory University and an MBA in Finance from Wharton Business School.

Sustainability Committee

As explained on pages 14 to 15 in the Strategic Report, Gulfsands is focused on building a sustainable business model that considers the social, environmental and governance impacts of all its projects. This is guided throughout by the principles outlined by the UN Global Compact and the UN's Sustainable Development Goals ("SDG's"). Gulfsands' progress and performance on its strategic approach to Sustainability is overseen and driven by the Sustainability Committee, chaired by the Managing Director and comprises a combination of line managers and members of the Board and Strategic Advisory Board.

Remuneration of Directors

The remuneration of the Directors for the year ended 31 December 2023 was as follows:

	Annual Remuneration (£'000)							
	Salary and fees		Bonuses		Benefits in kind		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
A Morris (1)	180	180	36	18	2	2	218	200
J Darby (2)	34	34	—	—	—	—	34	34
J Bell(3)	240	240	48	24	2	2	290	266
M Kroupeev (4)	45	45	—	—	—	—	45	45
	499	499	84	42	4	4	587	545

(1) Finance Director.
(2) Non-Executive Director.
(3) Managing Director.
(4) Non-Executive Chairman.

Share Options

The interests of the Directors, who held office during 2023, in options over the Company's shares are set out in the table below:

	Number of options						
	At 1 January 2023	Granted	At 31 December 2023	Exercise price (£)	Exercisable at 31 December 2023	Grant date	Expiry date
J Bell	2,000,000	—	2,000,000	0.01	2,000,000	11/11/2016	11/11/2026
	6,800,000	—	6,800,000	0.05	—	28/06/2018	26/06/2028
	1,200,000	—	1,200,000	0.05	1,200,000	30/06/2020	30/06/2030
	600,000	—	600,000	0.01	600,000	31/12/2022	31/12/2032
	—	1,200,000	1,200,000	0.01	1,200,000	31/12/2023	31/12/2033
A Morris	1,500,000	—	1,500,000	0.01	1,500,000	11/11/2016	11/11/2026
	2,800,000	—	2,800,000	0.05	—	28/06/2018	28/06/2028
	1,200,000	—	1,200,000	0.05	1,200,000	30/06/2020	30/06/2030
	450,000	—	450,000	0.01	450,000	31/12/2022	31/12/2032
	—	900,000	900,000	0.01	900,000	31/12/2023	31/12/2033
M Kroupeev	1,000,000	—	1,000,000	0.03375	1,000,000	11/11/2016	11/11/2026

No other Directors held share options at 31 December 2022 or 2023.

This Report was approved by the Board of Directors on 23 May 2024.

Independent Auditor's Report

to the members of Gulfsands Petroleum plc

Opinion

We have audited the financial statements of Gulfsands Petroleum plc (the 'Parent Company or Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

- the Consolidated Income Statement
- the Consolidated Balance Sheet
- the Consolidated Statement of Changes in Equity
- the Consolidated Cash Flow Statement
- the related Group Notes 1 to 6.7 including accounting policies
- the Company Balance Sheet
- the Company Statement of Changes in Equity
- the Company Cash Flow Statement
- the related Parent Company Notes 1 to 5.7 including accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Financial Reporting Standards ("UK adopted IFRS") and, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Financial Reporting Standards (IFRSs); and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw your attention to Note 1.3a of the financial statements on page 45 of the financial statements, which indicate the Group may need to raise additional finance from its shareholders to fund future obligations and there is no guarantee that the required funding will be available. As noted in Note 1.3a this indicates that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – carrying value of Group's Syrian Assets

We draw attention to note 4.2 of the Consolidated Financial Statements 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 UK 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 asset is unknown. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Moyser FCA FCCA (Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor
London, United Kingdom

Date: 23 May 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

Parent Company Financial Statements
Consolidated Financial Statements
and Notes to the Consolidated Financial Statements

Primary Statements

Consolidated Primary Statements

This section contains the Group's primary Financial Statements and the independent auditor's report.

p41 Consolidated Income Statement
p42 Consolidated Balance Sheet
p43 Consolidated Statement of Changes in Equity
p44 Consolidated Cash Flow Statement
p45 Notes to the Consolidated Financial Statements

Basis of Preparation

Section 1 Basis of Preparation

This section contains the Group's significant accounting policies that relate to the Financial Statements as a whole. Significant accounting policies specific to one note have been included in that note. Accounting policies determined non-significant are not included in these Financial Statements. There have been no changes to the Group's accounting policies that are not disclosed in the Financial Statements.

1.1 Authorisation of Financial Statements and statement of compliance with IFRS
1.2 Adoption of International Financial Reporting Standards
1.3 Significant accounting policies
1.4 Critical accounting judgements and key sources of estimation uncertainty

Oil and Gas Assets

Section 2 Oil and Gas Assets

This section focuses on the oil and gas assets which form the core of our business, including details of exploration costs incurred in the year, those written-off or impaired.

2.1 Property, plant and equipment
2.2 Intangible assets
2.3 Work obligation commitments

Working Capital

Section 3 Working Capital

This section focuses on the working capital position of the Group supporting our business.

3.1 Trade and other receivables
3.2 Cash and cash equivalents
3.3 Long-term financial assets
3.4 Trade and other payables
3.5 Inventory
3.6 Loans and borrowings
3.7 Equity settlement account

Other Assets/Liabilities

Section 4 Other Assets and Liabilities

This section details the Group's investments.

4.1 Investments
4.2 Financial asset held at fair value through other comprehensive income

Results for the Year

Section 5 Results for the Year

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating loss, taxation and earnings per share.

5.1 Segmental analysis of continuing operations
5.2 Operating loss
5.3 Share-based payments
5.4 Auditor's remuneration
5.5 Staff costs
5.6 Directors' emoluments
5.7 Taxation

Capital Structure

Section 6 Capital Structure and Other Disclosures

The disclosures in this section focus on the issued share capital, the share schemes in operation and other mandatory disclosures.

6.1 Share capital
6.2 Capital contribution reserve
6.3 Financial instruments, derivatives and capital management
6.4 Related party transactions and key management
6.5 Obligations under leases
6.6 Contingent liabilities
6.7 Post balance sheet events

Financial Statements
Consolidated Income Statement
for the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Continuing operations			
General administrative expenses		(2,684)	(2,689)
Share-based payments	5.3	(198)	(57)
Recovery or restricted cash	3.3	—	1,520
Operating loss	5.2	(2,882)	(1,226)
Foreign exchange (losses)/gains		(635)	1,211
Loan facility finance cost	3.6	(1,772)	(1,409)
Other finance expenses		(109)	(72)
Loss before taxation		(5,398)	(1,496)
Taxation	5.7	—	—
Loss for the year		(5,398)	(1,496)

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

Financial Statements
Consolidated Balance Sheet
as at 31 December 2023

	Notes	2023 $'000	2022 $'000
Assets			
Non-current assets			
Intangible assets	2.2	—	—
Long-term financial assets	3.3	500	500
Investments	4.2	102,000	102,000
		102,500	102,500
Current assets			
Trade and other receivables	3.1	238	196
Cash and cash equivalents	3.2	636	1,108
Inventory	3.5	—	—
		874	1,304
Total assets		103,374	103,804
Liabilities			
Current liabilities			
Trade and other payables	3.4	475	540
Loan facility	3.6	—	13,360
Equity settlement account	3.7	5,629	—
		6,104	13,900
Non-current liabilities			
Trade and other payables	3.4	3,986	3,810
		3,986	3,810
Total liabilities		10,090	17,710
Net assets		93,284	86,094
Equity			
Capital and reserves attributable to equity holders			
Share capital	6.1	21,934	19,491
Share premium		122,684	112,909
Merger reserve		11,709	11,709
Capital contribution reserve	6.2, 3.6	—	3,251
Retained loss		(63,043)	(61,266)
Total equity		93,284	86,094

These Consolidated Financial Statements were approved and authorised by the Board of Directors on 23 May 2024 and signed on its behalf by:

Andrew James Morris
Finance Director
23 May 2024

Primary Statements
Basis of Preparation
Oil and Gas Assets
Working Capital
Other Assets/Liabilities
Results for the Year
Capital Structure

Financial Statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Share capital $'000	Share premium $'000	Merger reserve $'000	Capital contribution reserve $'000	Retained (loss)/profit $'000	Total equity $'000
At 1 January 2022	19,491	112,909	11,709	2,994	(59,827)	87,276
Loss for 2022	—	—	—	—	(1,496)	(1,496)
Transactions with owners						
Share-based payment charge	—	—	—	—	57	57
Equity element of convertible loan note	—	—	—	257	—	257
At 31 December 2022	19,491	112,909	11,709	3,251	(61,266)	86,094
Loss for 2023	—	—	—	—	(5,398)	(5,398)
Transactions with owners						
Share-based payment charge	—	—	—	—	198	198
Shares issued	2,443	9,775	—	—	—	12,218
Equity element of convertible loan note	—	—	—	172	—	172
Recycling of convertible loan note through retained earnings	—	—	—	(3,423)	3,423	—
At 31 December 2023	**21,934**	**122,684**	**11,709**	**—**	**(63,043)**	**93,284**

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

Consolidated Cash Flow Statement

for the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Operating loss from continuing operations		(2,882)	(1,226)
Share-based payment charge	5.3	198	57
(Increase)/decrease in receivables	3.1	(42)	16
Increase in payables	3.4	111	12
Foreign exchange gains/(losses)		93	(129)
Net cash used in operating activities		(2,522)	(1,270)
Financing activities			
Loan draw-down	3.6	2,159	1,566
Other finance expenses		(109)	(72)
Net cash provided by financing activities		2,050	1,494
(Decrease)/increase in cash and cash equivalents		(472)	224
Cash and cash equivalents at beginning of year		1,108	884
Cash and cash equivalents at end of year	3.2	636	1,108

Financial Statements
Notes to the Consolidated Financial Statements
for the year ended 31 December 2023

Section 1 – Basis of Preparation

1.1 Authorisation of Financial Statements and statement of compliance with IFRS
Gulfsands Petroleum plc is a public limited company which was quoted on the Alternative Investment Market of the London Stock Exchange ("AIM") until 23 April 2018 and is incorporated in the United Kingdom. The Company's shares now trade through periodic auction through the Asset Match platform. The principal activities of the Company and its subsidiaries (the "Group") are that of oil and gas production, exploration and development.

The Consolidated Financial Statements for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 23 May 2024 and the Balance Sheets were signed on the Board's behalf by Andrew James Morris, Finance Director. The principal accounting policies adopted are set out in note 1.3.

1.2 Adoption of International Financial Reporting Standards
The Consolidated Financial Statements for the year ended 31 December 2023 and for the comparative year ended 31 December 2022 have been prepared in accordance with UK adopted International Financial Reporting Standards ("UK adopted IFRS") in accordance with the provisions of the Companies Act 2006.

1.3 Significant accounting policies

a) Basis of preparation, measurement and accounting standards
The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared on a historical cost basis. The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 1.4.

Going concern
As at the date of this Report, the Group has free cash available for operations totalling approximately \$0.9 million and ongoing general and administrative costs are expected to be approximately \$0.2 million per month. One further tranche of £1 million is available under the 2023 Equity Financing to be drawn down on or after 31 July 2024. These funds are expected to fund the Company's general and administrative costs through 2024.

Additional funding will be required by early 2025. The Directors note that the Company remains reliant on the support of its Major Shareholder, Waterford. The Board maintains a good relationship with its Major Shareholder who continues to support the Company's strategy as outlined in this Report. Without this support, the Company would be seriously financially challenged.

As a result of its ongoing dialogue with the Major Shareholders regarding the Group's future business strategy and financing, the Board continues to believe that the Major Shareholder has the willingness and ability to continue supporting the Group going forward. In particular it is confident that the Major Shareholder will continue to fund the core G&A for the business for a period of at least twelve months from the date of approval of this Financial Report. However, there are no firm funding commitments in place, beyond the 2023 Equity Financing, as at the date of this Report.

In respect of business development, the Board acknowledges that any material transactions will likely need the support of additional strategic investors, and so any such transactions will be dependent upon appropriate funding being available. The intention of business development is to make the business sustainable and cashflow positive in the medium term, in order to remove the reliance on existing shareholders for funding going forward.

Following completion of a review of the going concern position of the Company and Group at the meeting of the Board of Directors on 23 May 2024, including consideration of the uncertainties described above, the Board has concluded that it is confident that, with free cash available for operations totalling \$0.9 million, the remaining £1 million available to be drawn under the 2023 Equity Financing plus any additional financing that will need to be secured after that, the Company and the Group is likely to have sufficient resources to continue in operational existence for the foreseeable future, being 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 business, the Directors, in accordance with Financial Reporting Council guidance in this area, conclude that at this time there is material uncertainty that finance could be procured to fund ongoing costs and liabilities, 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.

1.3 Significant accounting policies (continued)

b) Accounting standards, amendments and interpretations effective in 2023

Other Accounting standards that have come into effect as of 1 January 2023 have been:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, subsequent to the second part of a two-phase project under Interest Rate Benchmark Reform "IBOR", which finalises the IBOR and other interest rate benchmarks reform.

The adoption of these standards has had no effect on the financial results of the Group.

c) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early, in particular:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 9);
- Reference to the Conceptual Framework – Amendments (IFRS 3);
- Definition of accounting estimate – Amendments (IAS 8); and
- Deferred tax on leases and decommissioning obligations – Amendments (IAS 12).

None of these are expected to have a significant effect on the Group.

d) Basis of consolidation

Intra-group sales, profits and balances are eliminated fully on consolidation.

The results of subsidiaries acquired or sold are consolidated for the periods from, or to, the date when control passed. Acquisitions are accounted for under the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for the control of the acquiree. Acquisition related costs are recognised in the Income Statement as incurred. At the acquisition date the identifiable assets acquired, and the liabilities assumed are recognised at their fair value.

The Consolidated Financial Statements include the accounts of subsidiary undertakings when the Company has the control over the undertaking. The Company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The Group is engaged in oil and gas exploration, development and production through joint operations. A joint operation is whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint operator recognises its assets, including its share of any assets incurred jointly; its liabilities, including its share of any liabilities incurred jointly; its revenues, including its share of revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses jointly incurred.

When the Group loses control or joint control of a subsidiary or joint operation, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary or joint operation and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary or joint operation are accounted for in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary or joint operation at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 'Financial Instruments: Recognition and Measurement' or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

e) Foreign and reporting currency

These Consolidated Financial Statements are presented in US Dollars. The functional and presentational currency of the Company is the US Dollar, and the functional currency of all subsidiaries is also the US Dollar. Gains and losses from foreign currency transactions, if any, are recognised in the Income Statement for the year. The effective exchange rate to the Pound Sterling for the year ended 31 December 2023 was £1: $1.24 (2022: £1: $1.25). The exchange rate to the Pound Sterling as at 31 December 2023 was £1: $1.27 (2022: £1: $1.21).

Foreign currency transactions of individual companies within the Group are translated to the functional and reporting currency of US Dollars at the rates prevailing when the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the Balance Sheet date. All differences are taken to the Income Statement.

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following sets out the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and the key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year:

- going concern (judgement) – for further details see note 1.3a;
- recoverability of restricted cash balances (judgement) – for further details see note 3.3; and
- carrying value of the Group's Syrian Assets (i.e. investment in DPC) (estimation) – for further details see note 4.2.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Section 2 – Oil and Gas Assets

2.1 Property, plant and equipment

The Group applies the requirements of IFRS 6 ‘Exploration for and Evaluation of Mineral Resources’ and where additional guidance is needed IAS 16 ‘Property, Plant and Equipment’ and IAS 36 ‘Impairment of Assets’ noting that several items in the latter two standards are exempted for assets at the exploration and evaluation stage due to the application of IFRS 6. Set out below is our interpretation of the principles set out in IFRS 6 and other IFRS.

Recognition and measurement

Development and production assets are accumulated on a cash generating unit basis and represent the cost of developing the Proved plus Probable Reserves discovered and bringing them into production, together with the exploration and evaluation (“E&E”) asset expenditures incurred in finding Proved plus Probable 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.

Depletion of producing assets

Expenditure within each cash generating unit is depleted by a unit of production method using the ratio of oil and gas production in the year compared to the estimated quantity of Proved and Probable Reserves at the beginning of the year. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs for Proved and Probable Reserves. 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.

The Company currently has no tangible Oil and Gas Assets, following the reclassification of its Syrian assets to Investments (see note 4.2).

2.2 Intangible assets

Key accounting judgements, estimates and assumptions

Recoverability of intangible oil and gas exploration and evaluation assets

If there are indicators of impairment, the carrying values of E&E assets are assessed for impairment which involves judgement as to the (i) likely commerciality of the assets, (ii) future revenues and costs pertaining and (iii) the discount rate to be applied for the purpose of deriving a recoverable value. Additional judgements apply to the Group’s E&E assets affected by sanctions in Syria. See note 4.2 for further details.

The Group applies the requirements of IFRS 6 ‘Exploration for and Evaluation of Mineral Resources’, set out below is our interpretation of the principles set out in IFRS 6.

Recognition and measurement

The Group follows the successful efforts method of accounting whereby costs for unsuccessful exploration activities are expensed. All licence acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets in cost centres by licence or contract, as appropriate, pending determination of commerciality of the relevant property. Directly attributable administration costs are capitalised insofar as they relate to specific exploration activities. Pre-licence costs and general exploration costs not directly attributable to any particular licence or prospect are expensed as incurred.

E&E assets relating to each exploration licence/prospect are not amortised 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. Costs of unsuccessful exploration efforts are expensed at the time that a determination is made that the exploration has failed to locate commercially recoverable hydrocarbons.

Impairment

As the Group does not hold any intangibles with an indefinite useful life, non-current assets are assessed for impairment on a cash generating unit basis when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such triggering events in respect of E&E assets include: the point at which final determination is made as to whether commercial reserves exist; actual or imminent expiry of exploration licence/contract without expectation of renewal; and/or no further plans to explore the licence/contract area.

Where there has been an indication of a possible impairment, Management assesses the recoverability of the carrying value of the cash generating unit by comparison with the estimated discounted future net cash flows based on Management's expectation of the future production, hydrocarbon prices and costs. Any identified impairment is charged to the Income Statement.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Income Statement, net of any amortisation that would have been charged since the impairment.

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 although commercial development approval is yet to be granted by the government of the Syrian Arab Republic since Force Majeure was declared prior to application for a Production Licence. An application has been prepared and will be submitted as soon as circumstances allow, and Contingent Resources have been allocated to this discovery. The Twaiba and Wardieh wells are still under evaluation. Following the imposition of UK 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 a result of the uncertainty arising at that time. The E&E assets remain impaired as at the date of this Report.

	Syria $'000	Total $'000
Cost:		
At 1 January 2022	10,505	10,505
Additions	—	—
At 31 December 2022	10,505	10,505
Additions	—	—
Disposals	—	—
At 31 December 2023	**10,505**	**10,505**
Accumulated impairment:		
At 1 January 2022	(10,505)	(10,505)
Exploration expenditure impaired	—	—
At 31 December 2022	(10,505)	(10,505)
Disposals	—	—
At 31 December 2023	**(10,505)**	**(10,505)**
Net book value at 31 December 2022	—	—
Net book value at 31 December 2023	**—**	**—**

2.3 Work obligation commitments

As at 31 December 2023 the Group had no capital commitments. There were no material obligations or contracts outstanding in relation to ongoing projects not provided for or disclosed in these Consolidated Financial Statements.

Section 3 – Working Capital

3.1 Trade and other receivables

Trade receivables are carried at original invoice amounts less any provision made for impairment of receivables. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debt.

	2023 $'000	2022 $'000
Other receivables	17	52
Prepayments	221	144
	238	196

At 31 December 2023 and 2022 the Group was owed $25.3 million by the government of the Syrian Arab Republic relating to oil delivered during the period of August to November 2011. The total amount invoiced was $31.2 million and to November 2011 an amount of $5.9 million had been paid. This asset was fully provided against in 2011 due to the uncertainties of recovery. The recovery of this amount is included within the impairment calculations modelled when reviewing the Syrian investment for any impairment, see note 4.2 for further details.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand by banks and other short-term investments with original maturities of three months or less. Balances held in bank accounts subject to escrow agreements as collateral for performance bonds issued are excluded from cash and cash equivalents and are shown as long-term financial assets.

	2023 $'000	2022 $'000
Cash at bank and in hand	636	1,108
Restricted cash balances	500	500
Total cash and bank resources	1,136	1,608
Included in long-term financial assets (note 3.3)	(500)	(500)
Total cash and cash equivalents	636	1,108

3.3 Long-term financial assets

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

Key accounting judgements, estimates and assumptions:

	2023 $'000	2022 $'000
Restricted cash balances	500	500
Total cash and cash equivalents	500	500

The amount of $0.5 million (31 December 2022: $0.5 million) relates the Group's Syrian Block 26 interest. If returned, half of this amount would be due to Gulfsands joint venture partner, Sinochem Group, and so a payable of $0.25 million has been included for this in non-current liabilities (note 3.4).

During 2022, $1.52 million of restricted cash was returned to the Company following mutual termination of the Llanos-50 licence in Colombia.

3.4 Trade and other payables

Trade payables are not interest-bearing and are stated at their nominal values.

	2023 $'000	2022 $'000
Current liabilities		
Trade payables	60	43
Accruals and other payables	415	497
	475	540
Non-current liabilities		
Trade payables, accruals and other payables	3,986	3,810
	3,986	3,810

Non-current liabilities include predominantly legacy items relating to the Syria business prior to the declaration of Force Majeure in 2011 due to UK Sanctions. This includes certain amounts that were in dispute at the time and certain amounts relating to parties subject to asset freezing regulations under the UK Sanctions regime. It is unclear if and when these amounts may become payable, and hence are treated as non-current liabilities. No discounting has been applied. These amounts will be re-assessed when the situation in Syria normalises.

3.5 Inventory

Inventories comprise materials and equipment, which are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing the materials and equipment to its present condition and location.

	2023 $'000	2022 $'000
Drilling and production inventory	514	750
Provisions	(514)	(750)
	–	–

Drilling and production inventory of $0.51 million (2022: $0.75 million) relates to Syrian operations. Given the uncertainties that remain around access to the inventory and ability to use it in the near term as a result of current UK Sanctions, the Group continues to fully provide against this value. During the year, the Group undertook a stocktake which resulted in writing down the gross inventory from $750k, to $514k.

3.6 Loans and borrowings

Group and Company

Recognition and measurement

Equity and debt instruments are classified as either equity or as financial liabilities in accordance with the substance of the contractual arrangement.

Secured Term Financing Facility

On 15 February 2017, the Company entered into a Secured Term Financing Facility of up to £4 million (~$5 million) (the "2017 Facility") with its Major Shareholders, Waterford, Blake and ME Investments Limited.

The 2017 Facility initially had a maturity date in February 2020. Amounts under the 2017 Facility were available for drawdown to meet general and administrative expenses of the Group and for working capital purposes, via a drawdown request mechanism, typically once every 6 months. The Outstanding Amount drawn down under the 2017 Facility initially attracted interest of 7% per annum, and any undrawn amount attracted a fee of 1% per annum.

At maturity, the entire Outstanding Amount would be repayable in cash unless the Company has exercised an equity conversion right. Under this equity conversion right, the 2017 Facility was extinguishable with equity at maturity, at the Company's option, into shares of the Company at a price set relative to either the current trading price of the shares or the lowest price at which the Company has raised equity capital during the life of the 2017 Facility (the "Extinguishment Option"). The Lenders also had the right to use any of the Outstanding Amount against their participation in any future equity financing, at a 10% discount ("Participation Option").

The entire 2017 Facility was 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 was Fides Trust Limited (previously Weighbridge Trust limited). The articles of association of Gulfsands Petroleum Limited were also 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.

The 2017 Facility was the major source of financing of the Group during the period 2017 to 2023, and was amended, and extended on a number of occasions, as follows:

Date	Increase in Amount	Extension of Maturity	Other Material Changes
March 2018	Additional £4 million in 4 tranches	To February 2021	None
November 2019	Additional £4 million in 4 tranches	To 31 December 2021	In parallel to a £1.4 million equity raise, and a conversion of £1 million of principal of the 2017 Facility. Participation Option amended to a formal Lenders Conversion Option. Removal of Interest and Commitment Fee going, forward.
December 2021	Additional up to £4 million in 4 tranches of between £750k and £1 million (per tranche)	To 31 December 2023	Both Extinguishment Option and Lenders Conversion Option fixed at an exercise price of 5 pence per share.

In March 2021, ME Investments Limited novated all its rights and obligations under the 2017 Facility to Waterford.

The amendments to the conversion feature in November 2019 and December 2021 necessitated a change in accounting treatment under IFRS 9. The Directors concluded that, in both cases, as a package, the changes made to the 2017 Facility were both in the best interests of the Company and were a fair package. The changes represented a significant modification under IFRS 9. However, the fair value of the loan, under the new terms were determined to be equivalent to the carrying value. Hence, no gain or loss was recognised by either amendment.

Since November 2019, despite the 2017 Facility bearing no interest an imputed interest of 12% per annum has been accrued in accordance with IFRS 9.

During 2023, £0.75 million (~$0.9 million) was drawn in April 2023, and £1.0 million (~$1.2 million) was drawn down in September 2023.

As at December 2023, the Outstanding Amount under the 2017 Facility was £14.055 million ($17.849 million). The Company exercised its Extinguishment Option over the entire Outstanding Amount, at an exercise price of 5 pence per share and the 2017 Facility was terminated in late December 2023. All related security arrangements were also terminated.

The Conversion was settled by the issuance of 192,706,643 new ordinary shares to Waterford for their 68.55% portion, being £9,635,332.11 (approximately $12,218k) of the 2017 Facility in December 2023. Settlement of the remaining 31.45% portion held by Blake, being £4,420,586.36 (approximately $5,629k) was deferred through a Deed of Settlement agreement. Under the Deed of Settlement, the Company had the right to settle the outstanding amount either in cash (for £4,420,586.36) or by the issuance of 88,411,728 shares. As at 31 December 2023, this amount was held on the Balance Sheet as the Equity Settlement Account. (see note 3.7).

Subsequent to the year end, in mid-May 2024, the Equity Settlement Account was settled through the issuance of 88,411,728 new ordinary shares to Blake at a price of 5 pence per share, in accordance with the Deed of Settlement.

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

	2023 $'000	2022 $'000
At 1 January	13,360	11,982
Loan draw-downs	2,159	1,566
Interest expense	1,772	1,409
Foreign exchange loss/(gain)	728	(1,340)
Transfer to capital contribution reserve (note 6.2)	(172)	(257)
Conversion into equity	(12,218)	–
Transfer to Equity Settlement Account (note 3.7)	(5,629)	–
At 31 December	–	13,360

As at 31 December 2023, the Group had $nil (£nil) (2022: $14.9 million [£12.3 million]) of debt outstanding including accrued interest and fees under the 2017 Facility.

3.7 Equity settlement account

As explained in Note 3.6 above, in December 2023, the Company converted and terminated the 2017 Facility (note 3.6, see above). The Settlement of the £4,420,586.36 ($5,629,000) of the 2017 Facility held by Blake was deferred in accordance with a Deed of Settlement agreement, which gave the Company the right to settle the outstanding amount either in cash (for £4,420,586.36) or by the issuance of 88,411,728 shares. As at 31 December 2023, a balance has been set up for this amount as an "Equity Settlement Account", to reflect this.

Subsequent to the year end, in mid-May 2024, the Equity Settlement Account was settled through the issuance of 88,411,728 new ordinary shares to Blake at a price of 5 pence per share, in accordance with the Deed of Settlement.

Section 4 – Other Assets and Liabilities

4.1 Investments

The Company's investments in subsidiary undertakings are shown below. All investments are in ordinary shares and are directly or indirectly owned by the Company as stated below:

Name of company	Proportion of voting shares at 31 December 2023	Nature of business	Country of incorporation
Directly held by the Company:			
Gulfsands Petroleum Ltd.[(a)]	100%	Holding company	Cayman Islands
Indirectly held by the Company:			
Gulfsands Petroleum Holdings Ltd[(a)]	100%	Holding company	Cayman Islands
Gulfsands Middle East Limited[(b)]	100%	Management services	Abu Dhabi
Gulfsands Petroleum Levant Ltd[(a)]	100%	Oil and gas exploration	Cayman Islands
Gulfsands Petroleum Iraq Ltd[(a)]	100%	Oil and gas exploration	Cayman Islands
Gulfsands Petroleum (MENA) Ltd[(a)]	100%	Oil and gas exploration	Cayman Islands

(a) Company registered address: 30 The Strand, 46 Canal Point Drive, Grand Cayman KY1-1105, Cayman Islands.
(b) The Company's registered address is: 24th Floor, 2461 Al Sila Tower, ADGM Square, Al Maryah Island, Abu Dhabi, UAE.

4.2 Financial asset held at fair value through other comprehensive income

Key accounting judgements, estimates and assumptions
Fair value of the Group's investment in Dijla Petroleum Company ("DPC")

The Group's investment in DPC, the entity established in Syria, pursuant to the Block 26 PSC, to administer the Group's Syrian oil and gas development and production assets (and which for this purpose is considered to also include the related rights to production under the PSC), is recorded as a "Financial asset held at fair value through other comprehensive income" investment.

Due to the unknown duration of UK 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 there are a wide range of possible fair value measurements. Management have reviewed their internal valuation methodology in 2023 (as well as prior years) and continues to believe that as a result of the further passage of time, the significant future uncertainty and the high degree of judgement required, it is not possible to reliably estimate the investment's fair value. As part of Managements internal valuation exercise, they have identified a range of valuations for the investment. Management have completed an assessment against the criteria outlined in IFRS9 and have concluded that for the aforementioned reasons the historical cost of $102 million represents the most appropriate fair value, with it being the last valuation which could be reliably determined. The investment cost of $102 million is within the wide range of potential outcomes calculated as part of the internal valuation method.

Financial assets held at fair value through other comprehensive income should be stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment's revaluation reserve.

Competent Person Report on the Block 26 Assets

During the year the Company's technical team updated their analysis of Block 26 assets including estimates of the oil and gas resources and the proposed Field Development Plan, incorporating recent production data and previously un-analysed reprocessed seismic collated prior to the declaration of Force Majeure. Following the completion of this work, the Company commissioned independent consulting firm Oilfield Production Consultants ("OPC") to prepare a new Competent Person's Report ("CPR") and economic evaluation of this revised analysis. This has confirmed a 50% increase in Contingent Resources and has reiterated that Block 26 could still contain over a billion barrels of recoverable resource with the potential for production levels of around 50,000 boepd from existing discoveries and over 100,000 boepd from a full block development incorporating potential exploration upside.

Details of the updated Resources estimates, and a further description of the Block 26 assets can be found in the Strategic Report on pages 20 – 23.

Impairment review of the Group's investment in DPC

For accounting purposes, as part of an internal review process, management assess the recoverability of the carrying value of the Financial asset held at fair value through other comprehensive income investment by comparison with the estimated discounted future net cash flows based on Management's expectation of the future production, hydrocarbon prices, estimated time to resumption of production and costs.

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 UK Sanctions, DPC is considered to be controlled by General Petroleum Corporation ("GPC"). Since the Group has neither joint control nor significant influence over the financial and operating policy decisions of the entity, it carries its investment in DPC and the associated rights under the Block 26 PSC as Financial asset held at fair value through other comprehensive income. The carrying value of the Financial asset held at fair value through other comprehensive income investment at 31 December 2023 is $102 million (2022: $102 million).

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

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

1. Oil price

For the year ended 31 December 2023 Management have used ERC Equipose Ltd's (Independent Energy Experts) Q1 2024 "base oil price deck" for the period from 2024 ($78/bbl) to 2033 ($90/bbl), and then a 2% per annum escalation factor applied thereafter as the forecast for the 'base case' comparative valuation for the impairment review. Given the other sources of oil price data reviewed, Management considers this to be an appropriate approach. However, sensitivities are provided below showing the impact that a 25% and 50% rise and fall in oil price would have on the impairment calculation.

2. Delay to resumption of production

Gulfsands cannot give a definite timeline for the resumption of the full field development of the discovered fields within Block 26 that was suspended under the declaration of Force Majeure in 2011. Whilst no definite timeline can be substantiated, the Board continues to believe that the UK Sanctions will be lifted within the next five years and will continue to monitor all activity focused on resolving the situation in Syria. Based on the current situation in Syria, and acknowledging the inherent uncertainty in any assumption regarding a return date, the Board has concluded, as it did last year, that an appropriate estimate for the resumption of operations is three years. Therefore, the Board has decided to use commencement of production in three years as the estimate 'base case' comparative valuation for the impairment review.

Other model assumptions

The model uses the production profiles based upon 2C contingent resources at Khurbet East (Massive, Butmah and Kurrachine Dolomite), Yousefieh (Massive) and Al Khairat (Massive). As part of the recent CPR and FDP work undertaken by OPC, production profiles were reanalysed and confirmed and incorporated into the model accordingly. Receivables are included in relation to oil produced and invoiced but not yet received, and oil produced and not yet invoiced, on the expectation that these amounts will be recovered once UK Sanctions are lifted. The table below is based on using a 15% discount rate to give a net present value ("NPV").

The economic model calculates:

- a Gross Contractor undiscounted NPV(0) of $4.63 billion;
- Gulfsands 50% interest, undiscounted NPV(0) of $2.31 billion; and
- Gulfsands 50% interest discounted NPV(10) of $732.5 million
- Gulfsands 50% interest discounted NPV(15) of $465.0 million.

The Group has used the NPV(15) of $465.0 million (2022: $334.0 million) to conclude that no impairment is necessary but the following table sets out the NPV(15) calculated when adjusting the two key drivers: oil price and time delay to resumption of production. All figures are presented in $ million:

	Delay to first production		
Oil price	One year delay	Three year delay	Five year delay
50% decrease	268.5	179.0	107.5
25% decrease	466.5	323.0	216.0
ERCE's Q1 2024 base oil price deck	663.5	465.0	316.5
25% increase	859.0	606.5	416.0
50% increase	1,054.5	747.5	515.0

The following table sets out the impact that changes in the key variables would have on the comparative valuation of the asset, $465.0 million, for the impairment review.

	Change in comparative valuation of investment from $465 million ($ million)
Delay until first production	
5 years	(148.5)
1 year	198.5
Oil price	
50% decrease	(286.0)
25% decrease	(142.0)
25% increase	141.5
50% increase	282.5
Change in discount rate to	
20%	(154.0)
10%	267.5
Change in forecast capex	
25% increase	(25.5)
25% decrease	25.0
Change in forecast opex	
25% increase	(7.0)
25% decrease	6.5

The Directors have reviewed the carrying value of this Financial asset held at fair value through other comprehensive income at 31 December 2023 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 once re-entry into Syria is completed. 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.

In a separate exercise to the valuation analysis above, as part of the recent CPR, OPC undertook an economic evaluation of the Company's entire Block 26 assets including both Contingent and Prospective Resources, as of 1 January 2024. This evaluation did not take into account any of the above-ground risks associated with the assets, but they did consider a range of possible valuation scenarios and indicated a central range of risked Expected Monetary Value ("EMV") of the Block 26 assets, including both Contingent and Prospective Resources, of $1.5 billion - $2.0 billion (net share to Gulfsands).

Section 5 – Results for the Year

5.1 Segmental analysis of continuing operations

For management purposes, during 2023 the Group operated in two geographical areas: Suspended operations in Syria (as discussed in note 4.2) and Abu Dhabi (2022: 2 - Suspended operations in Syria, and Colombia (which ceased in late 2022)). All segments are involved with the production of, and exploration for oil and gas. The "Other" segment represents corporate and head office costs.

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

Year ended 31 December 2023

	Syria $'000	Abu Dhabi $'000	Other $'000	Total $'000
Total administrative expenditure	(695)	(815)	(1,372)	(2,882)
Operating loss	(695)	(815)	(1,372)	(2,882)
Financing cost				(2,516)
Net loss from continuing operations				(5,398)
Total assets	102,651	7	716	103,374
Total liabilities	(4,123)	(33)	(5,934)	(10,090)
E&E capital expenditure	—	—	—	—

Year ended 31 December 2022

	Syria $'000	Colombia $'000	Other $'000	Total $'000
Total administrative expenditure	(768)	(298)	(1,680)	(2,746)
Recovery of restricted cash balances	—	1,520	—	1,520
Operating loss	(768)	1,222	(1,680)	(1,226)
Financing cost				(270)
Net loss from continuing operations				(1,496)
Total assets	102,576	—	1,228	103,804
Total liabilities	(4,090)	—	(13,620)	(17,710)
E&E capital expenditure	—	—	—	—

5.2 Operating loss

The Group's operating loss for continuing operations is stated after charging:

	2023 $'000	2022 $'000
Share-based payment charges (note 5.3)	198	57
Staff costs excluding share-based payments (note 5.5)	1,066	1,080
Lease rentals:		
Buildings	155	44

Leases

Rentals payable under leases are charged to the Income Statement on a straight-line basis over the lease term.

5.3 Share-based payments

The Company has made equity-settled share-based payments to certain employees, advisers and/or Directors by way of issues of share options. The fair value of these payments is calculated at grant date by the Company using the Black-Scholes option pricing model excluding the effect of non-market-based vesting conditions. The expense is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of the number of options that will eventually vest. At each Balance Sheet date, the Company revises its estimates of the number of options expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained profit.

The only share-based plan currently in operation is the Gulfsands Restricted Share Plan which was introduced in 2010 and was due to expire in 2020 but has been extended to 2030. Under this plan, share awards may be granted to Directors and members of staff and may be based upon length of service and/or linked to achievement of performance criteria. All instruments outstanding and issued during the year under this plan are share options to purchase Ordinary Shares in the Company.

Share options are issued with an exercise price generally equivalent to an estimate of the underlying share price at the date of grant, or such other exercise price as the Remuneration Committee may determine. Share options will usually have a deferred vesting period and a maximum validity period of ten years. The share-based payment charge for the period is based upon the requirements of IFRS 2 'Share-based Payment'. For this purpose, the estimated fair value of the share options granted was calculated using a Black-Scholes option pricing model. No dividends were factored into the model and volatility was estimated based on a combination of historic and anticipated price performance. The estimated fair value of share options with a deferred vesting period is charged to the Income Statement over the vesting period of the options concerned. The estimated fair value of options exercisable immediately is expensed at the time of issuance of the award. The charge for the year was **$198,000** (2022: $57,000) and further details are provided in note 6.1.

During 2016, John Bell was appointed Managing Director and Andrew Morris was appointed Finance Director. In view of the continuing uncertainty surrounding the Company's business in Syria and the shortage of available funds, it was decided that remuneration packages for these two executives should be a combination of base salary, bonuses and share options. Accordingly, John Bell was awarded 8 million share options and Andrew Morris 5 million share options. 4 million of Mr Bell's options and 3 million of Mr Morris' were set to vest quarterly over a two-year period from July 2016 dependent in part on continued service during that period and in part on performance criteria related to the achievement of strategic objectives. All these options have now vested.

The vesting schedule of the additional 4 million and 2 million options respectively was not set at the time of issuance but during 2018, the Board confirmed the vesting criteria would be based upon operational targets. In addition, contractual terms were clarified which resulted in Mr. Morris being issued an additional 1 million such options. Once vested, the options are exercisable for a period of 10 years (from 2016). In 2018, half of these remaining, unvested 2016 options vested on the completion of the Putumayo-14 farmout (2 million and 1.5 million options respectively). In May 2022, following confirmation of the mutual termination of the Llanos-50 licence, the remaining half of these options (2 million and 1.5 million options respectively) vested.

Share options were also granted to the Chairman and two new Non-Executive Directors in 2016. These options were not subject to performance criteria. Half of their respective awards vested on the date of award in 2016 and the other half vested after one year in mid-2017.

During 2017, 1,900,000 stock options were issued to key members of staff, which options were not subject to performance criteria and vested after one year.

During 2018, the Board issued additional options to Mr Bell and Mr Morris to vest based upon strategic goals in relation to Syria. Mr Bell was issued 8 million such options and Mr. Morris was issued 4 million such options ("2018 Executive Options"). These 2018 Executive Options accumulated to the holders over a period of 3 years but will only vest upon the achievement of key strategic milestones in respect of Syria. Once vested, the 2018 Executive Options are exercisable for a period of 10 years (from July 2018) and have a strike price of 5 pence.

During 2020 Mr Bell and Mr. Morris agreed to surrender 1,200,000 each of their 2018 Executive Options. Therefore, as of 31 December 2023, the number of outstanding 2018 Executive Options is 9,600,000, which have accumulated, but none have vested (Mr. Bell 6,800,000, Mr. Morris 2,800,000). These options have been fully charged to the profit and loss account based upon their accumulation schedule.

Also, during 2020, a tax advantaged Company Share Option Scheme (CSOP) was introduced for staff and Executive Directors. During the year 4,400,000 CSOP options (Executive Directors: 2,400,000, Staff: 2,000,000) were issued with a strike price of 5 pence per share. The CSOP options issued were scheduled to vest over a maximum of 3 years and have now all fully vested. The CSOP options are exercisable for a period of 10 years (from grant date in 2020).

As a result of the Mandatory Offer in May 2021, Mr Bell exercised 6 million 2016 options and Mr Morris exercised 4.5 million 2016 options into the Mandatory Offer. All other options were rolled forward to continue to exist under their original terms and the Gulfsands Restricted Share Plan. As a result of the Mandatory Offer the CSOP options continue to exist but have lost their tax advantaged status.

During 2021, 2,000,000 stock options were issued to members of Gulfsands Strategic Advisory Board which options are scheduled to vest in four tranches between December 2021 and June 2023 (all 2,000,000 options have vested as at 31 December 2023). These options have a maturity of 10 years from issuance and a strike price of 5 pence per share.

During 2022, 1,050,000 stock options were issued to John Bell and Andrew Morris, which options are not subject to performance criteria and vested immediately. These options have a maturity of 10 years from issuance and a strike price of 1 pence per share.

During 2023, 1,000,000 stock options were issued to a member of Gulfsands Strategic Advisory Board, which options are scheduled to vest in tranches between August 2023 and April 2024 (750,000 options have vested as at 31 December 2023). These options have a maturity of 10 years from issuance and a strike price of 5 pence per share.

Also during 2023, 2,100,000 stock options were issued to John Bell and Andrew Morris, which options are not subject to performance criteria and vested immediately. These options have a maturity of 10 years from issuance and a strike price of 1 pence per share.

Fair value of share options granted

The fair value of options granted under the share options scheme is estimated as at the date of grant using a variant of the Black Scholes model, taking into account the terms and conditions upon which the options are granted, which includes the performance conditions. The following table lists the inputs to the model used for the options granted in the year ended 31 December 2023.

Year Issued:	2023	2022
Dividend yield	n/a	n/a
Expected share price volatility	50.0%	50.0%
Risk free interest rate	5.0%	3.0%
Share price	5 pence	5 pence
Exercise price	1 pence / 5 pence	1 pence / 5 pence
Expected / maximum life of option (years)	10	10

5.4 Auditor’s remuneration

Details of the auditor’s remuneration is set out in the table below:	2023 $’000	2022 $’000
Fees payable to the Company’s principal auditor for the audit of:		
Company’s accounts	100	85
Company’s accounts additional fees charged by the auditor for the audit of the 2022 Annual Report	12	–
Company’s subsidiaries	–	–
Total audit fees	112	85
Audit related assurance services	–	–
Total non-audit fees	–	–
Fees payable to other auditors for the audit of:		
Company’s subsidiaries	5	20
Total audit fees	5	20
Taxation compliance services	8	8
Other taxation advisory services	–	–
Total non-audit fees	8	8

5.5 Staff costs

The aggregate payroll costs of Employees and Executive Directors were as follows:

	2023 $'000	2022 (restated) $'000
Salaries and fees	944	949
Pension costs	5	8
Social security costs	97	98
Share-based payment charges	117	57
Other benefits in kind	20	25
	1,183	1,137

The 2022 comparative costs have been restated to remove consultant costs, to be consistent with 2023.

The average number of employees and Executive Directors was 9 (2022: 8).

5.6 Directors' emoluments

Details of the remuneration of Directors are included in the Directors' Corporate Governance Report on page 37.

5.7 Taxation

Current tax

Current tax, including UK Corporation Tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

	2023 $'000	2022 $'000
Current Corporation Tax:		
UK Corporation Tax	—	—
Overseas Corporation Tax	—	—
Total credit	—	—

The Group's effective tax rate differs from the theoretical amount that would arise using the UK domestic corporation tax rate applicable to profits of the consolidated companies as follows:

	2023 $'000	2022 $'000
Total loss before tax from continuing operations	(5,398)	(1,496)
Tax calculated at domestic rate of 25% (2022: 19%)	(1,349)	(284)
Effects of:		
Expenses not deductible for tax purposes	—	(26)
PSC expenses not subject to corporation tax(1)	340	28
Tax losses utilised	—	87
Tax losses for which no deferred tax asset was recognised	1,004	133
Impact of local tax rates	5	62
	—	—

(1) The Group's tax liabilities in Syria are settled on its behalf by the national oil companies out of the latter's share of royalties and profit oil and, as such, are not reflected in the Group's tax charge for the year.

Deferred tax

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse. The recoverability of deferred tax assets is evaluated annually, and an impairment provision is made if it is more likely than not that the deferred tax asset will not give rise to future benefits in the Group's tax returns. Deferred tax assets are not provided where the Group does not consider it probable that sufficient future taxable profits will be made to offset the deductions represented by those deferred tax assets. In performing this calculation, the Group considers deferred tax balances relating to each tax authority separately. No deferred tax assets have been provided in respect of losses carried forward and other temporary timing differences as the Board does not consider it probable that sufficient future taxable profits will be made to offset the deductions represented by those deferred tax assets.

The tax effect of amounts for which no deferred tax asset has been recognised is as follows:

	2023 $'000	2022 $'000
DD&A and impairment in excess of tax allowances	190	190
Tax losses carried forward	14,854	11,088
Unrecognised deferred tax asset	(15,044)	(11,278)
Deferred tax asset/(liability) at 31 December	—	—

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Section 6 – Capital Structure and Other Disclosures

Equity instruments
Group and Company

Equity instruments issued by the Company, being any instruments with a residual interest in the assets of the Company after deducting all its liabilities, are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share premium account

The share premium account represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares.

Retained earnings

Cumulative net gains and losses recognised in the Statement of Comprehensive Income less any amounts reflected directly in other reserves. The share option reserve has been included within the retained deficit and is a non-distributable reserve.

6.1 Share capital

Group and Company	2023 $'000	2022 $'000
Allotted, called up and fully paid:		
765,202,428 Ordinary Shares of 1 pence (2022: 572,495,785 Ordinary Shares of 1 pence)	**21,934**	19,491

On 17 September 2015, each of the Company's existing ordinary shares were subdivided into one ordinary share of 1 pence and one deferred share of 4.7142865 pence. Consequently, other than the ordinary share referenced in the above table, there are in issue 121,989,500 deferred shares. The rights of both the ordinary and the deferred shares are as set out in the Articles of Association as amended 15 September 2015. Deferred shares in issue do not have voting rights and are not entitled to dividends.

The movements in share capital and share options were:

	Number of ordinary shares	Number of deferred shares	Number of 2010 Restricted Share Plan options	Weighted average price of options (pence)
At 31 December 2022	572,495,785	121,989,500	25,850,000	4.07
Equity issued during the year	192,706,643	—	—	—
Share options granted	—	—	3,100,000	2.29
Share options lapsing unexercised	—	—	(600,000)	4.25
At 31 December 2023	**765,202,428**	**121,989,500**	**28,350,000**	**3.79**

The 192,706,643 shares issued during the year to Waterford as a result of the conversion of the 2017 Facility in December 2023 (see Note 3.6).

The 2017 Facility conversion also gave rise to a potential obligation to issue 88,411,728 shares to Blake, under the terms of a Deed of Settlement agreement, whereby the Company had the right to settle the amount of the Share Settlement Account either in cash (for £4,420,586.36) or by the issuance of 88,411,728 shares.

Subsequent to the year end, in mid-May 2024, the Equity Settlement Account was settled through the issuance of 88,411,728 new ordinary shares to Blake at a price of 5 pence per share, in accordance with the Deed of Settlement.

The detail of the share options outstanding at 31 December 2023 are as follows:

Maturity date	Year share options vest	Exercise price of options (£ pence)	Number of share options
11 November 2026	See Note 5.3	1.00	3,500,000
11 November 2026	2016 - 2018	3.375	4,000,000
5 July 2028	2018	4.25	1,300,000
28 June 2028	See Note 5.3	5.00	9,600,000
30 June 2030	See Note 5.3	5.00	3,800,000
7 December 2031	See Note 5.3	5.00	2,000,000
31 December 2032	See Note 5.3	1.00	1,050,000
1 October 2032	See Note 5.3	5.00	1,000,000
31 December 2033	See Note 5.3	1.00	2,100,000
		3.79	28,350,000

Of the share options outstanding, 6,650,000 options have an exercise price of 1 pence per share, 4,000,000 options have an exercise price of 3.375 pence per share, 1,300,000 have an exercise price of 4.25 pence and 16,400,000 have an exercise price of 5.00 pence. The weighted average exercise price of stock options is 3.79 pence.

The highest share price during the year was £0.05 and the lowest price was £0.05 (2022: £0.045 and £0.045).

6.2 Capital contribution reserve

Group and Company	2023 $'000	2022 $'000
As at 1 January	3,251	2,994
Equity element of convertible loan note (see note 3.6)	172	257
Recycling of capital contribution reserve through retained earnings	(3,423)	—
At 31 December	—	3,251

As described in note 3.6 the capital contribution reserve was first established as a result of the 2019 amendment to the 2017 Facility when it became zero-coupon and convertible. It subsequently reflected the discounted value of the note as a result of the December 2021 amendment, and at each drawdown, at a rate of 12%. All subsequent drawdowns are also split between a debt and an equity element in accordance with IFRS 9. In late 2023, the 2017 Facility was converted and terminated, in parallel to which, the Capital Contribution Reserve was recycled through retained earnings. The treatment of the 2017 Facility itself is described in Note 3.6.

6.3 Financial instruments, derivatives and capital management

Risk assessment

The Group's oil and gas activities are subject to a range of financial risks, as described below, which can significantly impact its performance.

Liquidity risk

At the end of the year the Group had cash and cash equivalents of $0.64 million, and further bank balances of $0.5 million held in escrow to guarantee minimum work obligations. Cash forecasts identifying the liquidity requirements of the Group are produced frequently. These are reviewed regularly by management and the Board.

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial assets and liabilities based upon the earliest date on which the Group can be required to pay or receipt. The table includes both interest and gross undiscounted cash flows.

	Less than three months $'000	Three months to one year $'000	One to three years $'000	More than three years $'000	Total $'000
31 December 2023					
Current trade and other payables	(475)	—	—	—	(475)
Non-current trade and other payables	—	—	—	(3,986)	(3,986)
Equity settlement account	—	(5,629)	—	—	(5,629)
	(475)	(5,629)	—	(3,986)	(10,090)
31 December 2022					
Current trade and other payables	(540)	—	—	—	(540)
Non-current trade and other payables	—	—	—	(3,810)	(3,810)
Loan facility	—	(13,360)	—	—	(13,360)
	(540)	(13,360)	—	(3,810)	(17,710)

During 2022 and 2023, the loan facility had a weighted average effective rate of 0% (2022: 0%). Although there was no interest payable under the 2017 Facility, the non-cash effective interest rate of 12% was accrued on the discounted debt liability over the life of the facility, to reflect the Directors' view of the arm's length cost of funding of the business. No other balances in the table above are interest bearing.

Currency risk

The Group has currency exposure arising from transactions denominated in currencies other than the functional currency of the Company and all its subsidiaries, US Dollars. These transactions relate to certain costs of its operations which are denominated in local currencies or in Euro, and its head office costs, which are denominated in Pounds Sterling.

In Syria where operations are covered by PSCs, costs incurred in currencies other than US Dollars are recoverable under the terms of the PSC at the rate of exchange between US Dollars and that currency at the date of payment of the expense.

The Group maintains part of its cash balances in Pounds Sterling to defray head office costs but limits exposure to other currencies as far as practicable. The following table demonstrates the sensitivity to changes in the US Dollar exchange rate, with all other variables held constant, on the Group's net assets:

	Change in US Dollar rate	Effect on net assets $'000
2023	**(+ or –) 5%**	**+/- 43**
2022	(+ or –) 5%	+/- 58

The following table demonstrates the sensitivity to changes in the US Dollar exchange rate, with all other variables held constant, on the Group's loss before tax:

	Change in US Dollar rate	Effect on loss before tax $'000
2023	**(+ or –) 5%**	**+/- 270**
2022	(+ or –) 5%	+/- 88

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Group. The Group's operations are typically structured via contractual joint venture arrangements. As such, the Group is reliant on joint venture partners to fund their capital or other funding obligations in relation to assets and operations which are not yet cash generative. The Group closely monitors the risks and maintains a close dialogue with those counterparties considered to be highest risk in this regard.

In addition, the Company is reliant for funding upon the availability of £2 million under the 2023 Equity Financing. The Board remains in regular dialogue with Major Shareholder(s) to ensure the Group retains their ongoing support.

To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. The Directors do not consider that any further provision is necessary against any financial assets.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and, to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of net debt (borrowings as disclosed in note 3.6 after deducting cash and cash equivalents and restricted cash balances as disclosed in note 3.2) and equity of the Group (comprising issued capital, reserves and retained earnings).

Financial assets

The Group's financial assets consist of long-term financial assets, its Financial asset held at fair value through other comprehensive income investment in DPC, cash at bank and receivables. The interest rate profile at 31 December for these assets at US Dollar equivalents was as follows:

	Financial assets on which interest is earned $'000	Financial assets on which no interest is earned $'000	Total $'000
2023			
US Dollar	5	102,516	102,521
Pound Sterling	—	558	558
Euro	—	159	159
Other currencies	—	136	136
	5	103,369	103,374
2022			
US Dollar	5	102,512	102,517
Pound Sterling	—	985	985
Euro	—	179	179
Other currencies	—	123	123
	5	103,799	103,804

The Pound Sterling, Euro and Syrian Pound assets principally comprise cash in hand, cash in instant access accounts and short-term money market deposits. The US Dollar assets represent a Financial asset held at fair value through other comprehensive income financial asset, cash on call accounts, money market accounts, and short-term receivables.

The Group is not sensitive to fluctuations in the interest rate received on bank and money market deposits and accordingly no sensitivity analysis is published.

Included in financial assets on which no interest is earned at 31 December 2023 and 2022 was a gross amount of $25.3 million of trade receivables that has been fully provided against. This amount is due from the government of the Syrian Arab Republic in respect of oil sales in Syria. Due to the ongoing sanctions against the country's oil industry the payment of this amount has been delayed and, taking into account the current exceptional circumstances in Syria and the consequential difficulty of predicting the timing of future payment, has been fully impaired. The recovery of this amount is included within the impairment calculations modelled when reviewing the Syrian investment for any impairment, see note 4.2 for further details.

The remaining trade receivables consist of amounts receivable from various counterparties where the Group considers the credit risk to be low. This risk is monitored by the Group.

Primary Statements
Basis of Preparation
Oil and Gas Assets
Working Capital
Other Assets/Liabilities
Results for the Year
Capital Structure

Financial liabilities

The Group's financial liabilities consist of both short-term and long-term payables. None of the short and long-term payables bear interest to external parties. As at 31 December 2023, $5,629,000 (£4,420,586.36) is shown as an Equity Settlement Account, which was settled post-year-end (see note 3.7).

The Group's short-term liabilities are considered to be payable on demand. At 31 December financial liabilities are classified as shown below:

	Financial liabilities on which interest is charged $'000	Financial liabilities on which no interest is charged $'000	Total $'000
2023			
US Dollar	—	4,156	4,156
Pound Sterling	—	5,934	5,934
Other currencies	—	—	—
	—	10,090	10,090
2022			
US Dollar	—	4,090	4,090
Pound Sterling	13,360	260	13,620
Other currencies	—	—	—
	13,360	4,350	17,710

Although there was no interest payable under the 2017 Facility, the non-cash effective interest rate of 12% was accrued on the discounted debt liability over the life of the facility, to reflect the Directors' view of the arm's length cost of funding of the business.

Commodity price risk

The realisation of the carrying values of oil and gas assets within these Consolidated Financial Statements, and the value of the Group's Financial asset held at fair value through other comprehensive income financial assets, being the Syrian interests, are in part dependent upon future oil and gas prices achieved. Note 4.2 gives details of the impact of a change in the oil price on the valuation of Financial asset held at fair value through other comprehensive income financial assets. In 2023 and 2022 the Group did not enter into any derivative contracts.

Fair values

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 for these purposes which is considered to also include the related rights to production under the PSC), is recorded as an Financial asset held at fair value through other comprehensive income investment. Due to the unknown duration of UK Sanctions in force against Syria and uncertainty over the eventual outcome of events in the country, any valuation attributed to the investment is highly subjective and subject to material change and uncertainty. Management believes that as a result of the further passage of time and the high degree of judgement required, it is not possible to reliably estimate the investment's fair value. Management will therefore carry forward the last valuation which could be reliably determined, being the $102 million previously disclosed. This value will be reviewed periodically as described further in note 4.2. At 31 December 2023 and 2022, the Directors considered the fair values and book values of the Group's financial assets and liabilities to be level 3 valuations.

6.4 Related party transactions and key management

Key management of the Group are considered to be the Directors of the Company. Directors' interests in shares and their remuneration and share options are disclosed in the Directors' Corporate Governance Report on pages 33 and 37. The remuneration of Directors for each of the categories specified in IAS 24 'Related Party Disclosures' is:

	2023 $'000	2022 $'000
Short-term employee benefits	728	681
Short-based payments	117	57
	845	738

The 2017 Facility was deemed a related party transaction as a result of the affiliation of Director' Mr. Kroupeev to Major Shareholder and lender, Waterford. The 2023 Equity Financing, entered into with Waterford is therefore also a related party transaction.

All of the above related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Balances and transactions between the Company and its subsidiaries, which are related, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its subsidiaries are disclosed in note 5.6 of the Company Financial Statements. There were no other related party transactions of the Group during the years ended 31 December 2023 or 2022.

6.5 Obligations under leases

At the end of the year the Group had commitments for future minimum lease payments under non-cancellable leases as below (2022: restated to reflect the commitments, rather than the costs paid during the year):

	2023 Land and buildings $'000	Other $'000	2022 (restated) Land and buildings $'000	Other $'000
Amounts payable on leases:				
Within one year	2	–	2	–
In two to five years	—	–	–	–
	2	–	2	–

There are no future minimum sublease payments expected to be received under non cancellable subleases at the end of the reporting period (31 December 2022: $nil).

6.6 Contingent liabilities

Claim by Al Mashrek Group in Syria

In December 2016, Al Mashrek Global Investment Ltd ("Al Mashrek") 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 Group's 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 value of the claim is $2 million, although no justification has yet been provided for this value.

In 2018 the Courts in Damascus, Syria accepted the request of Al Mashrek to amend the name of the defendant from GPLL and the Syrian registered branch of GPLL, to Gulfsands Petroleum Plc. Consequently, a submission was made to the Court challenging its jurisdiction over a claim against Gulfsands Petroleum Plc, and the branch of GPLL in Syria also submitted a request to the Court to officially remove GPLL from the claim. Neither of these requests have yet been granted.

In connection with the original claim, the Court of Appeal of Damascus issued an order of provisional attachment on Gulfsands' moveable and immovable assets in Syria, including GPLL's share of Block 26. The plaintiff has not been successful in putting this provisional attachment order into effect. The Group therefore believes that there are no assets to which Al Mashrek's claim is attached.

During 2023 there were further hearings in Court. The Court awaits a Report from the Ministry of Petroleum and Mineral Resources, following which, the Court's expert will issue a Report to the Court, and the Court will then issue a preliminary decision.

Gulfsands continues to obtain legal advice on this matter and is determined to protect its rights in Syria, to resist and ultimately dismiss this claim.

Management believe the outflow of funds in relation to this claim to be unlikely and not probable, and therefore no provision has been made as at 31 December 2023.

6.7 Post balance sheet events

In March 2024, 20,000,000 new ordinary shares were issued to Waterford, following receipt of £1 million financing at a fixed price of 5 pence per ordinary share under the 2023 Equity Financing.

In mid-May 2024, the Company issued 88,411,728 new ordinary shares to Blake at a price of 5 pence per share in settlement of the Equity Settlement Account, in accordance with the Deed of Settlement.

Parent Company Financial Statements

Parent Company Financial Statements
and Notes to the Company Financial Statements

Primary Statements

Parent Company Primary Statements
This section contains the Company's primary Financial Statements.

p69 Company Balance Sheet
p70 Company Statement of Changes in Equity
p71 Company Cash Flow Statement
p72 Notes to the Parent Company Financial Statements

Basis of Preparation

Section 1 Basis of Preparation
This section contains the Group's significant accounting policies that relate to the Financial Statements as a whole. Significant accounting policies specific to one note have been included in that note. Accounting policies determined non-significant are not included in these financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

1.1 Authorisation of Financial Statements and statement of compliance with IFRSs
1.2 Adoption of International Financial Reporting Standards
1.3 Significant accounting policies
1.4 Critical accounting judgements and key sources of estimation uncertainty

Investments in Subsidiaries

Section 2 Investments in Subsidiaries
This section focuses on the Company's investments in subsidiaries.

2.1 Investments

Working Capital

Section 3 Working Capital
This section focuses on the working capital position of the company supporting its business.

3.1 Trade and other receivables
3.2 Cash and cash equivalents
3.3 Trade and other payables
3.4 Loans and borrowings
3.5 Equity settlement account

Results for the Year

Section 4 Results for the Year
This section focuses on the results and performance of the Company.

4.1 Revenue recognition
4.2 Leases
4.3 Share-based payments
4.4 Taxation

Capital Structure

Section 5 Capital Structure and Other Disclosures
The disclosures in this section focus on the issued share capital, the share schemes in operation and other mandatory disclosures.

5.1 Share capital
5.2 Capital contribution reserve
5.3 Financial instruments, derivatives and capital management
5.4 Foreign currency
5.5 Employees
5.6 Related party transactions
5.7 Post balance sheet event

Company Balance Sheet

as at 31 December 2023

	Notes	2023 $'000	2022 $'000
Assets			
Non-current assets			
Investments in subsidiaries	2.1	7,307	7,307
Amounts due from subsidiaries	3.1	56,032	54,461
		63,339	61,768
Current assets			
Trade and other receivables	3.1	143	167
Cash and cash equivalents	3.2	556	1,065
		699	1,232
Total assets		64,037	63,000
Liabilities			
Current liabilities			
Trade and other payables	3.3	305	261
Loans facility	3.4	—	13,360
Equity settlement account	3.5	5,629	—
		5,934	13,621
Non-current liabilities		—	—
Total liabilities		5,934	13,621
Net assets		58,103	49,379
Equity			
Capital and reserves attributable to equity holders			
Share capital	5.1	21,934	19,491
Share premium		122,684	112,909
Capital contribution reserve		—	3,251
Retained loss		(86,515)	(86,272))
Total equity		58,103	49,379

The Company has elected to take the exemption under section 408 of the Companies Act 2006, to not present the parent company income statement. The net loss for the parent Company was $3.9 million (2022: $0.5 million).

The Financial Statements of Gulfsands Petroleum plc (registered number: 05302880) were approved by the Board of Directors on 23 May 2024 and signed on its behalf by:

Andrew James Morris
Finance Director
23 May 2024

Parent Company Financial Statements
Company Statement of Changes in Equity
for the year ended 31 December 2023

	Share capital $'000	Share premium $'000	Capital contribution reserve $'000	Retained (loss)/profit $'000	Total equity $'000
At 1 January 2022	19,491	112,909	2,994	(85,809)	49,585
Loss for 2022	—	—	—	(520)	(520)
Transactions with owners					
Share-based payment charge	—	—	—	57	57
Equity element of convertible loan note	—	—	257	—	257
At 31 December 2022	19,491	112,909	3,251	(86,272)	49,379
Loss for 2023	—	—	—	(3,864)	(3,864)
Transactions with owners					
Shares issued	2,443	9,775	—	—	12,218
Share-based payment charge	—	—	—	198	198
Equity element of convertible loan note	—	—	172	—	172
Recycling of convertible loan note reserve through retained earnings	—	—	(3,423)	3,423	—
At 31 December 2023	**21,934**	**122,684**	**—**	**(86,515)**	**58,103**

Company Cash Flow Statement

for the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Operating loss		(1,355)	(437)
Share-based payment charge		198	57
Decrease in receivables	3.1	24	15
Increase in payables	3.3	45	70
Net cash used in operations		(1,088)	(295)
Finance expenses paid		(59)	(66)
Foreign exchange gains/(losses)		50	(148)
Funds transferred to subsidiaries		(1,571)	(714)
Net cash used in operating activities		(2,668)	(1,223)
Financing activities			
Loan draw-down		2,159	1,566
Net cash received from financing activities		2,159	1,566
Increase/(decrease) in cash and cash equivalents		(509)	343
Cash and cash equivalents at beginning of year		1,065	722
Cash and cash equivalents at end of year	3.2	556	1,065

Notes to the Parent Company Financial Statements

Section 1 – Basis of Preparation

1.1 Authorisation of Financial Statements and statement of compliance with IFRSs

Gulfsands Petroleum plc is a public limited company and incorporated in the United Kingdom. The principal activity of the Company is that of provision of services to its subsidiaries which are engaged in oil and gas production, exploration and development activities.

The Company Financial Statements for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 23 May 2024 and the Balance Sheet was signed on the Board's behalf by Andrew James Morris, Finance Director.

The Company Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 The principal accounting policies adopted are set out in note 1.3.

1.2 Adoption of International Financial Reporting Standards

The Company's Financial Statements for the year ended 31 December 2023 and for the comparative year ended 31 December 2022 have been prepared in accordance with UK adopted International Financial Reporting Standards ("UK adopted IFRS") in accordance with the provisions of the Companies Act 2006.

See note 1.3b to the Consolidated Financial Statements for details of new IFRS and interpretations.

1.3 Significant accounting policies

a) Basis of preparation and accounting standards

The Company's significant accounting policies used in the preparation of the Company Financial Statements are set out in the notes below.

The Company Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, except for share-based payments, under the historical cost convention. They have also been prepared on the going concern basis of accounting, for the reasons set out in note 1.3a to the Consolidated Financial Statements.

b) Reporting currency

These company Financial Statements are presented in US Dollars. The Company's operations are undertaken in Pounds Sterling, Euros and US Dollars. The majority of costs associated with foreign operations are paid in US Dollars and all loan balances with subsidiary undertakings are denominated in US Dollars. Therefore, the presentational and functional currency of the Company is the US Dollar. Gains and losses from foreign currency transactions, if any, are recognised in the Income Statement for the year. The effective exchange rate to the Pound Sterling for the year ended 31 December 2023 was £1: $1.24 (2022: £1: $1.25). The exchange rate to the Pound Sterling on 31 December 2023 was £1: $1.27 (2022: £1: $1.21).

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described below, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The Company's operations are undertaken in Pounds Sterling, Euros and US Dollars. The majority of costs associated with foreign operations are paid in US Dollars and all loan balances with subsidiary undertakings are denominated in US Dollars. The most appropriate presentational and functional currency is considered to be the US Dollar. Such judgement is reviewed periodically.

IFRS 9, requires the Company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess intercompany loan receivables from the Companies subsidiaries for impairment. Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The following was considered; the exploration project risk, country risk, the expected future oil prices, the value of the potential reserves, the ability to sell the project, and the ability to find a new farm-out partner.

Section 2 – Investments in Subsidiaries

2.1 Investments

The Company's investments in subsidiary companies are included in the Company Balance Sheet at cost, less provision for any impairment.

The Company's fixed asset investment of $7.3 million represents the historic cost of acquisition of the entire share capital of Gulfsands Petroleum Ltd by means of a share-for-share exchange in 2005, less any required provision for impairment.

The Company's investments in subsidiary undertakings are shown in note 4.1 to the Consolidated Financial Statements.

Section 3 –Working Capital

3.1 Trade and other receivables

Trade receivables are carried at original invoice amounts less any provision made for impairment of receivables. A provision for impairment of trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt.

	2023 $'000	2022 $'000
Current		
Other receivables	17	28
Prepayments	126	139
	143	167
Non-current		
Amounts due from subsidiaries	56,032	54,461

Further details on the amounts due from subsidiaries are included in note 5.6.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand by banks and other short-term investments with original maturities of three months or less. Balances held in bank accounts subject to escrow agreements as collateral for performance bonds issued are excluded from cash and cash equivalents and are shown as long-term financial assets.

	2023 $'000	2022 $'000
Cash at bank and in hand	556	1,065
Total cash and cash equivalents	556	1,065

3.3 Trade and other payables

Trade payables are not interest bearing and are stated at their nominal values.

	2023 $'000	2022 $'000
Current		
Trade payables	28	43
Accruals and other payables	277	218
	305	261

3.4 Loans and borrowings

See note 3.6 to the Consolidated Financial Statements.

3.5 Equity settlement account

See note 3.7 to the Consolidated Financial Statements.

Section 4 – Results for the Year

4.1 Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable.

Income Statement and total revenue

No individual Income Statement is presented in respect of the Company as permitted by section 408 of the Companies Act 2006. The Company's loss for the year was $3.9 million (2022: $0.5 million). There was no revenue during 2023, as defined by IFRS15 Revenue Recognition (2022: nil). The Company operates in one segment, that of the provision of services to Group undertakings, and in one geographical area, the United Kingdom.

4.2 Leases

Rentals payable under leases are charged to the Income Statement on a straight-line basis over the lease term.

Obligations under leases

At the end of the year the Company had commitments for future minimum lease payments under non-cancellable leases in respect of land and buildings of $2k (31 December 2022: $2k) within one year and $nil (31 December 2022: $nil) between two and five years.

4.3 Share-based payments

See note 5.3 to the Consolidated Financial Statements.

4.4 Taxation

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

No deferred tax assets have been provided in respect of losses carried forward in the UK and other temporary timing differences as the Board does not consider it probable that sufficient future taxable profits will be made to offset the deductions represented by those deferred tax assets.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse. The recoverability of deferred tax assets is evaluated annually and an impairment provision is provided if it is more likely than not that the deferred tax asset will not give rise to future benefits in the Company's tax returns.

Deferred tax assets/(liabilities)

	2023 $'000	2022 $'000
Tax losses carried forward	14,854	11,088
Depreciation in advance of capital allowances	—	190
Unprovided deferred tax asset	(14,854)	(11,278)
Deferred tax asset/(liability) at 31 December	—	—

The tax losses of the Company have no expiry date.

Section 5 –Capital Structure and Other Disclosures

Equity instruments

Equity instruments issued by the Company, being any instruments with a residual interest in the assets of the Company after deducting all its liabilities, are recorded at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share premium account

The share premium account represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares.

Retained earnings

Cumulative net gains and losses recognised in the Statement of Comprehensive Income less any amounts reflected directly in other reserves. The share option reserve has been included within the retained deficit and is a non-distributable reserve.

5.1 Share capital

See note 6.1 to the Consolidated Financial Statements.

5.2 Capital contribution reserve

See note 6.2 to the Consolidated Financial Statements.

5.3 Financial instruments, derivatives and capital management

The financial risks of the Company are principally in respect of balances held in bank accounts and on deposit, and balances owed to, or owed by, subsidiary undertakings. Balances owed to, or owed by, subsidiary undertakings are all denominated in US Dollars. Other risks are managed on a unified basis with the Group and a full disclosure of these risks is made in note 6.3 to the Consolidated Financial Statements. The exposure of the Company to interest rate and currency movements is not significant. Given the 2017 Facility is convertible into equity by the Lenders or the Company, and that the Company's equity and 2017 Facility are denominated in Pounds Sterling, foreign currency exposure of the 2017 Facility is not included in this analysis.

A summary of the financial assets of the Company is set out below:

	Financial assets on which interest is earned $'000	Financial assets on which no interest is earned $'000	Total $'000
2023			
US Dollar	4	56,043	56,047
Pound Sterling	—	558	558
Euro	—	121	121
Other currencies	—	5	5
	4	56,727	56,731
2022			
US Dollar	17	54,461	54,478
Pound Sterling	901	167	1,068
Euro	147	–	147
	1,065	54,628	55,693

A summary of the financial liabilities of the Company is set out below:

	Financial liabilities on which interest is earned $'000	Financial liabilities on which no interest is earned $'000	Total $'000
2023			
US Dollar	—	—	—
Pound Sterling	—	5,934	5,934
Other currencies	—	—	—
	—	5,934	5,934
2022			
US Dollar	—	—	—
Pound Sterling	13,360	261	13,621
Other currencies	—	—	—
	13,360	261	13,621

Although there was no interest payable under the 2017 Facility, the non-cash effective interest rate of 12% was accrued on the discounted debt liability over the life of the facility, to reflect the Directors' view of the arm's length cost of funding of the business.

The 2017 Facility was converted and terminated in late 2023. As at 31 December 2023, the Group had $nil (£nil) (2022: $14.9 million [£12.3 million]) outstanding. See financial liabilities, note 6.3 of the Consolidated Financial Statements, for further details.

The Conversion was settled by the issuance of 192,706,643 new ordinary shares to Waterford for their 68.55% portion, being £9,635,332.11 (approximately $12,218k) of the 2017 Facility in December 2023. Settlement of the remaining 31.45% portion held by Blake, being £4,420,586.36 (approximately $5,629k) was deferred through a Deed of Settlement agreement. Under the Deed of Settlement, the Company had the right to settle the outstanding amount either in cash (for £4,420,586.36) or by the issuance of 88,411,728 shares. As at 31 December 2023, this amount was held on the Balance Sheet as the Equity Settlement Account. See Equity Settlement Account, note 3.7 of the Consolidated Financial Statements, for further details.

Subsequent to the year end, in mid-May 2024, the Equity Settlement Account was settled through the issuance of 88,411,728 new ordinary shares to Blake at a price of 5 pence per share, in accordance with the Deed of Settlement.

5.4 Foreign currency

Foreign currency transactions are translated to the functional and reporting currency of US Dollars at the rates prevailing when the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the Balance Sheet date. All differences are taken to the Income Statement.

5.5 Employees

The average monthly number of persons employed by the Company, including Executive Directors was three (2022: 3).

5.6 Related party transactions

(i) Transactions with Directors:

Transactions with Directors are disclosed in note 6.4 to the Consolidated Financial Statements and in note 3.6 to the Consolidated Financial Statements. Interests in shares and their remuneration and share options are disclosed in the Directors' Corporate Governance Report on pages 33 and 37.

(ii) Transactions with subsidiary Companies:

The Company traded with various undertakings within the same Group during the years ended 31 December 2023 and 2022. IFRS 9 requires the Company to assess expected credit losses on intercompany loan receivables balances which are classified as held at amortised cost, under a forward-looking model approach. Intercompany loans are interest free and repayable on demand.

The Directors have assessed the cash flows associated with a number of different recovery scenarios, which includes consideration of the exploration project risk, country risk, the expected future oil prices, the value of the potential reserves, the ability to sell the project, and the ability to find a new farm-out partner. The credit loss allowance was assessed during 2023 and there was no increase/decrease in the expected credit loss allowance (2022: $nil).

A summary of the transactions and outstanding balances at the year-end is set out below.

Balances owed by / (owed to) related parties

Name of related party	Nature of relationship	Commercial terms	2023 $'000	2022 $'000
Gulfsands Petroleum Ltd	Subsidiary	Non-interest bearing	56,032	54,261
Gulfsands Middle East Limited	Subsidiary	Non-interest bearing	—	200
Gulfsands Petroleum MENA Ltd	Subsidiary	Non-interest bearing	—	2,500
		Provision	—	(2,500)
Gulfsands Petroleum Iraq Ltd	Subsidiary	Non-interest bearing	—	5,943
		Provision	—	(5,943)
Total			56,032	54,461

Services recharged to related parties

	2023		2022	
Name of related party	Time writing $'000	Indirect overhead $'000	Time writing $'000	Indirect overhead $'000
Gulfsands Petroleum Levant Ltd	409	—	399	—
Gulfsands Middle East Limited	—	426	70	—

(iii) Controlling party:
The parent company's immediate controlling party is Waterford, and the ultimate controlling party is Waterford.

5.7 Post balance sheet events
Post balance sheet events are disclosed in note 6.7 to the Consolidated Financial Statements.

Glossary of Terms

1C Low estimate (P90) Contingent Resources

2C Best estimate (P50) Contingent Resources

3C High estimate (P10) Contingent Resources

bbls Barrels of oil

bcf Billion cubic feet of gas

boe Barrels of oil equivalent

boepd Barrels of oil per day

Blake Blake Holdings Limited

CPR Competent Persons Report

CSOP Company Share Option Plan

DD&A Depletion, depreciation and amortisation

DPC Dijla Petroleum Company

E&E / E&P Exploration and evaluation / Exploration and production

ERCE ERC Equipoise Limited (Independent Energy Experts)

Fides Fides Trust Limited

FDP Field Development Plan

G&A General and administrative expenses

GMEL Gulfsands Middle East Limited

GPC General Petroleum Corporation

Gulfsands Levant Gulfsands Petroleum Levant Limited

HCIIP Hydrocarbons Initially In Place

HSSE Health, safety, environment and security

IFRS International Financial Reporting Standards

km Kilometres

km² Square kilometres

KPI Key performance indicator

Major Shareholder Waterford

Major Shareholders Waterford and Blake

MENA Middle East and North Africa

mmbbl Millions of barrels of oil

mmboe Millions of barrels of oil equivalent

mmsbt Million Stock Tank Barrels

NGLs Natural gas liquids

NPV Net present value

OPC Oilfield Production Consultants

P10 There exists a 10% probability that the true quantity or value is greater than or equal to the stated P10 quantity or value

P50 There exists a 50% probability that the true quantity or value is greater than or equal to the stated P50 quantity or value

P90 There exists a 90% probability that the true quantity or value is greater than or equal to the stated P90 quantity or value

Possible Reserves Possible Reserves are those additional reserves which analysis of geological and engineering data suggests are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (“3P”) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be more than a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

Probable Reserves Probable Reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be more than a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated Proved plus Probable Reserves.

Proved Reserves Proved Reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty (normally over 90% if measured on a probabilistic basis) to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

PRMS The 2018 Petroleum Resources Management classification system of the SPE

PSC Production Sharing Contract

SDG Sustainable Development Goals

SPE Society of Petroleum Engineers

UN United Nations

UK Sanctions Sanctions applicable in the UK and to UK persons at any given time:

- for the period until and including 31 December 2020, EU sanctions, and the UK regulations relating to them (including Regulation (EU) No 36/2012 and The Syria (European Union Financial Sanctions) Regulations 2012); and
- for the period from 1 January 2021 onwards, UK sanctions made under the Sanctions and AML Act 2018, including The Syria (Sanctions)(EU Exit) Regulations 2019.

Waterford Waterford Finance and Investment Limited

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Shareholder Information

Post delisting trading in Gulfsands Petroleum PLC shares

Gulfsands Petroleum Plc ("Gulfsands") shares may be bought and sold through an electronic trading platform administered by Asset Match. www.assetmatch.com

Shareholders wishing to trade shares on Asset Match must do so through a UK stockbroker. Asset Match's preferred broker is shareDeal active (www.sharedealactive.co.uk). However please contact Asset Match to confirm whether your existing broker is set-up to deal.

The Asset Match trading facility operates under its own code of practice which governs the behaviour of participants and the running of the periodic auctions. Asset Match operates an open auction system where volumes of bids and offers at different prices are displayed on its website together with the closing date of the auction. At the end of each auction period Asset Match pass this information through a non-discretionary algorithm that determines a "market-derived" share price based on supply and demand and allocates transactions accordingly. Bids and offers may be made and withdrawn at any time before the closing date of each auction.

Shareholders are encouraged to register at www.assetmatch.com and direct any enquiries by email to dealing@assetmatch.com or alternatively Tel. 020 7248 2788.

Asset Match is authorised and regulated by the Financial Conduct Authority.

If you have any queries regarding your shareholding or wish to advise any amendments, such as change of address, please contact our Registrars:

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