

1 September 2022

Gulf Keystone Petroleum Ltd. (LSE: GKP)
 ("Gulf Keystone", "GKP", "the Group" or "the Company")

2022 Half Year Results Announcement

Gulf Keystone, a leading independent operator and producer in the Kurdistan Region of Iraq, today announces its results for the half year ended 30 June 2022.

Jon Harris, Gulf Keystone's Chief Executive Officer, said:

"With the strengthening oil price and increased production, we have delivered strong profitability and cash flow generation in the first half of the year. As we progress towards approval of the Field Development Plan, we have continued to develop the Shaikan Field and recently resumed drilling with the spud of SH-16. We have paid a record \$190 million of dividends in 2022 and are pleased today to announce an incremental interim dividend of \$25 million, increasing total dividends declared this year to \$215 million. While delivering a sector leading dividend yield, we have also maintained a strong balance sheet, redeeming our \$100 million bond leaving the Company debt free.

Looking ahead to the rest of the year, we are focused on progressing towards FDP approval and achieving our production and opex guidance as we continue to optimise production from the field while maintaining a rigorous focus on costs. We have raised our 2022 capex guidance to \$110-\$120 million as we have added the drilling of SH-16 and are progressing initial procurement activities for the installation of water handling facilities, which will enable us to unlock additional production from our wells in the future.

We remain focused on balancing investment in growth with shareholder returns. Continued robust cash generation provides flexibility to consider funding future capital expenditures and further distributions to shareholders, while preserving adequate liquidity."

Highlights to 30 June 2022 and post reporting period

Operational

- Strong safety performance, with no Lost Time Incident ("LTI") recorded for 315 days
- 2022 year to date gross average production increased by 3.6% to c.45,000 bopd as compared to the FY 2021 average of 43,440 bopd
- Continued to progress delivery of our 2022 work programme:
 - SH-15 drilled and brought online in April 2022 in record time
 - SH-16 (formerly SH-M) and SH-N well pad completed in preparation for resumption of drilling
 - Well workovers and interventions completed on two wells to optimise production rates
 - Progressing preparatory work for the expansion of the production facilities, including procurement activities for the installation of water handling capacity
- Resumed drilling activities late August with the spud of SH-16:
 - Targeting production start-up into PF-2 towards the end of the year

Financial

- Free cash flow more than doubled to \$177.3 million (H1 2021: \$66.7 million), driven by the strengthening oil price and continued production growth, enabling the Company to deliver against its strategic commitment of balancing investment in growth with shareholder returns
- Dividends declared of \$215 million in 2022, providing shareholders with a sector-leading dividend yield of 36% based on GKP's closing price on 30 August 2022
- Significant increase in Adjusted EBITDA and profitability in H1 2022:
 - Adjusted EBITDA up 122% to \$208.6 million (H1 2021: \$93.8 million)
 - Profit after tax up 151% to \$162.8 million (H1 2021: \$64.8 million)
 - Realised price up 93% to \$84.3/bbl (H1 2021: \$43.7/bbl)
 - Gross average production increased 3% to 44,941 bopd (H1 2021: 43,516 bopd)
 - Revenue up 102% to \$263.6 million (H1 2021: \$130.7 million)
 - Gross Opex per barrel of \$2.9/bbl (H1 2021: \$2.4/bbl), at low end of 2022 guidance of \$2.9-\$3.3/bbl
- Net capex of \$41.8 million (H1 2021: \$14.1 million), primarily related to the drilling of SH-15, well interventions and workovers, well pad construction, procurement of flowlines and plant expansion activities

- \$354.4 million net to GKP received year to date from the Kurdistan Regional Government ("KRG") for crude oil sales and revenue arrears, with the arrears balance related to the November 2019 to February 2020 invoices fully recovered
- \$100 million outstanding bond redeemed in August, leaving the Company debt-free and eliminating annual interest costs of \$10 million
- Robust balance sheet maintained with cash balance of \$112.0 million at 31 August 2022

Outlook

- 2022 gross average production guidance reiterated at 44,000-47,000 bopd
 - Continuing to optimise production through prudent management of existing well stock, delivery of well workover and intervention programme and addition of SH-16
- Gross Opex guidance of \$2.9-\$3.3/bbl remains unchanged
- Increasing 2022 net capex guidance from \$85-\$95 million to \$110-\$120 million
 - Primarily driven by the drilling of SH-16 and initial procurement activities related to the installation of water handling capacity
- While timing of Field Development Plan ("FDP") approval remains uncertain, we continue to engage with the Ministry of Natural Resources ("MNR") towards project sanction and are progressing the tendering process for the Gas Management contract. We are also monitoring the potential impact of global supply chain pressures and logistical challenges on the costs and schedule of the FDP
- We continue to monitor the long running dispute between the Federal Iraqi Government and the KRG on the management of oil and gas assets in Kurdistan. Our operations currently remain unaffected

Shareholder distributions

- The Company has announced an ordinary dividend policy of at least \$25 million per year and, with free cash flow, is committed to maximising distributions taking into account various factors, including investment levels required to achieve production targets, deliver profitable growth and satisfy PSC obligations, and preserve adequate liquidity to manage geopolitical, KRG payment and market uncertainties
- Today we are declaring an interim dividend of \$25 million, increasing total dividends declared in 2022 to \$215 million:
 - \$25 million interim dividend is equivalent to 11.561 US cents per Common Share of the Company and is expected to be paid on 7 October 2022, based on a record date of 23 September 2022 and ex-dividend date of 22 September 2022
- Assuming timely payment of invoices and continuing strong oil prices, we expect continued robust cash flow generation, which would provide flexibility to consider funding future capital expenditures and further distributions to shareholders, while preserving adequate liquidity
- With continued progress towards implementing the FDP, the Company expects to firm up the future estimated timing and levels of investment and review the dividend policy

Investor & analyst presentation

Gulf Keystone's management team will be presenting the Company's 2022 Half Year Results at 10:00am (BST) today via live audio webcast:

<https://stream.brrmedia.co.uk/broadcast/62f6364cb629a70556524626>

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) no. 596/2014 (as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018).

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Notes to Editors:

Gulf Keystone Petroleum Ltd. (LSE: GKP) is a leading independent operator and producer in the Kurdistan Region of Iraq. Further information on Gulf Keystone is available on its website www.gulfkeystone.com

Disclaimer

This announcement contains certain forward-looking statements that are subject to the risks and uncertainties associated with the oil & gas exploration and production business. These statements are made by the Company and its Directors in good faith based on the information available to them up to the time of their approval of this announcement but such statements should be treated with caution due to inherent risks and uncertainties, including both economic and business factors and/or factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. This announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. This announcement should not be relied on by any other party or for any other purpose.

CEO review

In the first six months of the year, we delivered record production and free cash flow, demonstrating the leverage the low cost Shaikan Field has to increases in the oil price. We are focused on delivering our strategy, balancing investment in the field while rewarding our shareholders. This year, we have delivered a sector-leading dividend yield. We continue to make good progress towards FDP approval and have significant financial flexibility after the recent repayment of our \$100 million bond leaving us debt-free.

As ever, safety has been the bedrock of our performance and I'm very pleased to report we have been operating for 315 LTI-free days, even as we continue to increase activity.

We also remain focused on delivering our broader sustainability strategy priorities. We are progressing the Gas Management Plan tendering process, which underpins our target of more than halving our emissions intensity by 2025. We are investing heavily in local employment and suppliers. We have also completed a number of impactful local community projects this year, notably developing and funding a hydroponic fodder facility to support local agriculture, developing local skills and providing equipment to enable business start-ups with our NGO partners. In addition, we are preparing to provide enhanced grain seed to over 500 local farmers to improve crop yields.

Gross average production in 2022 has averaged c.45,000 bopd, an increase compared to 2021 gross average production of 43,440 bopd. Current investment activity is focused on drilling, optimising production and preparing for future production growth with water handling capability.

SH-15 was drilled in record time and brought online in April. To date, the well workover and intervention programme has optimised production from two wells. We are also progressing preparatory activities for the expansion of the production facilities, including initial procurement activities for water handling facilities, and we recently completed the construction of the well pad that will be used to drill both SH-16 (formerly SH-M) and SH-N. SH-16 was spudded in August and will, on completion, be tied into PF-2.

As per previous announcements, we continue to monitor the long running dispute between the Federal Iraqi Government and the KRG on the management of oil and gas assets in Kurdistan, including any potential restrictions placed on service contractors by the Iraqi Ministry of Oil and exports of crude oil. Our operations currently remain unaffected and we continue to work closely with the KRG, our advisers and other stakeholders to protect the Company's interests.

Looking ahead to the remainder of 2022, we are on track to meet our gross average production guidance of 44,000 – 47,000 bopd and our gross Opex guidance of \$2.9-\$3.3/bbl. We are also increasing our net Capex guidance from \$85-\$95 million to \$110-\$120 million, primarily reflecting the addition of SH-16 and initial procurement activities related to the installation of water handling capacity.

We continue to maintain an active dialogue with the MNR and, while timing remains uncertain, we are progressing towards approval of the FDP. With continued progress towards implementing the FDP, the we expect to firm up the future estimated timing and levels of investment and review our dividend policy, which we understand is critical to our shareholders. In the meantime, with timely payments and continuing strong cash flow we will continue to consider funding future capex and additional distributions, while preserving adequate liquidity.

I would like to thank our teams in Kurdistan and the UK for their continued commitment to GKP and hard work in the year to date. We are excited about the future and the whole organisation is focused on the sustainable development of the Shaikan Field for the benefit of all stakeholders.

Jon Harris

Chief Executive Officer

Operational Review

I'm delighted to have joined Gulf Keystone as Chief Operating Officer. In my first four months at the Company, I have been impressed by the ability and ambition of our teams in Kurdistan and the UK and the opportunity we have to drive growth and value from the Shaikan Field for the benefit of our stakeholders. I am excited about the path ahead.

Our operational activity in the first half of the year has focused on safely drilling and ramping up new wells, optimising production through the delivery of the well workover and intervention programme and preparing our field infrastructure for future production growth. As operational activity continues to increase, we remain focused on our strong safety performance. To date, we have achieved 315 days without an LTI.

Gross average year to date production from the Shaikan Field has been c.45,000 bopd, slightly higher than gross average production of 43,440 bopd in 2021. Production has been supported by the ramp up of new wells, notably SH-13 and SH-14 in January and recently SH-15, offsetting natural field decline. In addition, output has been constrained ahead of the planned installation of water handling as we prudently manage wells to avoid traces of water.

After completion of the pad that will be used to drill both SH-16 and SH-N, we were pleased to spud SH-16 late August and are targeting production start-up of the well towards the end of the year into PF-2.

We are also progressing preparatory activities for the expansion of the production facilities, including the installation of water handling. While the timing of installation remains uncertain, given we are in the initial stages of procurement and due to ongoing equipment lead time pressures in a supply constrained market, we expect that the installation of water handling facilities will enable increased production from existing wells.

This activity is enabling us to maintain momentum as we work towards approval of the FDP. We are working closely with the MNR to optimise the FDP and we submitted a revised plan in June. Simultaneously, we have been progressing the tender process for the Gas Management Plan. We are closely monitoring the market environment and potential impact of global supply chain pressures and logistical challenges on the FDP's costs and schedule.

Looking ahead to the rest of the year, we remain focused on delivering our gross average production guidance of 44,000-47,000 bopd as we continue to optimise production from our existing wells and drill SH-16.

John Hulme

Chief Operating Officer

Financial Review

Key financial highlights

		Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Gross average production ¹	bopd	44,941	43,516	43,440
Dated Brent ²	\$/bbl	107.6	64.9	70.8
Realised price ^{1,3}	\$/bbl	84.3	43.7	49.7
Revenue	\$m	263.6	130.7	301.4
Operating costs	\$m	18.9	15.0	34.4
Gross operating costs per barrel ¹	\$/bbl	2.9	2.4	2.7
Other general and administrative expenses	\$m	6.1	5.4	13.6
- Incurred in relation to Shaikan Field	\$m	2.1	2.1	4.1
- Corporate G&A	\$m	4.0	3.3	9.5
Share option expense	\$m	11.5	6.5	8.5
Adjusted EBITDA ¹	\$m	208.6	93.8	222.7
Profit after tax	\$m	162.8	64.8	164.6
Basic earnings per share	cents	75.9	30.5	77.1
Revenue and arrears receipts ¹	\$m	272.4	106.4	221.7
Net capital expenditure ¹	\$m	41.8	14.1	50.8
Free cash flow ¹	\$m	177.3	66.7	122.2
Dividends ⁴	\$m	189.8	50.0	100.0
Cash and cash equivalents	\$m	231.8	189.5	169.9
Face amount of the Notes	\$m	100.0	100.0	100.0
Net cash ¹	\$m	131.8	89.5	69.9

1. Gross average production, realised price, gross operating costs per barrel, Adjusted EBITDA, net capital expenditure, revenue receipts, free cash flow and net cash are either non-financial or non-IFRS measures and, where necessary, are explained in the non-IFRS measures section.
2. Weighted average GKP sales volume price.
3. Realised price excludes pipeline tariff adjustments in relation to prior periods.
4. Includes both paid and declared dividends at period end. All declared dividends at period end have since been paid.

In the first six months of 2022, the increase in oil price and continued production growth more than doubled profit after tax and almost tripled free cash flow. The Company's strong financial performance enabled further investment in the Shaikan Field and the declaration of \$190 million of dividends, a sector leading dividend yield. In August 2022, Gulf Keystone repaid its outstanding \$100 million bond leaving the Company debt-free with significant financial flexibility. Also, today we are pleased to announce an additional \$25 million interim dividend.

Adjusted EBITDA

Adjusted EBITDA grew 122% in H1 2022 to \$208.6 million (H1 2021: \$93.8 million), driven by a 66% increase in the oil price and higher production.

Gross average production was 44,941 bopd in H1 2022, up 3% from 43,516 bopd in H1 2021. With the Company's leverage to the strengthening of Dated Brent from an average of \$64.9/bbl in H1 2021 to \$107.6/bbl in H1 2022, the realised price per barrel almost doubled to \$84.3/bbl. The increase in the realised price was slightly offset by an increase in the average discount to Brent from \$21.2/bbl in H1 2021 to \$23.3/bbl in H1 2022, due to adjustments to pipeline tariffs proposed by the KRG, which are now linked in part to Dated Brent.

The stronger oil price and increased production resulted in a doubling of revenue in H1 2022 to \$263.6 million (H1 2021: \$130.7 million), which was partially offset by a corresponding doubling in capacity building payments to \$20.5 million (H1 2021: \$10.3 million), a component of the KRG's entitlement from the Shaikan Field.

Gulf Keystone remains committed to maintaining a low-cost structure. In line with the Company's 2022 guidance range of \$2.9-\$3.3/bbl, gross operating costs per barrel were \$2.9/bbl in H1 2022 (H1 2021: \$2.4/bbl). The increase in operating costs in H1 2022 to \$18.9 million (H1 2021: \$15.0 million) is primarily due to planned maintenance activities, additional staff to manage increased production activity and higher fuel costs.

Other general and administrative expenses (G&A), comprising Shaikan Field and corporate support costs, were higher in H1 2022 at \$6.1 million (H1 2021: \$5.4 million), reflecting increased staffing levels to manage increasing activity levels. Share option expense in the period increased by \$5.0 million, principally due to the final contractual exercise of share option entitlements by former Directors under the Value Creation Plan ("VCP").

Profit after tax

Profit after tax in H1 2022 increased to \$162.8 million (H1 2021: \$64.8 million) driven by the increase in Adjusted EBITDA, slightly offset by a higher depreciation, depletion and amortisation ("DD&A") expense of \$39.5 million (H1 2021: \$28.2 million) due to increased production, accelerated cost recovery as result of recent high oil prices, and updated future capital cost estimates.

Cash flow

Cash increased in the period from \$169.9 million at 31 December 2021 to \$231.8 million at 30 June 2022.

The Company generated cash from operating activities of \$222.3 million in H1 2022, up from \$77.8 million in H1 2021 principally due to the increase in Adjusted EBITDA.

In H1 2022, Gulf Keystone received revenue receipts from the KRG of \$272.4 million net to GKP for crude oil sales related to the September 2021 to March 2022 invoices and repayment of arrears outstanding from November 2019 to February 2020 invoices, which were fully recovered with payment of the March 2022 invoice. In the second half of 2022, the Company has so far received a further \$82.0 million net to GKP for crude oil sales related to the payment of the April and May 2022 invoices.

In the first half of the year, the Company invested net capital expenditure of \$41.8 million (H1 2021: \$14.1 million), primarily related to drilling and completing SH-15, well and workover activity, wellsite preparation and plant expansion.

Free cash flow generation was \$177.3 million in H1 2022, almost triple the prior year (H1 2021: \$66.7 million), enabling the Company to continue to deliver against its commitment to balance investment in growth with returns to shareholders. Year to date the Company has paid \$190 million of dividends and today we have declared an additional interim dividend of \$25 million, resulting in total declared dividends of \$215 million which equates to a sector leading yield of 36% based on the closing share price on 30 August 2022.

In early August 2022, the Company redeemed the \$100 million of notes outstanding leaving the Company debt free with significant financial capacity. The Company has a robust balance sheet with cash and cash equivalents of \$112.0 million at 31 August 2022.

As at 30 June 2022, there were \$260 million gross of unrecovered costs, subject to potential cost audit by the KRG. The R-factor, calculated as cumulative gross revenue receipts of \$1,838 million divided by cumulative gross costs of \$1,629 million, was 1.13. The unrecovered cost pool and R-factor are used to calculate monthly cost oil and profit oil entitlements, respectively, owed to the Company from crude oil sales.

Gulf Keystone performed a cash flow and liquidity analysis based on which the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. Therefore, the going concern basis of accounting is used to prepare the financial statements.

Outlook

We are now planning to invest net capital expenditure of \$110-\$120 million in 2022. The increase from previous guidance of \$85-\$95 million is primarily driven by the drilling of SH-16 and early procurement activities related to the installation of water handling capacity.

We remain on track to deliver gross Opex guidance of \$2.9-\$3.3/bbl.

While timing of FDP approval remains uncertain, we continue to progress towards project sanction and award of the Gas Management Plan contract, against the backdrop of global supply chain cost pressures and logistical challenges. With continued progress, the Company expects to firm up future estimated capital expenditure and, in turn, review financing requirements and dividend policy.

Assuming timely payment of invoices and continuing strong oil prices, we expect continued strong cash flow generation, which would provide flexibility to consider funding future capital expenditure and further distributions to shareholders, while preserving adequate liquidity.

Non-IFRS measures

The Group uses certain measures to assess the financial performance of its business. Some of these measures are termed “non-IFRS measures” because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include financial measures such as operating costs and non-financial measures such as gross average production.

The Group uses such measures to measure and monitor operating performance and liquidity, in presentations to the Board and as a basis for strategic planning and forecasting. The directors believe that these and similar measures are used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group’s operating results as reported under IFRS. An explanation of the relevance of each of the financial non-IFRS measures and a description of how they are calculated is set out below. Additionally, a reconciliation of the financial non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out below, where applicable. The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

Gross operating costs per barrel

Gross operating costs are divided by gross production to arrive at gross operating costs per bbl.

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Gross production (MMstb)	8.1	7.9	15.9
Gross operating costs (\$ million) ¹	23.6	19.1	43.0
Gross operating costs per barrel (\$ per bbl)	2.9	2.4	2.7

¹Gross operating costs equate to operating costs (see note 5) adjusted for the Group’s 80% working interest in the Shaikan Field.

Adjusted EBITDA

Adjusted EBITDA is a useful indicator of the Group’s profitability, which excludes the impact of costs attributable to income tax (expense)/credit, finance costs, finance revenue, depreciation and amortisation and impairment of receivables.

	Six months ended 30 June 2022 \$ million	Six months ended 30 June 2021 \$ million	Year ended 31 December 2021 \$ million
Profit after tax	162.8	64.8	164.6
Finance costs	5.6	5.7	11.4
Finance revenue	(0.1)	(0.4)	(0.4)
Tax expense/(credit)	(0.2)	(0.0)	(0.9)
Depreciation of oil & gas assets	39.5	28.2	54.1
Other depreciation and amortisation	0.5	0.5	1.0
Impairment of receivables	0.4	(5.0)	(7.1)
Adjusted EBITDA	208.6	93.8	222.7

Net capital expenditure

Net capital expenditure is the value of the Group's additions to oil and gas assets excluding the change in value of the decommissioning asset and movements in drilling and other equipment.

	Six months ended 30 June 2022 \$ million	Six months ended 30 June 2021 \$ million	Year ended 31 December 2021 \$ million
Additions to oil & gas assets (note 11)	41.8	14.1	46.2
Decrease of drilling and other equipment classified as oil and gas assets	-	-	4.6
Net capital expenditure	41.8	14.1	50.8

Net cash

Net cash is a useful indicator of the Group's indebtedness and financial flexibility because it indicates the level of cash and cash equivalents less cash borrowings within the Group's business. Net cash is defined as cash and cash equivalents less current and non-current borrowings and non-cash adjustments. Non-cash adjustments include unamortised arrangement fees and other adjustments.

	Six months ended 30 June 2022 \$ million	Six months ended 30 June 2021 \$ million	Year ended 31 December 2021 \$ million
Cash and cash equivalents	231.8	189.5	169.9
Outstanding Notes (note 14)	(99.4)	(98.9)	(99.1)
Unamortised issue costs	(0.6)	(1.1)	(0.9)
Net cash	131.8	89.5	69.9

Free cash flow

Free cash flow represents the Group's cash flows, before any dividends or share buy-backs.

	Six months ended 30 June 2022 \$ million	Six months ended 30 June 2021 \$ million	Year ended 31 December 2021 \$ million
Net cash generated from operating activities	222.3	78.0	178.6
Net cash used in investing activities	(44.7)	(11.0)	(55.7)
Payment of leases	(0.3)	(0.4)	(0.7)
Free cash flow	177.3	66.7	122.2

Principal risks & uncertainties

The Board determines and reviews the key risks for the Group on a regular basis. The principal risks, and how the Group seeks to mitigate them, for the second half of the year are consistent with those detailed in the management of principal risks and uncertainties section of the 2021 Annual Report and Accounts. The principal risks are listed below:

Strategic	Operational	Financial
Political, social and economic instability	Health, Safety and Environment ("HSE")	Liquidity and funding capability
Disputes regarding title or exploration and production rights	Gas flaring	Oil revenue payment mechanism
Business conduct and anti-corruption	Security	Commodity prices
Export route availability	Field delivery	
Economic sanctions impacting the Group	Reserves	
Stakeholder misalignment		
Climate change and sustainability		
Global pandemic (e.g. COVID-19)		
Cyber security		

The Company previously reported that the Iraqi Federal Supreme Court ("FSC") in February 2022 had ruled that the Kurdistan Oil and Gas Law ("KROGL") was unconstitutional and that the Iraqi Ministry of Oil had commenced proceedings in the Baghdad Commercial Court against International Oil Companies ("IOCs"), including Gulf Keystone, operating in the Kurdistan Region of Iraq ("KRI") seeking to nullify the Production Sharing Contracts ("PSCs") issued under the KROGL. The Company understands that the Baghdad Commercial Court has yet to reach any determination on the case involving Gulf Keystone, and that the MNR has sought to join the case as a third party. The Company further understands that the Iraqi Ministry of Oil has sought to inhibit service contractors from operating in both Federal Iraq and the KRI, advising that it will move to "blacklist" any such contractor from Federal Iraq which seeks to operate in both jurisdictions.

The dispute between the KRG and the Federal Iraqi Government on the management of oil and gas reserves in the KRI has been the subject of a long running dispute between them. The KRG has made repeated declarations that the KROGL is validly constituted and that the PSCs issued continue to be valid and have full effect. Furthermore, the KRG has initiated its own legal proceedings against the Federal Iraqi Government in the Erbil Courts and there have been a number of rulings which have affirmed the validity of the PSCs. Media reports indicate that high level political discussions are ongoing between the KRG and the Federal Iraqi Government with a view to resolving the matter.

The Company's operations in the Shaikan Field are currently unaffected but the matter is being closely monitored, including any potential impact on the restrictions placed on the export of crude oil, service contractors or any other parties by the Iraqi Ministry of Oil. At this stage it is not reasonably possible to predict the outcome of judicial proceedings or the ongoing discussions between the KRG and the Federal Government of Iraq, nor is it possible to predict any potential future impact on operations or the financial performance of the Company pending resolution of the matter.

The Company is also aware of the ongoing arbitration case between the Federal Government of Iraq and the Turkish Government on the management of the Iraq to Turkey pipeline.

The Company's oil revenues are calculated according to an agreed formula with the Kurdistan Regional Government. It is possible that factors including, but not limited to, crude quality, geopolitical events, global supply, and production levels could impact, positively or negatively, the formula used in making this calculation.

The Company monitors the effect of any economic sanctions imposed and the potential impact, if any, these may have on the Company and its operations. The Company believes it is not currently materially affected by any economic sanctions but will continue to review this on an ongoing basis.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- a) the condensed set of financial statements has been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting';
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Jon Harris
Chief Executive Officer
31 August 2022

INDEPENDENT REVIEW REPORT TO GULF KEYSTONE PETROLEUM LIMITED

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Group'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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 Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

London, United Kingdom

31 August 2022

Condensed consolidated income statement

For the six months ended 30 June 2022

		Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	Notes	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Revenue	4	263,603	130,713	301,389
Cost of sales	5	(79,129)	(53,516)	(111,721)
Impairment (charge)/reversal on trade receivables	12	(427)	5,034	7,065
Gross profit		184,047	82,231	196,733
Other general and administrative expenses		(6,112)	(5,411)	(13,643)
Share option related expense	6	(11,463)	(6,533)	(8,490)
Profit from operations		166,472	70,287	174,600
Finance revenue		55	400	419
Finance costs		(5,649)	(5,674)	(11,353)
Foreign exchange gains/(losses)		1,729	(235)	57
Profit before tax		162,607	64,778	163,723
Tax credit/(expense)	7	207	(24)	874
Profit after tax		162,814	64,754	164,597
Profit per share (cents)				
Basic	8	75.89	30.52	77.14
Diluted	8	72.85	28.87	73.04

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2022

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Profit for the period	162,814	64,754	164,597
Items that may be reclassified subsequently to profit or loss:			
Fair value losses arising in the period	-	(2,013)	(2,021)
Cumulative losses arising on hedging instruments reclassified to revenue	-	2,710	3,753
Exchange differences on translation of foreign operations	(2,113)	279	(254)
Total comprehensive income for the period	160,701	65,730	166,075

Condensed consolidated balance sheet
As at 30 June 2022

		30 June 2022 Unaudited \$'000	30 June 2021 Unaudited (Restated¹) \$'000	31 December 2021 Audited \$'000
	Notes			
Non-current assets				
Intangible assets	10	4,979	2,234	3,583
Property, plant and equipment	11	407,635	393,681	404,205
Trade receivables	12	-	12,641	-
Deferred tax asset		1,465	500	1,385
		414,079	409,056	409,173
Current assets				
Inventories		5,423	4,780	6,018
Trade and other receivables	12	163,551	111,628	179,200
Derivative financial instruments		-	8	-
Cash and cash equivalents		231,796	189,543	169,866
		400,770	305,959	355,084
Total assets		814,849	715,015	764,257
Current liabilities				
Trade and other payables	13	(101,821)	(81,518)	(98,800)
Dividends payable		(75,000)	(25,000)	-
		(176,821)	(106,518)	(98,800)
Non-current liabilities				
Trade and other payables	13	(475)	(1,022)	(789)
Other borrowings	14	(99,387)	(98,872)	(99,123)
Provisions		(45,746)	(38,839)	(43,841)
		(145,608)	(138,733)	(143,753)
Total liabilities		(322,429)	(245,251)	(242,553)
Net assets		492,420	469,764	521,704
Equity				
Share capital	15	216,248	213,731	213,731
Share premium account	15	553,083	792,914	742,914
Cost of hedging reserve		-	(1,035)	-
Exchange translation reserve		(4,881)	(2,235)	(2,768)
Accumulated losses		(272,030)	(533,611)	(432,173)
Total equity		492,420	469,764	521,704

¹The comparative consolidated balance sheet at 30 June 2021 has been restated to reflect a reclassification of inventory items that are to be used in the development of the Shaikan Field to property, plant and equipment. See note 17 for details regarding the restatement.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2022

	Share capital \$'000	Share premium account \$'000	Treasury shares \$'000	Cost of hedging reserve \$'000	Exchange translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2021 (audited)	211,371	842,914	(2,592)	(1,732)	(2,514)	(593,422)	454,025
Net profit for the period	-	-	-	-	-	64,754	64,754
Cash flow hedge – fair value movements	-	-	-	697	-	-	697
Exchange difference of translation of foreign operations	-	-	-	-	279	-	279
Total comprehensive income for the period	-	-	-	697	279	64,754	65,730
Dividends	-	(50,000)	-	-	-	-	(50,000)
Share issues	2,360	-	-	-	-	(2,360)	-
Employee share schemes	-	-	-	-	-	9	9
Share options exercised	-	-	2,592	-	-	(2,592)	-
Balance at 30 June 2021 (unaudited)	213,731	792,914	-	(1,035)	(2,235)	(533,611)	469,764
Net profit for the period	-	-	-	-	-	99,843	99,843
Cash flow hedge – fair value movements	-	-	-	1,035	-	-	1,035
Exchange difference of translation of foreign operations	-	-	-	-	(533)	-	(533)
Total comprehensive income/(loss) for the period	-	-	-	1,035	(533)	99,843	100,345
Dividends	-	(50,000)	-	-	-	-	(50,000)
Employee share schemes	-	-	-	-	-	1,595	1,595
Balance at 31 December 2021 (audited)	213,731	742,914	-	-	(2,768)	(432,173)	521,704
Net profit for the period	-	-	-	-	-	162,814	162,814
Exchange difference of translation of foreign operations	-	-	-	-	(2,113)	-	(2,113)
Total comprehensive (loss)/income for the period	-	-	-	-	(2,113)	162,814	160,701
Dividends	-	(189,831)	-	-	-	-	(189,831)
Share issues	2,517	-	-	-	-	(2,517)	-
Employee share schemes	-	-	-	-	-	(154)	(154)
Balance at 30 June 2022 (unaudited)	216,248	553,083	-	-	(4,881)	(272,030)	492,420

Condensed consolidated cash flow statement
for the six months ended 30 June 2022

		Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	Note	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Operating activities				
Cash generated in operations	9	227,271	83,487	189,155
Interest received		55	400	419
Interest paid		(5,000)	(5,000)	(10,000)
Payment of put option premium		-	(1,043)	(1,043)
Net cash generated in operating activities		222,326	77,844	178,531
Investing activities				
Purchase of intangible assets		(1,411)	(1,245)	(2,725)
Purchase of property, plant and equipment		(43,367)	(9,454)	(52,959)
Net cash used in investing activities		(44,778)	(10,699)	(55,684)
Financing activities				
Payment of dividends		(114,831)	(25,000)	(100,000)
Payment of leases		(255)	(431)	(688)
Net cash used in financing activities		(115,086)	(25,431)	(100,688)
Net increase in cash and cash equivalents		62,462	41,714	22,159
Cash and cash equivalents at beginning of period		169,866	147,826	147,826
Effect of foreign exchange rate changes		(532)	3	(119)
Cash and cash equivalents at end of the period		231,796	189,543	169,866
being bank balances and cash on hand				

1. General information

The Company is incorporated in Bermuda (registered address: Cedar House, 3rd Floor, 41 Cedar Avenue, Hamilton 12, Bermuda). The Company's common shares are listed on the Official List of the United Kingdom Listing Authority and are traded on the London Stock Exchange's Main Market for listed securities. The Company serves as the holding company for the Group, which is engaged in oil and gas exploration, development and production, operating in the Kurdistan Region of Iraq.

2. Summary of significant accounting policies

The Annual Report and Accounts of the Group are prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) in the United Kingdom as applicable to interim financial reporting.

The condensed set of financial statements included in this half yearly financial report have been prepared on a going concern basis as the Directors consider that the Group has adequate resources to continue operating for the foreseeable future.

The accounting policies adopted in the 2022 half-yearly financial report are the same as those adopted in the 2021 Annual Report and Accounts, other than the implementation of new IFRS reporting standards.

The financial information for the year ended 31 December 2021 does not constitute the Group's financial statements for that year but is derived from those Accounts. The auditor's report on these Accounts was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter.

Adoption of new and revised accounting standards

As of 1 January 2022, a number of accounting standard amendments and interpretations became effective. The adoption of these amendments and interpretations has not had a material impact on the financial statements of the Group for the six months ended 30 June 2022.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO Statement, Operational Review and Financial Review, which includes the financial position of the Group at the period end and its cash flows and liquidity position.

As at 31 August 2022, the Group had \$112.0 million of cash and no debt, having redeemed the \$100 million bond on 2 August 2022. The Group continues to closely monitor and manage its liquidity. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, commodity prices, different production rates from the Shaikan block, cost contingencies, disruptions to revenue receipts, and the impact of climate change and geopolitical risks on the group's operations, etc. In the current period, these have included both the Iraqi Supreme Court ruling on 15 February 2022 and export route availability as a result of the evolving sanctions situation due to the Russian invasion of Ukraine. Further details of the Iraqi Supreme Court ruling and the sanctions situation are provided in the section on principal risks and uncertainties. The Group's forecasts, taking into account applicable risks and the stress test scenarios, show that it has sufficient financial resources for the 12 months from the date of approval of the 2022 half year financial statements.

Based on the analysis performed, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. Thus, the going concern basis of accounting is used to prepare the 2022 half year financial statements.

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.

Critical accounting judgements and key sources of estimation uncertainty remain consistent with those disclosed in the 2021 Annual Report and Accounts.

Critical accounting judgement

Revenue

The recognition of revenue is considered to be a key accounting judgement. The Group began commercial production from the Shaikan Field in July 2013 and historically made sales to both the domestic and export markets. However, as the payment mechanism for sales to the export market continues to develop within the Kurdistan Region of Iraq, the Group considers revenue can only be reliably measured when the cash receipt is assured. The assessment of whether cash receipts are assured is based on management's evaluation of the reliability of the Kurdistan Regional Government (the "KRG") payments to the IOCs operating in the Kurdistan Region of Iraq. The Group also recognised payables to the KRG that were offset against amounts receivable from the KRG for previously unrecognised revenue in line with the terms of the Shaikan Production Sharing Contract (the "PSC").

The judgement is not to recognise revenue in excess of the sum of the cash receipt that is assured and the amount of payables to the MNR that can be offset against amounts due for previously unrecognised revenue in line with the terms of the Shaikan PSC, even though the Group may be entitled to additional revenue under the terms of the Shaikan PSC. Any future agreements between the Company and the KRG might change the amounts of revenue recognised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below.

Carrying value of producing assets

In line with the Group's accounting policy on impairment, management performs an impairment review of the Group's oil and gas assets at least annually with reference to indicators as set out in IAS 36. The Group assesses its group of assets, called a cash-generating unit ("CGU"), for impairment, if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where indicators are present, management calculates the recoverable amount using key estimates such as future oil prices, estimated production volumes, the cost of development and production, post-tax discount rates that reflect the current market assessment of the time value of money and risks specific to the asset, commercial reserves and inflation. The key assumptions are subject to change based on market trends and economic conditions. Where the CGU's recoverable amount is lower than the carrying amount, the CGU is considered impaired and is written down to its recoverable amount. The Group's sole CGU as at 30 June 2022 was the Shaikan Field with a carrying value of \$405.9 million.

The Group performed an impairment trigger assessment and concluded that the Iraqi Supreme Court ruling in February 2022 was a potential impairment trigger. Accordingly, a full impairment evaluation was completed, and it was concluded that no impairment write-down was required.

The key areas of estimation in assessing the potential impairment indicators are as follows:

- Commodity prices are based on latest internal forecasts, benchmarked with external sources of information to ensure they are within the range of available market and analyst forecasts;

\$/bbl - real	2022	2023 onwards
30 June 2022 – base case	\$68	\$55
30 June 2022 – stress case	\$50	\$50
31 December 2021 – base case	\$81	\$55
31 December 2021 – stress case	\$80	\$50

- The Group continues to develop its assessment of the potential impacts of climate change and the associated risks, the transition to a low-carbon future and our ambition to reduce scope one and two per barrel CO₂ emissions by at least 50% by 2025. The potential effects of climate change and the Paris Agreement were considered. It was concluded, based on benchmarking, that the stress case price deck used in the impairment assessment is reasonable to reflect the potential impact of meeting the Paris Agreement targets. The stress case also includes an estimated cost of the introduction of a carbon tax in Kurdistan;
- Discount rates that are adjusted to reflect risks specific to the Shaikan Field and the Kurdistan Region of Iraq. The post-tax nominal discount rate was estimated to be 15%, unchanged from 31 December

2021. The impact of an increase in discount rate to 20% was considered as a sensitivity to reflect potential increased geopolitical risks and a higher risk free interest rate;

- Operating costs and capital expenditure are based on financial budgets and internal management forecasts. Costs assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Base case costs assumptions used in the assessment are consistent with the June 2022 updated draft FDP submitted to the MNR. The impact of near-term inflationary pressures were also considered; and
- Commercial reserves and production profiles used in the assessment are consistent with the June 2022 draft FDP submitted to the MNR.

3. Geographical information

The Group's non-current assets excluding deferred tax assets and other financial assets by geographical location are detailed below:

	Six months ended 30 June 2022 Unaudited \$'000	Six months ended 30 June 2021 Unaudited \$'000	Year ended 31 December 2021 Audited \$'000
Kurdistan	407,300	392,688	402,787
United Kingdom	5,314	3,227	5,001
	412,614	395,915	407,788

The Chief Operating Decision Maker, as per the definition in IFRS 8, is considered to be the Board of Directors. The Group operates in a single segment, that of oil and gas exploration, development and production, in a single geographical location, the Kurdistan Region of Iraq. As a result, the financial information of the single segment is the same as set out in the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related notes.

Information about major customers

All oil sales were made to the KRG.

4. Revenue

	Six months ended 30 June 2022 Unaudited \$'000	Six months ended 30 June 2021 Unaudited \$'000	Year ended 31 December 2021 Audited \$'000
Oil sales	263,603	133,423	305,142
Put option hedging losses reclassified to revenue	-	(2,710)	(3,753)
	263,603	130,713	301,389

The Group accounting policy for revenue recognition is set out in its 2021 Annual Report, with revenue recognised on a cash-assured basis.

During the six months period ended 30 June 2022, the cash-assured values recognised as oil sales was \$263.6 million (H1 2021: \$133.4 million; FY 2021: \$305.1 million). The oil sales price was calculated using the monthly dated Brent price less an average discount of \$23.3 (H1 2021: \$21.2; FY 2021: \$21.2) per barrel for quality and pipeline tariffs.

5. Cost of Sales

	Six months ended 30 June 2022 Unaudited \$'000	Six months ended 30 June 2021 Unaudited \$'000	Year ended 31 December 2021 Audited \$'000
Operating costs	18,878	15,033	34,372
Capacity building payments	20,511	10,288	23,529
Changes in inventory valuation	242	(52)	(348)
Depreciation of oil and gas assets	39,474	28,223	54,120
Depreciation of operational assets	24	24	48
	79,129	53,516	111,721

A unit-of-production method has been used to calculate the depreciation, depletion and amortisation ("DD&A") charge for oil and gas assets. This is based on full entitlement production, commercial reserves and capital costs for Shaikan. Commercial reserves are proven and probable ("2P") reserves, estimated using standard recognised evaluation techniques.

6. Share option related expense

	Six months ended 30 June 2022 Unaudited \$'000	Six months ended 30 June 2021 Unaudited \$'000	Year ended 31 December 2021 Audited \$'000
Share-based payment expense	1,193	902	2,255
Payments related to share options exercised	8,573	4,060	4,142
Share-based payment related provision for taxes	1,697	1,571	2,093
	11,463	6,533	8,490

On the final exercise of the legacy Value Creation Plan ("VCP") share options by former Directors, the Company elected to make required tax withholding settlements in cash instead of issuing and selling additional shares. This together with payment of dividends accumulated during the vesting period are the main components of the payments related to share options exercised.

There are no further VCP share options outstanding and the plan has been terminated.

7. Taxation

	Six months ended 30 June 2022 Unaudited \$'000	Six months ended 30 June 2021 Unaudited \$'000	Year ended 31 December 2021 Audited \$'000
Corporation tax credit	-	103	75
Prior period adjustment	-	-	28
Deferred tax credit/(expense)	207	(127)	771
	207	(24)	874

8. Profit per share

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

	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited	Year ended 31 December 2021 Audited
Profit after tax (\$'000)	162,814	64,754	164,597
Number of shares ('000s):			
Basic weighted average number of ordinary shares	214,527	212,138	213,384
Basic EPS (cents)	75.89	30.52	77.14

The Group followed the steps specified by IAS 33 in determining whether outstanding share options are dilutive or anti-dilutive.

Reconciliation of dilutive shares:

	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited	Year ended 31 December 2021 Audited
Number of shares ('000s):			
Basic weighted average number of ordinary shares	214,527	212,138	213,384
Effect of dilutive potential ordinary shares	8,957	12,119	11,962
Diluted number of ordinary shares outstanding	223,484	224,257	225,346
Diluted EPS (cents)	72.85	28.87	73.04

Weighted average number of ordinary shares excludes shares held by Employee Benefit Trustee ("EBT") and the Exit Event Trustee of 0.4 million (H1 2021: 0.1 million; FY 2021: 0.1 million).

The dilutive number of ordinary shares relates to outstanding share options and is calculated on the assumption of conversion of all potentially dilutive ordinary shares.

9. Reconciliation of profit from operations to net cash generated in operating activities

	Six months ended 30 June 2022 Unaudited \$'000	Six months ended 30 June 2021 Unaudited \$'000	Year ended 31 December 2021 Audited \$'000
Profit from operations	166,472	70,287	174,600
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation of property, plant and equipment (including the right of use assets)	39,853	28,737	55,111
Amortisation of intangible assets	77	1	25
Share-based payment expense	154	9	1,197
Lease modification	-	154	-
Increase/(Decrease) of provision for impairment of trade receivables	427	(5,034)	(7,065)
Put option hedging losses reclassified to revenue	-	2,710	3,752
Operating cash flows before movements in working capital	206,983	96,864	227,620
Decrease/(Increase) in inventories	595	980	(258)
Decrease/(Increase) in trade and other receivables	23,907	(22,260)	(75,259)
(Decrease)/Increase in trade and other payables	(4,214)	7,903	36,977
Income taxes received	-	-	75
Cash generated from operations	227,271	83,487	189,155

10. Intangible assets

	Computer software \$'000
Period ended 30 June 2021	
Opening net book value	933
Additions	1,292
Amortisation charge	(1)
Foreign currency translation differences	10
Net book value at 30 June 2021	<u>2,234</u>
Cost	3,282
Accumulated depreciation	(1,048)
Net book value at 30 June 2021	<u>2,234</u>
Period ended 31 December 2021	
Additions	1,450
Amortisation charge	(24)
Foreign currency translation differences	(77)
Net book value at 31 December 2021	<u>3,583</u>
Cost	4,722
Accumulated depreciation	(1,139)
Net book value at 31 December 2021	<u>3,583</u>
Period ended 30 June 2022	
Opening net book value	3,583
Additions	1,925
Amortisation charge	(77)
Foreign currency translation differences	(452)
Net book value at 30 June 2022	<u><u>4,979</u></u>
Cost	6,195
Accumulated depreciation	(1,216)
Net book value at 30 June 2022	<u><u>4,979</u></u>

The amortisation charge for computer software has been included in general and administrative expenses.

11. Property, plant and equipment

	Oil and Gas Assets \$'000	Fixtures and Equipment \$'000	Right of use Assets \$'000	Total \$'000
Period ended 30 June 2021				
Opening net book value (restated)	402,620	1,187	1,662	405,469
Additions	14,084	139	-	14,223
Disposals at cost	-	-	(1,064)	(1,064)
Revision to decommissioning asset	2,814	-	-	2,814
Lease modification	-	-	(107)	(107)
Depreciation charge	(28,223)	(168)	(346)	(28,737)
Depreciation on disposals	-	-	1,064	1,064
Foreign currency translation differences	-	-	19	19
Closing net book value (restated)	391,295	1,158	1,228	393,681
Cost (restated)	795,227	7,299	2,450	804,976
Accumulated depreciation	(403,932)	(6,141)	(1,222)	(411,295)
Net book value at 30 June 2021 (restated)	391,295	1,158	1,228	393,681
Period ended 31 December 2021				
Additions	32,081	64	76	32,221
Disposals at cost	-	-	(368)	(368)
Revision to decommissioning asset	4,616	-	-	4,616
Lease modification	-	-	107	107
Depreciation charge	(25,897)	(183)	(266)	(26,346)
Depreciation on disposals	-	-	341	341
Foreign currency translation differences	(1)	(6)	(40)	(47)
Closing net book value	402,094	1,033	1,078	404,205
Cost	831,924	7,363	2,246	841,533
Accumulated depreciation	(429,830)	(6,330)	(1,168)	(437,328)
Net book value at 31 December 2021	402,094	1,033	1,078	404,205
Period ended 30 June 2022				
Opening net book value	402,094	1,033	1,078	404,205
Additions	41,820	101	-	41,921
Revision to decommissioning asset	1,468	-	-	1,468
Depreciation charge	(39,490)	(174)	(189)	(39,853)
Foreign currency translation differences	-	(12)	(94)	(106)
Closing net book value	405,892	948	795	407,635
At 30 June 2022				
Cost	875,212	7,452	2,152	884,816
Accumulated depreciation	(469,320)	(6,504)	(1,357)	(477,181)
Net book value	405,892	948	795	407,635

The additions to the Shaikan asset amounting to \$41.8 million during the period include the costs of completing SH-15, well and workover activity, wellsite preparation and plant expansion. The increase in the decommissioning asset represents further decommissioning obligations that arose on capital projects.

See note 17 for further information on restated balances.

12. Trade and other receivables

Non-current receivables

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Trade receivables - non-current	-	12,641	-

Current receivables

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Trade receivables - current	149,328	106,788	174,634
Other receivables	13,228	4,036	3,622
Prepayments and accrued income	995	804	944
	163,551	111,628	179,200

Reconciliation of trade receivables

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Gross carrying amount	150,875	122,580	175,754
Less: impairment allowance	(1,547)	(3,151)	(1,120)
Carrying value at 30 June 2022	149,328	119,429	174,634

Trade receivables comprise invoiced amounts due from the KRG for crude oil sales totalling \$138.7 million (H1 2021: \$113.5 million; FY 2021: \$163.6 million) and a share of Shaikan revenue arrears the Group purchased from MOL amounting to \$12.2 million (H1 2021: \$9.1 million; FY 2021: \$12.2 million). The amount due from the KRG includes past due trade receivables of \$40.2 million¹ (H1 2021: \$62.2 million; FY 2021: \$43.1 million) related to April 2022 production. While the Group expects to recover the full nominal value of the outstanding invoices and MOL receivable, the ECL on the trade receivable balance of \$1.5 million was provided against the receivables balance in line with the requirements of IFRS 9 resulting in an expense of \$0.4 million in the reporting period (H1 2021: \$5.0 million recovery; FY 2021: \$7.1 million recovery).

ECL sensitivities

No material changes to the Group's profit before tax arise when considering reasonably possible changes to the estimates which are used to calculate the ECL impairment allowance.

Other Receivables

Other receivables includes an amount relating to advances to suppliers of \$9.1 million (H1 2021: \$0.1 million; FY 2021: \$0.4 million). Of this \$9.0 million (H1 2021: nil; FY 2021: \$0.4 million) relates to advances for capital expenditure and is included within investing activities in the condensed consolidated cash flow statement.

Also included within Other receivables is an amount of \$0.4 million (H1 2021: \$0.5 million; FY 2021 \$0.4 million) being the deposits for leased assets which are receivable after more than one year. There are no receivables from related parties as at 30 June 2022 (H1 2021: nil; FY 2021: nil). No impairment of other receivables has been recognised during the first half of the year (H1 2021: nil; FY 2021: nil).

¹ The past due trade receivables amount excludes the associated capacity building payments due to the KRG which reduces the net amount due to GKP to \$38.1 million (H1 2021: \$58.9 million; FY 2021: \$41.0 million).

13. Trade and other payables

Current liabilities

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Trade payables	3,421	1,448	6,494
Accrued expenditures	28,839	19,828	25,960
Other payables	69,181	59,854	65,927
Finance lease obligations	380	388	419
	101,821	81,518	98,800

Accrued expenditures include \$4.4 million interest payable as at 30 June 2022 (H1 2021: \$4.4 million, FY 2021: \$4.4 million), also detailed in note 14.

Other payables include \$63.9 million (H1 2021: \$51.0 million, FY 2021: \$56.4 million) of amounts payable to the KRG that are not expected to be paid, but rather offset against revenue due from the KRG related to pre-October 2017 oil sales, which have not yet been recognised in the financial statements. Within this amount, \$29.4 million (H1 2021: \$18.2 million, FY 2021: \$22.6 million) relates to a non-cash payable for the difference between the capacity building rate of 20% and 30%, as detailed on page 114 of the 2021 Annual Report.

Non-current liabilities

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Non-current finance lease liability	475	1,022	789

14. Long-term borrowings

In July 2018, the Company completed the private placement of a 5-year senior unsecured \$100 million bond (the "Notes"). The unsecured Notes are guaranteed by Gulf Keystone Petroleum International Limited and Gulf Keystone Petroleum (UK) Limited, two of the Company's subsidiaries, and the key terms are summarised as follows:

- maturity date is 25 July 2023;
- at any time prior to maturity, the New Notes are redeemable in part, or full, with a prepayment penalty;
- the interest rate is 10% per annum with semi-annual payment dates; and
- the Company is permitted to raise up to \$200 million of additional indebtedness at any time on market terms to fund capital and operating expenditure, subject to certain requirements.

The liabilities associated with Notes are presented in the following tables:

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Liability at the beginning of the period	103,482	102,993	102,993
Interest charged during the period	5,266	5,238	10,489
Interest paid during the period	(5,000)	(5,000)	(10,000)
Liability at the end of period	103,748	103,231	103,482

Liability component reporting in:

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Current liabilities (note 13)	4,359	4,359	4,359
Non-current liabilities	99,387	98,872	99,123
	103,748	103,231	103,482

The Notes are traded on the Norwegian Stock Exchange and the fair value at the prevailing market price as at the close of business on the reporting date was:

	Market price	30 June 2022 \$'000
Notes	102.25	102,250

As of 30 June 2022, the Group's remaining contractual liability comprising principal and interest based on undiscounted cash flows at the maturity date of the Notes is as follows:

	30 June 2022 Unaudited \$'000	30 June 2021 Unaudited \$'000	31 December 2021 Audited \$'000
Within one year	10,000	10,000	10,000
Within two to five years	100,639	110,639	105,639
	110,639	120,639	115,639

Subsequent to the period end the Notes were redeemed leaving the Group debt-free. See note 18 for further details.

15. Share capital

Common shares				
	No. of shares	Amount	Share capital	Share premium
	000	\$'000	\$'000	\$'000
Issued and fully paid				
Balance 1 January 2022 (audited)	213,731	956,645	213,731	742,914
Share issue	2,517	2,517	2,517	-
Dividends	-	(189,831)	-	(189,831)
Balance 30 June 2022 (unaudited)	216,248	769,331	216,248	553,083

Dividends of \$189.8 million consist of dividends paid of \$114.8million and both an ordinary dividend of \$25.0 million and a special dividend of \$50.0 million, as approved at the June 2022 Annual General Meeting, that were paid after the period end. See note 18 for further dividends declared after the reporting period.

16. Contingent liabilities

The Group has a contingent liability of \$27.3 million (H1 2021 and FY 2021: \$27.3 million) in relation to the proceeds from the sale of test production in the period prior to the approval of the original Shaikan Field Development Plan ("FDP") in June 2013. The Shaikan PSC does not appear to address expressly any party's rights to this pre-FDP petroleum. The sales were made based on sales contracts with domestic offtakers which were approved by the KRG. The Group believes that the receipts from these sales of pre-FDP petroleum are for the account of the Contractor, rather than the KRG and accordingly recorded them as test revenue in prior years. However, the KRG has requested a repayment of these amounts and the Group is currently involved in negotiations to resolve this matter. The Group has received external legal advice and continues to maintain that pre-FDP petroleum receipts are for the account of the Contractor. This contingent liability forms part of the ongoing Shaikan PSC amendment negotiations and it is likely that it will be settled as part of those negotiations.

17. Restatement

The Group has identified that inventory balances as at 30 June 2021 contained certain equipment to be used in the development of the Shaikan Field, which will be consumed over a period in excess of one year. The Group determined that this equipment met the definition of property, plant and equipment as defined by "IAS 16 - Property, plant and equipment" and has restated the 30 June 2021 financial statements to reflect this reclassification. This restatement is consistent with the prior year restatement highlighted in Note 28 of the 2021 Annual Report and Financial Statements. As such, the 31 December 2021 comparative does not require any adjustment.

Comparative figures for the reclassification have been presented in the balance sheet as detailed below. There is no impact to the income statement or statement of cash flows.

Balance sheet

	30 June 2021 As previously reported \$'000	Reclassification of inventory \$'000	30 June 2021 Restated \$'000
Property, plant and equipment	362,914	30,767	393,681
Inventories	35,547	(30,767)	4,780

18. Subsequent events

The Group redeemed the \$100 million bond on 2 August 2022 and also paid a 2% early redemption fee. The Group is now debt-free.

On 31 August 2022 an interim dividend of \$25.0 million was declared.

GLOSSARY (See also the glossary in the 2021 Annual Report and Accounts)

2P	proved plus probable reserves
bbl	barrel
bopd	barrels of oil per day
Capex	capital expenditure
CGU	cash-generating unit
COVID-19	Coronavirus
DD&A	depreciation, depletion and amortisation
EBITDA	earnings before interest, tax, depreciation and amortisation
ECL	expected credit losses
ESG	environmental, social and governance
FDP	Field Development Plan
G&A	general and administrative
GKP	Gulf Keystone Petroleum Limited
GMP	Gas Management Plan
Group	Gulf Keystone Petroleum Limited and its subsidiaries
HSE	health, safety and environment
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IOC	International oil companies
KRG	Kurdistan Regional Government
KRI	Kurdistan Region of Iraq
LTI	lost time incident
MMstb	million stock tank barrels
MNR	Ministry of Natural Resources of the Kurdistan Regional Government
MOL	Kalegran B.V. (a subsidiary of MOL Group International Services B.V.)
NGO	Non Governmental Organisation
Notes	the \$100 million unsecured, guaranteed notes issued on 25 July 2018 by GKP and redeemed in full on 2 August 2022
Opex	operating costs
PF-1	Production Facility 1
PF-2	Production Facility 2
PSC	production sharing contract
Shaikan PSC	PSC for the Shaikan block between the KRG, Gulf Keystone Petroleum International Limited, Texas Keystone, Inc and MOL signed on 6 November 2007 as amended by subsequent agreement
VCP	Value Creation Plan
\$	US dollars