31 August 2023

GULF KEYSTONE PETROLEUM

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

2023 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 2023.

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

“GKP’s operational and financial performance in the first six months of 2023 was materially impacted by the suspension of Kurdistan crude exports following the closure of the Iraq-Turkey Pipeline in March and continued delays to KRG payments. As a result, we shifted rapidly from a focus on driving profitable production growth to preserving liquidity, suspending all expansion activity and aggressively reducing expenditures across the business.

In July, we commenced local sales and partially restarted production. Since then, we have increased gross average sales to around 23,100 bopd towards the end of August. At current realised prices of around $30/bbl, we are able to cover our current estimated H2 2023 monthly net capex, operating costs and other G&A run rate of about $6 million while increasing our flexibility to manage accounts payable. We continue to actively pursue further increases in local sales and cost reductions and retain the flexibility to reduce operational activity and costs if sustainable local sales do not materialise to an acceptable level.

While no official timeline has been announced, we continue to believe that the suspension of exports will be temporary and that the KRG will resume oil sales payments in due course. In the interim, we remain focused on protecting the interests of GKP’s stakeholders by preserving liquidity and engaging as a company and industry with the KRG and other key parties.”

Highlights to 30 June 2023 and post reporting period

Operational

- Shaikan Field exports remain suspended following the closure of the Iraq-Turkey Pipeline (“ITP”) on 25 March 2023
- Production & trucking operations started at PF-1 in July and expanded to include PF-2 in August to support increasing local sales:
    - c.4,900 bopd gross average sales for the period from 19 to 31 July increased to c.16,300 bopd for the period from 1 to 29 August
        - 1-18 August: c.12,100 bopd; 19-29 August: c.23,100 bopd
    - Average realised prices of around $30/bbl, in line with local market pricing
    - Advance payments received for local sales
    - While the priority remains local sales, GKP retains the option to restart exports quickly once the pipeline reopens
- Gross average production in H1 2023 of 23,256 bopd (H1 2022: 44,941 bopd)
    - Prior to the ITP closure, production and operational activity had been increasing. 2023 gross production averaged 49,165 bopd between 1 January and 24 March 2023 and 53,682 bopd between 1-24 March, including five days in excess of 55,000 bopd
- All expansion activity in the Shaikan Field halted and UK and Kurdistan headcount reduced:
    - All drilling, well workover, facilities expansion and well pad preparation activity remains suspended
    - 55% reduction in expat workforce, with further reductions under review
    - 50% of local workforce on reduced hours in July, partially offset in August due to step up in local sales
    - 20% deferral of Executive and Non-Executive Director salaries and fees from July
- Rigorous focus on safety maintained
    - No Lost Time Incidents for over 225 days
    - Continuing to progress critical safety upgrades and maintenance activity

Financial

- H1 2023 financial performance materially impacted by the suspension of exports and continued delays to KRG payments

    - In response, the Company has moved quickly to preserve liquidity by aggressively reducing capital expenditures and costs while proactively managing accounts payable
- Decline in Adjusted EBITDA and profitability driven by the suspension of exports and lower realised prices in Q1 2023
    - 84% decrease in Adjusted EBITDA to $34.2 million (H1 2022: $208.6 million)
    - Loss after tax of $2.9 million (H1 2022 profit after tax: $162.8 million), reflecting the decrease in Adjusted EBITDA and an impairment charge of $13.9 million (H1 2022: $0.4 million) related to the IFRS expected credit loss determined on overdue receivables from the KRG of $151 million net to GKP for production from the months of October 2022 to March 2023
    - Revenue down 70% to $79.6 million (H1 2022: $263.6 million), reflecting a 48% decrease in gross production in the period to 23,256 bopd and a 39% decrease in weighted average realised prices to $51.3/bbl for crude sales prior to the suspension of exports (H1 2022: $84.3/bbl)
    - Operating costs of $18.9 million (H1 2022: $18.9 million), with increased expenditure in Q1 2023 due to higher production offset by a 36% quarter-on-quarter reduction in Q2 2023 as production was shut-in and non-essential maintenance activity deferred
- Free cash outflow of $9.9 million (H1 2022 free cash flow: $177.3 million), reflecting lower Adjusted EBITDA and delays to KRG payments
    - Revenue receipts of $65.7 million (H1 2022: $272.4 million) related to invoices paid for crude sold in August and September 2022
    - Net capex of $47.0 million (H1 2022: $41.8 million), reflecting completion of SH-17 and SH-18, well workovers, well pad preparation, long lead items and the expansion of production facilities
    - Net capex decreased 67% to $11.7 million in Q2 2023 relative to Q1 2023 as the Company suspended all expansion activity
- $25 million interim dividend paid in March (H1 2022 dividends: $190 million) prior to the cancellation of the proposed final 2022 ordinary annual dividend of $25 million
- Cash balance of $82.1 million at 30 August 2023 with no debt
    - Includes GKP's entitlement for local crude sales and $8 million related to buyer advance payments collected by GKP

Outlook

- GKP remains focused on preserving liquidity by continuing to reduce costs, exploring opportunities to increase local sales, pursuing other liquidity options, including inventory sales, and proactively managing accounts payable
- Current estimated aggregate net capex, operating costs and other G&A monthly run rate of around $6 million in H2 2023, 65% lower vs the average monthly run rate in Q1 2023
    - Estimated 2023 net capex of $60-$65 million (previous guidance: $70-$75 million), reflecting June net capex $10 million lower than expected due to continued cost reduction efforts
    - Estimated net capex for H2 2023 less than $15 million, comprising safety critical and contractual commitments
- Current local sales volumes and realised prices enable GKP to cover its estimated monthly net capex, operating costs and other G&A of around $6 million and provide increased flexibility to manage accounts payables
- While there appears to be significant local demand for Shaikan Field crude, volumes and prices remain difficult to predict
- If sustainable local sales do not materialise and absent other revenue sources, GKP would take further actions to preserve liquidity
    - Additional opportunities have been identified to reduce the monthly expenditure run-rate by up to $2 million; however, these could potentially delay a timely return to full production
    - GKP may also consider additional sources of liquidity as necessary, including external financing
- While no official timeline has been announced, GKP continues to believe that the suspension of exports will be temporary and that the KRG will resume oil sales payments in due course
    - Political negotiations continue regarding the restart of the Iraq-Turkey Pipeline, the implementation of the approved 2023-2025 Iraqi Budget and the creation of an Iraqi Oil & Gas Law
    - The KRG has assured GKP and other International Oil Companies ("IOCs") operating in Kurdistan that Production Sharing Contracts will be honoured and receivables will be repaid

Investor & analyst presentations

GKP's management team will be hosting a presentation for analysts and investors at 10:00am (BST) today via live audio webcast:

https://brrmedia.news/GKP_HY23

Management will also be hosting an additional webcast presentation focused on retail investors via the Investor Meet Company ("IMC") platform at 12:00pm (BST) today. The presentation is open to all existing and potential shareholders and participants will be able to submit questions at any time during the event.

https://www.investormeetcompany.com/gulf-keystone-petroleum-ltd/register-investor

Recordings of both presentations will be made available on GKP’s website.

This announcement contains inside information for the purposes of the UK Market Abuse Regime.

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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

Following a year of record profitability, cash generation and shareholder returns in 2022, as well as strong momentum in the Shaikan Field leading to record production levels in the first quarter of 2023, GKP's operational and financial performance in the first six months of 2023 was materially impacted by the suspension of Kurdistan crude exports on 25 March 2023 and delays to KRG oil sales payments.

With our 2023 investment programme already under review due to increasing KRG payment delays, GKP moved swiftly to preserve liquidity following the suspension of exports. We have aggressively reduced capital expenditures and costs across the business, suspending all expansion activity in the Shaikan Field. We also cancelled the 2022 final dividend. These actions have involved some difficult decisions as we have regrettably had to sharply reduce our teams. Recognising the impact on our workforce, the Board continues to defer 20% of Executive and Non-Executive Director salaries and fees. We are also working closely with our suppliers to manage our accounts payable balances and we thank them for their continued support.

Today, after deep cost cuts and the recent benefit of local sales, the business is in a much better position to manage the current situation. Our current estimated average monthly run rate of net capex, operating costs and other G&A in the second half of the year of around $6 million represents a 65% reduction to the average monthly run rate in Q1 2023.

We have been progressively increasing local sales volumes, reducing crude in storage and restarting production from a number of wells at both PF-1 and PF-2. Gross sales averaged around 23,100 bopd for the period from 19 to 29 August, which at current realised prices are sufficient for us to cover our targeted monthly net capex, operating costs and other G&A run rate as well as provide increased flexibility to manage our accounts payable. We are actively pursuing opportunities to increase local sales volumes further, although prices and sustained demand remain unpredictable. Should sustainable local sales not materialise, we have identified additional opportunities to reduce the monthly expenditure run-rate by up to $2 million. However, these could potentially delay a timely return to full production.

While no official timeline has been provided, we continue to believe that the suspension of exports will be temporary and that the KRG will resume oil sales payments in due course. Negotiations are active between the KRG, Iraq and Turkey regarding the restart of pipeline operations. The KRG and Iraq also continue to discuss the implementation of the 2023-2025 Iraqi Budget, which recognises KRG production in exchange for budget transfers to Kurdistan, as well as the creation of an Iraqi Oil & Gas Law.

The Association of the Petroleum Industry of Kurdistan ("APIKUR"), founded by GKP and other International Oil Companies ("IOCs") in the region, is actively engaging with the KRG and other critical stakeholders regarding these issues. In our discussions, we continue to emphasise the importance of the resumption of IOC oil sales payments, the repayment of IOC receivables and the protection of the IOCs' rights under the existing Production Sharing Contracts ("PSCs") that are governed by English Law. The KRG has assured GKP and the other IOCs that the PSCs will be honoured and receivables will be repaid in full.

I would like to thank GKP's staff and contractors for their continued commitment and focus during this challenging time. Despite the ongoing disruption, we have not compromised our rigorous focus on safety, reflected in over 225 days without a Lost Time Incident, or our commitment to operational quality and asset integrity, as we have transitioned smoothly from pipeline to trucking operations, which was last utilised in 2019. I would also like to thank our loyal shareholders for their continued support as the Board continues to protect the Company's interests.

Looking back over GKP's long operating history in Kurdistan since 2007, the Company has surmounted several challenges to generate profitable growth from the Shaikan Field's substantial reserves base and economic value for Kurdistan. We remain focused on what we control with the objective of returning GKP to cash generative production.

Jon Harris
Chief Executive Officer

30 August 2023

Operational review

In the first half of the year, GKP's operations shifted rapidly from a focus on profitable growth, with investment in the Jurassic reservoir driving record levels of production, to the shut-in of production and focus on liquidity preservation following the suspension of exports on 25 March 2023. Since July, operational activity has increased to support the commencement of local sales and a partial restart of production.

Gross average production in the first half of the year was 23,256 bopd, 48% lower versus H1 2022. Prior to the suspension of exports as of 25 March 2023, gross average production in 2023 year to date was 49,165 bopd and 53,682 bopd in March 2023, including five days in excess of 55,000 bopd, reflecting increasing production from SH-16 and the start-up of SH-17. Following the closure of the Iraq-Turkey Pipeline on 25 March, production continued at curtailed rates into storage prior to a full shut-in on 13 April.

As it became apparent that pipeline exports were unlikely to resume immediately, we moved swiftly to suspend all expansion activity in the Field. Following the completion of SH-18, we released our drilling rig and suspended well workover activity. We halted all production facilities expansion activity, including the installation of water handling, as well as the preparation of future well pads and flowlines. Despite the disruption, we have maintained a rigorous focus on safety, continuing to execute critical safety upgrades and essential maintenance activity. We are pleased to have had no Lost Time Incidents for over 225 days.

Given reduced activity levels, we were regrettably forced to carry out significant reductions to the organisation. We have reduced our expat workforce by 55%, with further reductions under review. 50% of our local workforce was also on reduced hours in July, partially offset in August due to the step up in local sales. Nonetheless, we have continued to retain sufficient operational capability and resource to quickly resume exports when required and restarted more labour-intensive trucking operations for local sales.

On 19 July 2023, we commenced local sales from PF-1 and have steadily increased volumes, starting sales from PF-2 in August. We have sold crude from storage while restarting a number of PF-1 and PF-2 wells. Between 19-31 July, gross sales averaged c.4,900 bopd, with gross average sales of c.16,300 bopd for the period 1-29 August. Gross sales for the period from 19 to 29 averaged c.23,100 bopd.

Looking ahead, we see strong demand for Shaikan crude providing opportunities to increase local sales further, although the outlook for sustainable volumes and prices remains unpredictable. We continue to retain significant flexibility to dial operational activity up or down, and if we are unable to maintain sustainable local sales, we would consider additional opportunities to reduce costs. However, these could potentially delay a timely return to full production.

By adapting quickly to the new environment, we have been able to preserve liquidity and quickly seize opportunities to start producing and selling Shaikan Field crude, putting the business on a firmer footing. We remain focused on delivering against what is in our control while maintaining high levels of safety and operational quality.

John Hulme
Chief Operating Officer

30 August 2023

Financial review

Key financial highlights

		Three months ended 31 March 2023	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Gross average production(1)	bopd	46,228	23,256	44,941	**44,202**
Dated Brent(2)	$/bbl	81.2	NA	107.6	**101.4**
Realised price(1)	$/bbl	51.3	NA	84.3	**74.1**
Discount to Dated Brent	$/bbl	29.9	NA	23.3	**27.2**
Revenue	$m	79.6	79.6	263.6	**460.1**
Operating costs	$m	11.5	18.9	18.9	**41.9**
Gross operating costs per barrel(1)	$/bbl	3.5	5.6	2.9	**3.2**
Other general and administrative expenses	$m	5.0	9.1	6.1	**12.2**
Share option expense	$m	1.0	8.4	11.5	**13.8**
Adjusted EBITDA(1)	$m	58.6	34.2	208.6	**358.5**
Profit/(loss) after tax	$m	32.1	(2.9)	162.8	**266.1**
Basic earnings/(loss) per share	cents	14.8	(1.3)	75.9	**123.5**
Revenue and arrears receipts(1)(3)	$m	65.7	65.7	272.4	**450.4**
Net capital expenditure(1)	$m	35.3	47.0	41.8	**114.9**
Free cash flow(1)	$m	10.8	(9.9)	177.3	**266.5**
Dividends	$m	25.0	25.0	189.8	**215**
Cash and cash equivalents	$m	105.4	84.9	231.8	**119.5**
Face amount of the Notes	$m	0.0	0.0	100.0	**0.0**
Net cash(1)	$m	105.4	84.9	131.8	**119.5**

(1) Gross average production, realised price, gross operating costs per barrel, Adjusted EBITDA, revenue and arrears receipts, net capital expenditure, free cash flow and net cash are either non-financial or non-IFRS measures and, where necessary, are explained in the summary of non-IFRS measures.
(2) Weighted average GKP sales volume price. For the period three months ended 31 March 2023 reflects sales to the date of pipeline suspension on 25 March 2023.
(3) Arrears receipts relate to historic receivables settled in H1 2022; all receipts in 2023 were for current invoices.

Building on the Company's strong financial performance in 2022, in which GKP generated record profitability and cash flow, distributed $215 million of dividends to shareholders and repaid its $100 million outstanding bond, the Company was on track for another strong year in 2023 until the suspension of crude exports on 25 March 2023. The suspension and continued delays in KRG payments materially impacted the Company's financial performance in the first six months of 2023. In response, the Company moved quickly to preserve liquidity by aggressively reducing capital expenditures and costs across the business while proactively managing accounts payable.

On 19 July, GKP commenced local oil sales and is focused on continuing to increase sales volumes. Local sales are prepaid by the buyer eliminating counterparty credit risk. At current sales volumes and prices, associated revenues cover current estimated monthly net capex, operating costs and other G&A of around $6 million, while providing increased flexibility to manage accounts payables.

Adjusted EBITDA

Adjusted EBITDA declined by 84% to $34.2 million in H1 2023 (H1 2022: $208.6 million), driven by the suspension of exports and lower realised prices in the first quarter of the year.

Gross average production was 23,256 bopd in H1 2023 (H1 2022: 44,941 bopd), 48% lower versus the prior reporting period reflecting the shut-in of Shaikan Field production for the majority of the second quarter. Gross average production in the first quarter of the year was 46,228 bopd, reflecting increasing levels of production and operational activity prior to the closure of the Iraq-Turkey Pipeline.

Shaikan crude sales in H1 2023 generated revenue of $79.6m, a 70% reduction versus the prior period (H1 2022: $263.6 million), with no revenue generated in the second quarter. Production in the first quarter of the year prior to the suspension of exports was sold at an average realised price of $51.3/bbl, 39% lower relative to the prior period (H1 2022: $83.5/bbl). The decrease was primarily driven by a reduction in the average Dated Brent price for sales in the period to $81.2/bbl (H1 2022: $107.6/bbl) and an increase in the average discount to $29.9/bbl (H1 2022: $23.3/bbl). The discount to Brent reflected the average price for Kurdistan Blend ("KBT") sold by the KRG at Ceyhan in Turkey, adjusted for a quality discount and transportation costs for use of export pipelines.

The Company continued to maintain a rigorous focus on costs, with aggressive action taken to reduce expenses in Q2 2023 to preserve liquidity.

Operating costs of $18.9 million in H1 2023 were flat relative to the prior period (H1 2022: $18.9m), with costs in Q1 2023 of $11.5 million related to higher production offset by a 37% quarter-on-quarter decrease to $7.4 million in Q2 2023, driven by the shut-in of production and deferred non-essential maintenance activity. The increase in gross operating costs per barrel to $5.6/bbl in H1 2023 (H1 2022: $2.9/bbl) reflected the shut-in of production for the majority of the second quarter.

After adjusting Other G&A expenses of $9.1 million for non-recurring corporate costs of $2.1 million, Other G&A expenses were $7.0 million up from $6.1 million in H1 2022 due to an increase in non-cash depreciation and amortisation of $0.9m related to the implementation of a new ERP system. The increase in Other G&A expenses in Q1 2023 due to increasing development and operational activity were offset by cost reductions implemented in Q2 2023.

Share option expense in the first half of the year of $8.4 million primarily reflected the vesting of the 2020 LTIP award, the majority of which was non-cash. The 27% decrease versus the prior period (H1 2022: $11.5 million) reflected the final vesting of the Value Creation Plan ("VCP") in 2022.

Profit/(loss) after tax

The Company generated a loss after tax of $2.9 million (H1 2022: profit after tax of $162.8 million), including an IFRS impairment charge of $13.9 million (H1 2022: $0.4 million) related to the expected credit loss on overdue receivables from the KRG.

Cash flows

GKP's net cash from operating activities decreased to $31.7 million in the first half of the year (H1 2022: $222.3 million), primarily reflecting the suspension of exports and associated decrease in EBITDA as well as the continued delays to KRG payments.

In H1 2023, GKP received revenue receipts from the KRG of $65.7 million (H1 2022: $272.4 million) related to invoices for crude sold in August and September 2022. The Company continues to engage with the KRG regarding the overdue receivables for the months of October 2022 to March 2023 totalling $151 million, net of capacity building payments, on the basis of the KBT pricing mechanism.

Net capital expenditure in H1 2023 was $47.0 million (H1 2022: $41.8 million), reflecting the completion of SH-17 and SH-18, well workovers, well pad preparation, long lead items and the expansion of production facilities. Net capex decreased 67% to $11.7 million in Q2 2023 relative to Q1 2023 as the Company suspended all expansion, drilling and well workover activity to preserve liquidity.

The Company paid a $25 million interim dividend at the beginning of March 2023. Following the suspension of exports, the Board reviewed and subsequently cancelled the proposed final 2022 ordinary annual dividend of $25 million. We continue to believe dividends are important to reward shareholders and will review reinstating the dividend when the environment and our liquidity position improve.

With a free cash outflow in H1 2023 of $9.9 million (H1 2022 free cash flow: $177.3 million) and the payment of the interim dividend of $25 million, GKP's cash balance decreased from $119.5 million at 31 December 2022 to $84.9 million at 30 June 2023. GKP remains focused on reducing costs, preserving liquidity and increasing local sales. The Company's cash balance at 30 August 2023 was $82.1 million, including GKP's entitlement for local crude sales and $8 million related to buyer advance payments collected by GKP.

As at 30 June 2023, there were $224 million gross of unrecovered costs, subject to potential cost audit by the KRG. The R-factor, calculated as cumulative gross revenue receipts of $2,166 million divided by cumulative gross costs of $1,838 million, was 1.18. 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. The Company's current net entitlement is 36% of gross sales revenue.

Outlook

Looking ahead to the remainder of 2023, the Company remains focused on preserving its liquidity while proactively managing accounts payable.

Currently, the estimated aggregate net capital expenditures, operating costs and other G&A monthly run rate is around $6 million for H2 2023. This represents a 65% decrease relative to the average monthly run rate in Q1 2023 of $17.3 million and a 22% decrease versus the average monthly run rate in Q2 2023 of $7.7 million, as the Company continues to drive cost reductions across the business. The run rate assumes full production at both PF-1 and PF-2. In the event the Company does not achieve sustainable local sales, additional

opportunities have been identified to reduce the monthly expenditure run-rate by up to $2 million, albeit which could potentially delay a timely return to full production.

2023 net capital expenditures are now estimated to be $60-$65 million for 2023 (prior guidance: $70-$75 million), driven by a $10 million reduction in net capex in June 2023. Less than $15 million of safety critical and contractual commitments are estimated to be remaining in the second half of the year.

Current local sales volumes and average realised prices of around $30/bbl enable GKP to cover estimated monthly net capital expenditures, operating costs and other G&A of around $6 million in H2 2023 and provide increased flexibility to manage GKP’s accounts payable balance. We continue to target ramping local sales further as we have seen strong demand.

The Company remains focused on measures to improve its liquidity position, including increasing local sales, further cost reductions and inventory sales.

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for 12 months from issuance of the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2023.

Nonetheless, given the current uncertainty over the timing of the pipeline reopening and therefore the settlement of outstanding amounts due from the KRG, and the fact that the outlook for local sales volumes and pricing is considered difficult to predict, the Directors have considered these factors could give rise to a need to implement mitigating factors including further cost reductions, inventory sales or external financing, to enable the Group to continue as a Going Concern.

The Directors have therefore concluded that a material uncertainty exists as explained more fully in the financial statement Going Concern disclosure.

Ian Weatherdon
Chief Financial Officer

30 August 2023

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 non-IFRS measures and a description of how they are calculated is set out below. Additionally, a reconciliation of the 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 operating costs per barrel.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Gross production (MMstb)	**4.2**	8.1	16.1
Gross operating costs ($ million)[(1)]	**23.6**	23.6	52.3
Gross operating costs per barrel ($ per bbl)	**5.6**	2.9	3.2

(1) Gross 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 tax expense)/(credit), finance costs, finance revenue, depreciation, amortisation, impairment of receivables and provision against inventory held for resale.

	Six months ended 30 June 2023 $ million	Six months ended 30 June 2022 $ million	Year ended 31 December 2022 $ million
(Loss)/profit after tax	**(2.9)**	162.8	266.1
Finance costs	**0.9**	5.6	9.7
Finance income	**(2.1)**	(0.1)	(0.6)
Tax expense/(credit)	**0.4**	(0.2)	(0.3)
Depreciation of oil and gas assets	**20.6**	39.5	80.2
Depreciation of other PPE assets and amortisation of intangibles	**1.3**	0.5	1.4
Impairment of receivables	**13.9**	0.4	2.0
Provision against inventory held for resale	**2.1**	-	-
Adjusted EBITDA	**34.2**	208.6	358.5

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 or any asset impairment.

	Six months ended 30 June 2023 $ million	Six months ended 30 June 2022 $ million	Year ended 31 December 2022 $ million
Net capital expenditure (note 10)	**47.0**	41.8	114.9

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 2023 $ million	Six months ended 30 June 2022 $ million	Year ended 31 December 2022 $ million
Cash and cash equivalents	**84.9**	231.8	119.5
Outstanding Notes	**-**	(99.4)	-
Unamortised issue costs	**-**	(0.6)	-
Net cash	**84.9**	131.8	119.5

Free cash flow

Free cash flow represents the Group's cash flows, before any dividends, share buybacks and notes redemption, including related fees.

	Six months ended 30 June 2023 $ million	Six months ended 30 June 2022 $ million	Year ended 31 December 2022 $ million
Net cash generated from operating activities	**31.7**	222.3	374.3
Net cash used in investing activities	**(41.3)**	(44.7)	(107.4)
Payment of leases	**(0.3)**	(0.3)	(0.4)
Free cash flow	**(9.9)**	177.3	266.5

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 largely consistent with those detailed in the management of principal risks and uncertainties section of the 2022 Annual Report and Accounts. The principal risks are listed below:

Strategic	**Operational**	**Financial**
Political, social and economic instability	Health, safety and environment ("HSE") risks	Liquidity and funding capability
Business conduct and anti-corruption	Reserves	Oil revenue payment mechanism
Disputes regarding title or exploration and production rights	Gas flaring	Commodity prices
Export route availability	Security	
Risk of economic sanctions impacting the Group	Field delivery risk	
Stakeholder misalignment		
Global pandemic		
Climate change		
Cyber security		

The Group notes the following updates to risks and uncertainties since the 2022 Annual Report and Accounts:

Closure of export pipeline
The Iraq Turkey Pipeline (“ITP”) was shut down on 25 March 2023 following the ICC arbitration ruling in favour of Iraq over Turkey. The Group continues to believe this shut-in is temporary but despite ongoing discussions on its re-opening, it remains closed with no timeline on the resumption of exports through the pipeline. This increases the risk to the Company’s liquidity and funding capability.

Enactment of Iraqi Budget Law 2023-2025
The Group has noted the enactment of the Iraqi Budget Law 2023-2025 which provides some details on the future of oil exports from the Kurdistan Region of Iraq. This law does not provide sufficient detail on the mechanics or economics of these oil exports, and in particular the payment mechanism. There has been concern that the monthly proposed budget transfers from Iraq to Kurdistan will be sufficient to cover the contractual entitlements due to International Oil Companies (“IOCs”) under their Production Sharing Contracts (“PSCs”).

Proposed new Iraqi Oil and Gas Law
The Group has noted that the Government of Iraq and the Kurdistan Regional Government are in discussions on an Iraqi Oil and Gas Law to govern the oil industry in the Kurdistan Region of Iraq. The Group has a PSC, governed by English Law, in place and, in common with other IOCs, would expect the rights under this to be fully respected in the enactment of any new oil and gas law. As the IOCs are not party to these discussions, there is a risk that these contractual rights may not be fully recognised and the IOCs may have to take formal steps to preserve their legal rights and entitlements.

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

30 August 2023

INDEPENDENT REVIEW REPORT TO GULF KEYSTONE PETROLEUM LIMITED

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2023 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 the related explanatory notes.

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" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and 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 UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting.

Material uncertainty related to going concern

We draw attention to Note 2 to the condensed consolidated financial statements which describes the uncertainty surrounding the settlement of outstanding amounts due from KRG and the difficulty of predicting volumes and pricing for local sales, both of which could give rise to the need for the Group to implement mitigating factors to enable it to continue as a going concern. As stated in Note 2, these events or conditions, along with the other matters as set out in note 2, indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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.

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

Responsibilities of 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 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 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 report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions 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

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants

London, UK

30 August 2023

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

Condensed consolidated income statement
For the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023 Unaudited $'000**	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
Revenue	4	**79,555**	263,603	460,113
Cost of sales	5	**(51,156)**	(79,129)	(158,651)
Impairment charge on trade receivables	11	**(13,939)**	(427)	(1,960)
Gross profit		**14,460**	184,047	299,502
Other general and administrative expenses	6	**(9,080)**	(6,112)	(12,202)
Share option related expense	7	**(8,372)**	(11,463)	(13,756)
(Loss)/profit from operations		**(2,992)**	166,472	273,544
Finance income		**2,057**	55	648
Finance costs		**(873)**	(5,649)	(9,655)
Foreign exchange (losses)/gains		**(668)**	1,729	1,232
(Loss)/profit before tax		**(2,476)**	162,607	265,769
Tax (expense)/credit		**(390)**	207	325
(Loss)/profit after tax		**(2,866)**	162,814	266,094
(Loss)/profit per share (cents)				
Basic	8	**(1.32)**	75.89	123.52
Diluted	8	**(1.32)**	72.85	118.62

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2023

	Six months ended 30 June 2023 Unaudited $'000	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
(Loss)/profit for the period	**(2,866)**	162,814	266,094
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**903**	(2,113)	(1,950)
Total comprehensive (expense)/income for the period	**(1,963)**	160,701	264,144

Condensed consolidated balance sheet
As at 30 June 2023

	Notes	**30 June 2023 Unaudited $'000**	31 December 2022 Audited $'000
Non-current assets			
Intangible assets		**3,641**	4,307
Property, plant and equipment	10	**463,468**	436,443
Trade receivables	11	**102,177**	-
Deferred tax asset		**1,252**	1,576
		570,538	442,326
Current assets			
Inventories	12	**14,159**	6,372
Trade and other receivables	11	**58,995**	176,203
Cash and cash equivalents		**84,935**	119,456
		158,089	302,031
Total assets		**728,627**	744,357
Current liabilities			
Trade and other payables	13	**(131,207)**	(128,561)
Non-current liabilities			
Trade and other payables	13	**(194)**	(325)
Provisions		**(43,896)**	(42,546)
		(44,090)	(42,871)
Total liabilities		**(175,297)**	(171,432)
Net assets		**553,330**	572,925
Equity			
Share capital	14	**222,443**	216,247
Share premium account	14	**503,165**	528,125
Exchange translation reserve		**(3,815)**	(4,718)
Accumulated losses		**(168,463)**	(166,729)
Total equity		**553,330**	572,925

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2023

	Share capital	Share premium account	Exchange translation reserve	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2022 (audited)	**213,731**	**742,914**	**(2,768)**	**(432,173)**	**521,704**
Profit after tax for the period	-	-	-	162,814	162,814
Exchange difference of translation of foreign operations	-	-	(2,113)	-	(2,113)
Total comprehensive income/(loss) 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**
Profit after tax for the period	-	-	-	103,280	103,280
Exchange difference of translation of foreign operations	-	-	163	-	163
Total comprehensive income/(loss) for the period	**-**	**-**	**163**	**103,280**	**103,443**
Dividends	-	(24,958)	-	-	(24,958)
Employee share schemes	(1)	-	-	2,021	2,020
Balance at 31 December 2022 (audited)	**216,247**	**528,125**	**(4,718)**	**(166,729)**	**572,925**
Loss after tax for the period	-	-	-	(2,866)	(2,866)
Exchange difference of translation of foreign operations	-	-	903	-	903
Total comprehensive (loss)/income for the period	**-**	**-**	**903**	**(2,866)**	**(1,963)**
Dividends	-	(24,960)	-	-	(24,960)
Share issues	6,196	-	-	(6,196)	-
Employee share schemes	-	-	-	7,328	7,328
Balance at 30 June 2023 (unaudited)	**222,443**	**503,165**	**(3,815)**	**(168,463)**	**553,330**

Condensed consolidated cash flow statement
for the six months ended 30 June 2023

	Note	**Six months ended 30 June 2023 Unaudited $'000**	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
Operating activities				
Cash generated in operations	9	**29,617**	227,271	383,846
Interest received		**2,057**	55	648
Interest paid		**-**	(5,000)	(10,194)
Net cash generated in operating activities		**31,674**	222,326	374,300
Investing activities				
Purchase of intangible assets		**-**	(1,411)	(2,074)
Purchase of property, plant and equipment	10	**(41,301)**	(43,367)	(105,291)
Net cash used in investing activities		**(41,301)**	(44,778)	(107,365)
Financing activities				
Payment of dividends	14	**(24,960)**	(114,831)	(214,789)
Payment of leases		**(262)**	(255)	(458)
Notes redemption		**-**	-	(100,000)
Notes repayment fee		**-**	-	(2,000)
Net cash used in financing activities		**(25,222)**	(115,086)	(317,247)
Net (decrease)/increase in cash and cash equivalents		**(34,849)**	62,462	(50,312)
Cash and cash equivalents at beginning of period		**119,456**	169,866	169,866
Effect of foreign exchange rate changes		**328**	(532)	(98)
Cash and cash equivalents at end of the period being bank balances and cash on hand		**84,935**	231,796	119,456

1. General information

The Company is incorporated and domiciled 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 material accounting policies

These interim financial statements should be read in conjunction with the audited financial statements contained in the Annual Report and Accounts for the year ended 31 December 2022. The Annual Report and Accounts of the Group were 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 2023 half-yearly financial report are the same as those adopted in the 2022 Annual Report and Accounts, other than the implementation of new IFRS reporting standards.

The financial information included herein for the year ended 31 December 2022 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 2023, 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 2023.

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.

On 25 March 2023 the International Court of Arbitration in Paris ruled on the long running Iraq-Turkey Pipeline ("ITP") arbitration case in Iraq's favour. This resulted in Turkey providing instructions to shut-in the export pipeline significantly impacting the Group's operations, a situation that continues as of the date of these financial statements. The Group understands that negotiations between the Iraq and Turkey governments are ongoing to re-open the ITP. Also, Federal Iraq recently passed the Budget for 2023-2025, which formally recognises KRG production and is expected to result in regular monthly budget transfers from Iraq to the Kurdistan Regional Government ("KRG"). Negotiations between Iraq and the KRG are ongoing to implement the budget and agree the amount of such monthly budget transfers.

No payment of monthly invoices due from the KRG has been received since March 2023 and amounts due for sales since October 2022 remain outstanding. Although the KRG has provided assurances that they plan to settle receivable balances, uncertainty remains over the timing of payment of these balances (see Note 11 for additional information). In accordance with accounting standards a credit loss provision has been provided to reflect the ongoing uncertainty.

Following the shut-in of the pipeline, the Group has aggressively reduced expenditures and continues to seek further cost savings while pursuing inventory sales and managing payment of trade payables. Since period end, the group has commenced local sales (see note 16), which is expected to improve the liquidity position of the group. All local sales are prepaid by the buyer eliminating counterparty credit risk. However, the outlook for local sales volumes and pricing remains difficult to predict. As at 30 August 2023, the Group had $82.1 million of cash and no debt. To assess the Group's potential future liquidity position, the Directors have

considered various sensitivities.

Taking into account the above, the Group expects to have sufficient cash from the date of this report to meet ongoing obligations for 12 months from issuance of these interim financial statements, unless no further payments from the KRG are received or local sales are curtailed or stopped. In such instances the Group would consider or require additional sources of liquidity, including further cost reductions, inventory sales or external financing, to fund any operations and working capital requirements over the next 12 months. Given the current uncertainty over the timing of the pipeline reopening and therefore the settlement of outstanding amounts due from the KRG, and the fact that the outlook for local sales volumes and pricing is considered difficult to predict, the Directors have considered these factors could give rise to a need to implement mitigating factors to enable the Group to continue as a Going Concern. The Directors have therefore concluded that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a Going Concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that might result if the Group is unable to continue as a going concern.

Based on the analysis performed, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for 12 months from issuance of these interim financial statements. Thus, the going concern basis of accounting is used to prepare the 2023 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 2022 Annual Report and Accounts, with the exception that the expected credit loss and impairment estimates are now considered key sources of estimation uncertainty. Although methodologies remains consistent with the approach for year ended 2022, scenarios and inputs have been updated in line with assumptions as at 30 June 2023.

Critical accounting judgement

Revenue

The recognition of revenue is considered to be a key accounting judgement. Further details of this judgement are provided in the sales revenue accounting policy as disclosed in the 2022 Annual Report and Accounts.

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.

Expected credit loss

The recoverability of receivables is a key accounting judgement. The difference between the nominal value of receivables and the expected value of receivables after allowing for counterparty default risk gives the expected credit loss (ECL). Management have considered scenarios for recovering receivables and assigned probabilities to these scenarios. A weighted average has been applied to receipt profiles, upon which a counterparty default allowance has been applied to derive the ECL. This ECL is offset against current and non-current receivable amounts as appropriate within the balance sheet with the change in the receivable balance during the period recognised in the income statement. In making this judgement, management has estimated the timing of the receipt of KRG receivables which will be dependent upon uncertain future events, in particular the expected timing of the re-opening of the ITP.

Carrying value of producing assets

The Group's accounting policy on impairment remains consistent with that disclosed in the 2022 Annual Report. The Group's sole CGU as at 30 June 2023 was the Shaikan Field with a carrying value of $421 million.

The Group performed an impairment trigger assessment and concluded that the shutdown of the Iraq Turkey Pipeline ("ITP") in March 2023 following the ITP Arbitration ruling was a potential indicator of impairment. Accordingly, an impairment evaluation was completed, and it was concluded that no impairment write-down was required.

In accordance with accounting standards, the impairment assessment was prepared based on available information combined with management estimates as at 30 June 2023. This includes a number of key assumptions, some of which have a high degree of uncertainty. Notably, the date of the re-opening of the ITP was and remains uncertain. The key areas of estimation in assessing the potential impairment indicators are as follows:

- It has been assumed for the impairment calculation base case that the ITP would reopen in October 2023 leading to resumption of exports. This was management's assumption as at 30 June 2023 and the re-opening date remains uncertain at the date of this report. We have therefore applied sensitivities of up to a further one-year delay in the re-opening of the ITP with no impairment being necessary;

- The Group's netback price was based on the Dated Brent forward curve as at 30 June 2023 for the period 2023 to 2029 with inflation of 2% per annum thereafter, less transportation costs and quality adjustments. The Dated Brent forward curve at 31 December was used for the year end comparative. See note 4 for details linking Dated Brent to realised prices;

$/bbl – nominal	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
30 June 2023 – base case	77.4	73.0	70.6	68.7	66.9	65.5
30 June 2023 – stress case	73.7	65.7	63.5	61.8	60.3	58.9
31 December 2022 – base case	83.4	78.2	74.5	71.7	69.6	68.1
31 December 2022 – stress case	75.1	70.4	67.1	64.5	62.6	61.3

- Operating costs and capital expenditures were based on financial budgets and internal management forecasts;

- Cost assumptions used in the assessment were based on an updated Jurassic development plan, contingent upon regular payments in line with contractual requirements commencing in 2024. Following the closure of the ITP in March 2023 the capital programme of both drilling and facility expansion required to ramp up production has been deferred by around a year compared to the 31 December 2022 base case assumption. Cost assumptions incorporated management's experience and expectations, including the nature and location of the operations and the associated risks. The impact of near-term inflationary pressures were also considered and no impairment was identified;

- The Group's assessment of the potential impacts of climate change and the associated risks have not changed since year end. The International Energy Agency's ("IEA") most recent Announced Pledges Scenario ("APS") and Net Zero Emissions ("NZE") climate scenario oil prices and carbon taxes were used to evaluate the potential impact of the principal climate change transition risks. Under the APS and NZE scenarios without incremental carbon tax there was no impairment. However, while the IEA oil price assumptions incorporate carbon prices, it has not disclosed the assumed average carbon intensity per barrel of production. Therefore, the Group has performed a sensitivity to conservatively include IEA carbon pricing on all production which results in no impairment under the APS scenario. Under the NZE scenario, there was a potential impairment; however, if the Group's assumed future average carbon intensity per barrel of production is in fact at or below the undisclosed IEA carbon intensity per barrel of production, there would have been no impairment;

- 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% as used in the base case and unchanged from 31 December 2022. The impact of an increase in discount rate to 20% was

considered as a sensitivity to reflect potential increased geopolitical risks and no impairment was identified; and

- Commercial reserves and production profiles used relate solely to 2P reserves and are consistent with the assessment within the Competent Person's Report ("CPR") dated 31 December 2022.

3. Geographical information

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. The financial information of the single segment is materially 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
In 1H 2023 oil sales were made solely to the KRG (FY 2022: solely to the KRG).

4. Revenue

	Six months ended 30 June 2023 Unaudited $'000	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
Oil sales	**79,555**	263,603	460,113

The Group accounting policy for revenue recognition is set out in its 2022 Annual Report, with revenue recognised upon transfer of control of crude oil at the delivery point, being the export pipeline.

On 25 March 2023 the International Court of Arbitration in Paris ruled on the long running Iraq-Turkey export pipeline arbitration case in Iraq's favour (see note 2). This led to the shut-in of the export pipeline; from 25 March 2023 to the end of the reporting period there have been no oil sales or revenue. All revenue reported in the six months period ended 30 June 2023 occurred from 1 January 2023 to 25 March 2023.

Since 1 September 2022 there has been no lifting agreement in place between the Shaikan Contractor and the KRG. The KRG proposed a new pricing mechanism based upon the average monthly Kurdistan blend ("KBT") sales price realised by the KRG at Ceyhan; formerly the pricing mechanised was based upon Dated Brent. The Company has not accepted the proposed contract modification and continued, until suspension of the export pipeline, to invoice the KRG for oil sales based on the pre-1 September 2022 pricing formula. Considering the uncertainty with respect to the variable consideration within the pricing mechanism, the Company has concluded that it is an appropriate judgement to recognise revenue based on the proposed contract modification for the six-month period to 30 June 2023.

In H1 2023, the oil sales price was calculated using the monthly KBT price less a weighted average discount of $16.1/bbl (H1 2022: Dated Brent less weighted average discount of $23.3/bbl; July-August 2022: Dated Brent less weighted average discount of $23.4/bbl; September-December 2022: KBT less weighted average discount of $16.2/bbl) for quality and pipeline tariffs. In H1 2023, the value of KBT was lower than Dated Brent by a weighted average of $13.9/bbl (H1 2022: Not applicable; July-August 2022: Not applicable; September-December 2022: $18.5/bbl).

The revenue impact of using the proposed KBT pricing mechanism instead of Dated Brent for the period is estimated to be a reduction of $12.0 million (H1 2022: nil; FY 2022: $23.4 million). Taking into account the associated reduction in capacity building payments results in a total reduction of profit after tax for the year of $11.4 million (H1 2022: nil; FY 2022: $21.7 million). Any difference between the proposed and final pricing mechanism will be reflected in future periods.

5. Cost of Sales

	Six months ended 30 June 2023 Unaudited $'000	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
Operating costs	**18,858**	18,878	41,835
Capacity building payments	**5,713**	20,511	34,927
Changes in oil inventory value	**(1,188)**	242	555
Depreciation of oil and gas assets	**20,559**	39,498	80,225
Contract termination costs	**5,143**	-	-
Provision against inventory held for sale	**2,071**	-	-
Impairment of surplus drilling stock	**-**	-	1,109
	51,156	79,129	158,651

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 entitlement production, commercial reserves and capital costs for Shaikan. Commercial reserves are proven and probable ("2P") reserves, estimated using standard recognised evaluation techniques. For purposes of calculating the DD&A per barrel of production effective 1 January 2023, a Competent Person's Report from ERC Equipoise Limited with 2P reserves estimates at 31 December 2022 was used in conjunction with the Group's economic forecasts to determine entitlement production, commercial reserves and capital costs for Shaikan.

During the six-month period to 30 June 2023 GKP exited a number of contracts; associated costs are accounted for as contract termination costs.

6. Other general and administrative expenses

	Six months ended 30 June 2023 Unaudited $'000	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
Depreciation and amortisation	**1,331**	473	1,600
Other general and administrative costs	**7,750**	5,640	10,602
	9,081	6,113	12,202

The increase of other general and administrative costs from H1 2022 to H1 2023 is primarily due to non-recurring corporate costs.

7. Share option related expense

	Six months ended 30 June 2023 Unaudited $'000	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
Share-based payment expense	**7,328**	8,573	8,690
Payments related to share options exercised	**764**	1,193	3,266
Share-based payment related provision for taxes	**280**	1,697	1,800
	8,372	11,463	13,756

The six-month period to June 2023 includes $5.0 million for the exercise of share dividend entitlements related to the options granted in 2020. These were predominantly settled in shares rather than cash and no further exercise costs will be incurred in relation to the 2020 scheme. The year to December 2022 includes the final settlements in relation to the Value Creation Plan (VCP) which totalled $9.5 million of the $13.8 million expense. There are no further VCP share options outstanding and the plan has been terminated.

8. Earnings per share

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

	Six months ended 30 June 2023 Unaudited	Six months ended 30 June 2022 Unaudited	Year ended 31 December 2022 Audited
(Loss)/profit after tax ($'000)	**(2,866)**	162,814	266,094
Number of shares ('000s):			
Basic weighted average number of ordinary shares	**216,927**	214,527	215,420
Basic (loss)/earnings per share (cents)	**(1.32)**	75.89	123.52

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 2023 Unaudited	Six months ended 30 June 2022 Unaudited	Year ended 31 December 2022 Audited
Number of shares ('000s):			
Basic weighted average number of ordinary shares	**216,927**	214,527	215,420
Effect of dilutive potential ordinary shares	**11,547**	8,957	8,909
Diluted number of ordinary shares outstanding	**228,474**	223,484	224,329
Diluted (loss)/earnings per share (cents) (1)	**(1.32)**	72.85	118.62

(1) 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. During a period where a company makes a loss, anti-dilutive shares are not included in the loss per share calculation as they would reduce the reported loss per share.

Weighted average number of ordinary shares excludes shares held by Employee Benefit Trustee of 3.4 million (H1 2022: 0.4 million; FY 2022: 0.1 million).

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

	Six months ended 30 June 2023 Unaudited $'000	Six months ended 30 June 2022 Unaudited $'000	Year ended 31 December 2022 Audited $'000
(Loss)/profit from operations	**(2,992)**	166,472	273,544
Adjustments for:			
Depreciation, depletion and amortisation of property, plant and equipment (including the right of use assets)	**21,010**	39,853	80,883
Amortisation of intangible assets	**815**	77	859
Share-based payment expense	**7,328**	154	1,866
Increase of provision for impairment of trade receivables	**13,939**	427	1,960
Provision against inventory held for sale	**2,071**	-	-
Impairment of PPE items	**-**	-	1,109
Operating cash flows before movements in working capital	**42,171**	206,983	360,221
(Increase)/Decrease in inventories	**(9,858)**	595	(354)
(Increase)/Decrease in trade and other receivables	**(8,906)**	23,907	11,640
Decrease/(Increase) in trade and other payables	**6,143**	(4,214)	12,339
Income taxes received	**67**	-	-
Cash generated from operations	**29,617**	227,271	383,846

10. Property, plant and equipment

	Oil and Gas Assets $'000	**Fixtures and Equipment $'000**	**Right of use Assets $'000**	**Total $'000**
Year ended 31 December 2022				
Opening net book value	402,094	1,033	1,078	404,205
Additions	114,909	1,595	-	116,504
Impairment of surplus drilling stocks	(1,109)	-	-	(1,109)
Revision to decommissioning asset	(2,161)	-	-	(2,161)
Depreciation charge	(80,177)	(359)	(347)	(80,883)
Foreign currency translation differences	-	(12)	(101)	(113)
Closing net book value	**433,556**	**2,257**	**630**	**436,443**
Cost	943,563	8,946	2,145	954,654
Accumulated depreciation	(510,007)	(6,689)	(1,515)	(518,211)
Net book value at 31 December 2022	**433,556**	**2,257**	**630**	**436,443**
Period ended 30 June 2023				
Opening net book value	433,556	2,257	630	436,443
Additions	47,035	436	16	47,487
Revision to decommissioning asset	517	-	-	517
Depreciation charge	(20,559)	(329)	(122)	(21,010)
Foreign currency translation differences	-	5	26	31
Closing net book value	**460,549**	**2,369**	**550**	**463,468**
At 30 June 2023				
Cost	991,115	9,387	2,187	1,002,689
Accumulated depreciation	(530,566)	(7,018)	(1,637)	(539,221)
Net book value	**460,549**	**2,369**	**550**	**463,468**

The additions to the Shaikan asset amounting to $47.0 million during the period include the costs of completing SH-17 and the drilling and completion of SH-18, well workovers, well pad preparation, long lead items and expansion of production facilities.

The increase in the decommissioning asset represents further decommissioning obligations that arose on capital projects.

11. Trade and other receivables

Non-current receivables

	30 June 2023 Unaudited $'000	31 December 2022 Audited $'000
Trade receivables – non-current	**102,177**	-

Current receivables

	30 June 2023 Unaudited $'000	31 December 2022 Audited $'000
Trade receivables - current	**52,430**	158,032
Other receivables	**4,867**	16,828
Prepayments and accrued income	**1,698**	1,343
Total current receivables	**58,995**	176,203
Total receivables	**161,172**	176,203

Reconciliation of trade receivables

	30 June 2023 Unaudited $'000	31 December 2022 Audited $'000
Gross carrying amount	**171,626**	161,112
Less: impairment allowance	**(17,019)**	(3,080)
Carrying value at 30 June 2023	**154,607**	158,032

Trade receivables comprise amounts due, based upon KBT pricing, from the KRG for crude oil sales from October 2022 to March 2023 totalling $159.4 million (FY 2022: $148.9 million) and a share of Shaikan revenue arrears the Group purchased from MOL amounting to $12.2 million (FY 2022: $12.2 million). All trade receivables due from the KRG are past due (FY 2022: $99.1 million). Trade receivables have been classified as non-current if, based on the weighted average expected receipt profile, they are expected to be received more than 12 months from the balance sheet date. Excluding the capacity building payments due to the KRG, the net cash amount due to GKP is $151.7 million (FY 2022: $145.3 million). The ECL on the trade receivable balance of $17.0 million was provided against the receivables balance in line with the requirements of IFRS 9 resulting in an expense of $13.9 million in the reporting period (H1 2022: $0.4 million; FY 2022: $2.0 million).

ECL sensitivities
Considering the receipt profile scenarios, the only input variable to materially change profit before tax, when changed by a reasonably possible amount, is the timing of receipt. If the receipt of past-due trade receivables was delayed by 12 months beyond the scenarios modelled, then the ECL would increase by $10.5 million.

Other Receivables
Other receivables includes an amount relating to advances to suppliers of $0.7 million (FY 2022: $11.5 million). Of this $0.7 million (FY 2022: $10.6 million) relates to advances for capital expenditure and is included within investing activities in the condensed consolidated cash flow statement.

12. Inventories

	30 June 2023 Unaudited $'000	31 December 2022 Audited $'000
Warehouse stocks and materials	6,459	6,074
Inventory held for sale	6,213	-
Crude oil	1,487	298
	14,159	6,372

Due to the deferral of the capital investment programme the Group is attempting to sell certain drilling equipment and such amounts at 30 June 2023 have been classified as inventory held for sale.

13. Trade and other payables

Current liabilities

	30 June 2023 Unaudited $'000	31 December 2022 Audited $'000
Trade payables	**24,270**	3,499
Accrued expenditures	**23,800**	40,642
Amounts due to KRG not expected to be cash settled	**73,560**	70,740
Capacity building payment due to KRG on trade receivables	**7,716**	7,131
Other payables	**1,446**	6,164
Finance lease obligations	**415**	385
Total current liabilities	**131,207**	128,561

Amounts due to the KRG not expected to be cash settled of $73.6 million (FY 2022: $70.7 million) are included as liabilities, but it is likely that they will be offset against unrecognised historic revenue arrears. As detailed on page 137 of the 2022 Annual Report, under the Shaikan PSC and the 2016 Bilateral Agreement, the Group is entitled to offset certain costs against amounts owed by the KRG to GKPI. Included within this amount is $36.0 million (FY 2022: $34.2 million) relating to the difference between the capacity building rates of 20%, as applied to current invoicing, and 30% as per the Bilateral Agreement.

Non-current liabilities

	30 June 2023 Unaudited $'000	31 December 2022 Audited $'000
Non-current finance lease liability	**194**	325

14. Share capital

	Common shares			
	No. of shares 000	Share capital $'000	Share premium $'000	Amount $'000
Issued and fully paid				
Balance 1 January 2023 (audited)	216,247	216,247	528,125	744,372
Dividends	-	-	(24,960)	(24,960)
Share issues	6,196	6,196	-	6,196
Balance 30 June 2023 (unaudited)	**222,443**	**222,443**	**503,165**	**725,608**

Dividends of $25.0 million consist solely of an interim dividend paid in March 2023.

15. Contingent liabilities

The Group has a contingent liability of $27.3 million (FY 2022: $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 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 Shaikan PSC amendment negotiations and it is likely that it will be settled as part of those negotiations.

16. Post-interim events

Following the end of the reporting the period, the Group commenced sales to the local market on 19 July 2023. Average sales in the period from 19 to 31 July were c. 4,900 bopd, increasing to c.16,300 bopd for the period from 1 to 29 August, with realised prices achieved of around $30 per barrel in line with local market pricing. GKP’s current net entitlement is 36% of gross sales revenue. For contracts entered into by the Group directly with buyers, funds are received in advance of local sales.

GLOSSARY (See also the glossary in the 2022 Annual Report and Accounts)

2P	Proved plus probable reserves
APS	Announced Pledges Scenario
bbl	Barrel
bopd	Barrels of oil per day
Capex	Capital expenditure
CGU	Cash-generating unit
COVID-19	Coronavirus
CPR	Competent Person's Report
DD&A	Depreciation, depletion and amortisation
DTR	Disclosure and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBT	Employee benefit trust
ECL	Expected credit losses
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FDP	Field Development Plan
G&A	General and administrative
FY	Financial year
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
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IOC	International oil companies
ITP	Iraq-Turkey pipeline
KBT	Kurdistan blend
KRG	Kurdistan Regional Government
LTI	Lost time incident
MMbbls	Million barrels
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
NZE	Net Zero Emissions
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