



GULF KEYSTONE PETROLEUM

Annual report and accounts 2020



About us

Gulf Keystone is the operator of the Shaikan Field, one of the largest developments in the Kurdistan Region of Iraq.

Our purpose

GKP is a responsible energy company developing natural resources for the benefit of our stakeholders and employees, delivering social and economic benefits by working safely and sustainably with integrity and respect.

Our commitment to sustainability



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Our asset at Shaikan



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Q&A with new CEO



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Strategic report

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2020 full-year highlights



36,625 bopd
record annual average production



Zero LTIs
robust safety performance as we managed the impact of COVID-19



\$148 million
cash at year end



\$51 million
cash generated from operations

At a glance

Safety first: over 450 LTI-free days and no recordable incidents in over a year

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GKP remains a low-cost operator; lowest recorded Opex/bbl of \$2.6/bbl achieved in 2020

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Highest ever monthly average production average of 44,405 bopd in January 2021

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CPR confirmed 2P+2C reserves and resources of c.800 MMstb at 31 December 2020

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Strong balance sheet. Announced return to annual dividend of at least \$25 million

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Recommended 55,000 bopd expansion project with drilling expected to begin in Q3 2021

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Chairman's statement



GKP successfully managed through unprecedeted challenges and is well positioned to deliver the significant value of the Shaikan Field.

Jaap Huijskes
Non-Executive Chairman

Gulf Keystone showed tremendous resilience and flexibility in its prudent and timely response to the global COVID-19 pandemic and oil price fluctuations in 2020, while meeting revised guidance and maintaining a strong financial position. The Company is pleased to have returned to a balance of investment in production growth and shareholder distributions through the resumption of its annual dividend policy of at least \$25 million.

GKP has for a number of years prioritised the safety, environmental and social effects of its business and remains committed to environmental, social and governance ("ESG") principles. We look forward to continuing to develop the Shaikan Field for the benefit of all stakeholders, while striving to lower our emissions.

2020 began with the Company progressing its expansion of Shaikan to 55,000 barrels of oil per day ("bopd") and Brent crude oil prices close to \$70/bbl – the stage was set for another twelve months of successful, safe, production growth. However, as the global pandemic took hold towards the end of Q1 2020, the situation changed very quickly and dramatically and the welfare of our team and those we work with were our immediate priority. Pressure built further with increased OPEC production as the global economy faltered, resulting in Brent crude oil prices collapsing to as low as below \$10/bbl, its lowest price in over 20 years, and West Texas Intermediate crude oil briefly trading at negative prices.

Faced with these unprecedeted challenges, the Company responded swiftly and decisively, protecting our people and those we work with, contributing to the welfare of the communities close to the Shaikan Field, and managing the cost base to ensure the financial health of the Company; all while maintaining safe and stable production operations. These were remarkable achievements and the team deserve recognition for their handling of the crisis and the nimble manner in which they were able to react. It is also worth noting that the rigorous testing procedures we put in place at the outset of the pandemic ensured that COVID-19 did not impact operations, enabling production to continue uninterrupted throughout this period.

It is now more than a year since COVID-19 took hold and it is clear that the steps taken in the early part of 2020 were the right ones. The decisions that the Board took, including the postponement of our production growth plans, and measures to protect the Company's liquidity, were not easy but necessary. Ultimately, the Board's actions enabled the Company to emerge from the crisis in a robust financial position and ready to return to our plans to deliver significant value from Shaikan.

Throughout the year, the field has continued to perform, and we are pleased to have announced record production figures in January 2021. With today's improved operating environment, underpinned by higher oil prices, and our robust balance sheet (which is supported by the ongoing repayment of outstanding invoices), the Company was pleased to announce it is resuming the 55,000 bopd project and is targeting to restart drilling activities in Q3 this year.

Over 2019 and Q1 2020, the Company returned approximately \$100 million to shareholders through dividends and share buyback programmes. We are now pleased to be announcing a return to our target of paying a proposed dividend of at least \$25 million per year. A dividend of \$25 million will be put to shareholders for approval at the Annual General Meeting ("AGM") on 18 June 2021 and will be paid to shareholders on 2 July 2021 based on a record date of 25 June 2021. The Board continues to balance the needs of the business and maintaining an appropriate balance sheet, with our ability to reward shareholders. With continuing strong oil prices, there may be opportunities to consider further distributions to shareholders this year.

During 2020, we welcomed Garrett Soden back to the Board of GKP as a non-independent Non-Executive Director representing funds managed by Lansdowne Partners Austria GmbH. In January 2021, we bid farewell to Jón Ferrier who retired as CEO. Jón transformed the Company in his five years as CEO and we thank him for his immense contribution over his tenure. The Board is pleased to welcome Jon Harris as our new CEO. In his short time with the Company, Jon has made a positive impact and we look forward to the business continuing to flourish under his leadership.

On behalf of the Board, I would like to express my thanks to the team at GKP who have shown great resilience. In addition, thank you to all of our shareholders for their ongoing support. We have a great opportunity to create value for all our stakeholders, and to make a positive contribution within Kurdistan.

Jaap Huijskes
Non-Executive Chairman

30 March 2021

Investment case

Five reasons to invest in Gulf Keystone Petroleum



ESG focused

Committed to safe and sustainable operations, and to making a positive social contribution in Kurdistan, whilst minimising environmental impacts.

READ MORE
on pages 32 to 50



Delivering value to shareholders

Balancing material long-term profitable production growth with attractive returns to shareholders, underpinned by a track record of delivering on operational and financial targets.

Resumed expansion project with target to grow production towards 55,000 bopd in Q1 2022. Vision to grow production to 110,000 bopd.



Robust financial position

Shaikan is highly cash generative, which combined with prudent financial policies, tight cost controls and an effective hedging policy, ensures the Company maintains a robust balance sheet (cash position of \$161 million as at 30 March 2021).

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Strong governance and organisation

With a talented local and expatriate workforce, a highly experienced management team, and overseen by a strong and diverse Board, GKP has the team and structure in place to deliver on its ambitious growth objectives.



Long life asset

With over 85 million barrels produced to date, the Company has a deep knowledge of the reservoir, materially de-risking production operations. With gross 2P reserves + 2C contingent resources of 798 MMstb, Shaikan is set to continue to produce for decades into the future, making a positive contribution to the region whilst helping Kurdistan meet its energy transition goals. 1P reserves to current production (January 2021) have a ratio of over 15 years, while 2P reserves to current production is over 30 years.

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Chief Executive Officer's review



We are focused on delivering a balance of investment in production growth and shareholder distributions.

Jon Harris
Chief Executive Officer

I am very pleased to address all our stakeholders having recently joined Gulf Keystone as CEO in January 2021.

GKP successfully managed the extreme impact of the global COVID-19 pandemic on our staff, contractors and production operations. We quickly implemented a disciplined approach to quarantine and testing, ensuring flexibility and support to staff working remotely and put in place medical and health measures to safeguard that our people were protected.

Safety is our fundamental way of being, as well as representing good business. Our great safety performance is a testament to the culture of health, safety, security and environment ("HSSE") running through the Company. We have now had over 450 lost time incident ("LTI") free days and not a single recordable case in over a year. We remain resolutely committed to maintaining this strong safety performance.

Despite the pandemic, GKP exceeded revised production guidance for 2020, achieving record annual average production of 36,625 bopd, and another important milestone was also achieved in March 2021 when cumulative production passed 85 million stock tank barrels ("MMstb"). The Company was also quick to protect its financial position, reducing Capex by 50% and general and administrative ("G&A") and Opex by over 20% compared to 2019; when put in the context that these decisions were made late in the first quarter, the reductions represent a significant year-on-year decrease. The Company ended the year with a strong balance sheet and at 30 March 2021 has cash of \$161 million.

In March 2020, when the Company suspended its investment plans due to the pandemic, we were on track to achieve the 55,000 bopd target in Q3 2020. Despite the challenges of operating with COVID-19, the Company channeled its efforts into identifying and delivering a number of near-term, low-cost projects, which successfully increased gross production by 9,000 bopd, for an aggregate gross cost of less than \$3 million, resulting in some of the highest production rates the field has seen to date.

Throughout the year, Gulf Keystone continued to manage its business prudently and responsibly. In 2020, the support we were able to provide local communities was more important than ever. Amongst a wide array of community initiatives in direct support of the effects of COVID-19, the Company donated personal protective equipment, test kits and sterilisation equipment to hospitals within the concession, as well as providing firefighting gear and flood relief packages.

Maintaining and building on our ethos is essential, enhancing our corporate social responsibility, and the ESG strategy is also a key priority in 2021. Since joining GKP, I have been pleased to see an organisation that takes its responsibilities to both people and the environment seriously. I have been leading a working group to review, and where necessary strengthen, our approach to ESG. The Company is committed to best practice and this is evident in our high levels of disclosure in this year's Sustainability report. Not only is this ensuring that we have implemented the correct approach to ESG, it is the right thing to do, and reflective of our corporate values, given the welcome focus on ESG by a wide range of stakeholders.

We have had a strong start to 2021. In January, the Company achieved record average monthly production of over 44,400 bopd, highlighting how Shaikan continues to perform strongly and reliably. This solid operational performance is against an improving backdrop with the oil price having shown signs of a material, sustained recovery, increasing the cash we are generating. We are pleased to report that in today's higher oil price environment, with dated Brent above \$50/bbl, the Kurdistan Regional Government ("KRG") has honoured its pledge to start to repay the amount outstanding for the invoices of November 2019 to February 2020. We are grateful that these are now being addressed as it contributes to the Company's ability to deliver its ambitious plans for 2021 and beyond.

The recently updated Competent Person's Report ("CPR") reaffirmed the quality of the Shaikan Field with gross 2P+2C reserves and resources of c.800 MMstb, in line with the previous CPR from 2016 after adjusting for production over the period. The CPR endorsed our internal view of the asset and clearly underlines the extent of the field's full potential.



Macro conditions are improving, Shaikan continues to perform well and the Company is in a strong financial position. The decision was made to resume the 55,000 bopd expansion project, which we now expect to complete in Q1 2022. We are committed to realising the value of Shaikan for the people of Kurdistan and our investors, and look forward to keeping the market apprised of our progress towards 55,000 bopd, and then beyond.

In 2021, we are targeting to invest \$55-65 million net and gross annual average production of 40,000-44,000 bopd, while maintaining our competitive cost position with gross Opex of \$2.5-\$2.9/bbl.

We are pleased to have returned to a balance of growth-focused field development investments and shareholder distributions with the reinstatement of at least a \$25 million annual dividend. A dividend of \$25 million will be presented at the AGM on 18 June 2021 for shareholder approval. The production growth story combined with the return of surplus cash to shareholders are the foundations of Gulf Keystone's highly attractive investment case.

On a personal note, having been CEO since the start of the year, my firm impression is of a very professional and collaborative team, with considerable drive and passion for everything they do. I am extremely pleased to be part of this team and in a company with such a positive ethos. Many sacrifices have been made because of COVID-19, especially impacting rotation work patterns. Many people have spent a considerable amount of time away from their families over recent months. I extend a sincere thank you to the team for their dedication, commitment and personal sacrifices in the interests of the Company. In addition, I would like to thank all of our stakeholders for their continued support.

Jon Harris
Chief Executive Officer

30 March 2021

Building on our strong ESG foundation

Recommended the 55,000 bopd expansion project

Resumption of at least a \$25 million annual dividend

Q&A with Jon Harris, Chief Executive Officer



Jon Harris
Chief Executive Officer

Q:

What was your background before joining Gulf Keystone?

A:

Prior to joining GKP, I was the Executive Vice President of Upstream at SASOL Limited, an integrated energy and chemicals company based in South Africa. Previously, I spent 25 years at BG Group, where I held various roles across a wide range of disciplines and geographies. I have a Masters in Engineering from the University of Leeds in the UK and now have over 30 years' experience in the oil and gas industry, which I am pleased to bring to GKP.

Q:

What attracted you to the Company?

A:

There were a number of reasons why I decided to join GKP. A key pull for me was the calibre of everyone I met on the team and the ethos of the Company. I am very fortunate to have joined a group of extremely committed and collaborative professionals. To have successfully navigated the challenges of 2020 and to have emerged in such a strong position clearly demonstrates their ability and responsiveness.

I have worked across many energy projects around the world but the Shaikan Field stands out as one of the best resources I have seen; the 2020 CPR by ERCE concludes that Shaikan has gross 2P+2C of c.800 MMstb.

The Company has amassed a great deal of data on the geology, understanding how the reservoirs behave, and from this has formulated a low-risk development plan that I think is extremely exciting.

Another important draw for me was the Company's holistic approach to its business, whether in operations or developments leading to focus on its people, its fence line communities and the local environment. There is a strong willingness within GKP to make a positive contribution and to be a good corporate citizen – a place where we are all proud to work.



**Q:**

What are your near-term goals for Gulf Keystone?

A:

My near-term goal for the Company is to remain focused on what it does so well. Mainly, to continue safe and reliable operations at Shaikan and generate low-cost production. If we take care of the foundations, we will deliver considerable value to all of our stakeholders.

I am pleased that we have resumed the 55,000 bopd expansion project and remain focused on balancing the Company's growth objectives with returning capital to shareholders.

I am excited by the long-term growth potential of Shaikan and I look forward to working with the team to review options to optimise our development plans and re-engage with partners and the MNR to finalise the Field Development Plan ("FDP").

Q:

What does ESG mean to you and how do you see it affecting GKP?

A:

GKP has a track record of strong environmental, social and governance performance, but there is never room for complacency. We are committed to minimising our impact on the environment and have clear targets for reducing emissions. We will continue to make a significant contribution to the social fabric of the region, both through a number of really important initiatives we lead around the field, but also through the economic contribution we make to Kurdistan.

We are reporting on our approach to ESG and our latest Sustainability report includes more detail than ever. My personal view is that companies have a responsibility to people and the environment and that is certainly the case at GKP. We are an oil producing company, but we are an important part of Kurdistan's development and the region's energy transition story. There are clear economic and social reasons for Shaikan to continue to be developed, but it must be done in as responsible a way as possible, and that is what we are focused on.

Q:

What are your hobbies outside of work?

A:

Having spent much of my career abroad, I love travelling and seeing new parts of the world. I am really looking forward to being able to meet and get to know the people of Kurdistan and explore some of its vast history. I am a family man and Jackie and I value spending time with our grown-up kids. I also enjoy keeping fit, so that I can play golf and tennis when time allows.

Operational review



Shaikan continues to perform well and we are on track to deliver another year of production growth.

Stuart Catterall
Chief Operating Officer

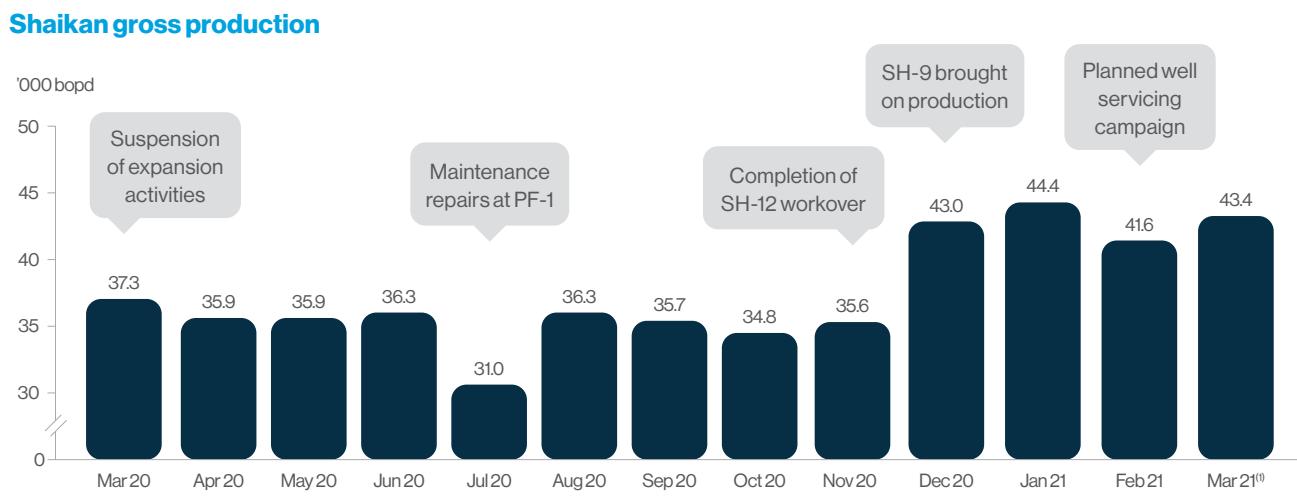
During 2020, the Company made decisive strategic changes to successfully manage the impact of COVID-19 and achieve a number of operational milestones during the period.

The Company had a strong start to the year and was on track to achieve its target of ramping up production to 55,000 bopd in Q3 2020 at Shaikan. However, with the outbreak of the COVID-19 pandemic, the Company suspended its expansion programme and focused on protecting the health of its staff, contractors and local communities, in order to achieve safe and reliable production operations. GKP successfully managed the impact of COVID-19 on production operations and continued its strong safety record, with no LTIs during the year and on 24 February 2021 achieved one year with zero recordable incidents. Plant availability remained high during the period and the Company achieved average gross production of 36,625 bopd, exceeding the top end of the revised guidance range and the highest annual average production rate to date from the field.

Despite having suspended the expansion programme, once the initial crisis period had settled, we identified three opportunities that could be completed at very low cost to materially boost the field's production. The first was the hook-up of SH-9 with this well being brought on stream as an oil producer in December. The other two initiatives were the recompletion of SH-12 in the main Upper Jurassic reservoir and the further debottlenecking of PF-1 to increase production capacity beyond the 27,500 bopd anticipated in the 55,000 bopd project, to over 30,000 bopd. These initiatives increased gross production at Shaikan by approximately 9,000 bopd for a total cost of less than \$3 million gross. This led to GKP recording its highest ever monthly production average of 44,405 bopd in January 2021.

On the 55,000 bopd expansion programme, a significant proportion of the capital expenditure has already been incurred and the groundwork laid for the Company to complete the project. With cumulative gross costs of \$160 million to the end of 2020, the Company remains on track to achieve the original total project guidance of \$200-230 million gross. GKP was pleased to announce that it is restarting the project and has begun to remobilise its team. Assuming services and equipment are available as required, given the potential impact of COVID-19, we aim to restart drilling in Q3 this year and to ramp up towards 55,000 bopd in Q1 2022. The drilling campaign will start with SH-13, followed by the SH-1 well, which will be drilled from the same pad as SH-13. In addition, the debottlenecking of PF-2 will be completed and electric submersible pumps ("ESPs") will be fitted into two of the existing wells.

Shaikan gross production



(1) Monthly average as at 29 March 2021.



The Company has set the target of achieving average daily gross production guidance of 40,000 to 44,000 bopd in 2021. To date, GKP is on track to meet this guidance, having delivered average production for the year to 29 March 2021 of 43,190 bopd. Despite the restart of our investment programme, we are maintaining production guidance unchanged as the additional production from this programme will only start to show a benefit in Q1 2022.

The Company, and its partner Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc) ("MOL"), were making good progress with the Ministry of Natural Resources ("MNR") on preparation of a revised FDP including the Gas Management Plan ("GMP"), up until March 2020, when the workstream was paused due to the outbreak of COVID-19. The GMP is designed to significantly reduce the routine flaring of associated gas which would materially lower emissions and currently includes the development of surface facilities to sweeten the gas and remove sulphur.

Although a year was effectively lost as a result of the pandemic, following the appointment of the new Minister of Natural Resources, GKP and MOL are re-engaging with the MNR to discuss various options to optimise and reduce the cost of the GMP. The GMP is a vital part of the FDP, which once approved will enable the partners to deliver sustainable, cost-effective and low-risk production growth for many years to come.

**Record average
annual production of
36,625 bopd in 2020**

**CPR reconfirmed
c.800 MMstb gross
2P+2C reserves
and resources**

**Target to more than
halve CO₂ emissions
per barrel by 2025**

Operational review continued



Competent Person's Report ("CPR")

In February 2021, GKP issued a revised CPR from its reserves auditor, ERCE, reaffirming the significant reserves and resources potential of the Shaikan Field. Four years on from the previous CPR, Jurassic 2P reserves of 505 MMstb remain almost unchanged (allowing for production), which is reassuring and supports our view on the geological model of the Jurassic reservoir.

Gross 2P+2C reserves and resources were c.800 MMstb at 31 December 2020. Based on the CPR and using gross January 2021 average production, Shaikan has a gross 1P reserves life index of c.15 years and a gross 2P reserves life index of over 30 years. By the end of March 2021, we had produced over 85 MMstb gross.

ESG

While ESG is a relatively new term, the underlying components have always been important to us and we are committed to its principles. We are very proud of the social and economic contribution we make in Kurdistan, which as a region is heavily reliant on the natural resources sector for revenue.

While further details can be found later in the Sustainability report on some of the ESG initiatives we conducted during the year, I would like to touch on a few notable areas this past year. Firstly, we are proud that as at 31 December 2020, 84% of our employees were local (up from 74% in 2019). We have one of the highest percentages of local employees in the oil and gas sector in Kurdistan and, since 2018, over 70 local employees have been promoted to more senior positions.

Despite the challenges presented by the COVID-19 pandemic, we were also able to continue with a range of community investment activities. This included building a water supply network, drilling a water well, the provision of wool clippers and shears to local farmers, providing the local fire department with equipment and supplying medical personal protective equipment to the local villages. It is anticipated that over 450 people will benefit from the water project and in excess of 130 sheep breeders in 13 villages received wool shears. During the year, the Company spent over \$200,000 on corporate social responsibility initiatives.

On the environmental side, GKP is committed to reducing routine flaring at Shaikan and retains its aspiration to reduce scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025. Clearly though, a year has been lost as a result of the COVID-19 pandemic and progress towards the goal is subject to the finalisation of the GMP with MOL and the KRG. Whilst we are re-engaging with the MNR to review and finalise the GMP, we are also considering a number of other projects in our opportunity register that can reduce our environmental impact. The Company looks forward to updating the market further on its operational progress over the course of 2021.

Stuart Catterall
Chief Operating Officer

30 March 2021

Financial review



GKP continues to maintain a sharp focus on capital discipline and has a strong balance sheet.

Ian Weatherdon
Chief Financial Officer

Key financial highlights

		Year ended 31 December 2020	Year ended 31 December 2019
Gross average production ⁽¹⁾	(bopd)	36,625	32,883
Dated Brent ⁽¹⁾	(\$/bbl)	42.0	64.6
Realised price ⁽¹⁾	(\$/bbl)	20.9	42.9
Revenue	(\$m)	108.4	206.7
Operating costs	(\$m)	27.4	37.4
Gross operating costs per barrel ⁽¹⁾	(\$/bbl)	2.6	3.9
General and administrative expenses	(\$m)	13.5	19.5
Incurred in relation to Shaikan Field	(\$m)	5.8	10.0
Corporate G&A	(\$m)	7.7	9.5
Adjusted EBITDA ⁽¹⁾	(\$m)	56.7	122.5
(Loss)/profit after tax	(\$m)	(47.3)	43.5
Basic (loss)/earnings per share	(cents)	(22.45)	19.25
Capital investment ⁽¹⁾	(\$m)	45.9	90.0
Revenue receipts ⁽¹⁾	(\$m)	101.1	155.7
Cash and cash equivalents	(\$m)	147.8	190.8
Net decrease in cash and cash equivalents	(\$m)	43.0	104.6
Face amount of the Notes	(\$m)	100.0	100.0

Gulf Keystone continues to maintain a sharp focus on capital discipline. A track record of strict cost control and a flexible phased development programme enabled the Company to reduce capital expenditures, operating costs and general and administrative expenses quickly and significantly in 2020, in response to the impact of COVID-19 and decline in oil prices. The Company strives to maintain a robust financial profile through the economic cycle and is committed to a balance of investment in profitable production growth and distributions to shareholders.

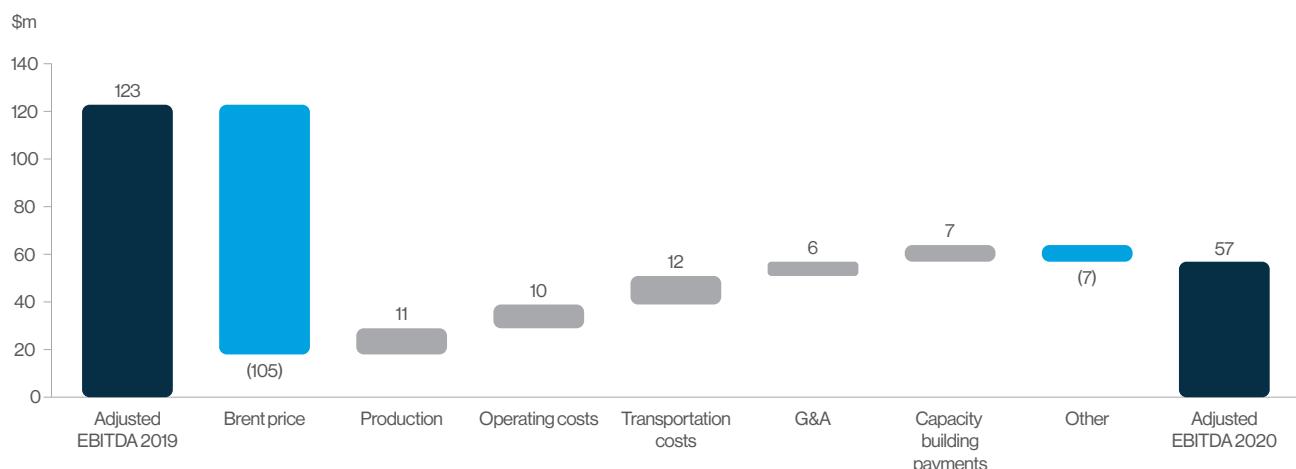
In Q1 2020, the Company was on track to achieve its target of growing production to 55,000 bopd and it completed the second tranche of its share buyback programme, bringing total capital distributions in 2019 and 2020 to \$99.0 million. With the impact of COVID-19 and the decline in oil price, the Company took decisive steps to preserve liquidity, including suspension of the expansion and dividend programme and implementation of a hedging programme that has resulted in hedging c.60% of production at a floor price of \$35/bbl for H2 2020 and H1 2021 and \$40/bbl for Q3 2021, while retaining full upside to increasing oil prices.

The Company recognised a loss after tax for the first time since its restructuring in 2016, driven by the significant decline in the dated Brent price (2020: \$47.3 million loss; 2019: \$43.5 million profit).

(1) Gross average production, dated Brent, realised price, gross operating costs per barrel, Adjusted EBITDA, capital investment and revenue receipts are either non-financial or non-IFRS measures and, where necessary, are explained in the summary of significant accounting policies.

Financial review continued

Adjusted EBITDA



The impact of the decline in oil price resulted in a significant reduction in Adjusted EBITDA from \$122.5 million in 2019 to \$56.7 million in 2020. Gulf Keystone was able to mitigate the oil price impact by focusing on what it controls, increasing production and reducing operating costs and G&A expenditures.

Average 2020 production was 36,625 bopd, the highest annual average from the field to date and up 11% from 2019. However, the benefit of higher production was more than offset by the decline in oil price.

During the year, the Company established and achieved aggressive cost reduction targets. Operating costs decreased by 27% to \$27.4 million (2019: \$37.4 million) driven by cost-saving initiatives and a deferral of non-critical maintenance activity.

Gross operating costs decreased from \$3.9/bbl in 2019 to \$2.6/bbl, below the guidance range of \$2.7-\$3.1/bbl. In 2021, operating costs are expected to increase with production; however, the Company is targeting to maintain unit operating costs.

G&A decreased by 31% to \$13.5 million (2019: \$19.5 million) with savings achieved in both Corporate and Shaikan G&A. Cost-saving initiatives contributed c.23% of the decrease. The remaining decrease is driven principally by the impact of the decline in GKP's share price on the tax provision for share-based compensation and higher capitalisation of costs.

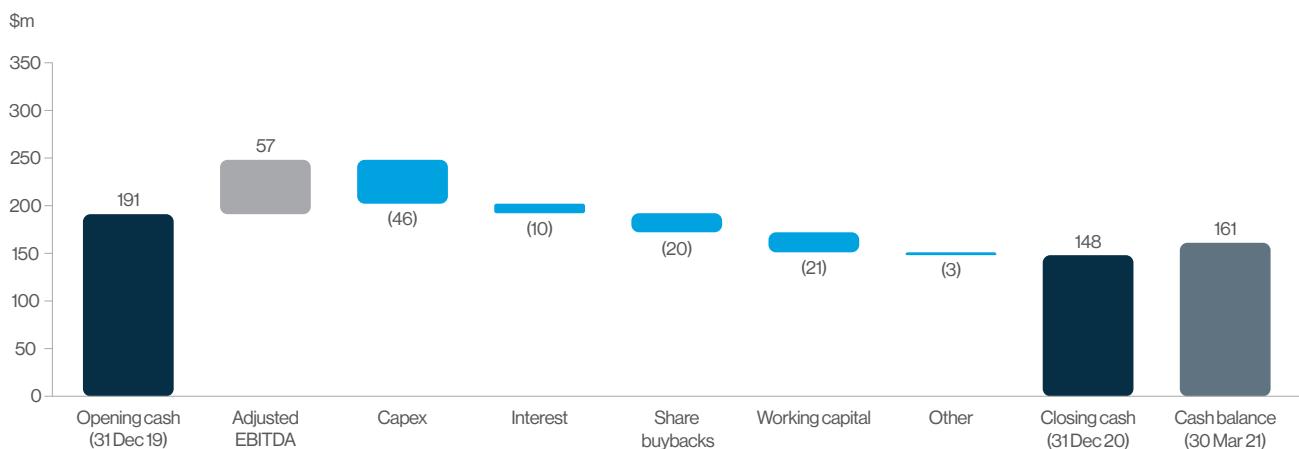
The pipeline from PF-1 to the main regional export pipeline was commissioned in December 2019, eliminating the cost of transportation by trucks (2020: \$nil; 2019: \$12.0 million).

Achieved cost reduction targets

Strong leverage to oil prices

Robust cash balance provides significant flexibility

Cash flows



Cash decreased over the year by \$43.0 million from \$190.8 million to \$147.8 million. The Group has notes outstanding with a principal balance of \$100.0 million (2019: \$100.0 million) that do not mature until July 2023, resulting in a net cash balance of \$47.8 million at 31 December 2020.

The Group generated cash from operating activities of \$36.8 million (2019: \$83.7 million). The decrease was primarily driven by the reduction in Adjusted EBITDA.

In March 2020, the KRG informed the Company and other IOCs in Kurdistan that payments for oil sales from November 2019 to February 2020 would be deferred. As at 31 December 2020, the Group had \$73.3 million net of overdue invoices in relation to this period.

In December 2020, the Company received an arrears repayment proposal from the KRG that would result in a monthly repayment amount calculated as 50% of the difference between the average monthly dated Brent price and \$50/bbl multiplied by gross Shaikan crude oil sales volumes. Further to the proposal, in March 2021, the first arrears repayment of \$2.6 million net was received for January 2021 production. The Company remains in a constructive dialogue with the KRG to finalise the repayment terms.

During 2020, GKP invested net capital expenditures of \$45.9 million (2019: \$90.0 million) in the Shaikan Field. Expenditures were within the \$40-48 million net guidance range despite adding activity to recomplete SH-12, tie in SH-9 as an oil producer and further debottleneck PF-1 that contributed to record annual average production. Additionally, trade accounts payable associated with investing activities were reduced by \$12.1 million during the year.

As at 31 December 2020, there were \$548 million gross of unrecovered costs, subject to potential cost audit by the KRG. Cumulative revenues were \$1,182 million and cumulative costs were \$1,439 million, resulting in an R-factor of 0.82.

During the year, the Company completed the final tranche of the share buyback programme, repurchasing \$20.2 million of common shares. The Company subsequently cancelled 18.1 million treasury shares and retained one million treasury shares to fulfil potential future exercises of share-based awards.

The Group performed a cash flow and liquidity analysis based on which 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 financial statements.

Outlook

The Company has a strong balance sheet with cash and cash equivalents of \$161.0 million at 30 March 2021.

We are pleased to have recently announced that we are resuming the 55,000 bopd expansion project. We are now planning to invest \$55-65 million net in 2021 to complete routine works deferred from 2020 and increase production towards 55,000 bopd in Q1 2022. 2021 annual average gross production is expected to be 40,000-44,000 bopd. Additionally, we are targeting gross Opex of \$2.5-\$2.9/bbl.

Also, in line with our commitment to balance investment in production growth and distributions to shareholders, we are pleased to announce that we are reimplementing an annual dividend policy with the target of paying at least \$25 million per year. A dividend of \$25 million is subject to approval at the AGM on 18 June 2021 and will be paid to shareholders on 2 July 2021 based on a record date of 25 June 2021. Looking forward, to the extent oil prices remain strong, there may be opportunities to consider further distributions this year.

Ian Weatherdon
Chief Financial Officer

30 March 2021

Business model

Our purpose: GKP is a responsible energy company developing natural resources for the benefit of our stakeholders and employees, delivering social and economic benefits by working safely and sustainably with integrity and respect.

Inputs

Focus on safe operations

No LTI

in over 450 days

Large scale asset

798 MMstb

Gross 2P reserves
+ 2C contingent
resources

>30 years

Gross 2P reserves life index⁽¹⁾

Skilled workforce

75%

of GKP's local employees
are skilled

>70

local employee promotions
since 2018

Financial strength

\$161m

cash as at 30 March 2021

\$100m

bond due mid-2023

Low-cost structure

<\$35/bbl

Brent price covers operating
costs, G&A and interest
expense

c.\$3/bbl

long-term Opex

(1) 505 MMstb of gross 2P reserves/annualised average daily
production for January 2021 of 44,405 bopd.

Our core activities



Develop

The 31 December 2020 CPR reaffirms that the Shaikan Field possesses considerable untapped potential, with gross 2P reserves + 2C contingent resources of 798 MMstb. With the Company's deep understanding of the asset, it is well placed to deliver further low-cost production growth over the coming years.

[READ MORE](#) on pages 24 to 27

Our strategic priorities



Safety and
sustainability



Value
creation



Capital
discipline
and cost
focus



Robust
financial
position

Underpinned by our values and culture

[READ MORE](#) on pages 16 and 17

1. Safety

2. Social responsibility

3. Trust through open communication



Produce

In 2020, Gulf Keystone delivered its highest annual average production rate to date from the field of 36,625 bopd. Achieving safe and reliable operations at Shaikan is a key strategic priority for the organisation, as demonstrated by no LTI's occurring in over 450 days. GKP aims to deliver low-cost, sustainable production growth at Shaikan well into the future.

READ MORE on pages 8 to 10

Operating responsibility



Strong risk management framework

READ MORE on pages 51 to 60



Enhancing sustainability practices

READ MORE on pages 32 to 50

Outputs



Communities

GKP takes pride in its engagement with communities and has a strong relationship with the areas local to Shaikan. The Company is one of the largest employers in the region and has a very high staff localisation ratio. It is committed to local workforce development through jobs, training and career opportunities.



Kurdistan

GKP makes a significant contribution to the social and economic fabric of Kurdistan. The Company aims to minimise its environmental impact on the region, with plans to reduce scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025.



Partners

The Company continues to work with its partners, MOL and the host government, the KRG, to generate value from the Shaikan Field.



Shareholders

Generating value for shareholders remains a top priority. With the improving outlook, the Company plans to deliver value by balancing production growth and shareholder returns.

4. Innovation and excellence

5. Integrity and respect

6. Teamwork

Purpose, values and culture

Our purpose

GKP is a responsible energy company developing natural resources for the benefit of our stakeholders and employees, delivering social and economic benefits by working safely and sustainably with integrity and respect.

GKP's values

Our values provide the building blocks for how we operate and get things done as a team. It is through practising these values we can achieve our purpose and strategic objectives.

1. Safety

Safety comes first.
No job is so urgent or important that it cannot be done safely.

2. Social responsibility

We are committed to meeting high standards of corporate citizenship by protecting the wellbeing of our employees, by safeguarding the environment and by creating a long-standing, positive impact on the communities where we do business.

3. Trust through open communication

We understand the importance of listening and open communication with employees, our business partners, stakeholders and shareholders – our success depends on everyone. We encourage an environment of open and continuous communication and build our relationships on trust.

4. Innovation and excellence

We are committed to a high-performance culture and to ensure sustained long-term value for not only our external stakeholders but also our employees through learning, mentoring and career development.

5. Integrity and respect

Doing the right thing. We are always guided by the highest standards of ethical conduct, integrity and fairness. Respect is: ensuring diversity and equal opportunities in the business; with our partners, stakeholders and contractors – seeking to conduct our business openly for the mutual benefit of all.

6. Teamwork

Positive and constructive collaboration and relationships between all employees is vital to deliver outstanding performance in everything we do.

GKP's culture

Company culture is the personality of the organisation. We asked staff to share what it's like to work at GKP.

"Diversity is celebrated at GKP – we have over 15 different nationalities; people are treated fairly and given equal opportunities."

"Huge emphasis is placed on safety – the Company really cares about no harm to our people or environment."

"We value and develop our people – we want to be the employer of choice in Kurdistan."

"We have very high ethical standards and value openness and transparency in all that we do and with all our stakeholders."

Our culture at GKP What's it like to work here?

"We are very proud of our achievements and our teams have shown tremendous dedication and commitment to GKP."

"We have a really inclusive culture – we work as one team, with one set of targets and are encouraged to share ideas."

"We have an open door policy and are able to have conversations and communication across all levels."

"What differentiates us is our humanity – we truly believe our people are our most important asset."



Strategy and objectives

Our strategy is to create value through the staged development of Shaikan to deliver profitable production growth, balanced, as appropriate, with distributions to shareholders.

Our strategic priorities are as follows:



Safety and sustainability

Strategic objective

- The Group is committed to high ESG standards with a focus on safety, the environment, our people and local communities, underpinned by strong governance processes.

Measures

- Formulate and implement an ESG strategy and plan.
- Deliver HSSE and corporate social responsibility ("CSR") programmes.
- Achieve zero LTIs and continuously improve the Company's total recordable incident rate ("TRIR").
- Implement a gas management plan to reduce routine gas flaring over time.
- Localisation and staff retention.

2020 progress

- Refer to the Sustainability report on pages 32 to 50 for more detail on safety and sustainability initiatives.
- Zero LTIs, reduction in TRIR and substantial completion of HSSE improvement programme.
- Due to the suspension of the expansion project, completed organisational review and reduced workforce by 40%.
- Due to COVID-19, implemented a remote working policy to protect the workforce.
- December 2020 Kurdistan staff localisation rate of 84%. 2020 voluntary turnover rate of 3.5%.

Link to key performance measures

- Safety performance (TRIR)



Value creation

Strategic objective

- Deliver long-term, profitable production growth and, as appropriate, return capital to shareholders.

Measures

- Deliver annual average gross production guidance range.
- Deliver positive operating cash flow.
- Identification of production optimisation opportunities.
- Resumption of expansion activities and distributions to shareholders once the macro-environment has improved.
- Reinitiate FDP discussions with the new Minister of Natural Resources. Discussions were suspended by the MNR due to COVID-19.

2020 progress

- Exceeded revised production guidance of 35,000-36,000 bopd.
- Completed three low-cost, high-impact projects, increasing average production to c.44,400 bopd in January 2021.
- \$57 million Adjusted EBITDA despite the challenging environment.
- The Company announced in March 2021 the resumption of the 55,000 bopd expansion project.
- Reinstated at least a \$25 million annual dividend, subject to shareholder approval at the AGM in June 2021.

Link to key performance measures

- Gross production (bopd)
- Adjusted EBITDA (\$m)



Successful delivery of our strategic objectives is underpinned by a robust and rigorous risk management process.

We are focused on the safety and sustainability of our operations, and capital and cost discipline, while maintaining a robust financial position.



Capital discipline and cost focus

Strategic objective

- Prudent, disciplined and proactive management of capital expenditures and underlying cost base.

Measures

- Deliver approved work programme within budget.
- Continue Opex and G&A optimisation without compromising safety or performance.
- Strict review, ranking and approval of capital expenditure.

2020 progress

- Operating and G&A cost reduction target achieved.
- Development programme suspended in response to the impact of COVID-19. Reduced capital expenditures by c.50% compared to 2019.
- Lowest recorded gross Opex/bbl of \$2.6/bbl.

Link to key performance measures

- Operating costs (\$m)
- G&A expenses (\$m)
- Capital investment (\$m)



Robust financial position

Strategic objective

- Maintain adequate liquidity to fund the development over time while allowing for return of capital to shareholders.

Measures

- Return capital to shareholders via dividends and/or buybacks once the macro-economic and operational outlook has improved.
- Active follow-up with the KRG to ensure timely revenue and arrears payments in line with contractual terms.
- Manage the pace and scope of the staged development and adapt expenditure plans to reflect evolving macro-economic conditions.

2020 progress

- Reacted decisively to the COVID-19 pandemic, suspending capital programme and reducing operating and G&A costs. Recommenced 55,000 bopd expansion project in March 2021.
- Bought back \$20 million of shares in Q1 2020.
- Suspension of dividend until macro conditions improve. In March 2021, announced a return to paying an annual dividend of at least \$25 million.
- Worked closely with the KRG to progress resolution of the outstanding arrears payments. The first repayment for the outstanding arrears was received from the KRG in March 2021.

Link to key performance measures

- Adjusted EBITDA (\$m)
- Operating costs (\$m)
- G&A expenses (\$m)
- Capital investment (\$m)



Key performance measures

Gulf Keystone sets performance measures and assesses progress against these targets on a regular basis.

Key to strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Gross production

(bopd)



Why we measure this

- Indicator of our revenue generation potential.
- Measure of development progress towards achieving production of 55,000 bopd and then beyond.

Link to strategic priorities



Performance

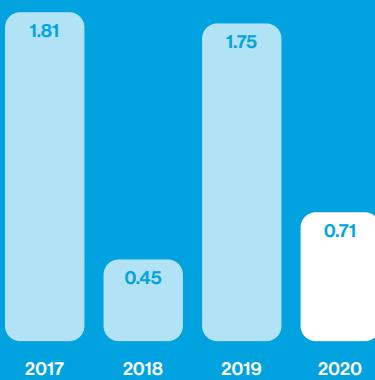
- 2020 production was in excess of the revised guidance range of 35,000-36,000 bopd.
- Reservoir performance was in line with our expectations.
- Increase from previous year due to recompletion of SH-12, tie-in of SH-9, PF-1 debottlenecking and no major planned maintenance shutdowns.

Link to remuneration

Yes

Safety performance

(TRIR)



Why we measure this

- The Company is committed to safe, reliable operations and HSSE remains a priority.
- Safety performance and improvements in safety management are measured by a number of measures, including TRIR.
- We require employees and contractors to work in a safe and responsible manner and provide them with the training and equipment to do so.

Link to strategic priorities



Performance

- TRIR decreased in 2020 despite the challenges of managing the impact of COVID-19 and the reduction in staff. The Company achieved the milestone one year without a recordable event on 24 February 2021.
- The Company recorded no LTIs in 2020. As at the date of this report, there have been more than 450 LTI-free days since the last incident in December 2019.
- The Company's 2020 HSSE improvement plan, which comprised both improvement initiatives and compliance measures, was substantially complete on 31 December 2020.

Link to remuneration

Yes

Adjusted EBITDA

(\$m)



Why we measure this

- Indicator of the Group's cash flow.
- Excludes the impact of costs attributable to income tax (expense)/credit, finance costs, finance revenue, depreciation and amortisation and impairment of receivables.

Link to strategic priorities



Performance

- Despite an 11% increase in production, revenue decreased by \$98 million due to the significantly lower average oil price in 2020. The impact of lower oil prices was partially offset by decreased operating and G&A costs resulting from cost-saving measures.

Link to remuneration

No

Operating costs

(\$m)



Why we measure this

- The Company monitors operating costs to ensure they remain in line with the budget. Costs are carefully controlled with a focus on delivering reductions to remain a low-cost operator.

Link to strategic priorities



Performance

- Operating and G&A costs reduced in excess of 20% cost reduction target.
- Reduction in operating costs is due to the implementation of cost-saving measures and a delay of non-critical maintenance activity, in response to the COVID-19 pandemic.
- Gross operating costs were \$2.6 per barrel in 2020 (2019: \$3.9 per barrel), below the low end of our guidance range.

Link to remuneration

Yes

G&A expenses

(\$m)



Why we measure this

- A key metric for the Company is to maintain low G&A expenses, which represents corporate and support costs of the business.
- Performance is measured relative to budget and the ability to identify and implement cost reductions.

Link to strategic priorities



Performance

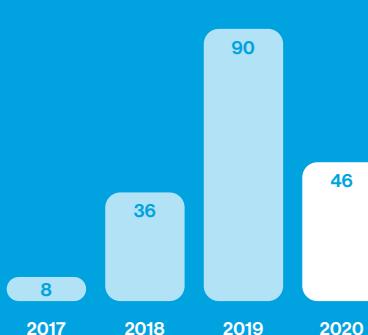
- Operating and G&A costs reduced in excess of 20% cost reduction target.
- Reduction of G&A expenses is due to the implementation of cost-saving measures in response to the COVID-19 pandemic.

Link to remuneration

Yes

Capital investment

(\$m)



Why we measure this

- Capital investment comprises the Company's net spend on oil and gas assets as we execute the Shaikan development programme.
- Capital investment is incurred in an efficient, controlled and timely manner in order to achieve profitable development of oil reserves.

Link to strategic priorities



Performance

- Decrease in 2020 as the Company suspended its capital programme in Q1 in response to COVID-19 pandemic. SH-9 tie-in, SH-12 recompletion and PF-1 debottlenecking contributed to production increases.
- Increase in 2018 and 2019 as the Company invested in the 55,000 bopd work programme.
- Low spend in 2016 and 2017 while the FDP was being updated.

Link to remuneration

Yes

Our asset

What's in this section?



Payments and steady exports

READ MORE
on page 23



Strategy for future growth

READ MORE
on pages 24 and 25



Reserves and resources

READ MORE
on pages 26 and 27

Our asset



Payments and steady exports

Payments

A total of eleven payments were received in 2020 from the KRG covering production sold for August, September and October 2019 as well as from March 2020 to November 2020. December 2020 was received in January 2021.

In December 2020, the Company received an arrears repayment proposal from the KRG to recover the outstanding balance owed for the November 2019 to February 2020 invoices, representing a total c.\$73 million net. That proposal would result in a monthly repayment amount calculated as 50% of the difference between the average monthly dated Brent price and \$50 per barrel multiplied by gross Shaikan crude oil sales volumes.

Further to the proposal, in March 2021, the first arrears repayment of \$2.6 million net was received for January 2021 production. The Company is pleased to see the start of the recovery of past arrears which confirms the KRG's commitment to repay the amounts. At the time of writing, a total of c.\$71 million net remained outstanding and the Company remains in a constructive dialogue with the KRG to finalise the repayment terms.

Shaikan crude exports

Crude exports have continued reliably in 2020 with all production exported via the Kurdistan Export Pipeline. During 2020, over 13 MMstb of Shaikan oil were exported. In 2020, the total discount to Brent averaged c.\$21 per barrel.

Crude oil payments (net)

Since January 2020

● Outstanding invoice ● Payment received ● Revenue arrears received



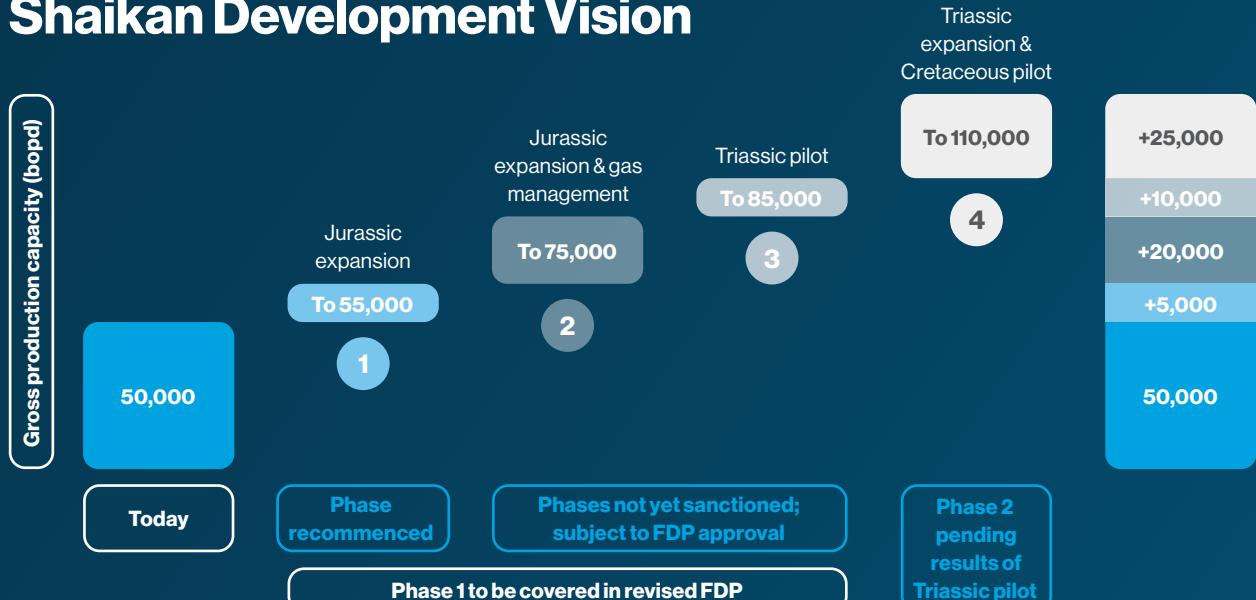
(i) Source: EIA monthly prices.

Our asset continued



Strategy for future growth

Shaikan Development Vision



1 55,000 bopd

Key activity

- Two tubing workovers (completed)
- PF-1 pipeline tie-in into export pipeline (completed)
- Four new wells (two completed)
- Installation of ESPs in two existing wells
- Debottlenecking of existing facilities at PF-1 (completed) and PF-2
- Pre-emptive installation of additional 3-phase separators and pre-heaters for water-handling

Estimated gross Capex⁽¹⁾

\$200-\$230m

- 2018 to 2020: \$160m
- 2021+: remainder

Drilling

SH-9, which was drilled in 2019, was brought online in December 2020.

SH-13, the third well in the campaign, was spudded in January 2020 and suspended above the reservoir in March 2020.

After suspension of activity in March 2020 due to COVID-19, the 55,000 bopd programme is underway again, starting with the completion of SH-13.

SH-I, the final well of the 55,000 bopd phase, will be drilled from the same well pad to optimise costs. Additionally, two ESPs are expected to be installed.

Facilities

PF-1 plant debottlenecking work has been completed and production capacity is now in excess of 30,000 bopd. Final debottlenecking work at PF-2 is expected to increase capacity to 27,500 bopd in time for production from SH-13 and SH-I.

Timing

Drilling campaign and debottlenecking: Re-mobilising to recommence drilling and workover campaign in Q3 2021

2

75,000 bopd and gas management

Key activity

- Five new wells
- Installation of ESPs in up to four existing wells
- Completion of an additional process train at each PF and other facilities improvements
- A new production facility (PF-3) to process the associated gas
- Additional storage at PF-1

Estimated gross Capex⁽¹⁾

\$500-\$600m, of which:

- 75,000 bopd expansion: \$200-\$250m
- Gas management plan: \$275-\$375m

Timing

75,000 bopd expansion:
18 to 24 months following sanction

Gas management plan:
60 to 66 months following sanction

Expansion to 75,000 bopd

The plan remains to drill a further five wells and install up to four ESPs in existing wells; total well capacity is expected to reach 75,000 bopd.

Each production facility will be further upgraded with the completion of an additional process train and by adding a second stabiliser column.

Additional storage at PF-1 will maximise up-time during pipeline interruptions.

Long-term drilling plans will continue to be reviewed, but it is expected that infill drilling will be required to maintain plateau.

Gas management plan

Consistent with our ESG commitment to reduce the impact on the environment over time. The current gas management plan is to sweeten and export produced gas, and recover elemental sulphur from the acid gas waste stream.

As a result of COVID-19, a year has been lost to further mature the gas management plan with the MNR.

GKP and MOL are re-engaging with the MNR to discuss gas management plan options, with the objective of optimising and reducing the cost.

Once this is agreed, the Field Development Plan will be updated and submitted to the MNR.

3

85,000 bopd

Key activity

- Drilling of two new Triassic pilot wells
- Installation of further facilities at PF-3
- Produced gas to be processed and exported, along with the Jurassic gas, during the pilot project
- Pilot designed to reduce uncertainty, de-risking the development of gross 157 MMstb Triassic contingent resources (2C)

Estimated gross Capex⁽¹⁾

\$135-\$165m

Timing

18 to 24 months following sanction

4

110,000 bopd

Key activity

- Approximately six additional wells to develop Triassic resources, including at least one gas injector
- Additional facilities at PF-3 to process and either reinject or export the gas
- Drill a Cretaceous pilot well to investigate heavy oil accumulation and develop plans to exploit using existing or new technologies. The Cretaceous represents production upside beyond 110,000 bopd

Estimated gross Capex⁽¹⁾

\$450-\$550m

Timing

24 to 30 months following sanction

(1) GKP's net share of Capex is 80%. Capex estimates include between 10% and 25% contingency (depending on project maturity) except the gas management plan which has +/-40% accuracy.

Our asset continued



Reserves and resources

In February 2021, ERCE, an independent third-party reserves evaluator, verified, as at 31 December 2020, 2P reserves (gross) of 505 MMstb and 2C contingent resources (gross) of 293 MMstb. The updated CPR demonstrates the continuing long-term strong performance of the Shaikan Field with gross 2P+2C reserves and resources volumes in line with the last CPR prepared by ERCE in 2016, after adjusting for production.

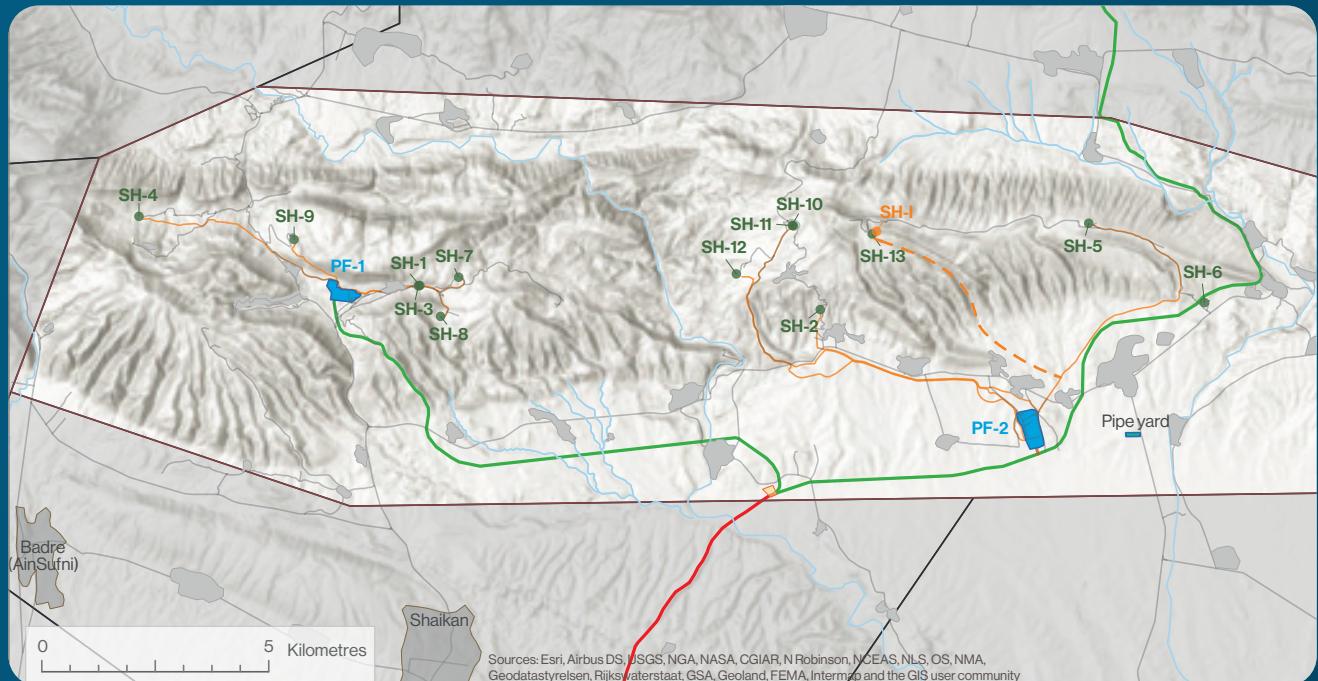
With a deep understanding of the Shaikan Field that has produced over 85 MMstb to date (30 March 2021), the Company is pleased that the latest CPR matches the interpretation and understanding of the geological model, underlining the considerable untapped potential of the field.

In the last year, production has remained steady with no water or gas breakthrough at the wells, as expected. The rate of pressure decline during this time has reduced. This is believed to be due to the expansion of solution gas in the reservoir, providing support as the oil is below its bubble point pressure.

A revised FDP including the Company's strategy for gas management and the pilot project for the Triassic reservoir is expected to be submitted in due course. Upon approval by the MNR of a revised FDP, it is expected that some 2C volumes, associated with the Triassic reservoir, would be reclassified as 2P.

Shaikan Field map

Continued development despite COVID-19 challenges



Key

● Planned wells (SH-1)

● Completed wells (13 wells)

■ Existing facilities

■ Pipe yard

— Flowline – in progress

— Shaikan flowline

— Kurdistan oil pipeline

— Export pipeline

— River network

— Block licences

- Wells produce dry oil with no water and reservoir pressure measurements match our subsurface model and support our understanding of the field.
- Substantial reserves and resources base – 798 MMstb 2P reserves and 2C resources (gross).
- Cumulative production figure to the end of 2020 is over 80 MMstb, or c.14% of expected ultimate recoverable gross 2P reserves.



Gross reserves and resources based on the Company's estimates at 31 December 2019 and the CPR at 31 December 2020 were:

Formation (MMstb)	Reserves		Resources	
	1P	2P	2C ⁽¹⁾	2P+2C ⁽²⁾
31 December 2020				
Jurassic	240	505	80	585
Triassic	–	–	157	157
Cretaceous	–	–	56	56
Total – gross	240	505	293	798
31 December 2019				
Jurassic	175	531	80	611
Triassic	18	44	106	150
Cretaceous	1	3	53	56
Total – gross	194	578	239	817

The reconciliation of changes in reserves and resources between the Company's estimates at 31 December 2019 and the CPR at 31 December 2020 is as follows:

Gross (MMstb)	Reserves		Resources	
	1P	2P	2C ⁽¹⁾	2P+2C ⁽²⁾
31 December 2019	194	578	239	817
Production	(13)	(13)	–	(13)
Reclassifications	(19)	(47)	+47	–
Revisions	+78	(13)	+7	(6)
31 December 2020	240	505	293	798

GKP's 80% net working interest⁽³⁾ ("WI") share of reserves and resources at 31 December 2020 were:

Formation (80% WI) (MMstb)	Reserves		Resources	
	1P	2P	2C ⁽¹⁾	2P+2C ⁽²⁾
Jurassic	192	404	64	468
Triassic	–	–	125	125
Cretaceous	–	–	45	45
Total – net WI	192	404	234	638

(1) Contingent resources volumes are classified as such because there is technical and commercial risk involved with their extraction. In particular, there may be a chance that accumulations containing contingent resources will not achieve commercial maturity. The 2C (best estimate) contingent resources presented are not risked for chance of development.

(2) Aggregated 2P+2C estimates should be used with caution as 2C contingent resources are commercially less mature than the 2P reserves.

(3) Net working interest reserves and resources do not represent the net entitlement resources under the terms of the Production Sharing Contract ("PSC").

Stakeholder engagement

Statement by the Directors in performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006

The Board of Directors of Gulf Keystone Petroleum Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 of the Companies Act 2006 ("section 172")) in the decisions taken during the year ended 31 December 2020 having regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;

Key stakeholders



Shareholders and debtholders

Background

Clear and regular communication with shareholders, the owners of the Company, and debtholders is essential, and remains a key strategic priority of the Board. GKP ensures that all shareholders and debtholders are informed of material developments on a timely basis.

Key areas of interest

- The impact of the COVID-19 pandemic
- Financial performance and balance sheet strength
- Strategic direction
- Environmental and social governance
- Climate change
- Risk management
- Capital allocation



Employees and staff

Regular engagement with GKP's staff in Erbil, at Shaikan or in London is essential and the success of the Company depends on all locations working together as a team for the clear common goal of sustainably developing Shaikan for the benefit of all.

The Company has helped to foster and develop a high calibre workforce and it remains essential that all employees are informed of corporate developments.

- Safe working environment – opportunities for development and progression
- Remuneration
- HSSE
- Agile working patterns
- Opportunities to share ideas and make a positive contribution



Local communities

GKP has a positive working relationship with the communities close to Shaikan. The Company recognises that having the support and partnership of the local communities is essential to the success of and development at GKP.

- Job creation, and active development of local staff for managerial positions
- Economic impact of GKP's operations
- Safe environment
- Protection of the environment
- CSR initiatives

Responding to stakeholders

Stakeholder engagement remains a key priority for Gulf Keystone. The Company aims to engage with its key stakeholder groups via a number of platforms and looks to ensure that the investor relations programme sets out the strategic framework of the business. The Company aims to develop its relationship with both internal and external audiences, in order to better understand and adapt to the needs and views of its stakeholders.

- the impact of the Company's operations on communities and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct and integrity; and
- the need to act fairly between members of the Company.

Furthermore, the Directors understand their duties to consider broader matters that impact Company performance over the longer term, including factors relating to climate change.

As part of GKP's commitment to effective stakeholder engagement, and in accordance with section 172, the Company set out its key stakeholder groups and corresponding approach to engagement with them. GKP's stakeholder engagement strategies are tailored for each of these key audiences in order to continue a mutually beneficial dialogue with those who are invested in or impacted by the Company's operations.

How we engage

Due to the impact of the COVID-19 pandemic, the investor relations programme for the year was adapted to make better use of online video platforms, that enabled the Company to engage with stakeholders in a safe and socially distanced manner. Other forms of engagement were done via the London Stock Exchange's Regulatory News Service, meetings, virtual investor conferences and roadshows, the Annual General Meeting (by video conference) and the investor section of the Company's website.

One area of particular focus in 2020, due to the lack of travel, was the Company's ability to work remotely. The IT governance model in place supported continued in-field and remote operations without interruptions due to the cloud and secured networks. The Company also continues to use multiple channels to connect with its workforce, such as video conference and regular virtual town hall meetings. These channels remain an important communications tool, as they enable the Company's leadership to engage with and speak to staff directly.

An independent whistleblowing service is also in operation in the event any employee wishes to raise a concern on an anonymous basis.

GKP regularly consults with the local communities, ensuring they are kept informed of developments on Shaikan. GKP ensures that its in-country workforce is made up of high levels of local people, with the use of local suppliers and contractors, whenever possible, also being seen as important.

2020 highlights

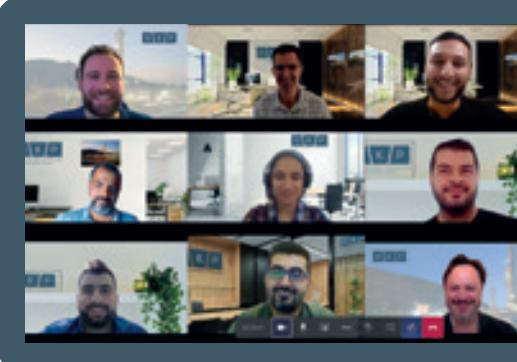
Keeping shareholders and bondholders updated on ongoing events around the COVID-19 pandemic. Ensuring that investor feedback on topics such as how COVID-19 affected the ground operations, the pausing of shareholder distributions and the 55,000 bopd expansion programme, were regularly raised at Board meetings.

GKP continued to focus on employee wellbeing, especially in light of the COVID-19 pandemic, adapting work schedules where needed and providing work equipment to allow employees to efficiently carry out their jobs remotely.

With a more distributed workforce, the risk of a cyber-attack was an important issue, so a focus area was cyber security. GKP, along with its managed security service provider ("MSSP"), deployed a significant range of cyber security services.

Active engagement with communities, ensuring continued operations and challenges around handling of in-country staff reductions.

In Kurdistan, local staff account for around 84% of the workforce (up from 74% at the end of 2019).



Stakeholder engagement continued

Key stakeholders



Suppliers and contractors

Background

Regular engagement with our suppliers is critical for Gulf Keystone as they play an important role in the continuing operational success of the Company. GKP holds rigorous tendering processes for all suppliers, resulting in broad participation. A particular focus is placed on working with businesses that are involved with local communities.

Key areas of interest

- Long-term partnerships
- Collaborative approach
- Open terms of business
- Fair payment terms
- Drive consistency of application of business ethics practices



Partners

Gulf Keystone works closely with its host government, the KRG, and partner MOL on all aspects of operations at Shaikan.

- Navigating the challenging macro environment and oil price downturn
- Ensuring safe and reliable operations at the Shaikan Field

Environment continues to be a key consideration in stakeholder engagement.



Environment

As a company focused on hydrocarbon extraction, Gulf Keystone has a duty to protect the environment. This is achieved by installing measures that reduce or eliminate harmful emissions.

- Reduction of emissions from routine gas flaring
- Reduction of emissions from operations
- Recycling and waste management



How we engage

Through a partnership approach, GKP is looking for long-term relationships with its suppliers, ensuring best-in-class supplier support for the development of Shaikan. GKP is clear about its payment practices and expects suppliers to adopt similar practices throughout their own supply chains to ensure fair and prompt treatment of all creditors.

Due to COVID-19, the Company largely communicated with its partners via online video platforms and conference calls, in addition to working events in Kurdistan, London and Budapest, when possible.

2020 highlights

Regular engagement with suppliers is a critical business function as it plays an important role in the Company's operational success.

Ensuring that all tender processes for suppliers were thoroughly reviewed, with a particular focus placed on working with businesses that are involved with local communities.

Increased production due to PF-1 debottlenecking works, successful recompletion of SH-12 and SH-9, which was tied in and brought on stream as an oil producer.

Continued focus on safety resulted in no LTIs being recorded during the year.

Minimised the impact of COVID-19 on staff and contractors, and ongoing production operations.

GKP flares gas as part of its operations. The Company intends to reduce its scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025. Due to COVID-19, a year of progress has been lost, which may impact the timeline. The Company is re-engaging with the MNR to discuss various options to optimise and reduce the cost of the gas management plan.

- Finished the remediation of two pits at SH-12.
- Installation of an additional two air quality monitoring devices.
- Increased recycling rate to 92%.



Sustainability report

GKP is a responsible energy company developing natural resources for the benefit of our stakeholders and employees, delivering social and economic benefits by working safely and sustainably with integrity and respect.

What's in this section?

Our approach to sustainability

[READ MORE](#) on page 33

CEO's introduction

[READ MORE](#) on page 34

TCFD

[READ MORE](#) on pages 36 and 37

Sustainability strategy

[READ MORE](#) on pages 38 and 39

Health and safety

[READ MORE](#) on pages 40 to 42

Local community

[READ MORE](#) on page 43

Our people

[READ MORE](#) on pages 44 and 45

Environment

[READ MORE](#) on pages 46 and 47

Emissions

[READ MORE](#) on pages 48 and 49

Governance

[READ MORE](#) on page 50

Our approach to sustainability

	Health and safety	Community and people	Environment and emissions	Governance
Key themes	<ul style="list-style-type: none"> Safety, respect and wellbeing Responsible, safe and profitable energy production 	<ul style="list-style-type: none"> Local community initiatives Develop local skills Quality education Social investment and activities Diversity 	<ul style="list-style-type: none"> Manage our climate impact Minimise our impact on the environment 	<ul style="list-style-type: none"> Robust corporate governance and compliance framework Highest standards of business ethics
Material factors	<ul style="list-style-type: none"> Emergency response Health, safety and environment ("HSE") culture survey Management System COVID-19 management at Gulf Keystone 	<ul style="list-style-type: none"> Learning and development Indirect employment Local community Community investment Agriculture Education and training COVID-19 support Sustainability criteria 	<ul style="list-style-type: none"> Impact assessment Impact management Soil remediation Water management Waste management Emissions Air quality monitoring Future Shaikan gas management 	<ul style="list-style-type: none"> Board oversight Internal control and policies Risk management
SDG priorities	   	  	  	 

Commencing
TCFD
reporting

Development of
Sustainability
strategy

Zero LTIs
in 2020

We remain committed to our aspiration to reduce scope 1 and 2 CO₂ emissions per barrel by more than
50% by 2025

Sustainability report continued



Strengthening the sustainability of our business is a strategic priority.

Jon Harris
Chief Executive Officer

CEO's introduction

There is growing recognition and scientific understanding of climate change, which has become an important topic, not only for GKP but the whole exploration and production ("E&P") industry, as the world adapts to a more sustainable and responsible approach to life. GKP recognises the balance required to ensure the benefits of the Company's operations have direct and positive impacts for our host government, on the lives of local communities and on our employees, whilst minimising the environmental impact of an extractive industry. Safety, environmental and social principles are embedded in the ethos of the Company and we will always strive towards high standards in every action we take.

GKP has for a number of years prioritised the safety, environmental and social effects of its business and this year will represent our first disclosure to address the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, as we remain committed to further developing our ESG foundations. With support from an external ESG consultant, GKP has completed a full review of the business and how we operate, to achieve a more sustainable, robust approach, whilst considering the future implications of climate change. To fully implement TCFD recommendations will require several reporting cycles to develop and evolve our analysis and ESG methodology. This is an important project for GKP, as we lay out our sustainability goals, with the aim to create a positive and long-lasting impact on our communities, whilst minimising our environmental footprint.

As we develop and refine our ESG strategy, we have considered the vision and interests of all our stakeholders. Further details on these discussions can be found on page 38 in the report.

As we already have an ongoing programme of initiatives in this area, we are now considering the topics and views most important to our different stakeholders.

Alongside our corporate strategy, the following are highlighted as the most material impacts of our business on our stakeholders:

- Responsible business – the health and safety of our employees and contractors;
- Climate change – the environmental footprint of our production facilities;
- Community – the safety and development of our local communities;
- Labour – the need to work responsibly and ethically; and
- Environmental stewardship – to report and improve our disclosure transparency.

GKP is committed to best practice – setting clear, measurable objectives and timelines for achievement that will make a positive contribution to both our people and the environment. This report seeks to explain these in more detail and presents our strategy towards those goals that give us the confidence to achieve them. We remain committed to our aspiration to reduce our scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025. Over a year has been lost due to the COVID-19 pandemic, which has the potential to impact our ambitious schedule. Whilst we are re-engaging with the MNR to review and finalise the gas management plan ("GMP"), we are also considering a number of other projects in our opportunity register that can reduce our environmental impact. Achieving our target should take us below the global CO₂ emissions average for oil producers, while supporting Kurdistan's climate-risk commitments.

This is all underpinned by a governance framework which ensures that these matters are integral to the actions taken by the Board, management and the Company as a whole. The Board also provides independent oversight, ensuring that the integrity of the business, and its culture, are maintained.

Jon Harris
Chief Executive Officer
30 March 2021

Set out below is a table that provides quantitative and qualitative disclosures applicable to GKP's material ESG risks, based on relevant reporting standards and frameworks for the year ended 31 December 2020, unless otherwise noted.

Issue category	Accounting metric	Standard alignment	Value/reference
Emissions	Total scope 1 emissions (ktCO ₂ e) 80% WI	SECR, TCFD	407
	Total scope 2 emissions (ktCO ₂ e) 80% WI	SECR, TCFD	8
	Emissions intensity (kg CO ₂ e per barrel)	SECR, IPIECA	37.9
	Discussion of long-term and short-term strategy or plan to manage emissions	SASB, TCFD	Detailed on pages 48 and 49 discussing the future GMP
Water and wastewater management	Total water withdrawn (m ³) 80% WI	SASB, IPIECA	11,467
Employee health and safety	Total recordable incident rate ("TRIR") (incidents per million man-hours)	SASB	0.71
	Lost time incident rate ("LTIR")	GRI, IPIECA	0
	Total number of workforce fatalities	SASB, IPIECA	0
	Discussion of management systems used to integrate a culture of safety including safety training provided	SASB, IPIECA	Detailed on page 42
Diversity	Gender diversity within the workforce (at 31 December 2020)	WEF, GRI	10% female
	Percentage of workforce that are local employees (at 31 December 2020)	IPIECA	84%
Community investment	Total value of contributions to communities (USD)	WEF, GRI	209,000
	Percentage value of total contracts with local suppliers	IPIECA	41.6%
	Narrative disclosure on Anti-Bribery and Corruption ("ABC") prevention	SASB, IPIECA	Refer to corporate governance section on pages 50 and 64 to 101 and the Company's website for the full ABC policy

References for table

Global Reporting Initiative ("GRI")

International Petroleum Industry Environmental Conservation Association ("IPIECA")

Sustainability Accounting Standards Board ("SASB")

Streamlined Energy and Carbon Reporting ("SECR")

Task Force on Climate-related Financial Disclosures ("TCFD")

Water Environment Federation ("WEF")

Working interest ("WI")

Sustainability report continued

We are committed to reporting against the TCFD's four disclosure recommendations.

TCFD

We recognise climate change and loss of biodiversity as the biggest environmental threats the world faces and ones which could pose challenges to GKP. To demonstrate our commitment to climate-related risks, we have embedded the four pillars of the TCFD into our business to ensure transparency of our understanding and management of climate-related risks. Our summary is provided below.

Governance

The Board is responsible for approving and monitoring GKP's ambitions in relation to reducing the Company's impact on climate change, and to operating in a responsible and ethical manner.

READ MORE on pages 50 and 64 to 101 – Corporate governance report

Describe the Board's oversight of climate-related risks and opportunities.

- The Safety and Sustainability Committee focuses on safety and oversees the management of GKP's climate-related risks and opportunities, all under the supervision and oversight of the Board.

- Safety and Sustainability Committee report

Describe management's role in assessing and managing climate-related risks and opportunities.

- David Thomas is the Board member with overall accountability for sustainability and he is the Chairman of the Safety and Sustainability Committee. Stuart Catterall, COO, is the executive sponsor for ESG and is responsible for maintaining the risk register in relation to climate change and proposes targets and projects to the Committee for consideration.

- Safety and Sustainability Committee report

Strategy

GKP is working to include climate change and sustainability into all aspects of its strategy where possible, including the Company's financial planning, stress test scenarios and review of risks and uncertainties.

READ MORE on pages 18 and 19, 51 to 60 and 61 – Strategy and objectives, Risks and uncertainties and Viability statement

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

- Short term (0-5 years) – market shift in terms of new and more robust legislation and regulations and increased cost of capital for high-carbon industries. Opportunity for increased positive ESG perception in the market.
- Medium term (5-10 years) – reduced market demand for oil and gas as renewable fuels become more widely available.
- Long term (10+ years) – changing climate conditions could cause extreme weather events, causing disruption to operations and supply chains. Hiring and retaining talented workforce could become more challenging without a positive ESG strategy.

- Risks and uncertainties section

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

- GKP's scenario analysis helps guide strategic and risk management decisions under complex and uncertain conditions, such as climate change. Providing a better understanding of the risks and uncertainties GKP may face against future outcomes enables the Company to build a climate-risk mitigation strategy.

- Risks and uncertainties and Viability statement sections

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

- GKP maintains a detailed corporate risk register that encompasses all identified risks (which includes climate change and sustainability-related risks), the impact of those risks, the mitigating controls GKP has in place to reduce those risks to an acceptable level and the actions it must take to further mitigate risks that are not deemed to be at an acceptable level. This register is regularly reviewed by both the Audit and Risk Committee and the Board.

- Risks and uncertainties section

Risk management

Describe the processes for identifying, assessing, and managing climate-related risks.

Climate change is already factored into certain aspects of the Company's strategy, including risk management process.

READ MORE on pages 18, 19 and 39 – Strategy and objectives and Risks

- Climate risks and opportunities analysis has been conducted based on two climate scenarios: 1.5°C (Paris-aligned) and 4°C (fossil-fuelled growth).

- Risks and uncertainties section

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Despite the challenges presented by the pandemic, GKP remains committed to its aspiration to reduce its scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025, subject to the finalisation of the GMP with its partner MOL and the KRG.

READ MORE on pages 48 and 49 – Emissions section

- The Company uses key metrics and targets to manage and monitor its performance in reducing its impact on the environment, social factors and governance – providing a straightforward and transparent measure to GKP's stakeholders.

- Metrics table

Disclose scope 1 and scope 2 greenhouse gas ("GHG") emissions, and the related risks.

- GKP's SECR and TCFD disclosures are detailed on page 35.

- Metrics table



Sustainability report continued

Development of sustainability strategy:

Sustainability strategy

GKP recognises that a formal Sustainability Management Programme must be implemented with a clear strategy to develop its programme for ESG. GKP has been working to improve its ESG programme, to be in line with the following internationally recognised frameworks: the United Nations Sustainable Development Goals ("SDGs"), Task Force on Climate-related Financial Disclosures ("TCFD"), the Sustainability Accounting Standards Board ("SASB"), as well as Streamlined Energy and Carbon Reporting ("SECR").

Following GKP's pledge to reduce its scope 1 and 2 current carbon emissions per barrel by more than 50% by 2025, GKP continues to improve its ESG programme, acknowledging the rising importance for social, legal and environmental governance, as well as considering a number of other projects in the Company's opportunity register that can reduce its environmental impact. The emissions reduction plan is subject to the finalisation of the GMP with its partner MOL and the KRG, and is a crucial part of the Company's ESG plan.

Supported by an external ESG consultant, Gulf Keystone has applied a four-step approach to developing the Company's Sustainability Strategy – forming the basis for its definition of its Sustainability Strategy.

Step one: Conducting interviews with key stakeholders

To begin the project, GKP set out to understand the different visions that its key internal and external stakeholders have for the Company's future ESG strategy.

To develop an understanding of existing views, the Company undertook twelve interviews covering the Board of Directors, Technical Management, and a selection of our most prominent shareholders, covering approximately 30% of GKP's share register.

From conducting the interviews, GKP was presented with a challenging divergence of views regarding ESG; however, the common denominator found that GKP should continue to protect the licence to operate provided by our PSC and, in particular, to ensure a cost-effective solution for gas management is found.

The key stakeholders acknowledged that GKP has excellent relationships with the communities in which it works and has strengthened the positive impact of its operations through strong governance around social issues. Focus areas included: GKP's efforts around workforce diversity with a high proportion of local employees as well as its contribution to the local community. In particular, the Company's HSSE policies were drawn out as a key strength, and an example of best practice, where prolonged focus has provided excellent results. Accountability for HSSE sits with the Safety and Sustainability Committee, which meets quarterly and with three Non-Executive Directors, the CEO and COO.

GKP was acknowledged by its stakeholders for its well defined and integrated governance frameworks, which go beyond its legal requirements as a Bermudan incorporated company. Governance issues are a high priority and closely monitored by the Board.

The focus areas for improvement as outlined by the stakeholders are: the readiness to respond to emerging regulations, to improve the awareness of climate change across the entire organisation, to consider potential increasing challenges and cost to access financing and insurance, and to establish a common vision for ESG.

Step two: Definition of GKP's material ESG risks and identification of priority SDGs

For the next step of the project, GKP used the recognised process, known as materiality assessment, to assess and evaluate the universe of ESG risks and identify which risks were most relevant to GKP.

Prioritising ESG risks will enable GKP to maximise the impact of its ESG strategy and ensure that efforts focus on issues that matter the most to Gulf Keystone and its stakeholders.

The Company looked at defining the relative priorities of different ESG risks, to identify which SDGs GKP should focus on. The Company started with a universe of ESG risks and narrowed them down to a selection of relevant and material ESG areas. GKP used the SASB materiality metrics to identify which ESG areas are considered material for companies in the oil and gas exploration and production sector.

GKP's understanding of the value chain and core operations, developed through the stakeholder interviews and review of public information and internal documentation, helped to identify the most relevant ESG areas. The Company applied this understanding to the ESG risk universe to identify which ESG areas are most applicable to GKP. The result of this work was then benchmarked to peer reporting to confirm and prioritise material ESG risks.

The most relevant ESG issues fall into five categories:

1. Responsible business
2. Climate change
3. Community
4. Labour and human rights
5. Environmental stewardship



Step three: Assessment of metrics and targets

Having defined the priority ESG areas, GKP then explored which metrics are most relevant to form the basis of internal monitoring and performance improvement, as well as external ESG reporting. To carry out this task, the Company supplemented the results from the previous steps with a review of requirements from leading reporting standards, including SASB, TCFD and SECR. To prepare for GKP's future disclosures, the Company also looked at target setting, discussing what GKP should begin to consider to define those targets now and their necessary evolution in the future.

Step four: Assessment of climate-related risks and opportunities

To progress GKP's implementation of the recommendations of the TCFD framework, the Company undertook a detailed assessment of GKP's climate-related risks and opportunities, framed against the two future climate scenarios of 1.5°C and 4°C temperature increases.

The Company performed a desktop assessment of GKP's climate-related risks and opportunities against the two defined scenarios, which formed an initial view of the risks and opportunities. The prioritised list of climate-related risks and opportunities will form a core part of future TCFD disclosure and serve as a foundation for development of a strategy to build a climate-resilient business model.

ESG issues key

Responsible business

- a) Business ethics and anti-corruption
- b) Economic value generated
- c) Effective governance

Climate change

- d) Climate change/gas flaring
- e) Other GHG emissions

Community

- f) Community engagement
- g) Community investment

Labour and human rights

- h) Process safety
- i) Human rights
- j) Occupational health
- k) Employee training development
- l) Diversity

Environmental stewardship

- m) Environmental management
- n) Biodiversity

Sustainability report continued

Material factors

Health and safety



We are driven by protecting our people, engaging continuously with the workforce, and encouraging visible leadership and an open and honest incident reporting and investigation culture. This is achieved through training and development, having an enthusiastic, educated workforce who are keen to learn and accomplish high standards in this area.

The key focus for our HSE team in 2020 was to deliver the objectives and targets of the annual HSE plan and to manage continued operations safely during the global COVID-19 pandemic. The aim of the plan was to strengthen HSE through 18 targets, all endorsed by the Company's Safety and Sustainability Committee. These ranged from introducing individual HSE targets, undertaking emergency response exercises, improving the air quality monitoring programme, reviewing/ improving management systems and procedures to conducting a safety culture survey within the Company.

Case study

HSE culture survey

The Company has encouraged a culture of empowering its staff and contractors to identify and help solve potential HSE issues. A survey was undertaken in 2020 to help assess the maturity of our HSE management systems and culture. The survey was sponsored by the COO and included issue of an electronic questionnaire to all staff and contractors with a series of questions relating to their perspective of the HSE culture within GKP. The questionnaire was unattributable to encourage honest reporting. The results indicated a very positive response and will assist in the development of additional measures to enhance our positive HSE culture.

Case study

Emergency response

The Company has established tiered emergency response plans, which are regularly tested through a combination of drills to reinforce the immediate response to more extensive exercises, testing all levels of the emergency response from the operational response through intermediate response to larger incidents to the crisis management response. With the outbreak of COVID-19, the emergency response plans had to be modified so that the management could be undertaken remotely using a virtual response team accommodated in a virtual response room. Exercises were held to ensure that the system continued to work effectively, and lessons learned were incorporated into the plans.

With travel restrictions in place due to the COVID-19 pandemic, unrestricted personnel movements and regular management site visits were not possible and a system of strict travel controls were imposed across the Company. Where travel was considered essential to safely continue production and maintain facilities in the field, COVID-19 procedures were introduced. Each activity was risk assessed and controls introduced to ensure personnel could travel and work safely; this included a combination of limiting numbers and travel to essential only, social distancing, use of personal protective equipment, quarantine and testing, together with enhanced medical surveillance to detect, isolate and treat any personnel infected. Management visits were replaced with remote town hall meetings involving senior management and all staff.



GKP encourages an open HSSE reporting culture

Year-on-year statistical comparison

Category	Measure	2017	2018	2019	2020
Lost time incidents ("LTI")	Total incidents	—	1	1	—
Lost time incident rate ("LTIR")	Million man-hours	—	0.75	0.52	—
Recordable incidents	Total incidents	2	1	5	1
Total recordable incident rate ("TRIR")	Million man-hours	1.51	0.75	2.61	0.71
Motor vehicle accidents	Total incidents	1	1	3	—
First aid cases	Total incidents	2	1	7	5
Solid waste recycling	Percentage	86	87	86	92
Liquid hazardous waste recycling	Percentage	100	100	100	100

Lost time and total recordable incident rates 2020



Sustainability report continued

Material factors

Health and safety continued

Management System

GKP has implemented an HSE Management System to underpin the execution of its HSE and Security Policy. The Management System follows the "plan – do – check – act" process, outlined in the ISO standards on environmental management and occupational health and safety management. This system is driven through a combination of commitment, leadership, planning, assessment and mitigation of risk, and employment of trained and competent personnel to carry out the work. The performance is monitored to identify any shortfalls, as well as introducing improvements where required – providing a comprehensive investigation process. Along with the implementation of the system, an "index" was developed to monitor progress, which is reviewed on an annual basis and agreed improvements are then included in the following year's HSE plan.

An important element of GKP's Management System is developed through its formal Competency Based Framework to train and develop local staff. This programme includes a combination of mentoring; online, internal/external training, and a formal assessment to demonstrate competence. The Management System is fundamental in supporting the development of the HSE culture within GKP.

COVID-19 management at Gulf Keystone

The spread of COVID-19 had serious implications for the operational environment of Gulf Keystone as well as the social life in Kurdistan. At the onset of the pandemic, Gulf Keystone had to learn quickly and adapt to the situation to ensure that its employees could continue to work safely in the facilities and be protected from the transmission of the virus. GKP implemented a number of measures to ensure that employees did not transmit the virus into the production facilities. To this end, a ten-day quarantine was established, before people are allowed into the production facilities. At the beginning and end of the quarantine employees are also tested. Only if the second test is negative may the respective employee start work in the production facility. Since the beginning of the pandemic almost 1,500 PCR tests have been performed. The few people who tested positive continued to be isolated during quarantine and received medical care depending on the severity of their symptoms.

Prevention of transmission within the production facilities is further ensured by a series of safety procedures, ongoing temperature checks and compliance with spacing and disinfection routines. As a result, Gulf Keystone has been able to keep employees at the plant healthy and safe and has continued production without interruption.

Similar security measures have been implemented at the Erbil office. Employees are encouraged to work from home, which has controlled and minimised the number of employees in the office. Furthermore, masks and hand disinfection were made compulsory throughout the office.

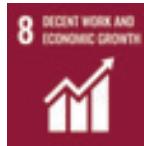
The management of Gulf Keystone continuously analyses the situation and adapts the Company measures accordingly. GKP also takes into account the measures introduced by the Kurdistan government; these include travel restrictions within the country and quarantine, as well as PCR testing of incoming expats.



Gulf Keystone has worked alongside the communities located close to Shaikan.

Material factors

Local community



Since inception, GKP has worked alongside the communities located close to the Shaikan Field to make sure that they feel involved in the business and benefit from its operations. The Company consults with the local communities on a regular basis to ensure they are informed of upcoming developments at Shaikan and endeavours to employ local people and use local suppliers and contractors whenever possible.

Community investment

Community investments are made for the long-term benefit of the community and the benefits of these investments are designed to last long after our production operations have ceased. Unlike impact management and "Good Neighbour" activities which are reactive by nature, these initiatives are proactive. Despite the COVID-19 pandemic affecting our usual investment programme, we still helped locals through a reduced initiative programme, keeping the focus around agriculture and education/training.

Whilst GKP's investment in education programmes cannot replace or duplicate the existing teaching curriculum, they are aimed to support education in the KRG, wherever it can make a greater impact.

During 2020, GKP supported 16 villages close to Shaikan, with over 450 people benefiting from the water project. Examples of recent initiatives include:

Agriculture:

- Provision of wool clippers and shears to over 130 sheep breeders.
- Training courses provided to 44 beekeepers to develop in a wide range of bee husbandry and marketing.
- Donation of 164 beehives, smokers, wax, ventilated jackets with veil, gloves, bee brushes, hive tools and honey jars.



Education and training:

These courses were designed to prepare students for entry into the job market, teaching interview skills, CV writing and ethic value workshops:

- computer literacy;
- English language; and
- business planning support for small businesses.

Through a local non-governmental organisation, over 35 locals participated in two vocational training courses in welding and air conditioning repair – the training gave first-hand experience at repairing all air conditioning units in the youth centre and building of an awning. Following course completion, GKP donated tools and welding machines to the participants to enable them to find work or to set up their own business.

The Company has also been involved in a number of local "Good Neighbour" infrastructure projects, including the drilling of a water well and construction of a water supply network. Additionally, GKP has provided firefighting equipment, flood relief packages and essential medical equipment. We aim to focus our support in the areas most needed by the community.

In January 2021, GKP entered into a collaboration with the American University in Kurdistan ("AUK") under which Gulf Keystone employees teach two courses on HSE and Environmental Management. Further plans to expand this collaboration to include teaching English to GKP staff and working with the Company on its Engineering Apprenticeship Programme are being explored.

Sustainability criteria

In assessing the suitability of social responsibility initiatives, we have developed a "SMART" criteria framework against which each proposed initiative is mapped. This scores the proposal against a number of criteria including effectiveness of the project, the overall need for it, the delivery and cost of the project versus alternatives, and the longer-term sustainability of the project. The sustainability criterion is key to this; ultimately, we are looking to implement projects which provide real long-term benefit to the communities and which can be sustained from a financial and education perspective.

Case study

COVID-19 support

During the COVID-19 pandemic, the Company donated essential medical equipment such as personal protective equipment, COVID-19 test kits and sterilisation equipment to nearby hospitals. GKP also helped a local fire department in Qasrok by supplying high specification personal protective equipment ranging from oxygen masks to boots and helmets.

A commitment to ensuring the highest standards in health and safety remains a core Company value.

Sustainability report continued

Material factors

Our people



At Gulf Keystone, we recognise that our success is underpinned by the quality, motivation and commitment of our people. 2020 was a challenging year for GKP and our people and, at the time of writing this report, the COVID-19 pandemic is still affecting the health and welfare of millions of people around the world. Gulf Keystone has worked very hard to confront and overcome the effects of the pandemic on our employees. We are extremely proud of the way that, during these difficult times, our people have demonstrated outstanding levels of commitment, loyalty and hard work and have delivered excellent results under incredibly challenging circumstances. We have been fully engaged to support them during this time in terms of health care, provision of personal protective equipment, testing and flexibility to ensure their continued health, safety and wellbeing. We have also implemented a Working from Home policy to help safeguard those office-based employees who are able to work remotely.

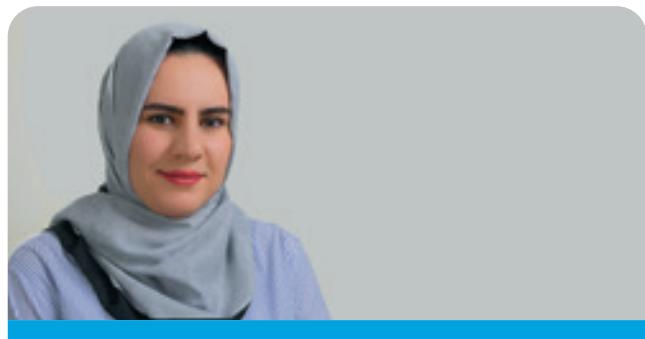
GKP's management team recognises that our organisational strategy has to include a significant focus on employee development and the localisation of our Kurdistan workforce in a structured way, ensuring the safe and effective development and operation of the Shaikan Field.

There are several strategies in place to help meet these requirements which will protect our good standing with our employees, the MNR and local stakeholders:

- our organisation development and objectives are aligned with our business strategy;
- we have a clear succession planning and localisation strategy and programme; and
- our resourcing, employment, learning and development decisions take into account our commitment to develop our Kurdistan workforce both technically and professionally.

Our current proportion of local employees in Kurdistan is around 84% (up from 74% last year). This is one of the highest localisation percentages in our sector of the oil and gas industry in Kurdistan. Since 2018, over 70 employees have been promoted into more senior positions and, of those, eight employees have replaced expatriate staff in senior technical or management positions. Zhalla Sediq was promoted to Environmental Manager in October last year and we are pleased to include her testimonial.

We work hard to attract and retain the most talented individuals and develop them into high calibre professionals. Our skills level within the local workforce is monitored carefully to ensure that our development plans are working well and we are pleased to report that 75% of our local employees are considered by the Company to be "skilled" or above. This category includes trained operations staff, technicians, supervisors and managers. In terms of engagement, our employee retention rate is excellent with a 2020 voluntary turnover level of 3.5%, below our target of 5%, and we are proud that 69% of our local workforce has been with the Company for over five years. This is a strong indicator of the positive employee engagement and culture within our business.



Staff testimonial

Zhalla Sediq

I was born in Erbil and have a degree in Environmental Science from Salahaddin University. I am also ISO, EIA and Oil Field Waste Management Certified.

I have over seven years' experience in oil and gas operations, including HSE Officer and line manager of the Compliance, Monitoring and Inspection team at the MNR HSE Department. The last seven years have been focused primarily on the environmental sector, working on environmental management systems.

I joined GKP's HSE department in 2017 as an Environmental Officer. This was the start of my career with GKP and my role has grown considerably over the last few years – I was quickly promoted to Environmental Specialist and then Environmental Manager last October.

I have been able to develop my talents and skills to support GKP and I am proud of my success with the Company. I have had a wide range of training and development opportunities including technical training, mentoring and leadership development training. GKP is one of the best companies in the country and I am delighted to be working here. GKP is committed to creating a workplace that sees strength in diversity – where everyone is treated fairly and with respect in a spirit of collaboration. Our goal is to have a positive impact on the environment at Shaikan and also minimise any impact on the natural environment and local communities.



We believe that our positive work environment and open communication style help to support the development and engagement of our people as well as our drive for exceptional performance. Our positive culture motivates employees to work collaboratively, safely and productively. Regular meetings, briefing sessions, town hall sessions as well as "coffee chats" and surveys give our employees and contractors the opportunity to feel close to the organisation, to listen and discuss progress and help to facilitate the interaction between employees at all levels, providing insight into our performance and Company growth objectives.

We treat people fairly, equally and without prejudice irrespective of gender, age, race, disability, sexual orientation or other attributes and this is reflected in our Diversity and Equal Opportunities policies. We make a concerted effort to attract female employees to improve our gender diversity. We have annual performance reviews for all employees and our approach to salary, bonus and equity provision is applied across the organisation from the top down. All employees participate in the annual bonus scheme, which is calculated with direct reference to the Company's key performance indicators ("KPIs"). A number of the KPIs are ESG and safety related, thus linking remuneration directly to the Company's safety and sustainability performance. Furthermore, all employees receive an annual equity award under the Long-Term Incentive Plan ("LTIP") which is a three-year equity plan with vesting subject to attainment of performance conditions. On 1 February 2021, the 2018 LTIP plan vested with a 68.7% performance achievement.

Learning and development

To support our ambitious development objectives, we have invested heavily in employee development programmes such as our best-in-class Competency Based Framework, a fully assessed university-based training and development programme for operational employees; the bespoke Gulf Keystone Management Development Programme for supervisors and managers; the Coaching and Mentoring Programme; the Subsurface Development Programme; and provision of online educational and soft skills learning through Harvard's "Manage Mentor" programme. We also support development assignments for employees in the UK or other locations through office-based development or through sponsorship of Masters programmes. We also plan to implement our Engineering Apprenticeship Programme in 2021.

Alongside our formal learning and development programmes, we have enhanced our coaching and mentoring expertise to ensure that our employees receive the internal support they need to develop professionally.

As part of our outreach and community commitment to learning and development, GKP has provided training and experience for a large number of students from various Kurdistan universities and technical institutes, including: technical and professional internships in Erbil and the field; operational and scientific field trips; development and presentation of virtual seminars for Petroleum Engineering students; HSSE lecturing at the American University of Duhok and many others.

Indirect employment

We prioritise the engagement of local subcontractors as well as requiring that our contractors hire personnel from the Shaikan area wherever possible. The incentive to contract with subcontractors from our area of operation represents one of the most impactful contributions the Company can make to the socio-economic environment in Shaikan – delivering direct benefits to the economic prosperity of the region. CSR and HR teams engage with local stakeholders to ensure that direct and indirect employment is shared amongst the villages surrounding the Shaikan operations.



Staff testimonial

Omar Ismael

I have been with GKP for over six years, starting as a Control Room Operator in 2015. This role required an ability to work under pressure and helped me gain a thorough understanding of our production facilities. Joining a company that values the safety of its employees was a refreshing change and I quickly adopted the same safety culture, realising that these work practices were first and foremost aimed at keeping us free from harm and protecting company assets.

I was promoted to Lead Operator where I managed a team of Plant Operators. This role proved the necessity of good teamwork and helped develop my leadership skills. I am now Process Supervisor where I plan work scopes, review the performance of field-based operations teams and provide leadership, ensuring safe and productive operations.

My career progress is a good example of the opportunities GKP provides. The Company values the safety of its employees and rewards employees who incorporate these into their roles and responsibilities.

The mentoring programme aims to develop the skills and expertise of local staff and makes me proud to be a part of GKP. It is delivered through different technical and management courses and workshops by reputable and credited institutes.

GKP's reputation is that of a company that values its workforce and local communities and strives to provide a safe and productive working environment.

Sustainability report continued

Material factors

Environment



Our overall objective is to leave the environment where we operate in the same or better condition than when we started. Moreover, while we are operating, the environment should be considered a safe and secure place to live and work.

Impact assessment

An integral part of any project is to undertake an environmental and social impact assessment ("ESIA") during the design phase so any potential impacts can be identified and mitigation plans agreed with the KRG before construction. Over the life of Shaikan's development, GKP has undertaken nearly 30 individual ESIA's to support modifications in plant design, the construction of individual well pad access roads and drilling individual wells. To streamline this process, in January 2019, a Master ESIA was prepared to support a proposed seven-well development drilling campaign. The ESIA was designed to meet both GKP's project management requirements and the KRG's MNR ESIA requirements⁽¹⁾ and was approved by the MNR.

Impact management

We recognise that the construction of well pads access roads, drilling and flowlines for oil production impacts the environment. To enable this activity to occur with minimal impact, the ESIA includes proposed mitigation measures. The specific measures adopted include:

1. Site selection and locating well pads, access roads and flowlines are as far as possible away from environmentally sensitive targets, such as human habitations and places of ecological and cultural significance. GKP maximises the use of existing field infrastructure and studies survey data for site selection.
2. Implementing civil engineering designs that prevent or minimise impacts on the natural hydrology, drainage systems and erosion patterns; maximise the use and reuse of local fill material from the area of land disturbance; ensure potentially hazardous materials are contained on site (this will include drainage systems that capture, for example, contaminated run-off from accidental spills and leaks) and enhance future site restoration plans.
3. Equipment specification, maintenance and operational control. Selecting equipment that is fuel efficient, maintaining the equipment so it meets specification and minimises emissions, and controlling operations.
4. Operational management control: ensuring documentation is in place to deliver the drilling programme in line with project environment, social and safety objectives; the requirements of GKP's Health and Safety and Environmental Management systems are met; and the recommendations of the development environmental management plan are adhered to. This involves demonstrable design and planning documentation together with inspection and reporting regimes to assure GKP management and the MNR that environmental and social impacts are kept to a minimum by GKP and its contractors.
5. Unplanned events: emergency response and contingency plans are developed, resourced and rehearsed to mitigate unforeseen events that could have a significant environmental or social impact.

Case study

Recycling plastics

GKP has plans in 2021 to make water irrigation pipes from plastic waste.

This project was identified through regular surveys finding new effective recycling opportunities that currently exist in the Kurdistan Region of Iraq. Through these types of opportunities, GKP aims, together with local communities and the KRG, to maximise the benefits of recycling in the region and contribute to a waste management culture.

Through researching recycling options, GKP has found a company that will accept the following types of plastic: LDPE, HDPE and PP for recycling and partly used to produce irrigation water pipes. The waste will be segregated onsite at the company yard and shredded into small pieces, then mixed with other materials to make irrigation plastic pipes. An excellent example of turning plastic waste into a new product – achieving an improved and more sustainable recycling process.

(1) MNR Technical Instruction No.1 and Guidelines on Environmental Impact Assessment March 2015.

Soil remediation

We aim to manage contaminated soil, surface water and ground water to prevent, minimise or mitigate risks to public health and safety of the environment.

All waste drilling cuttings and fluids must be managed in line with Kurdistan legislation, and pits should be remediated after drilling operations are completed. Gulf Keystone has completed remediation of all pits.

Before the remediation process starts, samples are taken from each pit and are analysed in an authorised laboratory. The remediation plan for each pit is based on the level of contamination. Contaminated soil, gravel and other materials from inside and outside the pit are removed and managed, which includes recycling of the material at an MNR-approved facility, as outlined under waste management. Once all waste oils are removed from the pits, the liner of the pit is removed and taken to an incineration facility approved by the MNR. Samples from each pit are then sent away to be tested to ensure that the soil is clean.

After the remediation process is finished, the pits are backfilled and prepared in such a way that the topography of the surrounding environment is adopted. The process of soil sampling during the remediation was closely monitored by the MNR, who also reviewed soil laboratory analyses taken at the start of the project and prior to final backfilling of the pits. The four pits that were left after drilling activities at SH-12 were remediated during 2019 and 2020. All waste oils were removed from the pits and sent to a refinery for recycling. The contaminated soil was removed and treated with quick lime.

Water management

Water at both production facility camps is supplied via water wells; these are sampled and analysed on a monthly basis to ensure they meet the World Health Organization ("WHO") guidelines; site water storage tanks are chlorinated on a weekly basis. In 2020, GKP installed water meter devices at both facilities to record the water consumption on a daily basis.

Waste management

Gulf Keystone maintains high standards in waste management and, during 2020, recycled approximately 92% of its waste. All the waste recycled had cradle-to-grave traceability. To ensure third parties comply with Company requirements and local legislation, tools such as GPS vehicle tracking, waste transfer documentation and quarterly contractor auditing were used.

Sewage wastewater was continuously treated via sewage treatment units, with samples taken from the inlet and outlet streams to ensure the units were operating efficiently and the quality of the effluent met World Bank Guidelines.

Wastewater with oil traces is collected and transported via vacuum trucks to an MNR-approved refinery that specialises in producing engine oil and lubricants of different grades from waste containing oil/hydrocarbons. One of the products from this process is engine oil which is then sold locally.



Sustainability report continued

Material factors

Emissions



Our aim is to reduce greenhouse gas emissions to as low a level as reasonably practicable and eliminate gas flaring from all our operations, save where necessary for safety considerations. While GKP currently meets Kurdistan standards for air quality, the Company aims to reduce its emissions levels.

Our aspiration, as reported in our 2019 Sustainability report, is to reduce our scope 1 and 2 CO₂ emissions per barrel by at least 50% by 2025, subject to the finalisation of the GMP with our partner MOL and the KRG. We are also considering a number of other projects in our opportunity register that can reduce our environmental impact whilst the GMP is being finalised.

Our emissions

Set out below is a table showing 2020 and 2019 CO₂ emissions from our operations (calculated at 80% WI).

Scope (ktCO ₂ e)	2020	2019
Scope 1	407 (due to increased production)	372
Scope 2	8	10

Air quality monitoring

Air quality is continuously measured as part of the Company's air quality monitoring ("AQM") programme. During 2020 we were pleased to report that the air quality tested was well within the Kurdish regulatory limits. The Company is committed to improving its processes and quality of research and thus has expanded its AQM plan with the installation of new monitoring stations and equipment.

In 2020, new air quality monitoring devices (Scentinal SL-50) have been installed at PF-1, PF-2, Kani Falla and Magara Village (close to Shaikan), and continually monitor CO, CO₂, SO₂, NO₂, CH₄, H₂S, O₃, PID, NMHC, PM10 and PM2.5 – providing GKP with a more in-depth and thorough analysis.

The Sensor Information Management System ("SIMS2") is the new platform which has been installed for analysing continuous monitoring data; replacing the previous system. The new SIMS2 are more reliable and capable of handling a large amount of data. This new platform provides raw and processed data in the form of reports and charts, as well as averaging data over different time periods from 15 minutes to up to one year, allowing us to closely monitor different stages of a cycle. These time intervals are set to meet the MNR's air quality standard for each sensor.

We continue to deploy passive diffusion tubes at ten locations near the Shaikan Field and neighbouring villages to ensure the levels of H₂S, O₃, VOC, SO₂ and NO₂ remain below Kurdish stipulations. These tubes are deployed and recovered monthly for analysis. In addition to mobile field monitoring, the Company uses a handheld Photo-ionisation Detector ("PID"), which can detect more than 400 gaseous pollutants, providing a helpful, portable method for tracking air quality.



Future Shaikan gas management

While we currently meet required Kurdistan standards for air quality, we aim to improve our emissions levels continually. We aim to reduce greenhouse gas emissions to as low a level as reasonably practicable, and eliminate operational flaring of gas from our operations, save where flaring is necessary for safety considerations.

To deliver measurable improvements, we have focused on an efficiency metric, core to our business measures. In 2019 and 2020 CO₂ emissions were c.38 kg of CO₂/bbl of oil processed. A large part of these emissions are the result of flaring, which we target to significantly reduce by agreeing with the MNR and implementing a gas management plan.

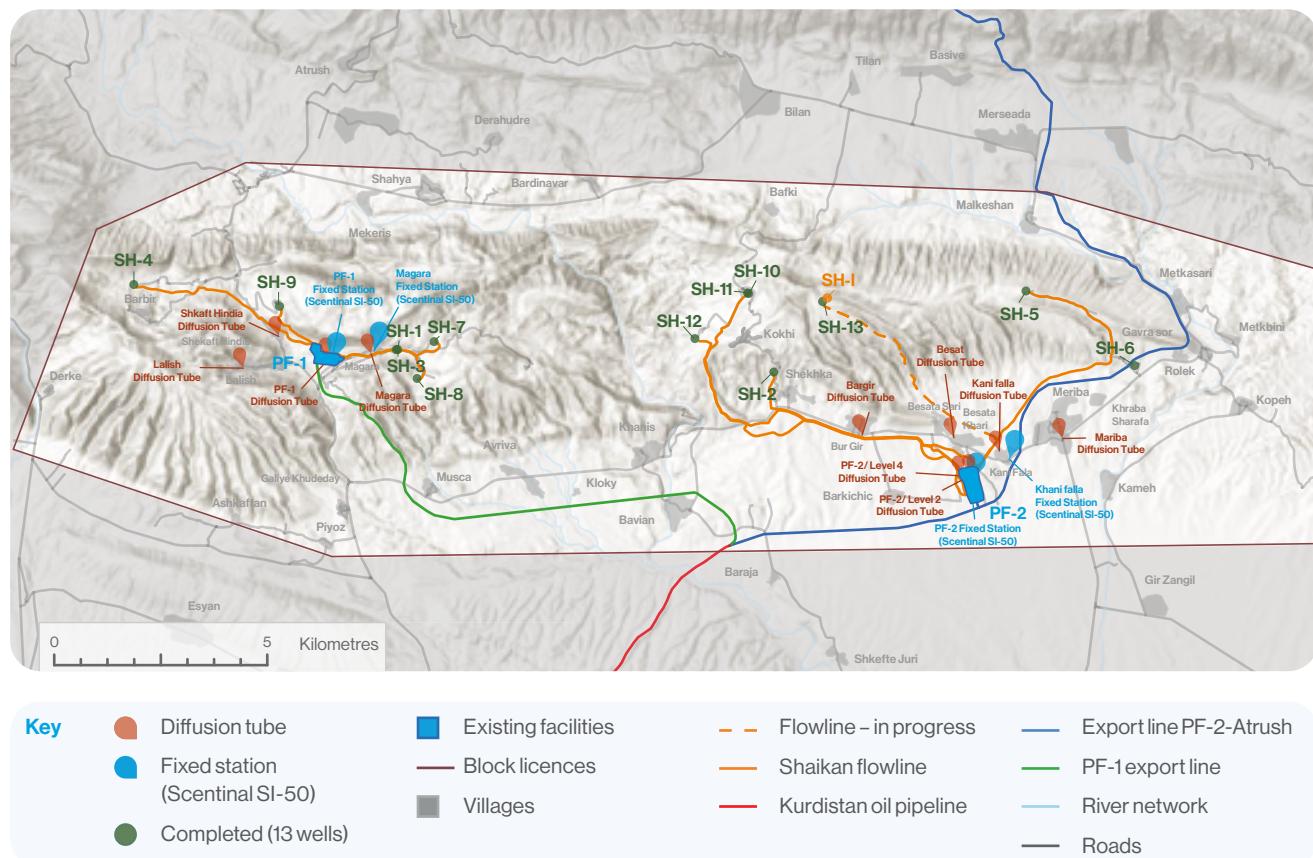
In recognition of the challenge, the Company has set an ambitious target to reduce its current scope 1 and 2 carbon emissions per barrel by more than 50% by 2025.

Case study

Gas survey

As reported previously, we conducted a survey over the Shaikan block in late 2019, aimed at identifying any natural gas seeps at surface level, which would provide insights to the underlying geology. The survey was conducted using very sensitive hydrogen detectors deployed from a land vehicle, together with sensors deployed from a drone to cover inaccessible areas. This survey confirmed the presence of three known natural seeps, together with the discovery of a fourth natural seep in the area. It was recommended that the activity of these seeps be monitored over time, and it is planned to repeat the survey this year.

Shaikan gas monitoring



Sustainability report continued

Material factors

Governance



Governance is the umbrella under which all major environmental and social issues are managed. It will become even more important for natural resource companies such as ours to ensure their governance structures are robust and fit-for-purpose. It is crucial that our leadership team is not only attuned to these ESG concerns but is also willing to make tough strategic and commercial decisions today that will protect value for all stakeholders in the long term.

Our Safety and Sustainability Committee is a committee of the Board of Directors of the Company which is primarily responsible for ensuring that appropriate systems are in place to manage health, safety, security and environmental risks and corporate social responsibility. This includes the measurement of relevant KPIs and making recommendations for improvement where appropriate.

The Company has implemented remuneration KPIs linked to our sustainability strategy. These KPIs will be used to determine bonus entitlements right through the organisation, thus helping to ensure that all staff are fully cognisant of the importance of ESG to the organisation's future success.

Board oversight

The Board of Gulf Keystone Petroleum Limited meets regularly to consider strategy and policy, major capital expenditure and all aspects of the Group's activities and business operations. This includes active involvement in the environmental, safety, social and governance matters relating to the Company's operations. The Board has a formal schedule of matters reserved specifically for decision by the Board. Effectively, no decision of any material consequence is made other than by the Directors and all Directors participate in the key areas of decision-making.

The Board is committed to high standards of governance and aims to create a culture which demands the same commitment and performance from all our employees and contractors and in all our business activities. We continue to build organisational capacity and improve our management processes and procedures as the Company continues to develop. We seek to strike a balance between entrepreneurial risk-taking and prudent risk management, maintaining high standards of corporate governance without compromising Gulf Keystone's unique culture.

Internal control and policies

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. The Board is accordingly satisfied that effective controls are in place and that risks have been mitigated to an acceptable level.

Alongside the governance structure, the Company has in place a number of policies which support the Company operating in a manner which is ethical and responsible. These include the Anti-bribery Policy, Whistleblowing Policy and the Information Handling Policy. We are committed to maintaining the highest standards of business ethics in the conduct of our operations.

Further details on the Company's governance structure and policies can be found in the corporate governance report on pages 64 to 101.



Management of principal risks and uncertainties

BOARD

Responsible for the overall system of internal control and risk management

Audit and Risk Committee

Responsible for monitoring the effectiveness of the Company's risk management framework and internal controls

Safety and Sustainability Committee

Ensures appropriate systems are in place to manage safety, health, environmental and community risks

Technical Committee

Ensures that appropriate processes are in place to manage Shaikan development planning and project execution risks

SENIOR MANAGEMENT

Responsible for implementation of internal control and risk management systems

The Board regularly considers the Group's principal risks and reviews reports from the Audit and Risk, Safety and Sustainability and Technical Committees.

The Group maintains a register that incorporates strategic, commercial, financial, operations, projects, information technology and operational technology risks. The risk register includes a clear definition of the risk, potential impact, mitigating controls the Group has in place to reduce the impact or probability of the risk to an acceptable level, and actions to further mitigate the impact or probability of the risk. In undertaking this risk review, the senior management team will also consider emerging risks. The Company invites geopolitical and security advisers to attend meetings with the Board and management to provide an assessment on the current and future political and security risks which may affect the Company, thus enabling the Company to plan for the mitigation of these risks. The Company may also invite specialist advisers to report to the Board or one of the Committees on particular risks; a recent example of this concerned cyber security risks.

The risk register is reviewed by senior management on a regular basis following consultation with owners of the risks and external consultants, as appropriate.

The Audit and Risk Committee regularly reviews the status of the Group's key risks. The Audit and Risk Committee also performs an ongoing review of effectiveness of the internal control and risk management systems to ensure risks are appropriately identified, monitored and reported to the Board and are aligned with the Group's strategy.

The Safety and Sustainability Committee is primarily responsible for ensuring that appropriate systems are in place to manage health, safety, security and environmental risks as well as corporate social responsibility. Its findings are reported to and reviewed by the Board.

The Technical Committee regularly reviews the Group's principal operational risks. It supports ongoing production operations and the Company's Shaikan development planning and project execution activities and ensures that appropriate processes are in place to manage project execution risks.

The Board monitors the Company's risk management and internal control systems by means of reports from the various committees and direct consideration of risk within the Board meeting agenda.

The following table indicates the principal post-mitigation risks the Group faces. The list is not exhaustive nor in priority order, and changes on an ongoing basis.

Management of principal risks and uncertainties

continued

Principal risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Key risk factor summary

Strategic

- Political, social and economic instability
- Disputes regarding title or exploration and production rights
- Business conduct and anti-corruption
- Export route availability
- Stakeholder misalignment
- Climate change and sustainability
- Global pandemic (e.g. COVID-19)
- Cyber security

Operational

- HSSE risks
- Gas flaring
- Security
- Field delivery risk
- Reserves

Financial

- Liquidity and funding capability
- Oil revenue payment mechanism
- Commodity prices

Key risk factor	Potential impact	Mitigation
<p>Strategic</p> <p>Political, social and economic instability</p> <p>Risk owner: CEO</p> <p>Kurdistan and Iraq as a whole and the neighbouring region have a history of political and social instability which continue to represent a risk to the Group, its operations and its personnel.</p> <p>Uncertainty may arise from changes in the KRG leadership or changes in the continued administration of the Shaikan licence by the KRG.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>There has been a history of tension between the political parties in the Kurdistan Region of Iraq and with the central government of Iraq.</p> <p>Any changes in the government could generate uncertainty and may cause a material adverse impact to the Group, including changes in PSC terms.</p> <p>Political unrest or armed conflict in Iraq could put the Group's operations at risk and may result in personnel evacuations and production suspensions. This could also increase the cost of doing business, due to increased security and reduced staff retention.</p> <p>There can be no assurance that the Group will be able to obtain or maintain effective security over any of the Group's assets or personnel.</p> <p>Other consequences of political, social and economic instability may include limits on production (including restrictions related to OPEC actions) or cost recovery, import and export restrictions, price controls, uncertainty over payment mechanisms for export sales, imposition of additional costs and taxes, tax increases and other retroactive tax claims, revocation of licence to operate, expropriation of property, cancellation of contract rights and an increase in regulatory burdens and fiscal pressures on the KRG.</p>	<p>The Group engages in continuous dialogue with the KRG.</p> <p>The Group's rights and obligations are governed by a Production Sharing Contract ("PSC"). Legal advice has been obtained regarding the terms of the PSC.</p> <p>The Group acts as a responsible operator and adheres to the terms and requirements of the PSC and FDP, and holds regular, minuted meetings with the MNR.</p> <p>The Group's wells and facilities are protected by external security consultants and local government forces who work closely with the Group's internal security team.</p> <p>The Group's security team prepares detailed risk assessments, security procedures and contingency plans which can be activated when threats arise.</p> <p>The Group has a corporate social responsibility policy which has led to several local initiatives and promotes a strong relationship with the local communities.</p>

Key to strategic
priorities



Safety and
sustainability



Value
creation



Capital discipline
and cost focus



Robust
financial position

Key risk factor	Potential impact	Mitigation
Strategic		
<p>Disputes regarding title or exploration and production rights</p> <p>Risk owner: CEO</p> <p>The Iraqi government has historically disputed the validity of the PSCs granted by the KRG.</p> <p>Link to strategic priorities</p>   <p>Change in year</p> 	<p>If the validity of the PSCs was successfully challenged, the Group could be required by the KRG or another administration to accept terms that are materially less favourable than the current PSC.</p>	<p>This is an industry-wide risk faced by all international oil companies operating in the Kurdistan Region of Iraq.</p> <p>The Group has confidence in the legality of the PSCs and believes that the PSC regime is legal under the terms of the Iraqi Constitution. However, the Group cannot control or completely mitigate disputes between the KRG and other parties. The Group maintains continuous dialogue with appropriate government departments and closely monitors the local situation.</p>
<p>Business conduct and anti-corruption</p> <p>Risk owner: Anti-Bribery Officer</p> <p>Due to the nature of the industry sector and the region in which the Group operates, it is exposed to the risk that the Group, or parties acting on its behalf, breach relevant laws, including anti-bribery and corruption laws.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Violation of anti-bribery or corruption regulations by the Group, or those acting on its behalf, may result in a criminal case against Gulf Keystone and/or its employees which may lead to reputational damage, monetary losses, fines, imprisonment of staff and revocation of licence to operate.</p>	<p>The Legal Director and Company Secretary is the Anti-Bribery Officer for the Group and reports directly to the Audit and Risk Committee.</p> <p>The Group has various policies, including anti-bribery and corruption, whistleblowing and prevention of tax evasion, and has implemented training programmes to ensure understanding and promote compliance.</p> <p>All employees, agents and other associated persons are made fully aware of the Group's policies and procedures regarding ethical behaviour, business conduct and transparency. All staff and certain contractors are required to certify compliance with policies.</p> <p>The Group has robust controls around contracting, payment approvals and the non-facilitation of tax evasion.</p>

Management of principal risks and uncertainties

continued

Key risk factor	Potential impact	Mitigation
Strategic		
<p>Export route availability</p> <p>Risk owner: CCO</p> <p>Risks associated with availability and accessibility of infrastructure allowing the Group to sell oil to export markets, and changes to export route forced on the Group which affect profitability.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Loss of revenue or reduction in profitability. The Group relies on the international pipeline between Fishkhabour (in Kurdistan) and Ceyhan (in Turkey) and the Kurdistan Export Pipeline for delivery of oil. These pipelines may be subject to periodic interruption due to a variety of reasons, including, but not limited to, technical, maintenance, repairs, damage by military operations, terrorism, theft, smuggling and regional politics.</p>	<p>From December 2019, all oil produced by the Group is exported through the Kurdistan Export Pipeline and trucking operations ceased. The option for trucking operations could be reimplemented but it would take time to do so.</p> <p>Export by pipeline is beneficial to the Group from a HSSE perspective due to reduced trucking operations, and from a financial perspective as the netback price for oil shipped through the export pipeline is greater than for trucked oil.</p> <p>Each PF is equipped with storage tanks that could mitigate the impact of short-term pipeline disruptions.</p> <p>The Group and the MNR signed an extension to the Crude Oil Sales Agreement in 2020 which provides clarity and pricing for oil exports until 30 April 2021.</p>
<p>Stakeholder misalignment</p> <p>Risk owner: CEO</p> <p>The Group's long-term strategy and plans may not be fully aligned with all stakeholder groups due to the diverse nature of the stakeholders (including, but not limited to, shareholders, bondholders, the KRG, the MNR, joint venture partners and local communities).</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Ineffective or poorly executed strategy may lead to loss of investor confidence and reduction in the Company's share price, which reduces the Group's ability to access finance and increases vulnerability to a takeover.</p> <p>Misalignment with our joint venture partner, the KRG or the MNR may result in delays or modifications to the development project, potentially impacting economic returns.</p> <p>Amount of recoverable costs may be challenged and reduced, resulting in less favourable terms.</p> <p>Local community opposition may lead to project delays, inability to gain land lease extensions, significant security risk to our employees and contractors or, in extreme cases, loss of licence to operate.</p>	<p>The Group contracts an investor relations team which maintains regular dialogue with the Group's stakeholder base and releases all key developments to the market through the London Stock Exchange's Regulatory News Service and the Nordic ABM of the Oslo Bors.</p> <p>Due to the uncertain macro-economic environment, the Group suspended the 55,000 bopd expansion project in March 2020. In March 2021, the Group announced the resumption of the expansion project.</p> <p>Prior to the COVID-19 pandemic, the Group and MOL were in active discussions with the MNR regarding the gas management plan and submission of an updated FDP. Due to COVID-19, a year has been lost. With the appointment of the new Minister of Natural Resources, the Group and MOL are re-engaging with the MNR to progress the gas management plan and FDP discussions.</p> <p>Strong community relations are vital to our ability to achieve local support for new projects. Gulf Keystone strives to be a good corporate citizen and fosters its reputation through strong and positive relationships with the governments and communities where we do business.</p> <p>The Group continues to collaborate with local and government stakeholders and has a CSR strategy to complement its existing community welfare initiatives.</p>

Key to strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Key risk factor	Potential impact	Mitigation
<p>Strategic</p> <p>Climate change and sustainability</p> <p>Risk owner: CEO</p> <p>Climate change and sustainability are material issues for the global economy and for the Group. Introduction of legislation to cap greenhouse gas emissions may have a significant effect on the long-term viability of the Group.</p> <p>Link to strategic priorities </p> <p>Change in year </p>	<p>Climate change may lead to transition and/or physical risks.</p> <p>The transition to a low carbon economy may lead to a decline in oil demand resulting in lower oil prices, reduced access to or increased cost of funding and insurance, technological change, disruptions to the supply chain, increasing challenges to attract and retain talent and increased compliance and monitoring costs related to new regulatory frameworks.</p> <p>The Group may also be impacted by physical risks due to climate changes, including increasing frequency and magnitude of extreme weather events impacting operations, production efficiency losses, disruptions to the supply chain and weakened international cooperation.</p> <p>Additionally, conflicting stakeholder expectations and/or a lower oil price may lead to an inability of the Group to develop the asset.</p> <p>Additional costs relating to flaring emissions or carbon taxes could be levied on the Company, increasing production costs.</p>	<p>Gulf Keystone is committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The Company is currently formulating its sustainability strategy.</p> <p>The Group aims to reduce greenhouse gas emissions and minimise routine flaring of gas from all our operations. The Group is targeting to reduce scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025. The ability to achieve this target is dependent on finalisation of the gas management plan with our partners MOL and MNR. As a result of COVID-19, a year has been lost, which has the potential to impact the timeframe to achieve targeted CO₂ reductions. The Company is re-engaging with the MNR to discuss various options to optimise and reduce the cost of the gas management plan.</p> <p>Wherever possible, the Group will improve the efficiency of its operations and processes in order to reduce emissions and consumption.</p> <p>The Group continuously monitors air quality as part of its commitment to minimise impact on the environment and local communities.</p>
<p>Global pandemic (e.g. COVID-19)</p> <p>Risk owner: CEO</p> <p>The effects of a global pandemic such as COVID-19 are unprecedented, severe and far-reaching, affecting the global economy, our business, our workforce and the local communities in which we operate.</p> <p>Link to strategic priorities </p> <p>Change in year </p>	<p>Over the long term, the pandemic and its effects on the global economy threaten the viability of the Group.</p> <p>In the short term, the deterioration of market conditions and volatile oil prices could reduce the Group's revenue generation potential and adversely impact the Group's profitability and liquidity position.</p> <p>The COVID-19 pandemic may impact the KRG's ability to make ongoing revenue or arrears payments, adversely impact field operations and expansion activities and increase cyber security vulnerabilities due to remote working.</p>	<p>The Group has taken several actions in order to manage the impact of the pandemic, as follows:</p> <ul style="list-style-type: none"> • The Crisis Management Team, with representatives in the UK and Kurdistan, meet as required to develop and review plans to effectively manage the response. • The Company actively monitors advice from the World Health Organization and Public Health England and receives regular independent medical advice relating to the COVID-19 outbreak to ensure best practice precautions are being applied. • Clear guidelines and health precautions on how employees should protect themselves and reduce exposure and transmission have been communicated to the organisation. • Implementation of a remote working policy, along with additional guidance relating to cyber-safety practices, and health screening of staff and contractors entering work sites.

Management of principal risks and uncertainties

continued

Key risk factor	Potential impact	Mitigation
Strategic		
Cyber security Risk owner: CFO As the Group becomes more reliant on information technology systems, software and cloud computing, it becomes more vulnerable to malicious cyber-attacks. Link to strategic priorities  Change in year 	A cyber security breach could disrupt our operational and development activities, put employees at risk, result in the disclosure of confidential information, which could adversely affect the share price, damage our reputation and create significant financial and legal exposure for the Group.	In 2020, GKP engaged a cyber security specialist to carry out a cyber risk review. Information and operational technology risks were identified and analysed. The Group has implemented a cyber security strategy and roadmap to continuously identify and remediate system vulnerabilities. The Group employs several tools to manage cyber security risks on an ongoing basis, including third-party monitoring, vulnerabilities management, dark web monitoring, endpoints and perimeter security and ongoing cyber security awareness training. The Group has invested in staff and software to monitor, maintain and regularly upgrade its systems, processes and network.

Key risk factor	Potential impact	Mitigation
Operational		
Health, Safety, Security and Environment (“HSSE”) risks Risk owner: COO The Group, its staff and contractors and local communities may be exposed to specific risks in relation to HSSE matters. Identified risk areas include, but are not limited to, H ₂ S leaks at the production facilities, loss of containment, road traffic accidents and other accidents at production facilities and well sites. Link to strategic priorities  Change in year 	Consequences may include accidents resulting in loss of life or injury, significant pollution of the local environment, destruction of facilities, disruption to business activities, risk of litigation and reputational damage with an associated financial loss.	The Group has a Safety and Sustainability Committee to ensure that HSSE strategy is directed from Board level and to warrant accountability and commitment throughout the organisation. The Group has comprehensive HSSE and operations management procedures, including emergency and incident response plans. The HSSE Action Plan for 2020 included improvement and compliance initiatives and was substantially complete by the end of 2020 (see “Key performance measures” section on pages 20 and 21). The 2021 HSSE Action Plan has now been put in place and will be closely monitored during the year. The Company intends to complete a thorough review of the safety case for FDP purposes.

Key to strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Key risk factor	Potential impact	Mitigation
Operational		
Gas flaring <p>Risk owner: COO</p> <p>GKP relies on flaring as a disposal method for the gas produced as a by-product of its oil production, which creates an environmental impact. There is a risk that the Group does not achieve its target of reducing scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025, which is subject to re-engaging with the MNR to discuss gas management plan options and agreement of an FDP.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Continued gas flaring may result in excessive harmful emissions, resulting in the need to reduce or shut down production and potential delays to the FDP.</p> <p>The KRG may impose a ban on gas flaring, resulting in reduction or cessation of production.</p> <p>The KRG may introduce a financial penalty for gas flaring, resulting in a less favourable Shaikan asset valuation.</p>	<p>The Group maintains active dialogue with the regional authorities to ensure that it complies with the existing emissions regulations.</p> <p>Harmful gas emissions are closely monitored by the HSSE department, with any variances outside normal levels investigated and reported to executive management.</p> <p>The Group uses a clean flare stack to improve the combustion of flared gas.</p> <p>The reduction of routine flaring by means of a gas management plan remains an integral part of the Group's FDP. The Group is re-engaging with the MNR to discuss various gas management plan options to optimise and reduce costs of the plan.</p>
Security <p>Risk owner: COO</p> <p>The Group is exposed to security risks by virtue of the location of its operations. These include the threat of terrorist attack, military action and local protests and unrest at Gulf Keystone sites.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Security issues may lead to loss of life or injury to personnel, disruption to operations, costs to repair facilities, reputational damage with the associated financial loss and loss of investor confidence.</p>	<p>The wells and facilities are protected by external security consultants and local government forces who work closely with the Group's internal security team.</p> <p>The Company retains external security advisers who prepare detailed risk assessments, security procedures and contingency plans which can be activated when threats arise.</p> <p>Local communities are an essential source of intelligence about the nature, severity and likelihood of any threat. The Group ensures it maintains good relations with the local population and considers the impact of all decisions on them.</p>

Management of principal risks and uncertainties

continued

Key risk factor	Potential impact	Mitigation
Operational		
<p>Field delivery risk</p> <p>Risk owner: COO</p> <p>The Company does not achieve its stated investment case and economic and production returns do not match expectations.</p> <p>The major identified risks within this area are the following:</p> <ul style="list-style-type: none"> Loss of a well due to water or gas breakthrough, pressure decline or mechanical failure. Damage to wells during drilling due to loss of drill fluids. Well locations are sub-optimal. <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Failure to control development and production risks may manifest as project delays, cost overruns, high production costs, early field decommissioning and, ultimately, lower than expected reserves.</p> <p>Water breakthrough in advance of the installation of appropriate water-handling facilities may result in temporary well shut-ins, failure to meet production targets and damage to the production facilities.</p> <p>Gas breakthrough in volumes exceeding the limit of the gas processing capacity could result in reduced oil production and shutting-in the well with gas breakthrough.</p> <p>Drilling operations issues might result in cost overruns and project delays, and possibly even the suspension of drilling operations.</p>	<p>Technical and financial approvals are required for all material projects and for all dedicated project teams.</p> <p>All projects are closely monitored to ensure the project delivers against plan, which enables actions to be taken to maintain progress, and minimises budget overruns.</p> <p>All wells are monitored to ensure early detection of, and reaction to, any abnormalities. Zones within wells which are producing water may be isolated and other zones in the well brought back into production. Wells are regularly tested to look for any changes in gas/oil ratio and to provide an early warning of any gas breakthrough.</p> <p>Reservoir modelling is carried out to improve our understanding and forecasting of this event. Our current analysis does not show inclement water breakthrough.</p> <p>Water-handling and desalting facilities are included in the 75,000 bopd expansion programme in the draft FDP.</p> <p>Design of future development wells takes account of the updated modelling to optimally locate the producing interval from wells at a depth to minimise the risk of early gas and water breakthrough.</p>
<p>Reserves</p> <p>Risk owner: COO</p> <p>Recoverable reserves are below expectations, which will affect the revenue and economic viability of the field.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Due to natural uncertainty in the volumes of hydrocarbons in place and the proportion of those hydrocarbons that might be recoverable, the actual reserves may be lower than our most likely forecast.</p>	<p>An updated, independent third-party evaluation of the Company's reserves was issued by ERCE in early 2021. The report reaffirmed the reserves and resources estimates of the 2016 CPR, after adjusting for production, and GKP's internal estimates.</p> <p>The Group bases its forecasts and investment planning on a range of possible outcomes that include a low-side case.</p> <p>Phasing of the project investment is considered against the low-side scenario and the investment plans adjusted accordingly.</p> <p>Data acquired from well production and pressure measurements and the results from new wells is used to help model the reservoir and reduce uncertainty over time.</p>

Key risk factor	Potential impact	Mitigation
<p>Financial</p> <p>Liquidity and funding capability</p> <p>Risk owner: CFO</p> <p>The Group has insufficient working capital to meet short-term operational requirements or has insufficient funding in place to pursue the full Shaikan development programme.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Lack of liquidity may result in the Group not being able to function as a going concern and being unable to meet its operational commitments.</p> <p>Lack of funding in the long term may result in the Group's inability to fully achieve its strategy, failure to reach the stated field plateau, failure to service its debt and inability to deliver a return to investors.</p> <p>Lack of capital discipline and operational cost focus may result in significant unplanned cash outflows and inadequate liquidity.</p>	<p>The Group currently has a significant cash balance. The Group invests capital in phases and has a flexible capital programme, enabling it to quickly adjust levels of spending to adapt to changes in market circumstances.</p> <p>The Board and management ensure that the strategy planning process is robust. The Group's business plan is regularly reviewed and revisited by the Board to ensure that it reflects any changes to internal or external factors.</p> <p>Business planning and corporate performance management processes are used to control spend. These processes involve the review of multiple scenarios to assess a possible range of outcomes.</p> <p>The Group carefully manages debt maturities to ensure there are available funds to repay debt outstanding on maturity. The Group does not have any debt maturities until July 2023.</p>
<p>Oil revenue payment mechanism</p> <p>Risk owner: CFO</p> <p>There is uncertainty relating to the revenue payment mechanism for oil in Kurdistan.</p> <p>There can be no assurance that PSC operators will be paid their full contractual entitlement.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Delays in, or lack of, revenue payments from the KRG could adversely impact the Group's ability to develop and invest in the asset, to operate efficiently and to make necessary working capital payments.</p> <p>Irregular receipts of revenue payments may damage investor confidence in the Group and the region and make any fundraising difficult.</p>	<p>The Group continues to monitor the political situation in the Kurdistan Region of Iraq and maintains dialogue and relations with the relevant national and regional authorities.</p> <p>The Group has maintained accurate records of liftings and applies robust assumptions when estimating historic revenue arrears. The Group's position is regularly communicated to the MNR.</p> <p>Export oil sales quantities are currently agreed by three parties (including an independent pipeline operator) so there can be no uncertainty regarding delivery volumes.</p> <p>The signing of the original Crude Oil Sales Agreement in January 2018, and subsequent renewals, means that the Group is now being paid according to its revenue entitlements. The current agreement extension provides clarity and pricing for all oil export until 30 April 2021.</p> <p>Regular monthly oil sales payments have been received since March 2020. The KRG has proposed a mechanism to repay outstanding arrears of \$73.3 million relating to November 2019 to February 2020 invoices and the first repayment was received related to January 2021 production.</p>

Management of principal risks and uncertainties

continued

Key risk factor	Potential impact	Mitigation
<p>Financial</p> <p>Commodity prices</p> <p>Risk owner: CFO</p> <p>A material decline in oil prices may adversely affect the Group's cash flows, asset valuations, production operations or result in delays to the Shaikan development.</p> <p>Low oil prices may adversely impact the KRG's ability to meet its payment obligations towards the region's producers.</p> <p>Link to strategic priorities</p>   <p>Change in year</p> 	<p>The Group's revenues, profitability and future rate of growth will depend substantially on prevailing oil prices, which can be volatile and subject to fluctuation.</p> <p>A sustained low oil price environment would have an adverse effect on the Group's liquidity and ability to develop the asset. In addition, it may lead to a reduction in the Group's commercial reserves and an impairment of its asset.</p>	<p>The Group monitors and, where possible, reduces costs while maintaining safe operations.</p> <p>The Group's cash forecast is constantly monitored and it maintains surplus cash to manage short-term uncertainty.</p> <p>In establishing the annual work programme and budget, the Group considers a range of forward oil curves to assess the potential impact on cash flows and liquidity. Commodity prices are monitored on an ongoing basis.</p> <p>A hedging programme was implemented mid-2020 in order to protect revenue. A put option with a floor price of \$35/bbl has been purchased for 60% of the Group's H1 2021 production. An additional put option with a floor price of \$40/bbl has been purchased for 60% of Q3 2021 production.</p>

Key to strategic
priorities



Safety and
sustainability



Value
creation



Capital discipline
and cost focus



Robust
financial position

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Group's viability and prospects over a longer period than the twelve months required by the going concern provision. The Board assesses the business over a number of time horizons for different reasons, including the following:

- a) annual Corporate Budget (i.e. 2021);
- b) medium-term Corporate Budget; and
- c) life-of-field plan used to produce an internal view of the value of the Company.

The Board concluded that a three-year period most appropriately reflects the underlying prospects and viability of the Group for the following reasons:

- a) it is aligned with the Group's strategic planning cycle;
- b) the Group's cash flows can be reasonably estimated over that period as there is a reasonable amount of clarity regarding cost and revenue projections; and
- c) should the risks and uncertainties identified by the Group on pages 51 to 60 have an impact on the Group, it is reasonable to believe that they will occur within this period.

Notwithstanding, the Group will continue to monitor the business over all time horizons noted above.

The Directors' viability assessment has been made with reference to the Group's strategy and business model, as detailed on pages 14 to 15 and 18 to 19, and to the risks, uncertainties and available mitigating action plans, as detailed on pages 51 to 60. The Group conducted an annual planning process which consisted of the review of the Group's strategy and performance, preparation of a work plan and budget and review of risks, uncertainties and opportunities over the three-year assessment period.

The Directors reviewed the Group's cash flow projections which were prepared using the following base assumptions:

- Brent price of \$50/bbl in 2021 and \$55/bbl thereafter;
- cost assumptions in line with the updated CPR;
- production profiles in line with the February 2021 CPR; and
- regular revenue receipts.

The assessment demonstrated that the Group is in a strong financial position, with a significant cash balance and ability to meet liabilities as they fall due.

Further, the Directors have considered the financial and operational impact of severe but plausible scenarios that could threaten GKP's viability. This was done through modelling the individual and combined effects of various risks and uncertainties in order to establish the Group's ability to meet its working capital requirements. Additionally, the Directors considered possible mitigating actions. The modelled stress scenarios and potential mitigating actions considered are as follows:

Stress test scenarios	Downside assumptions	Mitigating actions	Reference to principal risks and uncertainties
<ol style="list-style-type: none"> 1. Low oil price environment (including the impacts of climate change and the Paris Agreement) 2. Oil revenue payment interruptions 3. Delays to the development programme 4. Decreasing reservoir productivity 5. Continued impact of COVID-19 6. Combination of above scenarios 	<ul style="list-style-type: none"> • Brent price reduction to \$40/bbl flat • Revenue receipts interruptions • Reduced production • Introduction of a carbon tax • Repayment of \$100 million Notes due in July 2023 	<ul style="list-style-type: none"> • Deferrals and reductions in capital expenditure • Further optimisation of the development programme • Further rationalisation of the operational cost base • Bond refinancing 	<ul style="list-style-type: none"> • Political, social and economic instability • Export route availability • Oil revenue payment mechanism • Stakeholder misalignment • Climate change and sustainability • Gas flaring • Commodity prices • Global pandemic • Field delivery risk • Reserves • Liquidity and funding capability

Based upon the Directors' robust assessment of the principal risks facing the Group, the stress test scenarios and possible mitigating actions, as described above, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the three-year viability assessment period. In the event the stress test scenarios assumptions are more severe than what the Directors reasonably considered as severe but plausible, significant changes to the Group's operational and development plans, including a further curtailment of activities and reductions in staff, amongst other things, would be required and there could be an impact on the Group's viability.

Board of Directors



Jaap Huijskes
Non-Executive Chairman

Appointed
November 2017

Skills and experience

Jaap Huijskes was appointed Non-Executive Chairman of Gulf Keystone in April 2018, having been a Non-Executive Director since November 2017.

Jaap has worked in the upstream oil and gas sector for nearly 30 years. He started his career with Shell and worked in a variety of project engineering and other roles around the world. Jaap's last role with Shell was as Project Director for the Sakhalin II project, followed by a short period at head office as Executive Vice President for all of Shell's upstream projects. Jaap left Shell to join OMV, as their board member responsible for all upstream activities. OMV's upstream activities at the time included significant exploration activities in the Kurdistan Region of Iraq.

Jaap is currently Non-Executive Chairman at Energie Beheer Nederland.



Jon Harris
Chief Executive Officer

Appointed
January 2021

Skills and experience

Jon Harris joined Gulf Keystone in January 2021 as Chief Executive Officer.

Jon has over 30 years' experience in the oil and gas industry and joins GKP from SASOL Limited, an integrated energy and chemicals company based in South Africa where he was Executive Vice President, Upstream. Prior to this, he spent 25 years with BG Group in various international roles, including Executive Vice President Technical and General Manager Production Operations, as well as senior management assignments in the United States, Trinidad and Tobago and Egypt.

Jon received a Master's of Engineering from the University of Leeds, UK.



Ian Weatherdon
Chief Financial Officer

Appointed
January 2020

Skills and experience

Ian Weatherdon joined Gulf Keystone in January 2020 as Chief Financial Officer.

Ian has over 30 years' experience in the international oil and gas industry. Prior to joining GKP, he was CFO of Sino Gas & Energy Holdings, an energy company focused on developing natural gas assets in China. Previously, he held various executive roles at Talisman Energy Inc., the Canadian exploration and production company, which was acquired by Repsol, including: Vice President of Finance & Planning for the Asia-Pacific region, CFO of Equión Energía Limited, a Colombian joint venture between Talisman and Ecopetrol SA, and Vice President of Investor Relations.

Ian has a B. Comm from the University of Calgary and is a Canadian Chartered Accountant.



Martin Angle
Deputy Chairman and
Senior Independent Director

Appointed
July 2018

Skills and experience

Martin Angle was appointed as Deputy Chairman in June 2019 having been Senior Independent Non-Executive Director since joining the Board July 2018.

Martin has had a distinguished executive career holding senior positions in investment banking, industry and private equity.

He has served as a Non-Executive Director on a number of Boards both in the UK and overseas including Pennon Group, where he chaired the Remuneration Committee, Savills plc (Senior Independent Director), National Exhibition Group (Chairman), Severstal (Chair of Audit), and Dubai International Capital.

Martin is currently Deputy Chairman and Senior Independent Director of Spire Healthcare plc and is an adviser to the Institute of Arab and Islamic Studies at the University of Exeter. He is a Chartered Accountant and holds a BSc (Hons) in Physics from the University of Warwick.



Garrett Soden
Non-Executive Director

Appointed

July 2020

Skills and experience

Garrett Soden was re-appointed as a Non-Executive Director of Gulf Keystone in July 2020. He is a shareholder representative of Lansdowne Partners Austria and thus is deemed non-independent.

Garrett has worked with the Lundin Group for more than a decade and has extensive experience as a senior executive and board member of various public companies in the natural resources sector. He is currently President and CEO of Africa Energy Corp., a Canadian oil and gas exploration company focused on South Africa. He is also a Non-Executive Director of Panoro Energy ASA.

Garrett holds a BSc honours degree from the London School of Economics and an MBA from Columbia Business School.

David Thomas
Non-Executive Director

Appointed

October 2016

Skills and experience

David Thomas was appointed as a Non-Executive Director of Gulf Keystone in October 2016.

David is an experienced oil and gas professional with 40 years in the industry. He started his career as a Petroleum Engineer working for Conoco in the North Sea and Dubai. Subsequently, he joined Lasmo where he became Group GM Operations and, following the company's acquisition, held three international regional Vice President roles with Eni. David's subsequent Board directorships have included positions as President and COO of Centurion Energy and CEO of Melrose Resources. In 2015 he briefly served on a caretaker Board at Afren and is currently the CEO of Cheiron in Egypt.

David has a BSc in Mining Engineering from Nottingham University and an MSc in Petroleum Engineering from Imperial College.

Kimberley Wood
Non-Executive Director

Appointed

October 2018

Skills and experience

Kimberley Wood was appointed as a Non-Executive Director of Gulf Keystone in October 2018.

Kimberley is a legal professional with 20 years' experience and a specialist in the energy sector. She was Head of Oil and Gas for Europe and Middle East at Norton Rose Fulbright LLP and remains a Senior Consultant for the firm. She is included in Who's Who Legal Energy 2020 and as an expert in Energy and Natural Resources in Women in Business Law, 2020. Kimberley is also the European Regional Forum Liaison Officer for the Oil & Gas Law Committee of the International Bar Association ("IBA").

Kimberley is also a Non-Executive Director of Energean plc, Africa Oil Corp., and Valeura Energy Inc.

Corporate governance report



We remain committed to maintaining the highest standards of corporate governance, ethics and integrity.

Jaap Huijskes
Non-Executive Chairman

Governance highlights

Voluntary compliance with 2018 UK Corporate Governance Code

Robust governance framework and operation of Board and Committees

Dear Shareholder,

We remain committed to maintaining the highest standards of corporate governance, ethics and integrity when running our business. We believe this is a central tenet of our culture which ultimately benefits the long-term interests of all of our stakeholders. This goes further than simply having an appropriate governance framework in place; it includes the highest priority given to an embedded culture of safety, governance, sustainability, environmental, social and ethical considerations, and will remain a key focus area of the Board and management going forward.

The role of the Board of Directors is key to leading the promotion of the long-term sustainable success of the Company. We encourage a transparent and open culture to ensure effective contributions from all Directors, management, and the wider workforce. Communication is key to this and despite the logistical challenges associated with 2020, we have sought to maintain and enhance this culture as we interact with our staff and other stakeholders. At the end of the financial year, the Board undertook an internal evaluation of its performance and governance. This covered a number of aspects of the Board's role, performance and governance, and the general conclusion was positive, with only minor amendments to existing practices proposed. This is more fully described in the report of the Nomination Committee.

It is important to emphasise once again that the Company maintains a zero-tolerance approach to bribery and corruption. It has in place a number of policies and procedures to maintain this, including regular training. This runs alongside the Company's Whistleblowing Policy, Information Handling Policy, Share Dealing Code and Diversity Policy. The Board will always look to continually enhance such policies and procedures, ensuring that operating with integrity remains a top priority.

Jaap Huijskes
Non-Executive Chairman
30 March 2021

Subject	Strategic priorities	Stakeholder considerations
Shareholder and debtholder engagement <p>Active engagement with the owners of the Company is a key strategic priority for the Board. Ensuring shareholders and debtholders are informed of material developments on a timely basis is a crucial aspect of our corporate communications.</p>	 	<ul style="list-style-type: none"> Impact of COVID-19 on the business Greater adoption of technology for communication
Finance and capital allocation <p>As the COVID-19 pandemic took effect, the Company was quick to act, reducing costs significantly throughout the business by reducing Capex, Opex and G&A substantially. The steps taken enabled the Company to preserve its liquidity position, ensuring the business could successfully navigate the oil price downturn.</p>	  	<ul style="list-style-type: none"> Balance sheet strength Pausing of shareholder distributions
Corporate strategy <p>GKP continued to deliver on its corporate strategy during the period, achieving safe and reliable operations at Shaikan, increasing production and delivering value to all of the Company's stakeholders.</p>	 	<ul style="list-style-type: none"> Sustainable production growth at Shaikan Maintaining capital discipline
HSSE <p>The Company continued its strong safety performance during the period, with no LTIs reported in over 450 days, and remains committed to maintaining this strong safety performance.</p>		<ul style="list-style-type: none"> Employee welfare is a key strategic priority Continue to achieve industry-leading safety performance
COVID-19 <p>With the outbreak of the pandemic, GKP chose to pause its expansion programme and instead focused on ensuring the health of its workforce. This was achieved with careful on-the-ground management. Following the action taken, production was stable during the period and increased significantly year-on-year.</p>		<ul style="list-style-type: none"> Careful management of workforce Extensive testing and quarantining practices adopted
Sustainability <p>Having a strong ESG framework in place has always been important to GKP and the Company is committed to achieving best practice ESG standards across the business. The Company is committed to reducing routine flaring at Shaikan and retains its aspiration to reduce scope 1 and 2 CO₂ emissions per barrel by 50% by 2025, subject to finalisation of the GMP.</p>		<ul style="list-style-type: none"> Finalisation of the gas management plan Local community initiatives continued throughout 2020

Corporate governance report continued

Introduction

It is a core duty of the Board of Directors that it must act in a manner, and in good faith, which will be most likely to promote the success of the Company for the benefit of its members as a whole, and taking account of the likely consequences of any decision in the long term, plus the interests of employees, suppliers, regulators, customers, the community and environment and the wider stakeholder group. The maintenance of high standards of governance is an important step in achieving this; the Board aims to create a culture which demands the same commitment and performance from all employees and contractors and in all business activities. The governance processes applied across the Group are illustrated below and in the individual Committee reports.

The Board accepts responsibility for preparing the annual report and accounts which it considers, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Compliance with the 2018 UK Corporate Governance Code (the "Code")

In respect of the year ended 31 December 2020, Gulf Keystone Petroleum Limited, a Bermuda registered company, has voluntarily decided to adhere to the Code (available from www.frc.org.uk). The Board recognises the value of the Code to the business and it will take all necessary measures it can to comply.

In line with our commitment to maintaining best practices of corporate governance, the Board confirms that Gulf Keystone Petroleum Limited applied the principles and complied with all of the provisions of the 2018 Code throughout the year save as disclosed in the corporate governance report. Further information on compliance with the Code can be found as follows:

Board leadership and purpose

The Board is accountable to shareholders and other stakeholders for the creation of a sustainable, long-term business which enhances shareholder value through operational and financial performance. The Board operates through a robust governance framework with clear procedures, lines of responsibility and delegated authorities to ensure that the Company's strategy and values are implemented, and key risks assessed and managed effectively. The Board will also engage with the Group's stakeholders on an ongoing basis to ensure their long-term interests are preserved. This includes investors, the host government and local communities, staff and contractors, business partners and suppliers.

Key responsibilities of the Board include:

- health and safety, including the safety of all those connected with the Company in the context of COVID-19;
- ethical compliance;
- environmental and social governance;
- strategy development and objectives;
- corporate planning and KPIs;
- stakeholder and workforce engagement;
- culture and values;
- risk management;
- Board development and effectiveness; and
- governance and regulatory compliance.

When considering these responsibilities, the Chairman encourages an open, respectful and collaborative working environment where all Directors voice their opinions and contribute to constructive debate.

The Board also recognises that this is important in order to maintain its ethics, culture and values, and to communicate the Company's strategy and performance to all its stakeholders, the principal ones being staff and contractors, investors, host government and communities and our business partners and suppliers.

Division of responsibilities

The Board is led by the Chairman, who promotes a culture of openness and debate and is responsible for the leadership of the Board and its overall effectiveness. The Chairman also facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information. The Chairman is supported on the Board by three independent Non-Executive Directors, one of whom is the Senior Independent Director, and the CEO and CFO. The CEO is responsible for operational management, and the development and implementation of strategy in conjunction with the senior leadership team. The Legal Director attends Board and Committee meetings as Secretary to ensure corporate governance and regulatory compliance.

The Company has a formal register of "Matters Reserved for the Board" which is reviewed and approved on a regular basis, and there is a clear separation of responsibilities between the Board and management. Some matters may be delegated to the Board Committees: the Safety and Sustainability Committee; the Technical Committee; the Audit and Risk Committee; the Remuneration Committee; and the Nomination Committee. Each Board Committee has terms of reference in place which are reviewed and approved on a regular basis. The Board is satisfied that the Committees have sufficient time and resources to carry out their duties effectively.

The Executive Committee comprises the CEO, CFO, COO and CCO. Along with the Legal Director and HR Director, they meet on a regular basis to discuss significant management matters. The senior leadership team, comprising functional heads of department and the Executive Committee, also meets on a regular basis to discuss management matters.

Composition, succession and evaluation

The Nomination Committee is primarily responsible for reviewing the composition and balance of the Board, and for recommending any new appointments to the Board and Committees. Appointments and succession planning are based on merit and in accordance with the Company's Diversity Policy. During the year, two new appointments to the Board were made; Garrett Soden was appointed as a non-independent Non-Executive Director representing funds managed by Lansdowne Partners Austria GmbH, and Jon Harris was appointed as CEO in succession to Jón Ferrier.

All Directors are subject to annual re-election by shareholders.

A formal, externally facilitated Board and Committee evaluation takes place at least every three years, the last one being in 2019. Following the financial year end of 31 December 2020, an internal Board evaluation was undertaken by the Board; this is more fully described within the report of the Nomination Committee.

Audit, risk and internal control

The Audit and Risk Committee is primarily responsible for ensuring that the financial performance of the Company is measured and reported, in conjunction with the Company's auditors. This Committee will also review and report on the risk identification, mitigation and management process of the Company and will identify specific "deep dives" on particular risks on a regular basis. It is recognised that risk management is of crucial importance to a company of the profile of Gulf Keystone, and this was manifested by global events during 2020. The risk process is therefore placed as an integral part of the Company's strategy formulation.

The Board acknowledges that it must have in place a sound system of internal control to safeguard the assets and value of the business and to ensure reliability of financial information. In this respect, a regular review is undertaken by the Audit and Risk Committee to consider whether enhancements to current internal control systems are necessary.

Remuneration

The Remuneration Committee is primarily responsible for devising and monitoring the Company's remuneration policies to ensure that they are consistent with corporate governance guidelines and the Company's objectives, and it is assisted by external remuneration consultants, Mercer Kepler. A detailed report of all remuneration matters is contained in the Directors' remuneration report. The Company's Remuneration Policy was formally approved by shareholders at the Annual General Meeting in 2019.

Adherence with the UK Corporate Governance Code

Although the Company is not subject to the UK Corporate Governance Code 2018 ("the Code") on account of its Bermudan incorporation and standard listing on the London Stock Exchange, the Company has voluntarily agreed to adhere to the Code so far as practicable. The Company considers that the existing policies and practices adhere to the new provisions with a small number of exceptions, as set out later in this report. We firmly believe that this voluntary adherence establishes a solid basis from which to conduct Board and managerial decision-making acting in the best interests of the Company and its stakeholders. A copy of the Code is available on the website of the Financial Reporting Council ("FRC") on www.frc.org.uk.

As at the date of this report, the Board considers that it and the Company have complied with the principles and provisions of the Code, except for the following matters, using the provision references set out in the July 2018 version of the Code:

Provision 5 – There is no formal workforce engagement scheme in place. This has been reviewed by the Board in conjunction with its advisers, Mercer Kepler. It was concluded that GKP had a very transparent culture with regular staff engagement initiatives and an open reporting line which encouraged staff participation. Taking this, and the size and nature of the business into account, it was considered that it was an unnecessary step to formalise this into a formal workforce engagement scheme. The Board will keep this under review, taking into account GKP's size and legal and regulatory requirements in its locations.

Provision 36 – No policy in place for post-employment shareholding requirements. It is proposed that this will be addressed when the next Remuneration Policy is presented to shareholders in 2022.

The information contained in this report, and elsewhere in this annual report, describes the manner in which Gulf Keystone has applied the main principles of governance set out in the Code and complied with individual Code provisions.

Corporate governance report continued

The Board

The composition of the Board is a key constituent of the Company's corporate governance. As an international oil company, Gulf Keystone's business carries a diverse range of risks and it is important that these are covered by the skills and knowledge of the Board. For each Board appointment a number of factors will be considered, including skills, experience, diversity and ability. This is replicated in senior management positions and in the Company's succession planning.

The Company's Byelaws were amended on 17 July 2014 to provide for annual re-election of the Directors. Accordingly, all of the Directors stand for re-election by shareholders at every AGM.

The following Board changes were made during 2020 and early 2021: Ian Weatherdon was appointed CFO on 13 January 2020; Jon Harris was appointed CEO on 18 January 2021, replacing Jón Ferrier who retired on 31 January 2021 after a short handover; Garrett Soden was appointed a Non-Executive Director on 14 July 2020.

As at the date of this report, the Directors of the Company are:

Name	Role	Date of appointment	Date of last re-election
Jaap Huijskes	Non-Executive Chairman	29 November 2017	19 June 2020
Jon Harris	CEO	18 January 2021	n/a
Ian Weatherdon	CFO	13 January 2020	19 June 2020
David Thomas	Non-Executive Director	13 October 2016	19 June 2020
Martin Angle	Deputy Chairman and Senior Independent Director	16 July 2018	19 June 2020
Kimberley Wood	Non-Executive Director	1 October 2018	19 June 2020
Garrett Soden	Non-Executive Director	14 July 2020	n/a

Board composition, independence and diversity

As at the date of this report, the Board comprised two Executive Directors and five Non-Executive Directors (including the Chairman). In accordance with Code Provision 9, the Chairman was independent on appointment. The Company regards the other Non-Executive Directors as independent according to Code Provision 10, save for Garrett Soden who is representing funds managed by Lansdowne Partners Austria GmbH.

The independence of each of the Non-Executive Directors is considered upon appointment, at each Board evaluation and at any other time a Director's circumstances change in a way that warrants reconsideration, and by their ongoing actions.

The Board considers whether the Non-Executive Director is independent of management and any business or other relationship that could materially interfere with the exercise of objective and independent judgement by the Director or the Director's ability to act in the best interests of the shareholders and all stakeholders. In particular, the Board has considered, if applicable, each Non-Executive Director's interest in share compensation schemes, including the Company Share Options Plan and Executive Bonus Schemes (none of which the Non-Executive Directors participate in in respect of GKP), and any positions which the Non-Executive Director holds, or held, in companies with which Gulf Keystone has commercial relationships.

The Company's Executive and Non-Executive Directors are recruited from a variety of backgrounds and bring different experience and perspectives, ensuring that the Company's Directors have capacity and capability to meet the needs of the business. The Company places high importance on having diverse Board composition to enable robust consideration and challenge of the strategies proposed by the Executive Directors by the four Non-Executive Directors. The balance of skill diversity of the Board is specifically considered at the annual Board evaluation.

The experience provided by the Board covers, *inter alia*, financial/capital markets, legal, commercial, technical (including petroleum engineering, geology, operations and HSSE) and project management. The Company actively considers Board composition on a regular basis to ensure the Board has the necessary balance of skills, experience, knowledge, independence and diversity to discharge its duties.

Board appointments are undertaken through a formal, rigorous and transparent procedure run by external search consultants. In January 2020, Ian Weatherdon was appointed to the Board following an external recruitment process managed by Preng & Associates which was based on merit and objective criteria including diversity. Preng & Associates has no other connection with the Company or any of its Directors.

Jon Harris was appointed to the Board in January 2021 following an external recruitment process managed by Korn Ferry which was also based on merit and objective criteria including diversity. Korn Ferry has no other connection with the Company or any of its Directors. Garrett Soden was not appointed through an external search agency as he is representing funds managed by Lansdowne Partners Austria GmbH; however, it is recognised that he brings extensive financial, industry and commercial skills to the Board.

The Company has in place a Diversity Policy which seeks to ensure that there is no discrimination within the Company on the basis of gender, sexual orientation, ethnicity, age, disability or other minority. The operation of this is monitored on a continual basis and a report is prepared for each scheduled Board meeting which sets out the breakdown of staff according to parameters. This includes the gender balance of those considered to be senior management. The implementation of the Diversity Policy has resulted in enhanced awareness throughout the organisation of the benefits of a diverse workforce. The Diversity Policy will be strictly adhered to in the recruitment process for any Board position. The current gender balance of the Board is six male and one female.

Board induction

New Directors receive a full and appropriate induction on joining the Board. This includes meetings with functional heads of department, other Board members and the Company's principal advisers as appropriate. A comprehensive induction pack is also prepared which includes historical Board and Committee papers and minutes, Company compliance policies (for example the Anti-Bribery and Corruption Policy), organisational structure charts, relevant legal, insurance and regulatory information.

The Company will also provide training on a periodic basis to the Directors on prevalent matters. All Directors undergo Anti-Bribery and Corruption, and also Compliance, training on the same cycle as staff, with the latest such cycle having been completed in December 2020.

The role of the Board

The Board leads the Company in the delivery of its strategic goals, generating long-term sustainable success whilst putting in place and respecting the necessary controls within which the Company must operate to ensure appropriate assessment and management of risk and respect for the environment. The Board establishes the Company's purpose, values and strategy, and ensures that these are aligned with its culture.

The Board has a formal schedule of matters specifically reserved to it for decision-making on certain aspects of the business which is approved on an annual basis. They cover the key strategic, financial and operational issues facing the Group and include:

- the Group's strategic aims and objectives;
- annual operating and capital expenditure budgets;
- changes to the Group's capital, management or control structures;
- dividend policy and dividend recommendation;
- half-yearly reports, final results, annual report and accounts;
- the overall system of internal control and risk management;
- major capital projects, corporate actions and investment;
- acquisitions and disposals; and
- changes to the structure, size and composition of the Board.

Corporate governance report continued

The role of the Board continued

A Delegation of Authority is reviewed by the Board on a regular basis to ensure there are appropriate controls in place for management decisions. In addition, terms of reference are set and approved for each of the Board sub-committees; these are available on the Company's website. The Board and its Committees have access to the advice and services of the Legal Director and Company Secretary and, if necessary, the Board and its individual Directors have the ability to seek external expert advice at the expense of the Company.

Board and Committee meetings are attended by members of the senior management team upon invitation. At each Board meeting any attendees are requested to declare any conflicts of interest they may have, including in relation to significant shareholdings. The Board will ensure that the influence of third parties will not compromise or override independent judgement.

Division of responsibilities between Non-Executive Chairman and Chief Executive Officer

The Company maintains a clear division of responsibilities between the independent Non-Executive Chairman and the Chief Executive Officer. The Non-Executive Chairman is responsible for leading the Board in an ethical manner and for guiding the Directors in the development of the Company's strategy. The Non-Executive Chairman chairs the Board meetings and oversees implementation of the Board's decisions. On occasions, the Non-Executive Chairman will meet with key shareholders and stakeholders to articulate the Company's strategy.

In running the Board, the Non-Executive Chairman is responsible for creating an environment that facilitates robust and constructive challenge whilst promoting a culture of openness and debate. In creating this environment, the Non-Executive Chairman encourages open communications and aims to ensure that the Non-Executive Directors' challenges and suggestions are considered by the Executive Directors dispassionately and on their merits. The Non-Executive Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items including strategic issues.

As part of the Board evaluation undertaken in early 2021, the Board evaluated the Non-Executive Chairman's external commitments. The Board is satisfied that the Non-Executive Chairman has committed sufficient time to his duties in relation to the Company.

The Chief Executive Officer is responsible for the overall management of the business, delivering successful achievement of the Company's KPIs and providing leadership to the management team and staff whilst communicating the underlying culture and principles of the Company to all staff and stakeholders.

The role of the Senior Independent Director ("SID")

Martin Angle was appointed as SID on 16 July 2018. The SID is responsible for assisting the Non-Executive Chairman with effective communications with shareholders and is available to shareholders should there be any concern which could not be resolved through the normal channels of the Non-Executive Chairman, Executive Directors or the Investor Relations team. The SID is available to meet shareholders if they have specific concerns. The SID also ensures that there is a clear division of responsibility between the Non-Executive Chairman and Chief Executive Officer. Mr Angle also acts as Deputy Non-Executive Chairman of the Board. The Board is satisfied that the SID demonstrates complete independence in the role.

Changes to the Board

Ian Weatherdon was appointed Chief Financial Officer and an Executive Director on 13 January 2020. Garrett Soden was appointed as a Non-Executive Director on 14 July 2020, as a representative of funds managed by Lansdowne Partners Austria GmbH. Jon Harris was appointed Chief Executive Officer on 18 January 2021, succeeding Jón Ferrier who retired and resigned from the Board on 31 January 2021. No other changes to the Board were made or intimated during the year.

Board meetings and attendance

Board meetings are held on a regular basis and no decision of any consequence is made other than by the Directors. A total of nine scheduled Board meetings were held during the year ended 31 December 2020. In addition to those scheduled meetings, the Board held a further eight strategy review meetings. These meetings were attended by all Directors and, if appropriate, senior management, with discussions being minuted. No formal decisions were made at these meetings. Furthermore, the Board formed a sub-Committee comprising Jaap Huijskes and David Thomas to consider specific matters. Both the strategy review meetings and the sub-Board Committee meetings were held to specifically consider the impact of COVID-19 on the Group and actions required thereon.

The Directors' attendance record at the scheduled Board meetings and Board Committee meetings for the year ended 31 December 2020 is shown in the table below. For Board and Board Committee meetings, attendance is expressed as the number of meetings that each Director attended followed by the number of meetings held for the period she/he was a Director during the year. The number of meetings attended by each Director is shown out of the total number she/he was eligible to attend.

	Full Board meetings	Board Committee (COVID-19)	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Safety and Sustainability Committee ⁽⁶⁾	Technical Committee
Jaap Huijskes	9/9	6/6			4/4	4/4	3/3
Martin Angle	9/9		4/4	4/4	4/4		
Garrett Soden ^(1,2)	5/5		1/1				
David Thomas	9/9	6/6		4/4		4/4	3/3
Kimberley Wood	9/9		4/4	4/4	4/4	4/4	
Jón Ferrier ⁽³⁾	8/9					4/4	3/3
Jon Harris ⁽⁴⁾	n/a					n/a	n/a
Ian Weatherdon ⁽⁵⁾	9/9						
Stuart Catterall						4/4	3/3
Gabriel Papineau-Legris							3/3

(1) Appointed to the Board on 14 July 2020.

(2) Appointed to the Audit and Risk Committee on 2 September 2020.

(3) Resigned on 31 January 2021. Excused from one Board meeting to discuss CEO succession.

(4) Appointed to the Board on 18 January 2021.

(5) Appointed to the Board on 13 January 2020.

(6) Includes one meeting held as the HSSE and CSR Committee.

The Board will generally hold scheduled meetings over two days. In advance of the Board meeting, on the first day, meetings of the Audit and Risk, Nomination and Remuneration Committees may be held as appropriate. Meetings of the Technical Committee and Safety and Sustainability Committee will generally be held approximately one to two weeks in advance of the Board meeting. The formal agenda for the Board meeting will be determined by the Non-Executive Chairman following consultation with the Chief Executive Officer and the Legal Director.

Due to the COVID-19 pandemic, a larger number of Board meetings were held than originally scheduled, some of which were held at shorter notice than would be typical. The Board was satisfied that, despite the logistical difficulties the pandemic presented, the communication between the Board members and management remained strong throughout the year, with governance maintained to a high standard.

Corporate governance report continued

Current Board Committees		
Audit and Risk	Remuneration	Nomination
Martin Angle (Chair) Kimberley Wood Garrett Soden	Kimberley Wood (Chair) David Thomas Martin Angle	Jaap Huijskes (Chair) Kimberley Wood Martin Angle
Safety and Sustainability	Technical	
<p>David Thomas (Chair) Jaap Huijskes Kimberley Wood Jon Harris Stuart Catterall</p> <p>David Thomas (Chair) Jaap Huijskes Jon Harris Stuart Catterall Gabriel Papineau-Legris</p>		

The Board Committees

The Company has five Board Committees: the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Safety and Sustainability Committee and the Technical Committee. Each Board Committee has specific written terms of reference issued by the Board and adopted by the relevant Committee, updated on a regular basis and published on the Company's website.

All Committee Chairs report orally on the proceedings of their Committees at the meetings of the Board. Where appropriate, the Committee Chairs also make recommendations to the Board in accordance with their relevant terms of reference. In addition, the minutes and papers of the Committee meetings are distributed to all Board members in advance of Committee meetings.

To ensure Directors are kept up to date on developing issues and to support the overall effectiveness of the Board and its Committees, the Non-Executive Chairman and Committee Chairs communicate regularly with the Chief Executive Officer and other executive management.

Alasdair Robinson acts as Company Secretary to each Committee.

There were a number of changes to the Board and Committee composition during 2020 and early 2021. On 14 July 2020, Garrett Soden was appointed a Non-Executive Director, being a representative of funds managed by Lansdowne Partners Austria GmbH. He was subsequently appointed to the Audit and Risk Committee on 2 September 2020. Jon Harris was appointed to the Board on 18 January 2021 as Chief Executive Officer, replacing Jón Ferrier who resigned on 31 January 2021. Mr Harris replaced Mr Ferrier as a member of the Technical Committee and the Safety and Sustainability Committee on 26 January 2021.

The key governance mandates of the Board's five main Committees are shown on the following pages.

Audit and Risk Committee

As at 31 December 2020, the Audit and Risk Committee comprised three Non-Executive Directors, two of whom are considered to be independent. The members were: Martin Angle (Chair), Kimberley Wood and Garrett Soden. Mr Soden is considered non-independent.

The Committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties. The Board considers each Committee member's experience to be recent and relevant for the purposes of the Code; in particular, the Chair possesses relevant financial expertise. This Committee meets at least three times per year. During the year ended 31 December 2020, the Committee met four times.

The terms of reference of the Audit and Risk Committee are documented and agreed by the Board and are available in the corporate governance section of Gulf Keystone's corporate website: www.gulfkeystone.com.

The terms of reference are reviewed regularly and were last updated in March 2021. The Audit and Risk Committee report is set out on pages 79 to 81.

Nomination Committee

As at 31 December 2020, the Nomination Committee comprised two Non-Executive Directors, who are considered to be independent, and the Non-Executive Chairman of the Board. The members were: Jaap Huijskes (Chair), Kimberley Wood and Martin Angle. There were no changes to the composition of the Committee in 2020.

The Nomination Committee met on four occasions during the year on a formal basis. The terms of reference of the Nomination Committee are documented and agreed by the Board and are available in the corporate governance section of Gulf Keystone's corporate website: www.gulfkeystone.com. The terms of reference are reviewed regularly and were last updated in January 2021.

The Nomination Committee report is set out on pages 76 to 78.

Remuneration Committee

As at 31 December 2020, the Remuneration Committee comprised three Non-Executive Directors: Kimberley Wood (Chair), David Thomas and Martin Angle. There were no changes to the composition of the Committee in 2020.

This Committee, which meets at least twice per year, is responsible for making recommendations to the Board concerning the compensation of the Executive Directors and the Non-Executive Chairman, as well as the level and structure of remuneration for senior management.

The Committee is also responsible for the determination of the Group's Remuneration Policy. The Remuneration Committee met on four occasions during the year.

The terms of reference for the Remuneration Committee are available in the corporate governance section of Gulf Keystone's corporate website: www.gulfkeystone.com. The terms of reference are reviewed regularly and were last updated in March 2021.

The Remuneration Committee report is set out on pages 85 to 99.

Safety and Sustainability Committee

As at 31 December 2020, the Safety and Sustainability Committee comprised three Non-Executive Directors, one Executive Director and the Chief Operating Officer, being David Thomas (Chair), Jaap Huijskes, Kimberley Wood, Jón Ferrier (CEO) and Stuart Catterall (COO). On 26 January 2021, Jon Harris replaced Jón Ferrier on the Committee.

The Committee was formed in June 2020 in succession to the HSSE and CSR Committee. It aims to meet at least four times a year and met four times during 2020, with a further meeting being held under the auspices of the HSSE and CSR Committee. The primary function of the Committee is to oversee the development of the Group's policies and guidelines for the management of ESG including evaluating HSSE and social risks, evaluate the effectiveness of these policies and their ability to ensure compliance with applicable legal and regulatory requirements, overseeing the quality and integrity of reporting to external stakeholders concerning safety and sustainability, and reviewing the results of any independent audits of the Group's performance in regard to safety and sustainability making recommendations, where appropriate, to the Board concerning the same. The Committee also reviews ESG and safety performance and examines specific safety issues as requested by the Board. The Committee provides visible leadership on HSSE matters through site visits to the production facilities and drilling sites as well as aiming to hold a Committee meeting once a year in Erbil at the field facilities; although due to restrictions on account of COVID-19, this was not possible in 2020.

The terms of reference of the Safety and Sustainability Committee are documented and agreed by the Board and are available in the corporate governance section of Gulf Keystone's corporate website: www.gulfkeystone.com. The terms of reference are reviewed regularly and were implemented in June 2020.

The Safety and Sustainability Committee report is set out on pages 82 and 83.

Technical Committee

As at 31 December 2020, the Technical Committee comprised two Non-Executive Directors, one Executive Director, the Chief Operating Officer (COO) and the Chief Commercial Officer (CCO), being David Thomas (Chair), Jaap Huijskes, Jón Ferrier (CEO), Stuart Catterall (COO) and Gabriel Papineau-Legris (CCO). On 26 January 2021, Jon Harris replaced Jón Ferrier on the Committee.

The Committee's main remit is to support the Company's Shaikan development planning and project execution activities. The Committee also has the following specific objectives:

- provide assurance that development plans are in line with the Company's strategy and have been optimised in the context of the current and forecast funding position;
- review and approve Shaikan Field reserves and resources estimates and revisions before they are finalised;
- ensure that the Company has the appropriate resources and project management systems in place to successfully execute the development projects on time and within budget;
- provide the Board with assurance that the key project execution risks have been identified and that the required risk management processes and mitigation measures are in place;
- provide oversight, where appropriate, for any material contract tendering exercises; and
- review and recommend for executive approval any information relating to the Shaikan FDP and reserves and resources estimates for public release.

The Committee met three times in 2020. The terms of reference of the Technical Committee are documented and agreed by the Board and are available in the corporate governance section of Gulf Keystone's corporate website: www.gulfkeystone.com. The terms of reference are reviewed regularly and were last updated in March 2021.

The Technical Committee report is set out on page 84.

Corporate governance report continued

Information and support

The Company is committed to supplying the Board and its Committees with full and timely information, including detailed financial, operational and corporate information, to enable Directors and Committee members to discharge their responsibilities. The Committees are provided with sufficient resources to undertake their duties.

All Directors have access to the advice of senior management and, where appropriate, the services of other employees and the Company Secretary and Legal Director for all governance and regulatory matters. Independent professional advice is also available to Directors in appropriate circumstances, at the Company's expense. Board members also keep up to date with developments in relevant law, regulation and best practice to maintain their skills and knowledge.

Relevant analysis and reports are prepared by management prior to all Board and Committee meetings, allowing the Board to effectively address all of the items on the relevant meeting's agenda. Documents and reports are provided to the Board in a timely manner allowing for sufficient time to review the information prior to the meeting and raise questions where necessary. Management discusses the detail and format of Board reports on an ongoing basis to ensure the Board is appropriately informed of all relevant information.

Performance evaluation of the Board and its Committees

Following the financial year end, the Board undertook an internally facilitated performance evaluation and governance review in January 2021. This entailed detailed consideration and discussion of an internally generated questionnaire which is designed to cover all relevant aspects of Board governance and evaluation. A summary of this is included in the report of the Nomination Committee. The last externally facilitated review was undertaken in 2019 by ICSA: The Chartered Governance Institute.

Business ethics

The Company adopts a zero-tolerance approach to bribery and corruption and has adopted a number of measures and procedures to ensure ongoing compliance with relevant anti-bribery laws. An Anti-Bribery Policy is in place which is regularly reviewed and updated by the Board. This policy also includes provisions on Conflicts of Interest and the Criminal Finances Act. Training is undertaken on a regular basis through both physical presentations (in Kurdistan and the UK, where possible), and online training courses. A number of procedures underlie the policy, including the maintenance of registers covering, for example, gifts and hospitality. The latest compliance training cycle was completed in December 2020.

An external whistleblowing service, Navex Global, is maintained in order to provide a mechanism whereby staff may make anonymous reports if necessary, which is designed to encourage staff to "speak up". In the event any reports are received through this service, the matter is brought to the attention of the Board and a full review is undertaken on the allegations. The Board will then determine whether there is a need for a further independent investigation of such matters and for follow-up action.

Workforce engagement

The Company has noted the new provisions contained in the Code published in July 2018 with respect to workforce engagement. In the context of the size of the Company, the Board does not intend to appoint either a Director from the workforce or a designated Non-Executive Director to ensure engagement with the workforce. However, the Company does run a system of regular "town hall" events across its offices and production facilities which enable an open forum for discussion with its workforce. This matter is reviewed on a regular basis by management and, where appropriate, its advisers. The current conclusion is that the Company is not of a sufficiently complex nature to warrant the need for additional levels of workforce engagement processes.

Risk management and internal control

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. While the system of internal control cannot provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that material emerging and principal risks are identified on a timely basis and dealt with appropriately. The Board regularly reviews the effectiveness of the systems of internal control and considers the significant business risks and the control environment. The Board is satisfied that effective controls are in place and that risks have been identified and mitigated as appropriate.

The Group is subject to a variety of risks, which derive from the nature of the oil and gas exploration and production business and relate to the countries in which it conducts its activities. The key procedures that have been established and which are designed to provide effective control are as follows:

- regular meetings between the executive management and the Board to discuss all issues affecting the Group;
- detailed analysis of risk reviews undertaken at Audit and Risk Committee meetings (strategic, financial, IT and cyber risks) and Technical Committee meetings (operational and project risks);
- a clearly defined framework for investment appraisal with Board approval required as appropriate;
- regular analysis and reporting on the Company's risk register; and
- reviews of the Company's risk management systems, controls and culture by external advisers.

The Board also believes that the ability to work in partnership with the host government is a critical ingredient in managing risk successfully.

The Directors have derived assurance over the control environment from the following internal and external controls during 2020:

- implementation of policies and procedures for key business activities;
- an appropriate organisational structure;
- specific delegations of authority for all financial and other transactions;
- segregation of duties where appropriate and cost effective;
- management and financial reporting, including KPIs;
- reports from the Group Audit and Risk, Safety and Sustainability, and Technical Committees; and
- reports from the Group's external auditor on matters identified during their audit.

The above procedures and controls have been in place in respect of the Group for the 2020 accounting period and up to the date of approval of the annual report and accounts. There were no significant weaknesses or material failings in the risk management and internal control system identified in any of the above reviews and reports. Further details on the Company's principal risks and procedures in place as to how these are managed and mitigated are contained on pages 51 to 60.

Relations with investors and stakeholders

Regular communications with the Company's institutional and retail equity investors, as well as bondholders, are given high priority by the Board. The Non-Executive Chairman, Senior Independent Director, Chief Executive Officer, Chief Financial Officer and members of the Investor Relations team are the Company's principal spokespersons, engaging with investors, analysts, the press and other interested parties. Communication is undertaken through site visits, shareholder presentations, attendance and presentations at industry conferences, one-on-one meetings, conference calls and other written and oral mediums. In addition, the Company will meet with its bondholders on a periodic basis. Throughout 2020, the Group held a number of investor presentations which are available to view on the Group's website. It is recognised that 2020 was a difficult year for organising physical meetings or site visits, and therefore many of the investor interactions had to be carried out through video conference calls, including the Annual General Meeting.

The Company is committed to maintaining this constructive dialogue with all its investors and will continue to provide regular updates on its operations and corporate developments. The Company has an established practice of issuing regulatory announcements on the Group's operations and/or any new price-sensitive information. The Group's website, www.gulfkeystone.com, which is regularly updated, contains a wide range of information on the Group, including a dedicated investor section where investors can find the Company's share price, financial information, regulatory announcements, investor presentations and corporate webcasts with the Group's management.

A list of the Company's significant shareholders as at the date of this report can be found in the Directors' report and on the Group's website, at www.gulfkeystone.com.

The Company will also seek to engage with its wider stakeholders on a regular basis. This includes, for example, the Ministry of Natural Resources in Kurdistan, the Company's joint venture partner, MOL Group, residents local to the Company's operations, suppliers, contractors and employees.

Information pursuant to the Takeover Directive

The Company has provided the additional information required by the Disclosure and Transparency Rules of the UK Listing Rules (and specifically the requirements of DTR 7.2.6 in respect of directors' interests in shares; appointment and replacement of directors; powers of the directors; restrictions on voting rights and rights regarding control of the Company) in the Directors' report.

Annual General Meeting

The AGM will be held on 18 June 2021. The Notice of AGM accompanies this annual report and sets out the business to be considered at the meeting. The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. Due to current travel restrictions the 2021 AGM will be held by video conference. Both the annual report and Notice of AGM are available on the Company's website.

Jaap Huijskes

Non-Executive Chairman

30 March 2021

Nomination Committee report



Jaap Huijskes
Chair of the Nomination Committee

Matters discussed

January 2020

- NED appointment process

March 2020

- NED appointment process
- Key worker succession/cover in the context of COVID-19

October 2020

- Board and Committee composition
- CEO appointment process
- Board evaluation

December 2020

- CEO appointment process
- Board evaluation

2020 membership and meeting attendance

	Member since	Nomination Committee
Jaap Huijskes	6 December 2017	4/4
Martin Angle	16 July 2018	4/4
Kimberley Wood	3 October 2019	4/4

Role

In accordance with its terms of reference, the Nomination Committee (the "Committee") is a committee of the Board of Directors of the Company which is primarily responsible for:

- reviewing the structure, size and composition of the Board and recommending changes;
- considering and recommending succession planning strategy for Executive and Non-Executive Directors and key senior management positions, including short-term measures in the context of COVID-19;
- identifying and nominating for the approval of the Board candidates to fill Board vacancies or new positions as and when they arise;
- reviewing the Company's policy on diversity and inclusion and the progress made in achieving the policy's objectives; and
- the Committee will lead an annual evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors. The Committee will consider an externally facilitated approach to this at least every three years.

Composition

The Nomination Committee currently comprises three independent Non-Executive Directors: Jaap Huijskes (Chair), Martin Angle and Kimberley Wood.

The meetings may be attended by Alasdair Robinson (Legal Director and Secretary to the Committee), Jane Barker (HR Director), other Non-Executive and Executive Directors, and external advisers as appropriate.

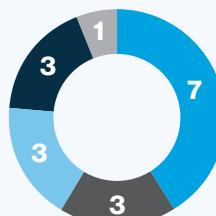
Review of the Committee's activities

The Nomination Committee meets at least twice per year. During 2020, the Committee met formally on four occasions. In addition, a number of informal meetings took place to discuss matters relevant to the Committee, and on some occasions, matters of a Nomination Committee nature may be discussed in full Board meetings.

Some of the key matters considered by the Committee during the year ended 31 December 2020 were: considering the balance and composition of the Board and Committees; the recruitment of further independent Non-Executive Directors; the recruitment of a CEO to replace the outgoing CEO upon retirement; and Board evaluation.

Board tenure

- Under one year
- Over one year
- Over two years
- Over three years

Board experience

On 13 January 2020, Ian Weatherdon was appointed as CFO and an Executive Director. Mr Weatherdon was appointed following an extensive search process, externally led by Preng & Associates. Mr Weatherdon has in-depth knowledge of the oil and gas industry, having worked in a number of finance-related roles over the past 30 years. Further information on Mr Weatherdon is detailed in the section on the Board of Directors on pages 62 and 63.

On 14 July 2020, Garrett Soden was appointed as a Non-executive Director, being a shareholder representative of Lansdowne Partners Austria GmbH. He is not considered to be independent. As Mr Soden was proposed by and is representing funds managed by Lansdowne Partners Austria GmbH, he was not appointed through a formal search process. Mr Soden is an experienced oil and gas professional with extensive financial and commercial skills. Further information on Mr Soden is detailed in the section on the Board of Directors on pages 62 and 63.

On 18 January 2021, Jon Harris was appointed as CEO and an Executive Director upon the retirement of Jón Ferrier. Mr Harris was appointed following an extensive search process, externally led by Korn Ferry. Mr Harris has over 30 years' experience in the oil and gas industry including 25 years with BG Group in various international roles, including Executive Vice President Technical and General Manager Production Operations, as well as senior management assignments in the United States, Trinidad and Tobago and Egypt. Further information on Mr Harris is detailed in the section on the Board of Directors on pages 62 and 63.

Diversity

The Committee recognises the benefits of diversity across all areas of the Group and believes that a diverse Board is a positive factor in business success, brings a broader, more rounded perspective to decision-making, and makes the Board more effective. When recruiting, the Board endeavours to consider a wide and diverse talent pool whilst also taking into account the optimum make-up of the Board, including the benefits of differences in skills, industry experience, business model experience, gender, race, disability, age, nationality, background and other attributes that individuals may bring.

In 2018, Gulf Keystone implemented a formal Diversity Policy throughout the organisation. The policy states that:

"The Company does not discriminate against workers or consultants on the basis of their gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age. The Company will also seek to accommodate the religious observations and beliefs of all workers and consultants. The principle of non-discrimination and equality of opportunity applies equally to the treatment of former workers, visitors, clients, customers and suppliers by members of the Company's current workforce."

The Diversity Policy applies across all facets of the business, including its administrative, management and supervisory functions. Diversity statistics are provided in each scheduled Board meeting showing the breakdown of senior management (and their direct reports) and staff by a number of metrics; these are reviewed in detail by the Board and the Committee; in the event the statistics demonstrate a trend or weighting which is not in accordance with the Diversity Policy, this will be investigated, and, if necessary, rectified. In the event an individual has concerns about matters of a diversity nature, the Company has in place a confidential third-party managed whistleblowing service which is available to the individual. Excluding the Board of Directors, the current gender balance of the senior management team is eight male and two female.

Succession

During 2020, the Committee has continued to review succession planning and the active engagement and development of the Company's staff. This included the consideration and development of succession planning for the Executive Directors and senior management team. The Company has a structured training programme for executives which includes access to the Harvard "ManageMentor" training system. In 2020, the Committee also focused on the need for a succession and/or cover plan to be in place in the event key workers were affected by COVID-19.

Nomination Committee report continued

Process used for Board appointments

The Committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

In appointing Non-Executive Directors, the Board's practice is to use external recruitment consultants appointed following a formal pitch process. A detailed job profile and engagement scope will be agreed with the selected recruitment consultant following a review of the balance and composition of the Board. New Directors are subject to a formal induction process covering all facets of the business including asset review, technical, operations, finance, legal, governance and HR.

In 2019, Preng & Associates was appointed to identify suitable candidates and run the selection process for the appointment of the new CFO, and in 2020 Korn Ferry was engaged to run the selection process for the appointment of a new CEO. As detailed above, the Company did not use an external search agency to recruit Mr Soden due to the nature of his appointment as a shareholder representative.

Board evaluation

The Company intends to undertake an externally facilitated Board evaluation process every three years. The last such external process occurred in 2019, using ICSA: The Chartered Governance Institute, which has no connection with the Company or individual Directors.

In late 2020 and early 2021, the Committee adopted a slightly different approach to Board evaluation on account of the unusual circumstances of the year. An internal memorandum and questionnaire were prepared, covering the principal aspects of the UK Corporate Governance Code. Each Board member was requested to consider this ahead of convening for an informal meeting to discuss their individual and collective views, with all Board members encouraged to actively participate. The matters arising from this meeting were then brought formally to the Nomination Committee for consideration.

The evaluation covered a number of categories of governance: composition; governance; Board effectiveness; individual effectiveness; strategy; Committees; and improvements. The review concluded that the Board as a whole considered the overall governance and associated processes of the Company was strong with only minor enhancements being proposed to improve overall effectiveness. These included an ongoing review of Board composition from a compliance and diversity perspective; processes for engagement with larger shareholders; and the personal development and training of Directors.

There are no arrangements or understandings between any Director or executive officer and any other person pursuant to which any Director or executive officer was selected to serve. There are no family relationships between the Directors.

Jaap Huijskes

Chair of the Nomination Committee

30 March 2021

Audit and Risk Committee report



Martin Angle

Chair of the Audit and Risk Committee

Role

The Audit and Risk Committee is the committee of the Board of Directors that is primarily responsible for overseeing the financial reporting, internal risk management and control functions, the internal audit function, and for making recommendations to the Board in relation to the appointment of the Group's internal (if applicable) and external auditor.

In accordance with its terms of reference, the Committee, which reports its findings to the Board, is authorised to:

- monitor the integrity of the Group's financial statements and announcements, and significant financial accounting estimates and judgements;
- review the effectiveness of the Group's risk management framework and internal controls and risk management systems;
- consider and make recommendations with respect to the Group's risk appetite and review, on behalf of the Board, the Group's risk profile;
- review the Group's procedures in respect of fraud and anti-bribery and corruption;
- monitor and review the need for, and, if appropriate, the effectiveness of, the Group's internal audit function;
- oversee the Company's corporate and operations technology functions, including cyber security controls and processes;
- advise the Board on the appointment of the external auditor and on the remuneration for both audit and non-audit work;
- discuss the nature and scope of the audit with the external auditor, and review the audit findings ahead of reporting to the Board; and
- assess the performance, independence and objectivity of the external auditor and any supply of non-audit services.

2020 membership and meeting attendance

	Member since	Audit and Risk Committee
Martin Angle	16 July 2018	4/4
Garrett Soden ⁽¹⁾	2 September 2020	1/1
Kimberley Wood	12 October 2018	4/4

(1) Appointed to the Committee on 2 September 2020.

Matters discussed

March 2020

- 2019 full-year results
- Report from the external auditor on the 2019 audit
- Principal accounting judgements and estimates affecting the Group based on reports from both the Group's management and external auditor
- Auditor independence
- Going concern and viability statement
- Risk register review
- Management representation letter
- Private session with external auditor
- Cyber security

June 2020

- Terms of reference
- Risk review
- Cyber security
- External audit tender
- Insurance review
- Anti-bribery and corruption review

August 2020

- 2019 half-year results
- Report from external auditor on outcome of interim review
- Principal accounting judgements and estimates affecting the Group based on reports from both the Group's management and external auditor

December 2020

- External audit engagement letter and fee quotation
- 2020 Deloitte audit planning report
- Auditor independence
- Evaluation of external auditor
- Risk review and mitigation
- Internal audit
- Anti-bribery and corruption review
- ERP system implementation

Audit and Risk Committee report continued

Composition

As at 31 December 2020 and the date of this report, the Committee comprised three Non-Executive Directors, two of whom are considered to be independent. The members of the Committee are: Martin Angle (Chair), Kimberley Wood and Garrett Soden. Garrett Soden, as a shareholder representative of Lansdowne Partners Austria GmbH, is not considered to be independent; he was appointed to the Committee on 2 September 2020.

The meetings were also attended on a selective basis by Jón Ferrier (CEO) (since replaced by Jon Harris in January 2021), Ian Weatherdon (CFO), Nadzeya Kernoha (Head of Finance), Alasdair Robinson (Legal Director and Company Secretary), representatives from finance management, representatives from operations and Deloitte LLP (external auditor).

Review of the Committee's activities

Four Audit and Risk Committee meetings were held in the financial year and a number of informal meetings were also held. Meetings are held at key times during the Group's reporting and audit calendar.

Matters discussed

During the year, the main focus of the Audit and Risk Committee has been to support and oversee the Group's ongoing monitoring, review and evaluation of its risk management systems and internal controls, ensure the robustness and integrity of the Group's financial reporting and assess the effectiveness of both the internal and external audit processes.

The Committee has devoted significant time to reviewing those areas that are integral to the Group's core management and financial processes, as well as engaging regularly with management and the external auditor.

The Committee worked closely with the management team to ensure these recommendations were implemented in an efficient and timely manner. The Committee has been proactive in requesting information in order to fulfil its role. During the course of the year, the Committee has received sufficient information on a timely basis to enable it to discharge its duties effectively.

Significant issues considered by the Audit and Risk Committee in 2020 and early 2021

The Committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. The Committee reviews reports prepared by management that provide details on the main financial reporting judgements and estimates. The Committee also reviews reports by the external auditor on the full-year and half-year results of the Group that highlight any issues identified by the auditor and provide further insights into the judgements and estimates used by management.

The significant issues considered in the year are detailed below:

Significant issue	How the issue was addressed by the Committee
Revenue recognition: In order to recognise revenue, management must be able to measure reliably the economic benefit to be received and the costs associated with the sale and it must be probable that the Group will receive the economic benefits. In 2020, the Group has continued to recognise revenue when cash receipt is assured. The key judgement for the revenue recognition is considering whether the current accounting policy remains appropriate and whether under this policy it is reasonable to recognise the overdue January and February 2020 invoices as revenue in 2020.	The Committee considered whether recognition of revenue in relation to oil sales was appropriate. The Committee discussed the key judgements with management and reviewed the information provided, including details of communications with the KRG and MNR. The Committee also had discussions with the external auditor in respect of the Group's revenue recognition policy. Based on these reviews and discussions, the Committee agreed with management's conclusion that the Group should recognise revenue in relation to oil exported when the receipt of cash was assured. The Committee was satisfied that the revenue recognition policy for oil sales for the year ended 31 December 2020 was appropriate. The Committee was also satisfied with the judgement that the receipt of the overdue invoices is assured based on the KRG's communication on this subject and the commencement of the repayments in 2021.
Impairment and carrying value of oil and gas assets: An assessment of any impairment and carrying value of the Group's assets is required under International Financial Reporting Standards. This assessment involves management making a number of judgements and assumptions including identifying indicators of impairment and estimating future oil prices, production profiles, costs and discount rates.	The Committee considered reports from management and reviewed the impairment indicator assessment. The Committee was satisfied that the base case and the range of scenarios, including a base case Brent oil price of \$50/bbl for 2021 and \$55/bbl real thereafter based on the price prevailing at 31 December 2020 and a stress case of \$45/bbl for 2021 and \$50/bbl real thereafter, used for the impairment indicator assessment, were reasonable. The Committee agreed with management's conclusion that no impairment indicators existed for the Group's assets.
Going concern and viability statement: The appropriateness of preparing the Group financial statements for the year on a going concern basis and the preparation of the long-term viability statement.	The Committee considered reports and analysis prepared by management, taking into account the external auditor's review of these papers and their observations. The analysis involved stress testing the assumptions and included considerations around the impact of COVID-19. The Committee concluded that management's recommendation to prepare the financial statements on a going concern basis was appropriate.
	The Committee reviewed the assessment of the principal risks facing the Group, the stress test scenarios and possible mitigating actions over the three-year viability statement period. Based on this review, the Committee approved the disclosure included under the long-term viability statement.

Internal audit

The Audit and Risk Committee has oversight responsibilities for the internal audit function. The Committee has been considering the appropriateness of the appointment of an internal auditor. As a result of COVID-19, the decline in oil prices and associated staff cutbacks and a hiring freeze, this process was put on hold. The matter will remain under continuing review of the Committee.

The Committee also undertakes detailed analysis of particular matters on a periodic basis, recent examples being cyber security and anti-bribery and corruption.

External auditor

The Audit and Risk Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit, including ensuring that the auditor remains objective and independent. To fulfil its responsibility regarding independence, the Committee considered:

- the external auditor's plan for the current year, noting the role of the audit partner who signs the audit report and who, in accordance with professional rules, has not held office for more than five years, and any changes in the key audit staff;
- the overall extent of non-audit services provided by the external auditor, in addition to its case-by-case approval of the provision of non-audit services by the external auditor;
- the external auditor's written confirmation of independence to the Audit and Risk Committee; and
- the past service of the external auditor, which was first appointed in 2006.

Audit tendering

The Audit and Risk Committee has noted the changes to the Code, the recent EU audit legislation and the Guidance for Audit Committees issued by the Financial Reporting Council, each in the context of tendering for the external audit contract at least every ten years. The Group's external audit was last tendered in 2011, resulting in a decision to retain Deloitte LLP as the Group's auditor. Since the appointment of Deloitte LLP in 2006, there have been three different senior statutory auditors in line with the required rotation timetable. The current senior statutory auditor will rotate out after completion of the audit for the year ended 31 December 2020.

In line with guidance issued by the FRC encouraging companies to consider delaying tenders for new auditors, principally related to current COVID-19 constraints, the Company applied for and received the FRC's approval for a two-year extension to the appointment of Deloitte LLP as the Company's auditor for the financial year ending 31 December 2022. There are no contractual obligations that restrict the choice of external auditor.

Effectiveness of external auditor

To assess the effectiveness of the external audit process, the auditor is asked on an annual basis to describe the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. Gulf Keystone monitors the auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the Committee's decision to recommend reappointment on an annual basis. The external auditor's fulfilment of the agreed audit plan and any variations from the plan and the robustness and perceptiveness of the auditor in its assessment of the key accounting and audit judgements are also considered when making a judgement on auditor effectiveness. The Committee also held discussions with the management team regarding the efficiency of the audit process. The Committee carried out its annual performance evaluation of Deloitte LLP at its meeting in December 2020.

Following the above, the Audit and Risk Committee has recommended to the Board that Deloitte LLP be reappointed.

Non-audit services

As a safeguard to help to avoid the objectivity and independence of the external auditor becoming compromised, the Committee has a formal policy governing the supply of non-audit services by the external auditor. The Group engages external advisers to provide non-audit services based on cost and the skills and experience required for the work. The Group may engage the external auditor to provide a limited range of non-audit services where this is the most effective and efficient way of procuring such services, provided that the Group is satisfied that the auditor's objectivity and independence will not be compromised as a result.

In 2020, Deloitte LLP provided the following non-audit services to the Group:

- interim review of the half-year results;
- corporate advisory services; and
- other assurance services.

In 2021, Deloitte LLP was also appointed to advise the Company on its ESG strategy and implementation. Deloitte was appointed following a formal tender process and in accordance with all procedures in place to preserve auditor independence.

A breakdown of the fees paid to the external auditor in respect of audit and non-audit work is included in note 4 to the consolidated financial statements.

The Committee considered the potential threats that engagement of Deloitte LLP to perform non-audit services may pose to auditor independence. Deloitte LLP ensured that necessary safeguards were put in place to reduce the independence threats to an acceptable level. The Committee was satisfied that, given the nature of the work and the safeguards in place, the provision of non-audit services did not undermine auditor objectivity and independence.

Committee evaluation

In late 2020 and early 2021, a review of the Audit and Risk Committee's performance and effectiveness was completed which did not raise any issues other than of a minor administrative nature. This was conducted alongside a full Board and Committee evaluation.

Martin Angle

Chair of the Audit and Risk Committee

30 March 2021

Safety and Sustainability Committee report



David Thomas

Chair of the Safety and Sustainability Committee

Committee activities during 2020

The Committee seeks to meet formally four times a year. During 2020 it met on three occasions, with the HSSE and CSR Committee meeting once. During these meetings, the principal matters considered were:

- the impact of COVID-19 on the Group's workforce, working practices, and health and safety strategy;
- the review and oversight of the Company's ESG strategy, including the production of the Group's Sustainability report;
- the formulation, approval and delivery of the Group's annual HSSE plan;
- the formulation, approval and delivery of the Group's annual CSR plan and initiatives, including review of key initiatives;
- the Group's HSSE Management System and plans for its improvement;
- HSSE performance (including lagging and leading indicators, and specific incidents to capture lessons learned);
- staff and contractor security risk assessment;
- the Group's strategy on the reduction of GHG emissions, including the formulation of specific targets relating thereto; and
- HSSE operational planning for key field activities (for example, rig operations).

Due to travel restrictions on account of COVID-19, no site visits by the Committee to the Shaikan Field were possible during 2020.

2020 membership and meeting attendance

	Member since ⁽³⁾	Safety and Sustainability Committee ⁽²⁾	HSSE and CSR Committee
David Thomas	8 December 2016	3/3	1/1
Jaap Huijskes	6 December 2017	3/3	1/1
Kimberley Wood	11 October 2018	3/3	1/1
Jón Ferrier ⁽¹⁾	5 June 2015	3/3	1/1
Stuart Catterall	11 January 2017	3/3	1/1

(1) Jón Ferrier resigned from the Committee on 26 January 2021 upon his retirement and was replaced by Jon Harris.

(2) The inaugural meeting of the Safety and Sustainability Committee was on 3 June 2020.

(3) This reflects the HSSE and CSR Committee. As at 3 June 2020, the existing members of the HSSE and CSR Committee joined the Safety and Sustainability Committee.

Formation

The Safety and Sustainability Committee was formed in 2020 as a successor to the HSSE and CSR Committee. At the same time, the terms of reference of the Committee were updated to reflect the increased relevance of ESG and sustainability to Gulf Keystone and the need for clear focus on environmental and social performance. The core responsibilities of the HSSE and CSR Committee in respect of health and safety, social, environmental and corporate responsibility remained, supplemented by additional focus on matters of an ESG and sustainability nature. A copy of the revised terms of reference is available on the Company's website.

Role

The role of the Safety and Sustainability Committee is to monitor the development and implementation of the Group's health and safety, environmental, social responsibility and governance policies and to ensure that appropriate management systems and processes are in place to minimise any HSSE risks associated with the Group's activities,

including the impact of the Group's operations on GHG emissions and local communities.

The Committee's activities form an integral part of the Group's HSSE governance process, which include the following key elements: Board and management site visits, external and internal audits, third-party inspections, Permit to Work audits, regulatory inspections, safety walkabouts and ensuring visible safety leadership. The Group has robust governance processes in place to ensure that the appropriate framework exists to ensure that all matters of an ESG nature are appropriately considered and actioned.

In accordance with its terms of reference, the Committee is authorised to:

- oversee the development of policies and guidelines for the management of all risks relating to safety, sustainability and ESG, incorporating health, safety, security and environmental and social risks within the Group's operations;

- oversee the quality of safety and ESG (incorporating health, safety, security, environment and corporate social responsibility) policies, processes, governance, management and the methods to create appropriate behaviours and decisions, including relevant key performance indicators;
- review health and safety performance to assess the effectiveness of health and safety programmes and to make recommendations for improvement, where appropriate;
- review, and if appropriate approve, specific corporate social responsibility projects within the agreed budgeted level approved by the Board;
- evaluate the effectiveness of the Group's policies and systems for identifying and managing health, safety, security, environmental and social risks within the Group's operations;
- assess the policies and systems within the Group for ensuring compliance with applicable legal and regulatory requirements;
- assess the performance of the Group with regard to the impact of health, safety, security, environmental and social decisions and impact of actions upon employees, communities and other stakeholders. It shall also assess the impact of such decisions and actions on the reputation of the Group and make recommendations to the Board on areas for improvement;
- working in conjunction with the Technical Committee, the Board of Directors, and management as appropriate, specifically consider the level of greenhouse gas emissions ("GHG") generated by the Company, and reviewing challenging and achievable targets to reduce these;
- on behalf of the Board, receive reports from management concerning all fatalities and serious accidents within the Group and actions taken by management as a result of such fatalities or serious accidents;
- evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning safety, sustainability and ESG issues;
- review the results of any independent audits of the Group's performance in regard to safety, sustainability or ESG matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same; and

- consider the position of the Group with respect to international best practice for safety, sustainability and ESG and emerging legal requirements including relevant corporate governance developments.

A key focus of the Committee is on continuous ESG performance improvement and encouraging an open and honest culture, involving all staff members of the Group and its contractors.

Composition

As at 31 December 2020, the Safety and Sustainability Committee comprised three of the independent Non-Executive Directors, David Thomas (Chair), Jaap Huijskes and Kimberley Wood, the CEO, Jón Ferrier, and the COO, Stuart Catterall. Upon his retirement, Jón Ferrier was replaced on the Committee by Jon Harris on 26 January 2021. The Company's HSE Manager, Patrick Bersebach, the CSR Manager, Sirwan Dara, and the Security Manager, Serdar Abdullah, also attend meetings, along with other management and staff members as required. Alasdair Robinson acts as Secretary to the Committee.

Governance

The Company endeavours to ensure that no harm comes to people as a result of its operations and that any effect on the environment is minimised. It also looks to have a beneficial long-term impact on the communities located in the vicinity of the Shaikan Field. The Group aims to ensure that all employees and contractors understand that working safely is the absolute priority and that they are responsible for their own safety and the safety of those around them.

The importance of these areas to the Group is demonstrated by the priority given to them at all levels in the organisation, from the daily toolbox talks in the Shaikan Field through to the regular weekly senior management, and Safety and Sustainability Committee and Board meetings. At Board meetings, a formal report is provided on these matters to the Directors by the COO and the Safety and Sustainability Committee Chair.

Sustainability

Recognising the importance of sustainability to both society and business organisations, the Company has included a detailed Sustainability report in the annual report; please refer to pages 32 to 50.

This sets out the Company's culture as it relates to sustainability issues, the management processes which it has in place, and focuses on a number of the environmental and social initiatives which have been launched and implemented over the past few years. In addition, the report includes key environmental and safety performance statistics.

Health and safety

During 2020, the Committee monitored and supported the Company's 2020 HSSE Action Plan implementation and was pleased to see an overall achievement of 96% during the year; this was an excellent result in challenging circumstances due to COVID-19 necessitating a significantly different operational strategy to be adopted at short notice, which included the implementation of COVID-19 protection and safety protocols. The Committee was encouraged by the level of incident or potential incident reporting which occurred during the year and the open reporting culture which has continued to be developed in the organisation. The Committee is pleased to note that 2020 was free from any lost time incidents. The Company also held emergency response simulation exercises during the year.

Security

The security situation in Kurdistan remained stable during the year, enabling staff travel patterns and field operations to continue, with use of the Company's COVID-19 and standard security precautions. The Board and the Committee keep the security situation under constant review through specialist advice and local security experts. The Company has response plans in place which can be activated immediately if required.

Environment

During 2020, the Company took a proactive role in the implementation of a number of specific initiatives to minimise any environmental impact from the Company's operations. These are described more fully in the Sustainability report.

Corporate social responsibility

Since the formal CSR programme was initiated in 2017, the Company has continued to progress several social initiatives, with a specific focus on sustainability. These are also more fully described in the Sustainability report.

David Thomas

Chair of the Safety and Sustainability Committee

30 March 2021

Technical Committee report



David Thomas
Chair of the Technical Committee

Committee activities during 2020

The Committee met three times in 2020. In addition to standing agenda items, the following key matters were discussed:

- production planning and forecasting (including 2021 production guidance);
- field development planning and government approvals processes;
- produced gas management strategy;
- production enhancement initiatives (including ESP installation programmes);
- operational risk reviews;
- opportunity register projects to enhance production;
- well drilling and workover options;
- Shaikan subsurface re-mapping and re-modelling project; and
- Competent Person's (Reserves) Report ("CPR").

In February 2021, the Company announced that an updated CPR had been completed by its independent reserves auditor, ERC Equipoise. The updated CPR confirmed that the gross 1P, 2P+2C reserves and resources volumes of the Shaikan Field were in line with the previous (2016) CPR, after adjusting for production over the period. In summary, the results of the CPR were as follows:

- gross 1P reserves of 240 MMstb;
- gross 2P reserves of 505 MMstb; and
- gross 2P reserves + 2C contingent resources of 798 MMstb.

Full details of the Shaikan Field reserves and resources are set out on page 27.

2020 membership and meeting attendance

	Member since	Technical Committee
David Thomas	8 December 2016	3/3
Jaap Huijskes	6 December 2017	3/3
Jón Ferrier ⁽¹⁾	8 December 2016	3/3
Stuart Catterall	11 January 2017	3/3
Gabriel Papineau-Legris	8 December 2016	3/3

(1) Resigned from the Committee on 26 January 2021, and replaced by Jon Harris on that date.

Role

The Technical Committee was established in late 2016 to provide support and guidance for the Shaikan Field development planning and project execution activities and has the following specific objectives to:

- provide assurance that development plans are in line with the Company's strategy and have been optimised in the context of the current and forecast funding position;
- review and approve the Shaikan Field reserves and resources estimates and revisions;
- ensure that the Company has the appropriate resources and project management systems in place to successfully execute the development projects on time and within budget;
- provide the Board with assurance that the key operational and project execution risks have been identified and that the required risk management processes and mitigation measures are in place; and
- review and recommend for executive approval any information relating to the Shaikan FDP and reserves and resources estimates for public release.

2020 membership and meeting attendance

The members of the Committee are: David Thomas (Committee Chair, independent Non-Executive Director), Jaap Huijskes (Non-Executive Chairman), Jon Harris (CEO), Stuart Catterall (COO) and Gabriel Papineau-Legris (CCO). Jón Ferrier (former CEO) resigned from the Committee on 26 January 2021 and was replaced by Jon Harris.

The Committee is supported in its activities by key members of the London-based technical, commercial and finance teams and by the Erbil-based projects and operations teams. Members of these teams are regularly invited to participate in Committee meetings to provide input in relation to the Committee's deliberations.

Generally, the Committee plans to meet on a quarterly basis, but adjusts the meeting timings to coincide with key decision points within the project development schedule or the release of significant new technical or reserves-related information.

David Thomas

Chair of the Technical Committee

30 March 2021

Remuneration Committee report



Kimberley Wood

Chair of the Remuneration Committee

Part one: Annual Statement from the Chair of the Committee

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 31 December 2020 after my first full calendar year since being appointed as Chair in October 2019. During 2020, the Committee has continued its focus on aligning reward with GKP's corporate strategy, values and stakeholder expectations and ensuring that outcomes fairly reflect GKP's performance.

We are living in a time of great economic uncertainty which has impacted all the Company's stakeholders. 2020 was an unprecedented year with the COVID-19 pandemic having a widespread impact on the health and welfare of millions of people and on the global economy. GKP has worked hard to confront and overcome the effects of the pandemic on our employees and we are extremely proud of the way that, during these difficult times, our people have demonstrated outstanding levels of commitment – working effectively to keep the business running and delivering excellent results. At such a time, it is imperative that the Remuneration Committee remains focused on its overarching purpose, which is to ensure that the Company has the right policies and practices in place to attract, retain and motivate highly skilled individuals, whilst ensuring there is alignment with the Company's overall strategy, the creation of shareholder value and the equitable treatment of our wider workforce.

2020 membership and meeting attendance

	Member since	Remuneration Committee
Kimberley Wood (Chair)	12 October 2018	4/4
Martin Angle	16 July 2018	4/4
David Thomas	8 December 2016	4/4

Matters discussed by the Remuneration Committee in 2020

The Committee held four Committee meetings in 2020. In addition, it met on an informal basis on a further four occasions to discuss the following remuneration matters:

- reviewed 2019 bonus performance outcomes for executives and senior management and resulting bonus pay-outs;
- reviewed executive and senior management remuneration and proposals for the broader workforce;
- paused formal approval of bonus KPIs in light of the COVID-19 pandemic;
- determined that no 2020 bonus for Executive Directors should be awarded;
- approved reduction in Executive Directors' pension allowance;
- discussed and postponed planned increase in CEO salary due to COVID-19 pandemic;
- approved LTIP awards to all eligible participants and associated performance targets;
- approved the updated LTIP rules which were approved by shareholders at the 2020 AGM;
- approved the award of nil-cost options to the then CEO as part of his deferred bonus;
- reviewed and approved the draft Directors' remuneration report;
- noted that the resolution to put a revised bonus opportunity for Executive Directors to shareholders at the AGM was removed due to the COVID-19 pandemic;
- reviewed the Company's incentive structure for Executive Directors and other staff;
- reviewed market practice on bonus "target" pay-out levels and approved reduction;
- reviewed and agreed CEO remuneration package guidelines for recruitment of new CEO;
- reviewed and agreed reduction of Board Chair fees and noted recommendation from the CEO and Chair of reduction in Non-Executive Directors' fees; and
- reviewed and agreed salary and bonus review for wider workforce .

Remuneration Committee report continued

Part one: Annual Statement from the Chair of the Committee continued

In 2020, the Remuneration Committee supported the Company's objectives by setting challenging targets for the annual bonus scheme. Due to the impact of COVID-19, the initial objectives were suspended whilst a full review of the organisation and budget was carried out, resulting, regrettably, in a c.40% reduction in our workforce. Whilst important operational and financial targets were achieved, given the challenging year faced by GKP, the suspension of the dividend and the wider economic impact of COVID-19 on the organisation, the Committee felt it inappropriate to award a bonus to either of the Executive Directors for 2020. It would be remiss of me not to state here that this in no way reflected the personal performance of the Executive Directors; in fact, the opposite was the case in the context of the significant industry headwinds faced by the Company. The wider workforce was awarded annual bonuses based on a significantly reduced budget.

For 2021 we have developed a robust set of KPIs and details are provided in the Annual Report on Remuneration. As usual, the same Company KPIs have been used for both the executive and employee bonus plans and we will operate on the principle that Executive Directors will be treated no more favourably than other employees.

For the last five years, no salary increases have been awarded to the Executive Directors and the maximum bonus potential for the CEO and the CFO was reduced by a significant amount in 2017. Following a detailed benchmark review and in the light of the current business context, the Remuneration Committee decided not to award any increase in pay for either position for 2021.

Since the June 2020 AGM and following on from the 69.6% vote in support of the Directors' remuneration report, we have taken a number of steps to address concerns expressed by those shareholders who opposed the vote, which are as follows:

- following the retirement of the outgoing CEO, Jón Ferrier, and the appointment of Jon Harris in January 2021, the pension contribution to both Executive Directors has been set at 10% of salary, which aligns with that offered to the UK workforce;
- the pay-out for "target" bonus performance has been reduced from 75% of maximum to 60% of maximum, which aligns with general market practice for the oil and gas sector;

- neither the new CEO nor the CFO are eligible for the legacy VCP award, instead both are eligible to participate in the Company's approved LTIP. Indeed, there has only been one award under the VCP and that was in 2016 to two former employees; and
- after a careful review of Chair and Non-Executive Director fees, it was noted that these were above median in relation to benchmark levels and have, as a result, been reduced with effect from 1 January 2021. The annual fee for the Chair has been reduced from £180,000 to £160,000 and the annual base fee for Non-Executive Directors was reduced from £70,000 to £60,000.

2021 Board changes

In January 2021, we were pleased to announce the appointment of Jon Harris as the new CEO of GKP. Jon formally joined the Board on 18 January 2021. One of the elements of the Committee's work during 2020 was the remuneration review of CEO succession. He joined on a salary of £420,000 p.a. with a pension contribution of 10% of salary, which is aligned to GKP's UK workforce. He will be eligible for a 2021 bonus (pro-rated for time in role during 2021) and a grant under the 2014 LTIP in line with the Remuneration Policy. Jon's base salary represents a reduction against the outgoing CEO but still remains in line with market competitive rates. The Company tests executive remuneration against similar roles in other oil and gas companies of comparable complexity and size which ensures that GKP's executive remuneration packages are able to attract and retain talented executives. Further details of the new CEO package can be found on page 99 of the Directors' remuneration report.

Jón Ferrier, the departing CEO, retired from the Company on 31 January 2021 after a period of handover. As announced at the time, due to legacy contractual requirements that will not apply to the current Executive Directors or any future appointments, Jón will continue to participate in the VCP, subject to performance, as if he remained an employee. He did not receive any severance compensation on departure except for contractual pay in lieu of notice.

Performance and implementation of the Remuneration Policy in 2020

Annual bonus

The Committee decided that due to the unprecedented impact of COVID-19 combined with the oil price decline during 2020 that no bonus should be awarded to Executive Directors. A purely formulaic approach to bonus would have resulted in some payment for 2020 performance due to personal performance, and financial and operational achievements. Payments were made to other staff, but the Committee recognised the experience of stakeholders as a result of the significant share price reduction in the face of macro events and the suspension of dividends and thought it appropriate to not award a bonus to either Executive Director.

Long-term incentives

The CFO received a conditional award of 733,871 options over shares (equivalent to 150% of salary) on 28 April 2020. The award is subject to both absolute and relative total shareholder return ("TSR") targets being met, each measure having a 50% weighting. The exercise of reasonable discretion has been a feature of GKP's approach in recent years where the formulaic outcome does not align with the overall shareholder experience and this remains unchanged. The Remuneration Committee will have the discretion to review vesting outcomes to ensure a fair reflection of performance. The current performance conditions for the LTIP will be subject to review during 2021 as part of a general policy review.

The former CEO and CFO both continue to participate in the VCP, for which they received an award in December 2016. Following the first two measurement dates in May 2018 and April 2019, a total of 3,769,595 and 3,247,656 nil-cost options were granted, respectively. No further nil-cost options can be accrued under the VCP as the cap was met at the second measurement date. The first vesting date for these nil-cost options in May 2020 resulted in no options vesting as performance conditions were not attained. The next measurement date will be 30 days following the release of the Company's financial results in March 2021 with vesting dependent upon compound TSR performance. The incoming CEO and CFO are not entitled to participate in the VCP, which has been closed to new entrants since 2016.

Instances of the exercise of discretion by the Remuneration Committee

Other than the decision not to award bonuses as described above, no other discretion was exercised by the Remuneration Committee outside the normal Remuneration Policy guidelines.

Remuneration across the workforce

GKP places great importance on, and fosters, an inclusive culture across the whole workforce which is reflected in our Remuneration Policy. Base salaries for all employees are benchmarked on a regular basis and targeted at median. The annual bonus plan is open to all employees, the outcome of which is linked to both corporate and individual targets. The corporate targets are the same for all who participate. In addition, all permanent employees working for the Company at the time of grant received an award in 2020 under the 2014 LTIP which aligns their interests with the long-term success of GKP and to the rewards available to Executive Directors. The Board considered the merits of a formal workforce engagement scheme but does not believe that it is necessary at this time due to GKP's size and because the Board regularly engages with employees through briefing sessions, surveys and town hall meetings, gaining valuable feedback directly from employees as well as receiving updates from the HR Director. The Board will keep this under review taking into account GKP's size and legal and regulatory requirements.

Summary of remuneration for Executive Directors in 2021

In light of the current business context and the detailed remuneration benchmarking review in 2020, the Remuneration Committee decided not to award an increase in salary to the CFO for 2021 (the CEO is newly appointed). The salary review budget for all other employees, including senior managers, was 3% of payroll for 2021.

Both the incoming CEO and CFO will be eligible for a 2021 bonus. The Company will review the Company's achievements, KPIs and performance targets and publish these in the 2021 Directors' remuneration report. The 2021 bonus measures will incorporate targets on safety and sustainability (including ESG and human capital targets); value creation (covering shareholder value and project delivery); financial and operational achievements. Further information is set out on page 99 of the Directors' remuneration report.

The new CEO and CFO are entitled to participate in the LTIP where performance-based shares are granted up to a maximum of 200% and 150% of salary, respectively, in line with policy. The 2021 LTIP award will have performance conditions based on absolute and relative TSR. Further information is set out on page 99 of the Directors' remuneration report.

Remuneration outcome for the Chair and Non-Executive Directors

After a thorough review of Chair and Non-Executive Director fees, it was determined that the fees were above market. Therefore, with effect from 1 January 2021, the Chair's annual fee was reduced from £180,000 to £160,000 and the annual base Non-Executive Director fee was reduced from £70,000 to £60,000.

Basis of preparation of the report

As GKP is not incorporated in the UK, it is not subject to UK company law or the UK Corporate Governance Code. However, the Company's Byelaws require it to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "2013 Regulations"). The Directors' remuneration report has been prepared in accordance with such 2013 Regulations as amended.

As a responsible corporate citizen, GKP is committed to following best practice, maintaining high corporate governance standards and the principles enshrined in the UK Corporate Governance Code (the "Code") which are taken into account to the extent they are considered appropriate for the Company. As GKP only has 22 employees in the UK, not all elements of the Code or certain 2018 changes to the 2013 Regulations, including the CEO pay ratio, are applicable. As noted above, the Committee has regard to wider workforce reward but considers that a ratio calculation would not be meaningful with such a small workforce.

Shareholder consultation and 2021 AGM

At the 2021 AGM, our Directors' remuneration report (pages 85 to 99) will be the subject of an advisory vote, in accordance with the 2013 Regulations. The Remuneration Committee ensures that, in carrying out its obligations, it takes account of the views and opinions of all its stakeholders; this includes consulting with our major shareholders and with leading proxy advisers. I am aware that some shareholders have reservations about the legacy VCP plan. This is a legacy plan that is closed to new entrants and will be fully wound down following the measurement date that will be 30 days following the release of the Company's financial results for the year ended 31 December 2021. For the avoidance of doubt, current or future Executive Directors will not participate in the VCP.

With the COVID-19 pandemic and associated oil price drop, 2020 presented many challenges, not only for GKP and our employees and their families but also for many other companies, governments and communities. On behalf of the Remuneration Committee, I would like to recognise the efforts, commitment and sacrifices made by all of our employees. The Committee and I would also like to take this opportunity to commend and thank Jón Ferrier and Ian Weatherdon for their leadership, dedication and stewardship of the Company during 2020, and also like to extend a warm welcome to Jon Harris and we look forward to working with him.

The Committee believes the remuneration outcomes for 2020 reflect an appropriate outcome taking into account the global context and we hope that shareholders will recognise this as a continuation of our strategy for reward which fairly reflects the performance of the Company. Finally, on behalf of the Remuneration Committee, I would like to thank shareholders for their continued support and hope that you will vote in favour of the resolutions contained within the report at the AGM on 18 June 2021.

Yours sincerely,

Kimberley Wood
Chair of the Remuneration Committee

30 March 2021

Remuneration Committee report continued

Remuneration at a glance

Remuneration Policy objective

What does the Policy seek to achieve?

The Group's Remuneration Policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives to the Group's purpose are the key objectives of this Policy.

Alignment of the Remuneration Policy to purpose and strategy

Our purpose

GKP is a responsible energy company developing natural resources for the benefit of our stakeholders and employees, delivering social and economic benefits by working safely and sustainably with integrity and respect.

Strategic priorities:



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Relevant incentive metrics:

- Zero harm in operations and delivery
- ESG, people/employees and local communities/stakeholders
- HSSE improvement plan
- Safety performance

READ MORE
on page 99

- Shareholder value
- Project delivery
- Production

READ MORE
on page 99

- Financial and distribution strategy
- Budget discipline

READ MORE
on page 99

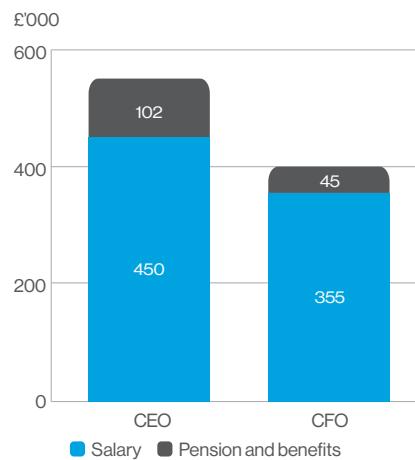
- Budget discipline

READ MORE
on page 99

2020 remuneration outcomes

Implementation in 2020

- Salaries of £450,000 and £364,000 paid during the year to the outgoing CEO and current CFO, respectively.
- No bonus to be paid for 2020 to either Executive Director, to reflect the unprecedented impact of COVID-19 and decline in oil prices on the business and stakeholders.
- The CFO was granted an LTIP award of 150% of salary.
- Neither Executive Director was eligible for the vesting of any LTIP award.
- Pension contribution of 15% of salary for former CEO and 10% of salary for CFO.
- Benefits included private medical insurance, car allowance, death in service and income protection benefits for the outgoing CEO and private medical insurance, death in service and income protection for the CFO.
- The third measurement date for the VCP resulted in no options vesting for the prior CEO or prior CFO. A fourth measurement is expected to take place in April 2021.



Implementation in 2021

	CEO	CFO
2021 base salary	£420,000	£364,000 (no change)
Benefits	Aligned to policy	Aligned to policy
Pension	10% of salary	10% of salary
Annual bonus	Maximum opportunity of 125% of salary 80% dependent on performance against corporate KPIs and 20% on individual strategic objectives	Maximum opportunity of 100% of salary 80% dependent on performance against corporate KPIs and 20% on individual strategic objectives
LTIP	200% of salary, vesting dependent on absolute and relative TSR performance over three years	150% of salary, vesting dependent on absolute and relative TSR performance over three years

Part two: Directors' Remuneration Policy

Introduction

Part two provides an overview of the Directors' Remuneration Policy. It describes the elements of remuneration and summarises the approach the Remuneration Committee will adopt in certain circumstances, such as the exercise of discretion, the recruitment of new Directors and the making of any payments for loss of office.

Purpose and role of the Remuneration Committee

The Remuneration Committee determines and agrees with the Board the overall Remuneration Policy for the Executive Directors and other key employees. Within the terms of the agreed policy, key responsibilities of the Committee include:

- determining and agreeing with the Board the framework and broad policy for the remuneration of the Company's Executive Directors and setting remuneration for the Non-Executive Chairman of the Board, the Executive Directors and the senior management team (being those individuals considered to be Persons Discharging Managerial Responsibilities ("PDMR")) and any other members of the executive management as it is designated to consider by the Board;
- when setting remuneration policy for Directors, reviewing and having regard to remuneration and related policies across the Group, aligning incentives and rewards with culture. When conducting its last major review of the Remuneration Policy, the Committee took into account simplicity, clarity, risk management, predictability, proportionality as well as alignment to culture as part of the process;
- reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determining each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to the Executive Directors and other designated senior executives and the performance targets to be used;
- agreeing pension arrangements, service agreements and termination payments for Executive Directors and ensuring that any termination payments are fair to the individual and the Company; and
- overseeing any major changes in employee benefits structures throughout the Company and/or the Group and giving advice on any such changes.

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Purpose and role of the Remuneration Committee continued

The Remuneration Committee also reviews and approves overall remuneration levels for employees below executive level but does not set individual remuneration levels for such individuals. This oversight role allows the Committee to take into account pay policies and employment conditions throughout the Company when designing packages for the Executive Directors and other key employees, and the alignment of incentives and rewards with culture. The Committee considers the general level of increases applied to basic pay across the Company when reviewing Executive Directors' base salaries.

The Remuneration Committee operates within written terms of reference agreed by the Board. These are reviewed periodically to ensure that the Committee remains up to date with best practices appropriate to GKP, its strategy and the business and regulatory environment in which it operates. Revised terms of reference were adopted in December 2018 and are updated and approved annually. They are available on the Company's website.

Remuneration Policy table

The Company's Directors' Remuneration Policy is described in the following table.

Remuneration element	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
Base salary	Essential to attract and retain key executives.	Reviewed annually in January based on: <ul style="list-style-type: none">• role, experience and individual performance;• pay awards elsewhere in the Group;• external market; and• general economic environment.	Policy is to benchmark to the relevant market median. Normally, salary increases for Executive Directors will be in line with the average employee increase.	The Committee retains discretion to: <ul style="list-style-type: none">• award above-median increases in exceptional circumstances and in consultation with shareholders where necessary to retain or attract high calibre candidates;• select the appropriate market comparator group; and• increase salaries above the general employee average to reflect significant additional responsibilities.
Benefits	Helps attract and retain of key executives.	Directors are entitled to private medical insurance, death in service benefit and income protection in line with the wider workforce.	Benefit levels reflect those typically available to senior managers within GKP.	If a Director is recruited from overseas, the Committee may provide additional benefits tailored to the circumstances (e.g. relocation expenses).
Pension	Helps executives provide for retirement and aids retention.	Up to 15% of salary; may be provided as a cash allowance. Pension allowances are not included in base salary for annual bonus or other executive rewards.	15% of base salary for Executive Directors hired before June 2019. For appointments to the Board after June 2019, pension contribution will be immediately aligned to rates applicable to the UK workforce, which is 10% of salary.	None.
Annual bonus	Rewards achievement of annual key performance indicators.	Targets and weightings are set annually; performance is measured over a single year. Bonus awards are determined after the year end based on achievement of targets. Clawback provisions apply.	Maximum bonus opportunity is 125% of annual salary for the CEO and 100% for other Executive Directors.	The Committee may, in exceptional circumstances, change performance measures and targets and their respective weightings part way through a performance year, if there is a significant event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised if the Committee believes the bonus outcome is not a fair and accurate reflection of business performance. Safety is of central importance to the business and the Committee may reduce bonus awards if there is a serious safety event.

Remuneration element	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
LTIP	<p>Incentivises executives to deliver key financial targets over the longer term, with particular focus on shareholder return.</p> <p>Helps retain key executives.</p>	<p>Awards are usually granted annually to participants, but grants may be made at other times, such as on recruitment or promotion of an executive.</p> <p>Awards are in the form of nil-cost share options, nominal-cost share options or conditional shares. In special circumstances they may be cash-settled.</p> <p>Awards normally vest after three years to the extent that performance targets have been met. Performance targets are based on a 50/50 split between absolute and relative TSR.</p> <p>A payment equal to the value of dividends which would have accrued on vested awards may be made following the release of awards to participants, either in the form of cash or as additional shares.</p> <p>It is the Company's practice to make awards under the LTIP to all employees of the Company as appropriate in a range of values based on seniority.</p> <p>Specific malus and clawback provisions apply.</p>	<p>The former CEO was not eligible to participate in this scheme until the VCP ended in 2022. The new CEO and CFO will receive an award in 2021.</p> <p>When eligible, the maximum value of the shares subject to award to the CEO is 200% of annual salary and for the CFO it is 150% of salary.</p> <p>At threshold performance up to 30% of the award vests.</p>	<p>The Committee may, in exceptional circumstances, change the performance measures and targets and their respective weightings part way through a performance period, if there is a significant event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. The new measures and targets will be no more or less difficult than those they replace.</p> <p>Discretion may also be exercised if the Committee believes the LTIP outcome is not a fair and accurate reflection of business performance.</p> <p>Safety is of central importance to the business and the Committee may reduce or eliminate LTIP awards if there is a serious safety event.</p> <p>The Committee also has discretion in determining when awards are granted, the form of the award and those eligible.</p>
Shareholding requirements	Aligns the interests of executives and shareholders	Formal requirements apply to Executive Directors. Participation in long-term incentives may be scaled back or withheld if the requirements are not met or maintained.	At least 200% of salary holding required for all Executive Directors.	The Committee has discretion to change the shareholding requirements.

Value Creation Plan (“VCP”)

The VCP was approved by shareholders in December 2016 and only one award of Performance Units has been made to the former CEO and the former CFO. Following the Remuneration Policy review in 2018 and having taken account of views expressed by shareholders, it was decided that no further awards will be made under the VCP. Under this contractual legacy, any outstanding awards will be allowed to run-off and vest subject to the Company achieving the performance criteria of 8% compound annual growth in TSR on each of five annual measurement dates and the plan limits in place, in accordance with the VCP rules. As such, it may be possible that additional conversions of the Performance Units into nil-cost options may occur in future (up to, but not later than, 2022).

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

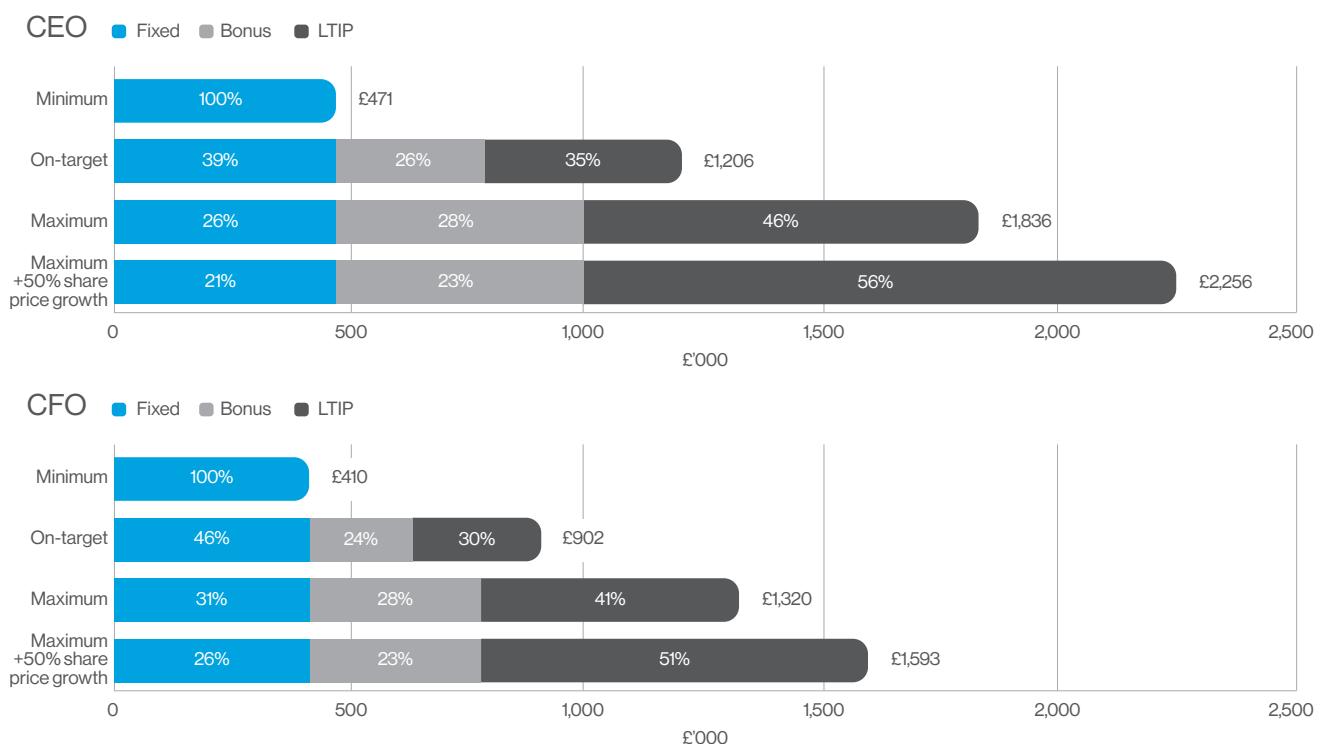
Malus and clawback

These provisions allow the Committee in certain circumstances (such as gross misconduct or a material misstatement of the Group financial statements) the discretion to:

- reduce bonus pay-outs;
- cancel entitlement of bonus;
- prevent or reduce vesting of the LTIP; and/or
- allow the Company to claim back up to 100% of an award which has vested/been paid.

Remuneration scenarios for Executive Directors based on policy

The charts below provide an illustration of the potential future reward opportunities for the CEO and CFO, and the potential split between the different elements of remuneration under four different performance scenarios: "Minimum", "On-target", "Maximum" and "Maximum (including 50% share price appreciation on long-term incentive awards)".



Potential reward opportunities are based on GKP's Remuneration Policy, applied to the 2021 base salaries and pension opportunities. The annual bonus and LTIP are based on the maximum opportunities set out under the Remuneration Policy. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant and the projected values in the second and third scenarios are based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period).

The exception to this is the final scenario which, in line with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, illustrates the maximum outcome assuming 50% share price appreciation for the purpose of LTIP value.

The "Minimum" scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the executives' remuneration packages not linked to performance.

The "On-target" scenario reflects fixed remuneration as above, plus annual bonus pay-out of 60% of maximum (75% and 60% of salary for the CEO and CFO respectively) and LTIP at 50% of maximum award (100% and 75% of salary for the CEO and CFO respectively).

The "Maximum" scenario is shown on two bases: excluding and including the impact of share price appreciation on the value of LTIP outcomes. In both cases, the scenario includes fixed remuneration and full pay-out of all incentives, with the final scenario also including the impact of a 50% increase in GKP's share price on the value of the LTIP.

Executive Directors' recruitment policy

Remuneration packages for current Executive Directors are designed in accordance with the policy described, including a maximum annual bonus opportunity of 125% of salary for the CEO and 100% of salary for the CFO and an annual LTIP grant of up to 200% of salary for the CEO and 150% of salary for the CFO or any other Executive Director. Relocation packages are assessed on their individual merits. It is not the Company's policy ordinarily to buy out executives from pre-existing incentive arrangements, but the Committee will consider compensating a new Executive Director for the loss of incentives awarded by a previous employer, if it believes such compensation is warranted. We seek to avoid paying more than necessary to secure a candidate and will have regard to current remuneration policy, shareholder guidance and market practice when formulating remuneration for a new Executive Director.

Where an existing employee is promoted to the Board, the policy described above will apply from the date of promotion, but there will be no retrospective application of the policy. Existing remuneration, including incentives, will continue, even if inconsistent with the policy above, until such time as they expire or vest. Full disclosure will be made to shareholders in the Annual Report on Remuneration for the relevant financial year. Pension contributions from the date of promotion will be aligned with that of the wider workforce.

Terms of the Executive Directors' service contracts

Executive Directors are engaged on rolling service contracts, which provide for twelve months' written notice of termination from the CEO and six months' notice from other Executive Directors, with the same notice periods required from the Company.

In exceptional circumstances, the Committee may agree to a longer notice period initially, reducing to twelve or six months, as appropriate, after one year.

Non-Executive Directors' letters of appointment

Non-Executive Directors are engaged by letters of appointment terminable on one month's written notice from either the individual or the Company.

The Non-Executive Chairman and Non-Executive Directors receive an annual fee paid in monthly instalments. The fee for the Non-Executive Chairman is set by the Remuneration Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Non-Executive Chairman and CEO.

Fees are set at a level required to attract and retain individuals with the necessary experience to advise and assist with establishing the Company's strategy and monitoring its progress towards the successful implementation of that strategy. Fees are reviewed regularly to ensure they keep pace with market practice and the demands of the role.

Reasonable expenses incurred by the Non-Executive Chairman and the Non-Executive Directors in the performance of their duties (including travel and accommodation benefits) may be reimbursed or paid for directly by the Company, as appropriate.

Each Non-Executive Director receives a basic fee. Additional fees are paid to the Non-Executive Chairman of the Board and the Chairs of the Board Committees. In the event that the Board requires the formation of an additional Board Committee, fees for the Chairs (and, where relevant, membership) of such Committee will be determined by the Board at the time. Non-Executive Directors do not participate in any of the Company's benefits or incentive plans.

Inspection of documents and re-election of Directors

Directors' service contracts and appointment letters will be available for inspection prior to and during the 2021 AGM.

All Directors are required to stand for re-election annually in accordance with the Company's Byelaws.

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Termination payment policy

Any compensation payment made to an Executive Director for termination of employment will be determined with reference to the terms of the individual's service agreement and the rules of any incentive plan in which the individual is a participant. Those rules will differentiate between "good" and "bad" leavers. The Company's default policy is summarised in the table below, with Committee discretion to determine an alternative treatment as necessary:

Remuneration element	Policy summary
Salary and benefits	A payment equivalent to monthly salary as if the executive had continued to be employed throughout the contractual notice period. A lump sum may be paid in lieu of notice. Benefits will cease on termination of employment. The Committee will determine such mitigation as it considers fair and reasonable in each case.
Annual bonus	The Committee may make such payment as it deems appropriate taking into account the period up to the date on which employment ceases and the level of performance achieved up to that date. If the individual is deemed to be a "bad" leaver (for example, if dismissed owing to misconduct) no bonus is payable for the year in which employment terminates.
2014 LTIP	For "good" leavers whose employment ceases owing to ill-health, the award shall vest in full on the normal vesting date. For "good" leavers who leave owing to death, the award shall vest in full immediately. For "good" leavers due to other reasons which are considered to justify treatment as a good leaver, the award shall vest on the normal vesting date based on performance and pro-rated for the time served. Options granted to a "bad" leaver lapse on cessation of employment.
VCP	"Good" leavers (including those who leave owing to ill-health, death, redundancy or other reason considered to justify treatment as a good leaver) may continue to hold options until the end of the scheme. If the performance condition has been fulfilled, all vested options may be exercised within the periods specified in the VCP rules. Options granted to a "bad" leaver lapse on cessation of employment.

Service contracts do not contain liquidated damages clauses. There is no provision in an Executive Director's service agreement providing for compensation for loss of office or employment that occurs because of a change of control. However, on a change in control the following will normally happen:

- the cash element of any bonus will be paid, at the discretion of the Committee, on the date of the change of control. The amount paid will be pro-rated and based on performance to date. The deferred element of the bonus will become exercisable on a change of control and will vest;
- vesting of LTIP awards will be accelerated: the number of shares that vest will be determined by the Committee taking account of the Company's performance since the grant date and the proportion of the normal vesting period which has elapsed; and
- vesting of any nil-cost options granted under the VCP will be accelerated based on performance to date of a change of control, unless a decision is made by the Board to roll over awards into a plan operated by the acquirer.

The Committee reserves the right to make additional payments, where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

When deciding on the amount of any payment for loss of office, the Committee will seek to minimise the cost to the Company to the extent permitted by the circumstances of the particular case.

External appointments

The Executive Directors may accept external appointments with the prior approval of the Board provided that such appointments do not prejudice the individual's ability to fulfil their duties to the Company and the Group, as a whole. Whether any related fees are retained by the individual or remitted to the Company is considered on a case-by-case basis.

Considerations of shareholder views

When determining remuneration, the Committee takes into account the guidelines of representative investor bodies and proxy advisers and shareholder views. The Committee is always open to feedback from shareholders on remuneration policy and arrangements and updates major shareholders on any changes regularly.

Part three: Annual Report on Remuneration

Introduction

This part of the report is subject to an advisory vote at the AGM on 18 June 2021. GKP's auditor has reported on those sections (highlighted below) which the Regulations require to be audited.

Remuneration Committee membership during 2020

The terms of reference of the Committee, reviewed annually, are available on the Company's website. As of 31 December 2020, the Committee comprised three independent Non-Executive Directors, all of whom had served on the Committee for the full financial year:

- Kimberley Wood (Chair);
- Martin Angle; and
- David Thomas.

The members had no personal financial interest in the decisions made by the Committee. There were no conflicts of interest arising from cross-directorships and no involvement in the Company's day-to-day operations.

The Chair of the Committee may ask non-Committee members to attend meetings, including other Board members and members of the senior management team, including the HR Director. The Company Secretary, or nominee, acts as secretary to the Committee. No individuals are involved in decisions relating to their own remuneration. Details of the Committee's principal activities during the year ended 31 December 2020 and attendance of Committee members is included on page 71.

Advisers

The Committee is informed of key developments and best practice in the field of remuneration and obtains advice from independent external consultants, when required, on individual remuneration packages and executive remuneration practices in general. After a competitive tender process, Mercer Limited ("Mercer") was appointed as remuneration consultant from January 2020 onwards.

Services provided to the Committee by Mercer during 2020 included the provision of advice on the Company's equity plans and executive remuneration levels; benchmarking of Executive Director and Non-Executive Director remuneration; corporate governance support and best practice advice to the Remuneration Committee on the drafting of the Directors' remuneration report; and other ad-hoc projects. Fees paid to Mercer for services provided to the Committee during the financial year were £59,000.

Mercer is a signatory to the Remuneration Consultants' Code of Conduct (www.remunerationconsultantsgroup.com) which requires its advice be objective and impartial.

Statement of shareholder voting

The following table shows the results of votes on the 2019 Remuneration Policy and the 2019 Directors' remuneration report at the 2020 AGM held on 19 June 2020.

Some shareholders had reservations about the legacy VCP plan; this is a legacy plan that has been closed to new entrants since 2016. For the avoidance of doubt, the current Executive Directors will not participate in the VCP.

	Votes for	Votes against	Total votes cast (excluding withheld)	Votes withheld
Remuneration Policy report	84,095,030 (69.58%)	36,768,858 (30.42%)	120,864,092	204
Directors' remuneration report for year to 31 December 2019				
2019 Remuneration Policy	138,334,384 (98.57%)	2,007,249 (1.43%)	140,341,633	1,923

Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

Single total figure of remuneration table for the year (audited)

2020	Salary £'000	Pension £'000	Benefits £'000	Annual bonus £'000	Other £'000	LTIP ⁽³⁾ £'000	Total £'000
Executive Directors							
Jón Ferrier	450	68	34	—	—	—	552
Ian Weatherdon ⁽¹⁾	355	36	10	—	129	—	530
Non-Executive Directors							
Martin Angle	90	—	—	—	—	—	90
Jaap Huijskes	180	—	—	—	—	—	180
Garrett Soden ⁽²⁾	33	—	—	—	—	—	33
David Thomas	90	—	—	—	—	—	90
Kimberley Wood	80	—	—	—	—	—	80
Total	1,278	104	44	—	129	—	1,555

(1) Ian Weatherdon received £129k relocation expenses on his move from Hong Kong to London.

(2) Garrett Soden rejoined the Company in July 2020.

(3) No LTIP or VCP awards vested in 2020.

2019	Salary £'000	Pension £'000	Benefits £'000	Annual bonus £'000	Other £'000	LTIP ⁽¹⁾ £'000	Total £'000
Executive Directors							
Jón Ferrier	450	68	25	281	—	—	824
Sami Zouari ⁽²⁾	322	48	19	162	—	—	551
Non-Executive Directors							
Martin Angle	90	—	—	—	—	—	90
Jaap Huijskes	180	—	—	—	—	—	180
Garrett Soden ⁽³⁾	62	—	—	—	—	—	62
David Thomas	90	—	—	—	—	—	90
Kimberley Wood	72	—	—	—	—	—	72
Total	1,266	116	44	443	—	—	1,869

(1) No VCP or LTIP awards vested in 2019.

(2) Sami Zouari left the Company on 2 December 2019. He received £13,000 as payment in lieu of vacation due but not taken, which has been included under the benefits column.

(3) Garrett Soden left the Company on 10 September 2019 and re-joined in July 2020.

Percentage change in CEO remuneration

The following table shows the percentage change in the remuneration of the CEO between the years ended 31 December 2019 and 31 December 2020 and the average percentage change for the remuneration in the Group as a whole excluding the CEO.

	Salary	Benefits	Annual bonus
CEO percentage change	0%	37%	(100%)
Group percentage change	6%	0%	(23%)

Note: Insurance benefits for the CEO were brought into line with the wider workforce during 2020, resulting in additional cost.

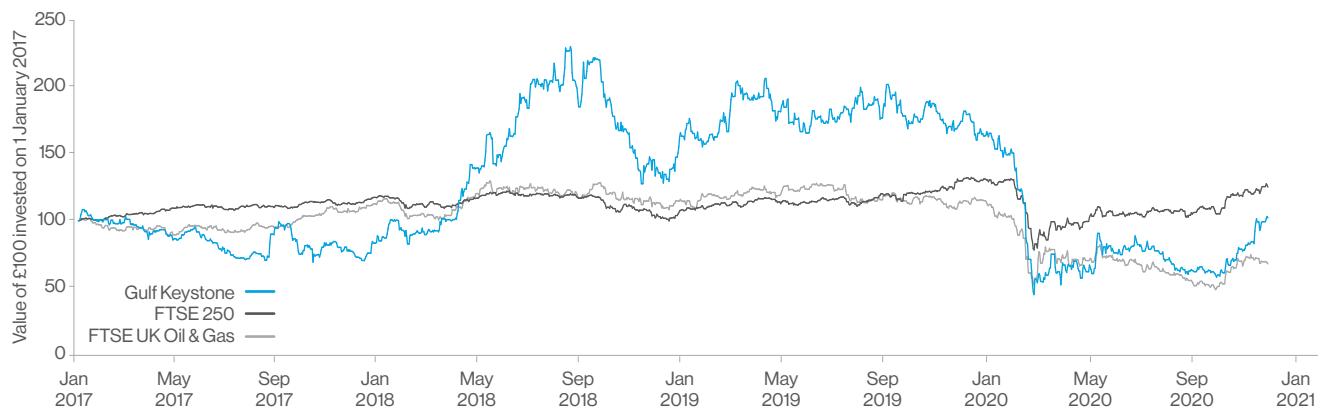
Historical CEO pay

	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Single figure remuneration	1,101	768	973	824	552
Bonus percentage of maximum payable	60%	50%	76%	50%	0%
Vested LTIP awards as percentage of maximum	0%	0%	0%	0%	0%

TSR performance

The following charts compare the change in value of a £100 investment in the Company and in both the FTSE 250 Index and the FTSE Oil & Gas Producers Index. The TSR performance has been assessed from 1 January 2017 due to a major repricing occurring in 2016:

Total shareholder return (“TSR”) from 1 January 2017 to 31 December 2020



Relative importance of spend on pay

The table below shows the change from 31 December 2019 to 31 December 2020 in aggregate employee costs, profit/(loss) before tax and operating expenditure:

	2020 \$'000	2019 \$'000	Percentage change
Total employee pay	34,676	41,490	(14%)
Profit after tax	(47,342)	43,529	(209%)
Oil production costs	36,685	53,696	(32%)

Note: The decrease in total employee pay is due to the staff reductions made as a result of suspension of development activities during 2020.

Executive Directors' base salary provision

There were no salary increases for Executive Directors during the financial year ending 31 December 2020.

Annual bonus plan (audited)

The Committee decided that due to the unprecedented impact of COVID-19 combined with the oil price decline during 2020 that no bonus should be awarded for Executive Directors for that year. Based on the Company's financial and operational achievements at year end, a purely formulaic approach to bonus would have resulted in some payment for 2020 performance, but the Committee recognised the experience of stakeholders and agreed it was inappropriate to award a bonus to either Executive Director. Bonuses were awarded to the wider workforce.

Pension provision for Executive Directors (audited)

In lieu of a pension provision, both the outgoing CEO and current CFO received a taxable cash allowance equivalent to 15% and 10% of base salary, respectively.

Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

Benefits

Benefits received by the CEO included a car allowance, private medical insurance, death in service and income protection insurance, totalling £34,360. The CFO received private medical insurance, death in service and income protection insurance totalling £9,948. In addition, he received relocation expenses on his move from Hong Kong to the UK (and reimbursement of tax on the latter, where applicable) totalling £128,848.

Value Creation Plan (“VCP”) awards granted/vested in 2020 (audited)

Following measurement dates in May 2018 and April 2019, the number of nil-cost options received by the outgoing CEO and former CFO is 3,769,595 and 3,247,656 respectively. No further nil-cost options can be awarded under the plan rules. Following assessment of TSR performance at the third measurement date in May 2020 no nil-cost options vested. Sustained TSR performance will be tested again in 2021. This will be subject to disclosure at that time and in the next Annual Report on Remuneration.

LTIP awards granted/vested in 2020 (audited)

The CFO received an award of 733,871 shares, equivalent to 150% of salary, on 28 April 2020. The award is subject to both absolute and relative total shareholder return (“TSR”) targets being met over a period of three years, each measure having a 50% weighting.

No awards vested or were exercised by Executive Directors.

Leaver arrangements for Jón Ferrier (audited)

Jón Ferrier retired and stepped down from the Board on 31 January 2021 and was accorded good leaver status. Details of Mr Ferrier's leaver arrangements, which are in accordance with the Remuneration Policy approved by shareholders at the 2019 AGM, are set out below.

- Mr Ferrier was paid in full until his departure date on 31 January 2021. He received £417,692 in lieu of notice and £33,385 in lieu of vacation due but not taken. Pension and other benefits ceased on his departure date.
- Mr Ferrier will not receive a pro-rated annual bonus in respect of the year ending 31 December 2021.
- As a good leaver, Mr Ferrier retains 3,769,595 unvested nil-cost performance-based share awards, granted under the VCP. The performance conditions for each award will be measured at the end of each respective performance period, and any awards deemed to vest are expected to be settled at the end of each performance period in April 2021 and April 2022. Full details of any awards vesting to Mr Ferrier will be provided in subsequent Directors' remuneration reports.

Other payments to past Directors and for loss of office (audited)

No other compensation was made in the year to past Directors in respect of loss of office.

Statement of Directors' shareholdings and share interests (audited)

Executive Directors are required to build and maintain a shareholding in the Company of at least 200% of salary within five years of appointment. The net value of vested but unexercised share awards are included for this purpose and individuals have five years in which to acquire the required levels. Participation in long-term incentive schemes may be scaled back or withheld if the requirements are not met or maintained.

Directors' shareholdings and share interests as at 31 December 2020 were as follows:

	Shareholding requirement as a % of salary	Beneficially owned shares	Vested but unexercised scheme interests	Unvested scheme interests subject to performance conditions	Unvested scheme interests not subject to performance conditions	Total conditional and unconditional interest in shares
Executive Directors						
Jón Ferrier	200%	—	—	3,883,002	—	3,883,002
Ian Weatherdon	200%	50,112	—	733,871	—	783,983
Non-Executive Directors						
David Thomas	—	—	—	—	—	—
Jaap Huijskes	—	—	—	—	—	—
Martin Angle	—	—	—	—	—	—
Kimberley Wood	—	—	—	—	—	—
Garrett Soden	—	70,000	—	—	—	70,000

Jón Ferrier did not achieve his shareholding requirement of 200% of salary. This is due to the timeframe of the vesting under his only outstanding long-term incentive award, the VCP.

Implementation of the future Directors' Remuneration Policy in 2021

On 4 January 2021, it was announced that Jon Harris would be joining the Board on 18 January 2021 to succeed Jón Ferrier as CEO. Details of Mr Harris's remuneration arrangements are included in the relevant sections below.

Base salaries and benefits

No increases in base salary have been awarded.

The new CEO was appointed on a base salary of £420,000 p.a. in January 2021 and therefore will not receive any increase before 2022. Both the CEO and CFO will continue to receive other benefits in line with the Remuneration Policy.

Annual bonus

Payments under the executive annual bonus scheme will be determined based on performance against a range of KPIs.

Historically, the same Company KPIs have been used for both the executive and employee bonus plans for which all Company employees are eligible. For 2021, we will again run the plans consistently and operate on the principle that Executive Directors will be treated no more favourably than other employees.

The scorecard that will be used is as follows. Targets are commercially sensitive and will be disclosed in the 2021 annual report.

Category	KPI	Weighting
Safety and sustainability	Zero harm, HSSE improvement and safety performance measures	25%
	Develop and commence implementation of ESG strategy	
	Localisation and employee engagement targets	
Value creation	Shareholder value	30%
	Project approval and delivery	
Financial	Develop financial and distributions strategy	10%
	Budget discipline	10%
Production	Annual average production (bopd)	20%
	Maintenance	5%

VCP

No additional Performance Units will be awarded. Neither the new CEO nor the CFO are entitled to participate.

LTIP

Mr Harris and Mr Weatherdon will be eligible to receive an LTIP grant of 200% and 150% of base salary, respectively, which is expected to be granted in the first half of this year. The following three-year TSR performance conditions will be attached to the vesting of the award.

Performance measure	Weighting	Threshold performance (30% vesting)	Maximum performance (100% vesting)
Absolute TSR	50%	8% p.a. compound	12% p.a. compound
Relative TSR	50%	Median vs. peer group	Upper quartile vs. peer group

Linear interpolation will be used for performance between threshold and maximum. There will be no payment for the relevant tranche where performance is below threshold.

Relative TSR will be compared to that achieved over the same period against listed companies selected by the Remuneration Committee on the basis of their relevance and comparability. The peer group will be confirmed in the relevant RNS and in next year's Annual Report on Remuneration.

The Committee has the discretion to review vesting outcomes to ensure a fair reflection of performance. In making this assessment, the Committee will consider, amongst other factors, the underlying performance of the Company over the period including operational milestones, production levels, safety, individual performance and the broader experience of stakeholders over the period.

Further details will be provided in next year's Directors' remuneration report.

This Directors' remuneration report was approved by the Board on 30 March 2021 and signed on its behalf by:

Kimberley Wood

Chair of the Remuneration Committee

30 March 2021

Directors' report

The Directors are pleased to present their report on the affairs of the Group, together with the consolidated financial statements of the Company and auditor's report, for the year ended 31 December 2020. A review of the business is set out in the preceding sections of this annual report, including the Chairman's statement, Chief Executive Officer's review, Financial review and Operational review, which are incorporated into this report by reference. The corporate governance report also forms part of this report.

Results and dividends

The Group's financial results for the year ended 31 December 2020 are set out in the consolidated financial statements.

The Group made a loss after taxation for the year of \$47.3 million (2019: profit of \$43.5 million). In 2020, no dividend was paid. At this time, the Directors have recommended the resumption of the dividend programme of at least \$25 million per year. A dividend of \$25 million is subject to approval at the AGM on 18 June 2021 and will be paid to shareholders on 2 July 2021 based on a record date of 25 June 2021.

Capital structure

Full details of the authorised and issued share capital, together with movements in the Company's issued share capital during the year, are shown in note 19 to the consolidated financial statements. The business is financed by means of debt (see note 15 to the consolidated financial statements) and external share capital.

Share rights and restrictions

There are no specific restrictions on the size of a holding or on the transfer of common shares, both of which are governed by the general provisions of the Company's Byelaws and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's common shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued common shares are fully paid.

Details of the employee share schemes are set out in note 23 to the consolidated financial statements and details of the Directors' awards are included in the Remuneration Committee report.

Voting rights and Byelaw amendments

The Company's Byelaws may only be revoked or amended by the shareholders of the Company by a resolution passed by a majority of not less than three-quarters of such shareholders as vote in person or, where proxies are allowed, by proxy at a general meeting. Resolutions put to the vote of any general meeting are decided on a show of hands unless a poll is demanded in accordance with the Company's Byelaws.

The Company's Byelaws are available on the Company's website at www.gulfkeystone.com.

Directors

With regard to the appointment and replacement of Directors, the Company is governed by its Byelaws, the Companies Act (Bermuda) and related legislation. All of the Directors are required to stand for re-election by the shareholders each year at the AGM.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors during the year and these remain in force at the date of this report.

Directors' interests in shares

As at 31 December 2020, the following Directors who held office had interest in the common shares of the Company⁽¹⁾:

- Ian Weatherdon (Chief Financial Officer)
– 50,112 common shares; and
- Garrett Soden (non-independent Non-Executive Director)
– 70,000 common shares.

At the date of this report, the Employee Benefit Trust ("EBT") and Exit Event Trustee held 0.1 million common shares of the Company.

Directors' interests in share options of the Company and the Company's bonus scheme grants, including family interests, as at 31 December 2020, are disclosed in the Remuneration Committee report.

(1) Includes common shares held directly, by family members and through the Gulf Keystone EBT which are held subject to the discretion of the EBT Trustee.

Significant shareholdings

As at 15 March 2021, being the date of the most recent analysis of the Company's share register, the Company discloses the following significant shareholdings:

Shareholder	Number of common shares	Percentage of issued share capital
Lansdowne Partners Austria GmbH	32,538,523	15.47
Hof Hoorneman	21,653,695	10.29
UBS Group AG	13,537,911	6.44
BlackRock Inc	11,362,111	5.40
Mr Gertjan Koomen	9,898,158	4.71
Hargreaves Lansdown PLC	8,970,565	4.26
Interactive Investor Trading	7,559,839	3.59
Dimensional Fund Advisors	7,506,533	3.57
Precision Capital	6,259,970	2.98
BrightSphere Investment Group	5,258,527	2.50

The Company's share register analysis was provided by Orient Capital, based on information available at the time of publication.

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 Chairman's statement, the Chief Executive Officer's review and the Operational review. The financial position of the Group at the year end and its cash flows and liquidity position are included in the Financial review.

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, changes in commodity prices, different production rates from the Shaikan block, cost contingencies and disruptions to revenue receipts.

The Group's forecasts, taking into account the applicable risks and the stress test scenarios, show that it has sufficient financial resources for the twelve months from the date of approval of the 2020 annual report and accounts.

Based on the analysis performed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Group, including the Shaikan PSC and employee share plans. The Directors are not aware of any agreements between the Group and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

On behalf of the Board

Jon Harris

Chief Executive Officer

30 March 2021

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the International Accounting Standards ("IAS") Regulation. Under IAS 1 the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 30 March 2021 and is signed on its behalf by:

Jon Harris
Chief Executive Officer

30 March 2021

Ian Weatherdon
Chief Financial Officer

30 March 2021

Independent auditor's report

to the members of Gulf Keystone Petroleum Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Gulf Keystone Petroleum Ltd (the "Parent Company") and its subsidiaries (the "Group"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Bermuda Companies Act 1981.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the summary of significant accounting policies; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> revenue recognition; and carrying value of oil and gas assets. <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> ! Newly identified ↑ Increased level of risk ↔ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was \$6.7 million which was determined on the basis of net assets.
Scoping	Our audit planning identified the Group's business to be a single component, and therefore all of the operations of the Group were subject to a full scope audit by the UK audit team.
Significant changes in our approach	<p>Our audit approach remained broadly consistent with the prior year but with additional consideration of the impacts of COVID-19. The two main direct impacts of COVID-19 for Gulf Keystone Petroleum Ltd ("GKP") are the volatility of oil prices and financial pressures facing the Ministry of Natural Resources ("MNR") which impact on all of our key audit matters. We also reduced our performance materiality percentage to reflect the change to remote working during the year as a result of COVID-19.</p> <p>In addition, as a consequence of COVID-19, the Group postponed its production growth plans, therefore the level of capitalisation of costs was reduced during the year. We have reflected this fact in our risk assessment and do not consider this as a key audit matter for the current year.</p> <p>Due to circumstances at year end, such as the cash position of the Group and the Brent oil price as at 31 December 2020, we do not consider going concern to be a key audit matter in the current year.</p>

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

4. Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the Group's cash flow forecasts based on actual cash flow performance in 2020;
- assessing the impact of COVID-19 on the Group;
- benchmarking the oil price assumption against external data and historical levels;
- evaluating the Group's financing facilities and assessing their committed nature, repayment terms and covenants;
- assessing the liquidity and covenant headroom within the model based on the cash flow forecasts and reviewing the model's mechanical accuracy;
- assessing the sensitivities run by the Directors;
- assessing the mitigating actions that could be taken by the Directors to maximise liquidity headroom including not paying dividends and a reduction in uncommitted capital expenditure; and
- assessing the appropriateness of the going concern disclosure.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



5.1. Revenue recognition

Key audit matter description	<p>Revenue totalling \$108.5 million (2019: \$206.7 million) has been recognised during the year, all of which relates to oil sales in 2020 (2019: \$202.9 million). Payment in respect of oil sold in January and February 2020 has not yet been received, as described below.</p> <p>The Group has continued to estimate revenue on a “cash assured” basis, in accordance with the terms of the Lifting Agreement which was renewed in February 2019 and subsequently extended in December 2020.</p> <p>The key judgements in relation to revenue are:</p> <ul style="list-style-type: none"> whether any circumstances occurred during the period that would trigger GKP to change its revenue accounting policy from “cash assured” to an accruals basis; the mechanical accuracy of the complex invoice calculations, and whether these are in line with the Shaikan Production Sharing Contract (“PSC”) and the Crude Oil Export Sales Agreement; and the extent of the risk in relation to unpaid revenue amounts, in particular considering the impacts COVID-19, the accuracy of the expected credit loss (“ECL”) calculation and the appropriateness of the assumptions used, notably the timing of payments, probability of default and loss given default. <p>In assessing whether the cash assured accounting policy basis remains appropriate, with the continued non-recognition of certain historical revenues, we note the Crude Oil Export Sales Agreement was only effective from 1 October 2017 and does not apply to sales earlier than that date and the proposed amendments to the Shaikan PSC are still under discussion between the parties and subject to change.</p> <p>Further details of the key judgements are disclosed in the Audit and Risk Committee report on page 80 and in the critical accounting estimates and judgements disclosure on page 122. Revenue is disclosed in note 2 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We have assessed the appropriateness of the revenue recognition policy in light of current year developments and recalculated the revenue recognised for oil sales for the year. In particular, we have performed the following:</p> <ul style="list-style-type: none"> obtained an understanding of relevant controls over the revenue recognition process, including management review controls; challenged management on its assessment of the accounting implications with reference to the relevant accounting standard, being IFRS 15 Revenue from Contracts with Customers; recalculated the expected monthly entitlement revenue for the oil sales based on production in the year per the approved delivery reports and average Brent prices, less quality discounts, in line with the PSC and the Crude Oil Export Sales Agreement; vouched all cash receipts in 2020 and reviewed post-year-end bank statements to assess whether the outstanding receivable as at 31 December 2020 in respect of December revenue of \$14.9 million was subsequently received. Receipt of outstanding amounts in relation to November 2019 to February 2020 revenue of \$77.3 million have commenced in March 2021, with a payment received of \$2.6 million, in line with the mechanism proposed by the MNR; and challenged the ECL assumptions used, through benchmarking with external sources, and recalculating the provision.
Key observations	<p>Based on our analysis, recognising revenue on a “cash assured” basis is still appropriate under the Crude Oil Export Sales Agreement. We concur with management’s treatment of sales for the year ending 31 December 2020 and that it is appropriate to recognise \$108.5 million of revenue. We concur with the appropriateness of the ECL calculation and the carrying value of receivables.</p>

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

5. Key audit matters continued

5.2. Carrying value of oil and gas assets

Key audit matter description	<p>In accordance with IAS 36 Impairment of Assets, management is required to perform a review of any producing assets (Shaikan Field) for indicators of impairment at each reporting date. The assessment of the carrying value of producing assets requires management to exercise judgement in identifying the indicators of impairment, such as a decrease in oil price or a downgrade of proved and probable reserves.</p> <p>As part of its impairment indicators evaluation management considered key developments that occurred during 2020, including oil prices volatility during the year and the outcome as at 31 December 2020, the updated externally prepared Competent Person's Report ("CPR") including revised gross 2P reserves of 505 MMstb and the impacts of COVID-19 on Shaikan's operations, in particular the Group's decision to temporarily suspend the Shaikan expansion project and actions taken to preserve liquidity. Management concluded that no impairment indicators were present as at 31 December 2020.</p> <p>In order to further support this conclusion, an updated valuation model was prepared, including sensitivities, which supported the carrying value of oil and gas properties.</p> <p>The calculation of the recoverable amount requires judgement in estimating future oil prices, the applicable asset discount rate and the cost and production profiles of reserves estimates. The impact of climate change on commodity prices and investment decisions was also considered. As a result of this, the assessment of the recoverable amount of Shaikan remains a key judgement. We also considered there to be a potential fraud risk that the assumptions, such as the oil price and discount rate, applied to the impairment assessment could be subject to conscious or unconscious bias.</p> <p>Further details of the key judgements are disclosed in the Audit and Risk Committee report on page 80 and in the critical accounting estimates and judgements disclosure on page 122. Property, plant and equipment is disclosed in note 10 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>Our audit work therefore assessed the reasonableness of management's key assumptions in determining that no impairment indicators were present as at 31 December 2020 for the Shaikan asset.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> • obtaining an understanding of relevant controls over the impairment process, including management review controls; • performing an independent assessment of impairment indicators; • holding meetings with key operational and finance staff to understand the current status and future intention for the Shaikan Field; • benchmarking and analysis of oil price assumptions against forward curves (including selected Paris Agreement aligned prices) and other market data, including the impact of climate change; • recalculating and benchmarking of discount rates applied, with involvement from Deloitte fair value specialists; • comparing forecasted production and operating costs per the valuation model with actual historical production and the estimates set out in the updated CPR; • evaluating the competence, capability and objectivity and work performed by the Competent Person, with involvement from Deloitte resource evaluation technical engineering specialists; • assessing the sensitivity analysis performed on the key assumptions in the valuation model to determine whether there was headroom to support Shaikan's book value under certain downside scenarios, including those relating to a reduced oil price; and • assessing the relevant disclosures in relation to the carrying value of oil and gas assets.
Key observations	<p>Overall, we are satisfied that the conclusion that no indicators of impairment were present has been determined in accordance with the requirements of IAS 36 Impairment of Assets and that the related disclosures are appropriate.</p>

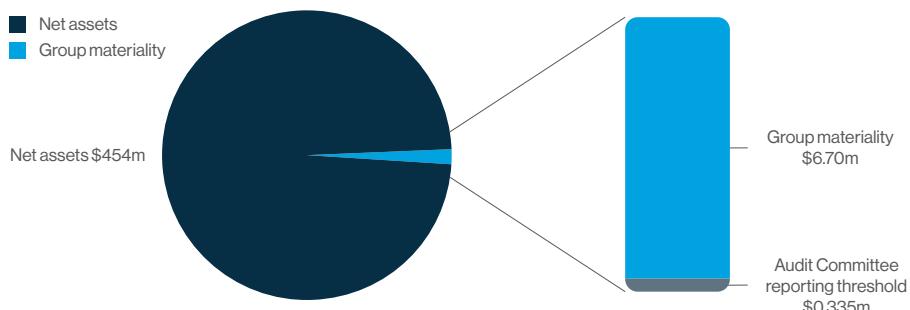
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group financial statements	
Materiality	\$6.7 million (2019: \$7.0 million)
Basis for determining materiality	Determined on the basis of net assets for 31 December 2020 (2019: Profit before tax and net assets)
Rationale for the benchmark applied	We consider that net assets is of particular relevance to users of the financial statements and is a key measure of performance used by the Group.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Group financial statements	
Performance materiality	60% (2019: 70%) of Group materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> the quality of the control environment and conclusions from our testing of Group-wide controls; the low level of historical uncorrected misstatements within the consolidated financial statements; the lack of significant changes in the business in the year which would impact on our ability to forecast the expected level of misstatement; and the impact of COVID-19 on the control environment which has resulted in the increased use of remote working during the year.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of \$335k (2019: \$350k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement. Our audit planning identified the Group's business to be a single component, and therefore all of the operations of the Group were subject to a full scope audit by the UK audit team.

During 2019 our audit work was performed primarily at the Group's head office in London. In the current year, this has not been possible due to the COVID-19 restrictions, and we have audited working remotely. Specified audit procedures in respect of the Group's property, plant and equipment and inventory balances were performed by a Deloitte member firm based in Kurdistan under the direction of the UK audit team.

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/ auditors responsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including fair value, resource evaluation, IT and financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and carrying value of oil and gas assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included Bermuda Companies Act and Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition and carrying value of oil and gas assets as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

12. Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 101;
- the Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, set out on page 102;
- the Directors' statement on fair, balanced and understandable set out on page 102;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 51 to 60;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 51 to 60; and
- the section describing the work of the Audit and Risk Committee, set out on page 80.

13. Use of our report

This report is made solely to the Company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Thomas FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 March 2021

Consolidated income statement

For the year ended 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Revenue	2	108,449	206,741
Cost of sales	3	(121,507)	(137,891)
Impairment of trade receivables	13	(6,776)	(293)
Gross (loss)/profit		(19,834)	68,557
General and administrative expenses	4	(13,547)	(19,531)
(Loss)/profit from operations		(33,381)	49,026
Finance revenue	6	1,278	6,046
Finance costs	6	(14,087)	(11,153)
Foreign exchange losses		(841)	(661)
(Loss)/profit before tax		(47,031)	43,258
Tax (expense)/credit	7	(311)	271
(Loss)/profit after tax for the year		(47,342)	43,529
(Loss)/profit per share (cents)			
Basic	8	(22.45)	19.25
Diluted	8	(22.45)	18.37

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	2020 \$'000	2019 \$'000
(Loss)/profit after tax for the year	(47,342)	43,529
Items that may be reclassified to the income statement in subsequent periods:		
Cash flow hedge – fair value movements	(1,732)	–
Exchange differences on translation of foreign operations	707	597
Total comprehensive (expense)/income for the year	(48,367)	44,126

Consolidated balance sheet

As at 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Non-current assets			
Intangible assets	9	933	454
Property, plant and equipment	10	374,702	407,602
Trade receivables	13	59,096	—
Deferred tax asset	17	617	849
		435,348	408,905
Current assets			
Inventories	12	36,527	31,040
Trade and other receivables	13	37,832	103,181
Derivative financial instruments	18	977	—
Cash and cash equivalents		147,826	190,762
		223,162	324,983
Total assets		658,510	733,888
Current liabilities			
Trade and other payables	14	(69,123)	(83,981)
		(69,123)	(83,981)
Non-current liabilities			
Trade and other payables	14	(1,058)	(1,989)
Borrowings	15	(98,633)	(98,192)
Provisions	16	(35,671)	(29,807)
		(135,362)	(129,988)
Total liabilities		(204,485)	(213,969)
Net assets		454,025	519,919
Equity			
Share capital	19	211,371	229,430
Share premium	19	842,914	871,675
Treasury shares	19	(2,592)	(29,749)
Cost of hedging reserve		(1,732)	—
Exchange translation reserve		(2,514)	(3,221)
Accumulated losses		(593,422)	(548,216)
Total equity		454,025	519,919

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2021 and signed on its behalf by:

Jon Harris
Chief Executive Officer

Ian Weatherdon
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2020

Notes	Attributable to equity holders of the Company						
	Share capital \$'000	Share premium \$'000	Treasury shares \$'000	Cost of hedging reserve \$'000	Exchange translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2019	229,430	920,728	—	—	(3,818)	(593,523)	552,817
Net profit for the year	—	—	—	—	—	43,529	43,529
Exchange difference on translation of foreign operations	—	—	—	—	597	—	597
Total comprehensive income for the year	—	—	—	—	597	43,529	44,126
Employee share schemes	23	—	—	—	—	1,860	1,860
Share buyback	19	—	—	(29,831)	—	—	(29,831)
Dividend paid	24	—	(49,053)	—	—	—	(49,053)
Share options exercised	—	—	82	—	—	(82)	—
Balance at 31 December 2019	229,430	871,675	(29,749)	—	(3,221)	(548,216)	519,919
Net loss for the year	—	—	—	—	—	(47,342)	(47,342)
Cash flow hedge – fair value movements	—	—	—	(1,732)	—	—	(1,732)
Exchange difference on translation of foreign operations	—	—	—	—	707	—	707
Total comprehensive (expense) /income for the year	—	—	—	(1,732)	707	(47,342)	(48,367)
Employee share schemes	23	—	—	—	—	2,637	2,637
Share buyback	19	—	—	(20,164)	—	—	(20,164)
Share options exercised	23	—	—	501	—	(501)	—
Share cancellation	19	(18,059)	(28,761)	46,820	—	—	—
Balance at 31 December 2020	211,371	842,914	(2,592)	(1,732)	(2,514)	(593,422)	454,025

Consolidated cash flow statement

For the year ended 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Operating activities			
Cash generated from operations	20	50,873	87,892
Interest received		1,278	5,897
Interest paid	6	(10,000)	(10,068)
Payment of put option premium		(5,371)	—
Net cash generated from operating activities		36,780	83,721
Investing activities			
Exit costs of Algerian operation		—	(11,060)
Purchase of intangible assets		(458)	(390)
Purchase of property, plant and equipment	20	(57,899)	(96,926)
Net cash used in investing activities		(58,357)	(108,376)
Financing activities			
Payment of dividends		—	(49,053)
Share buyback		(20,164)	(29,831)
Payments in lieu of share options exercised		—	(99)
Payment of leases		(1,317)	(972)
Net cash used in financing activities		(21,481)	(79,955)
Net decrease in cash and cash equivalents		(43,058)	(104,610)
Cash and cash equivalents at beginning of year		190,762	295,566
Effect of foreign exchange rate changes		122	(194)
Cash and cash equivalents at end of the year, being bank balances and cash on hand		147,826	190,762

Summary of significant accounting policies

General information

The Company is incorporated in Bermuda (registered address: Cedar House, 3rd Floor, 41 Cedar Avenue, Hamilton, HM12, Bermuda). On 25 March 2014, the Company's common shares were admitted, with a standard listing, to the Official List of the United Kingdom Listing Authority ("UKLA") and to trading on the London Stock Exchange's Main Market for listed securities. Previously, the Company was quoted on the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange. In 2008, the Company established a Level 1 American Depository Receipt programme in conjunction with the Bank of New York Mellon, which has been appointed as the depositary bank. 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.

Amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	<p>The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.</p> <p>The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32.</p>
Amendments to IFRS 3 Definition of a Business	<p>The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.</p> <p>The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.</p> <p>The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.</p> <p>The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.</p>
Amendments to IAS 1 and IAS 8 Definition of Material	<p>The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition.</p> <p>The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".</p> <p>The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of "material" or refer to the term "material" to ensure consistency.</p>

New and revised IFRSs issued but not yet effective

At the date of approval of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements Standards 2018-20 Amendments to IFRS 1 First Time Adoption of IFRS, IFRS 9 Financial Instruments, IFRS 16 Leases	

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Statement of compliance

The financial statements have been prepared in accordance with IFRS as adopted by the European Union.

Basis of accounting

The financial statements have been prepared under the historical cost basis, except for the valuation of hydrocarbon inventory and the valuation of certain financial instruments, which have been measured at fair value, and on the going concern basis. Equity-settled share-based payments are recognised at fair value at the date of grant, but are not subsequently revalued. The principal accounting policies adopted are set out below.

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 Chairman's statement, the Chief Executive Officer's review and the Operational review. The financial position of the Group at the year end and its cash flows and liquidity position are included in the Financial review.

As at 30 March 2021, the Group had \$161.0 million of cash. 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, the impact of COVID-19 on the Group's operations, commodity prices, different production rates from the Shaikan block, cost contingencies, disruptions to revenue receipts, etc. To preserve liquidity in response to macro-economic challenges, the Group capitalised on the flexible nature of its development programme and cost structure, and reduced capital expenditures, its workforce and running costs in 2020. The Group's forecasts, taking into account the applicable risks, stress test scenarios and potential mitigating actions, show that it has sufficient financial resources for the twelve months from the date of approval of the 2020 annual report and accounts.

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 annual consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, so as to obtain benefits from its activities.

Summary of significant accounting policies continued

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 (unaudited)

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

	Year ended 31 December 2020	Year ended 31 December 2019
Gross production (MMbbls)	13.4	12.0
Gross operating costs (\$ million) ⁽¹⁾	34.2	46.7
Gross operating costs per barrel (\$/bbl)	2.6	3.9

(1) Gross operating costs equate to operating costs (see note 3) 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.

	Year ended 31 December 2020	Year ended 31 December 2019
	\$ million	\$ million
(Loss)/profit after tax	(47.3)	43.5
Finance costs	14.1	11.2
Finance revenue	(1.3)	(6.0)
Tax expense/(credit)	0.3	(0.3)
Depreciation of oil and gas assets	82.8	72.5
Depreciation of other PPE assets and amortisation of intangibles	1.3	1.3
Impairment of receivables	6.8	0.3
Adjusted EBITDA	56.7	122.5

Capital investment

Capital investment is the value of the Group's additions to oil and gas assets excluding any movements in decommissioning assets.

	Year ended 31 December 2020	Year ended 31 December 2019
	\$ million	\$ million
Additions to oil and gas assets (note 10)	45.9	90.0
Capital investment	45.9	90.0

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 current and non-current borrowings plus non-cash adjustments, less cash and cash equivalents. Non-cash adjustments include unamortised arrangement fees and other adjustments.

	Year ended 31 December 2020 \$ million	Year ended 31 December 2019 \$ million
Outstanding Notes	(98.6)	(98.2)
Unamortised issue costs (note 15)	(1.4)	(1.8)
Accrued interest	(4.4)	(4.4)
Cash and cash equivalents	147.8	190.8
Net cash	43.4	86.4

Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. Where the Group acts as operator of the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

Sales revenue

The recognition of revenue, particularly the recognition of revenue from export sales of crude oil, is considered to be a key accounting judgement.

All oil is sold by the Shaikan Contractor (GKP and MOL) to the KRG, who in turn resell the oil. The selling price is determined in accordance with the principles of the crude oil export sales agreement ("Crude Oil Sales Agreement"), based on the dated Brent crude price less a quality discount and transportation costs. The sales agreement also specifies the delivery point, the KRG's contribution to transportation costs and payment terms relating to export sales of crude oil. The Crude Oil Sales Agreement has been governing Shaikan crude oil sales from 1 October 2017 onwards.

As the payment mechanism for sales is developing within the Kurdistan Region of Iraq, the Group currently considers that revenue can best be reliably measured when the cash receipt is assured. The assessment of whether cash receipt is reasonably assured is based on management's evaluation of the reliability of the KRG's payments to the international oil companies operating in the Kurdistan Region of Iraq.

The value of sales revenue is determined after taking account of the following:

- in 2020, all crude oil sales were made via the Kurdistan Export Pipeline. The point of sale is the point that the crude oil is injected into the Kurdistan Export Pipeline;
- in 2019, for the crude oil sales via the Fishkhabour route, the point of sale is the point that the crude oil is unloaded into the export pipeline at Fishkhabour;
- GKP recognises revenue for its share of the revenue on a cash-assured basis and these amounts of recognised revenue may be lower than the Company's entitlement under the Shaikan PSC, giving rise to unrecognised revenue amounts; and
- from 15 November 2017 until December 2019, the Group performed transportation services in respect of the KRG's share of export oil sales. It recharged all of these transportation costs at nil mark-up to the KRG and these recharged transportation costs are recognised as revenue.

During PSC negotiations with the MNR, it was tentatively agreed that the Shaikan contractor would provide the KRG a 20% carried working interest in the PSC. This would result in a reduction of GKP's working interest from 80% to 61.5% and, to compensate for such decrease, a reduction in the capacity building payments expense from 40% to 20%. While the PSC has not been formally amended, it was agreed that GKP would invoice the KRG for oil sales based on the proposed revised terms from October 2017. Since revenue is recognised on a cash-assured basis, the financial statements reflect the proposed revised terms. Relative to the PSC terms, the proposed revised invoicing terms result in a decrease in both revenue and cost of sales and on a net basis is slightly positive for the Company. The Company is in dialogue with the MNR to confirm whether they would like to proceed with an amendment to the PSC or revert to invoicing on the basis of the PSC.

Income tax arising from the Company's activities under its PSC is settled by the KRG on behalf of the Company. However, the Company is not able to measure the amount of income tax that has been paid on its behalf and, therefore, the notional income tax amounts have not been included in revenue or in the tax charge.

Finance revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective rate of interest applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Summary of significant accounting policies continued

Property, plant and equipment other than oil and gas assets

Property, plant and equipment ("PPE") is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

- Fixtures and equipment – 20% straight-line

Intangible assets other than oil and gas assets

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

- Computer software – 33% straight-line

Oil and gas assets

Pre-licence costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation costs

The Group follows the successful efforts method of accounting for exploration and evaluation ("E&E") costs. Expenditures directly associated with evaluation or appraisal activities are initially capitalised as intangible assets in cost pools by well, field or exploration area, as appropriate. Such costs include licence acquisition, technical services and studies, exploration and appraisal well drilling, payments to contractors, interest payable and directly attributable administration and overhead costs.

These costs are then written off as exploration costs in the income statement unless the existence of economically recoverable reserves has been established and there are no indicators of impairment.

E&E costs are transferred to development and production assets within property, plant and equipment upon the approval of a development programme by the relevant authorities and the determination of commercial reserves existence.

Development and production assets

Development and production assets are accumulated on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above.

The cost of development and production assets includes the cost of acquisition and purchases of such assets, directly attributable overheads, and costs for future restoration and decommissioning. These costs are capitalised as part of the property, plant and equipment and depreciated based on the Group's depreciation of oil and gas assets policy.

Depreciation of oil and gas assets

The net book values of producing assets are depreciated generally on a field-by-field basis using the unit of production ("UOP") basis which uses the ratio of oil and gas production in the period to the remaining commercial reserves plus the production in the period. Production associated with unrecognised export sales revenue is included in the depreciation, depletion and amortisation ("DD&A") calculation. Costs used in the calculation comprise the net book value of the field, and any anticipated costs to develop such reserves.

Commercial reserves are proven and probable ("2P") reserves together with, where considered appropriate, a risked portion of 2C contingent resources, which are estimated using standard recognised evaluation techniques. The reserves estimate used in 2020 is based on values from ERC Equipoise – CPR August 2016 and confirmation letter dated April 2017. CPR volume estimates at 31 December 2016 were adjusted by GKP for production from 2017 to 2020 inclusively. An updated CPR was received in February 2021 and will be used as the basis for the calculation of DD&A from 2021 onwards.

Impairment of PPE and intangible non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, or group of assets, is estimated in order to determine the extent of the impairment loss (if any).

For assets which do not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any impairment identified is immediately recognised as an expense.

Borrowing costs

Borrowing costs directly relating to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised and added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

As described in the revenue accounting policy section above, it is not possible to calculate the amount of notional tax to be shown in relation to any tax liabilities settled on behalf of the Group by the KRG.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Foreign currencies

The individual financial statements of each company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and the financial position of the Group are expressed in US dollars, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the year.

On consolidation, the assets and liabilities of the Group's foreign operations which use functional currencies other than US dollars are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the Group's translation reserve. On the disposal of a foreign operation, such translation differences are reclassified to profit or loss.

Inventories

Inventories, except for hydrocarbon inventories, are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Hydrocarbon inventories are recorded at net realisable value with changes in hydrocarbon inventories being adjusted through cost of sales.

Summary of significant accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at amortised cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets at fair value through profit and loss ("FVTPL")

Financial assets are held at FVTPL when the financial asset is either held for trading or it is designated as FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line in the income statement.

Derivative financial instruments

The Group may utilise derivative financial instruments to manage its exposure to oil price risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group uses hedge accounting for certain derivative instruments. The Group uses cash flow hedge accounting when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of the hedge relationship, the Group formally designates and documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transaction. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "Finance costs" line item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses ("ECL") for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated based on observed market data and convention, existing market conditions and forward-looking estimates at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, which are charged to share premium.

Borrowings

Interest-bearing loans and overdrafts are recorded at the fair value of proceeds received, net of transaction costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise. The liability is carried at amortised cost using the effective interest rate method until maturity.

Trade payables

Trade payables are stated at amortised cost. The average maturity for trade and other payables is one to three months.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Decommissioning provision

Provision for decommissioning is recognised in full when there is an obligation to restore the site to its original condition. The amount recognised is the present value of the estimated future expenditure for restoring the sites of drilled wells and related facilities to their original status. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas asset. The amount recognised is reassessed each year in accordance with local conditions and requirements. Any change in the present value of the estimated expenditure is dealt with prospectively. The unwinding of the discount is included as a finance cost.

Summary of significant accounting policies continued

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the period. Details regarding the determination of the fair value of cash-settled share-based transactions are set out in note 23.

Leases

The Group assesses whether a contract contains a lease at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability in the consolidated balance sheet for all lease arrangements longer than twelve months, where it is the lessee and has control of the asset. For all other leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the future lease payments from the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the Company-specific incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is recognised in creditors as current or non-current liabilities depending on underlying lease terms.

The right-of-use assets are initially recognised on the balance sheet at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease and any lease incentive received.

For short-term leases (periods less than twelve months) and leases of low value, the Group has opted to recognise the lease expense on a straight-line basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, 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 judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue

The recognition of revenue, particularly the recognition of revenue from exports, 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. The Group considers that revenue can only be reliably measured when the cash receipt is assured. The assessment of whether cash receipts are reasonably assured is based on management's evaluation of the reliability of the MNR's payments to the international oil companies operating in the Kurdistan Region of Iraq. The Group also recognised payables to the MNR that were offset against amounts receivable from the MNR for previously unrecognised revenue in line with the terms of the Shaikan 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 in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Measurement and recognition of ECL

In March 2020, the KRG informed the Company and other IOCs in Kurdistan that payments for sales from November 2019 to February 2020 would be deferred. As at 31 December 2020, the Group had \$77.3 million of overdue invoices in relation to this period.

In December 2020, the Company received an arrears repayment proposal from the KRG with the repayment amount being 50% of the difference between the average monthly dated Brent price and \$50 per barrel multiplied by gross Shaikan crude oil sales volumes. The first payment towards the outstanding balance was received in March 2021.

While the Company continues to expect to recover the full \$77.3 million from the KRG, in line with IFRS 9, the Group is required to calculate an ECL associated with this receivable. The measurement of the ECL is a function of the gross carrying amount at the reporting date, the probability of default, and the magnitude of a potential loss if there is a default. The Group uses judgement in determining the assumptions for the ECL calculation, based on observed market data and convention, existing market conditions and forward-looking estimates at the end of each reporting period.

Additionally, the Group purchased from MOL in 2018 revenue arrears totalling \$9.1 million; while the Group expects to recover the full amount, it is required to also calculate an ECL associated with this amount.

The result of the Group's ECL assessment is \$8.2 million adjustment to the trade receivables. The Group has provided detailed disclosure required by IFRS 9 ECL assessment in note 13.

Whilst not a key source of estimation uncertainty, the following is made as an additional disclosure.

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, pre-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 at 31 December 2020 was the Shaikan Field with a carrying value of \$367.9 million. The Group performed a full impairment indicator evaluation considering the impact of COVID-19, the decline in oil prices in 2020, the Group's decision to suspend the Shaikan expansion project, potential changes to future development plans and actions to preserve liquidity. The potential impact of such factors together with other possible changes to key assumptions and available mitigating actions, showed that no impairment indicators arose.

The key areas of estimation in the impairment assessment 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	2021	2022 onwards
31 December 2020 – base case	\$50	\$55
31 December 2020 – stress case	\$45	\$50
31 December 2019 – base case	\$60	\$60
31 December 2019 – stress case	\$40	\$50

- the Group continues to develop its assessment of the potential impacts of climate change, the transition to a low-carbon future and our ambition to reduce scope 1 and 2 per barrel CO₂ emissions by at least 50% by 2025. The effects of climate change and the Paris Agreement on future Brent prices were considered. It was concluded, based on benchmarking, that the stress case price deck used in the impairment assessment is reasonable assuming the Paris Agreement 2°C target;
- discount rates that are adjusted to reflect risks specific to the Shaikan Field and the Kurdistan Region of Iraq. The impairment analysis was based on a post-tax nominal 15% discount rate (2019: 15%);
- operating costs and capital expenditure that 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. Costs assumptions used in the assessment are consistent with the February 2021 CPR;
- commercial reserves and production profiles used in the assessment are consistent with the February 2021 CPR; and
- timing of revenue receipts.

Notes to the consolidated financial statements

1. Geographical information

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

	2020 \$'000	2019 \$'000
Kurdistan	369,761	407,808
United Kingdom	1,910	248
	371,671	408,056

Information about major customers

Included in revenues are \$108.4 million which arose from sales to the KRG (2019: \$206.7 million).

2. Revenue

	2020 \$'000	2019 \$'000
Oil sales	108,449	202,871
Transportation revenue	—	3,870
	108,449	206,741

The Group accounting policy for revenue recognition is set out in the "Summary of significant accounting policies", with revenue recognised on a cash-assured basis.

During 2020, the cash-assured values recognised as oil sales were the invoiced revenue for the year amounting to \$108.4 million (2019: \$202.9 million). The oil sales price was calculated using the monthly dated Brent price less an average discount of \$21.10 (2019: \$21.70) per barrel for quality, pipeline tariff and transportation costs.

From November 2017 until mid-December 2019, the Group provided transportation services in respect of the KRG's share of export oil sales. It recharged all of these transportation costs at nil mark-up to the KRG.

3. Cost of sales

	2020 \$'000	2019 \$'000
Operating costs	27,401	37,373
Capacity building payments	8,362	15,317
Changes in inventory valuation	2,923	713
Transportation costs	—	11,974
Depreciation of oil and gas assets	82,797	72,514
Depreciation of operational assets	24	—
	121,507	137,891

Costs relating to the impairment of trade receivables have been excluded from cost of sales in 2020 and are presented separately on the income statement. Presentation of 2019 costs of sales has been aligned with 2020.

Following the completion and connection of the PF-1 pipeline to the main regional export pipeline in December 2019, the Group is no longer required to incur transportation costs.

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

Subsequent to the year end, the Group received a Competent Person's Report from ERC Equipoise Limited. The report resulted in a lower DD&A per barrel rate. The new DD&A rate constitutes a change in accounting estimate and will be reflected in the financial statements effective 1 January 2021.

4. General and administrative expenses

	2020 \$'000	2019 \$'000
Depreciation and amortisation	1,325	1,318
Share-based payment expense	2,440	1,910
Share-based payment related provision for taxes	(1,205)	1,929
Auditor's remuneration (see below)	378	253
Other general and admin costs (including staff costs)	10,609	14,121
	13,547	19,531

Of the \$13.5 million of general and administrative expenses, \$5.8 million (2019: \$10.0 million) were incurred in relation to the Shaikan Field.

	2020 \$'000	2019 \$'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts ⁽¹⁾	350	228
Fees payable to the Company's auditor for other services to the Group – audit of the Company's subsidiaries pursuant to legislation	28	25
Total audit fees	378	253
Advisory services	45	13
Other assurance services (including half-year review)	151	73
Total fees	574	339

(1) The fees payable to the Company's auditor for the audit of the Company's annual accounts include \$43,000 (2019: \$nil) in respect of the prior year audit.

5. Staff costs

The average number of employees and contractors (including Executive Directors) employed by the Group was 354 (2019: 407). The headcount numbers are not adjusted for part-time, shift-work and rotational working arrangements.

Staff costs were as follows:

	2020 \$'000	2019 \$'000
Wages and salaries	30,705	35,812
Social security costs	1,334	3,454
Share-based payment (see note 23)	2,637	2,224
	34,676	41,490

Staff costs include severance and various additional costs incurred due to the impact of COVID-19. Staff costs also include costs relating to contractors who are long-term workers in key positions.

Notes to the consolidated financial statements

continued

6. Finance costs and finance revenue

	2020 \$'000	2019 \$'000
Notes interest paid during the year (see note 15)	(10,000)	(10,000)
Unwinding of finance and arrangement fees	(440)	(397)
Finance lease interest	(221)	(67)
Total finance costs for financial liabilities not classified as FVTPL	(10,661)	(10,464)
Put option premium	(2,662)	—
Unwinding of discount on provisions (see note 16)	(764)	(689)
Total finance costs for financial liabilities classified as FVTPL	(3,426)	(689)
Total finance costs	(14,087)	(11,153)
Finance revenue	1,278	6,046
Net finance costs	(12,809)	(5,107)

In July 2020, the Company purchased a put option effectively establishing a floor price of \$35/bbl dated Brent on approximately 60% of its H2 2020 production. The cost of the option was \$2.7 million and it expired on 31 December 2020.

7. Income tax

	2020 \$'000	2019 \$'000
Current year charged	(90)	—
Deferred UK corporation tax credit (see note 17)	(221)	271
Tax (expense)/credit attributable to the Company and its subsidiaries	(311)	271

Under current Bermudan laws, the Group is not required to pay taxes in Bermuda on either income or capital gains. The Group has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2035.

In the Kurdistan Region of Iraq, the Group is subject to corporate income tax on its income from petroleum operations under the Kurdistan PSC. Under the Shaikan PSC, any corporate income tax arising from petroleum operations will be paid from the KRG's share of petroleum profits. Due to the uncertainty over the payment mechanism for oil sales in Kurdistan, it has not been possible to measure reliably the taxation due that has been paid on behalf of the Group by the KRG and therefore the notional tax amounts have not been included in revenue or in the tax charge. This is an accounting presentational issue and there is no taxation to be paid.

A reduction in the UK corporation tax rate from 19.0% to 17.0%, effective from 1 April 2020, was substantively enacted during 2016. On 11 March 2020, the UK Government announced in the Budget that it would reverse the previously enacted reduction in the UK corporation tax rate, which was due to take effect from 1 April 2020. This was substantively enacted on 17 March 2020. The annual UK corporation tax rate for the year ended 31 December 2020 remained at 19.0% (2019: 19.0%).

At the Budget 2021 on 3 March 2021, the UK Government announced that the corporation tax rate in the UK will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to allowances and treatment of losses. These changes are not yet substantively enacted, and the Group has not yet undertaken a full analysis of the impact of the changes. Deferred tax is provided for due to the temporary differences, which give rise to such a balance in jurisdictions subject to income tax. All deferred tax arises in the UK.

8. (Loss)/profit per share

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

	2020 \$'000	2019 \$'000
(Loss)/profit		
(Loss)/profit after tax for basic and diluted per share calculations	(47,342)	43,529

	2020 Number ('000)	2019 Number ('000)
Number of shares		
Basic weighted average number of ordinary shares	210,893	226,178

The Group followed the steps specified by IAS 33 in determining whether potential common shares are dilutive or anti-dilutive.

Reconciliation of dilutive shares:

	2020 Number ('000)	2019 Number ('000)
Number of shares		
Basic weighted average number of ordinary shares outstanding	210,893	226,178
Effect of dilutive potential ordinary shares	—	10,775
Diluted number of ordinary shares outstanding	210,893	236,953

The weighted average number of ordinary shares in issue excludes shares held by the Employee Benefit Trustee ("EBT") and the Exit Event Trustee, and shares held in Treasury following the share buyback programmes carried out in 2019 and 2020.

The diluted number of ordinary shares outstanding including share options is calculated on the assumption of conversion of all potentially dilutive ordinary shares. During the year ended 31 December 2019, there were 0.3 million share options that were excluded from the number of potential dilutive ordinary shares.

As the Company reported a loss for the year ended 31 December 2020, the exercise of the outstanding share options would reduce the reported loss per share and, therefore, these share options are anti-dilutive.

Notes to the consolidated financial statements

continued

9. Intangible assets

	Computer software \$'000
Year ended 31 December 2019	
Opening net book value	84
Additions	390
Amortisation charge	(26)
Foreign currency translation differences	6
Closing net book value	454
At 31 December 2019	
Cost	1,498
Accumulated amortisation	(1,044)
Net book value	454
Year ended 31 December 2020	
Opening net book value	454
Additions	458
Amortisation charge	(3)
Foreign currency translation differences	24
Closing net book value	933
At 31 December 2020	
Cost	1,980
Accumulated amortisation	(1,047)
Net book value	933

The amortisation charge of \$3,000 (2019: \$26,000) for computer software has been included in general and administrative expenses (see note 4).

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 2019				
Opening net book value	379,650	887	—	380,537
Additions	90,041	755	3,528	94,324
Disposals at cost	—	—	(35)	(35)
Revision to decommissioning asset	6,518	—	—	6,518
Depreciation charge	(72,514)	(381)	(911)	(73,806)
Depreciation on disposals	—	—	15	15
Foreign currency translation differences	1	49	(1)	49
Closing net book value	403,696	1,310	2,596	407,602
At 31 December 2019				
Cost	696,608	7,005	3,492	707,105
Accumulated depreciation	(292,912)	(5,695)	(896)	(299,503)
Net book value	403,696	1,310	2,596	407,602
Year ended 31 December 2020				
Opening net book value	403,696	1,310	2,596	407,602
Additions	45,854	155	1,721	47,730
Lease modification	—	—	(1,623)	(1,623)
Revision to decommissioning asset	5,100	—	—	5,100
Depreciation charge	(82,797)	(278)	(1,044)	(84,119)
Foreign currency translation differences	—	—	12	12
Closing net book value	371,853	1,187	1,662	374,702
At 31 December 2020				
Cost	747,562	7,160	3,602	758,324
Accumulated depreciation	(375,709)	(5,973)	(1,940)	(383,622)
Net book value	371,853	1,187	1,662	374,702

The net book value of oil and gas assets at 31 December 2020 is comprised of property, plant and equipment relating to the Shaikan block and has a carrying value of \$371.9 million (2019: \$403.7 million).

The additions to the Shaikan asset during the year include costs of testing and connecting SH-9 to the production facilities, the partial drilling of SH-13, SH-12 recompletion, well flowlines construction, PF-1 and PF-2 debottlenecking activities and subsurface studies. The increase in the decommissioning asset represents further decommissioning obligations that arose on capital projects.

The DD&A charge of \$82.8 million on oil and gas assets (2019: \$72.5 million) has been included within cost of sales (note 3). The depreciation charge of \$0.3 million (2019: \$0.4 million) on fixtures and equipment and \$1.0 million (2019: \$0.9 million) right-of-use assets has been included in general and administrative expenses (note 4).

Right-of-use assets at 31 December 2020 of \$1.7 million (2019: \$2.6 million) consisted principally of buildings.

For details of the key assumptions and judgements underlying the impairment assessment and the depreciation, depletion and amortisation charge, refer to the "Critical accounting estimates and judgements" section of the Summary of significant accounting policies.

Notes to the consolidated financial statements

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11. Group companies

Details of the Company's subsidiaries and joint operations at 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
Gulf Keystone Petroleum (UK) Limited 6th Floor New Fetter Place 8-10 New Fetter Lane London EC4A 1AZ	United Kingdom	100%	Management, support, geological, geophysical and engineering services
Gulf Keystone Petroleum International Limited Cedar House, 3rd Floor 41 Cedar Avenue Hamilton HM12 Bermuda	Bermuda	100%	Exploration, evaluation, development and production activities in Kurdistan
Name of joint operation	Location	Proportion of ownership interest	Principal activity
Shaikan	Kurdistan	80%	Production and development activities

12. Inventories

	2020 \$'000	2019 \$'000
Warehouse stocks and materials	36,172	30,135
Crude oil	355	905
	36,527	31,040

Warehouse stock and materials at 31 December 2020 contain write-downs to net realisable value of \$2.5 million (2019: \$1.0 million) included in cost of sales.

13. Trade and other receivables

Non-current receivables

	2020 \$'000	2019 \$'000
Trade receivables – non-current	59,096	—
	59,096	—

Current receivables

	2020 \$'000	2019 \$'000
Trade receivables – current	34,021	97,917
Other receivables	2,963	4,458
Prepayments and accrued income	848	806
	37,832	103,181

Reconciliation of trade receivables

	2020 \$'000	2019 \$'000
Gross carrying amount	101,302	99,326
Less: impairment allowance	(8,185)	(1,409)
Carrying value at 31 December	93,117	97,917

Gross trade receivables of \$101.3 million (2019: \$99.3 million) are comprised of invoiced amounts due from the KRG for crude oil sales totalling \$92.2 million (2019: \$90.2 million) and a share of Shaikan revenue arrears the Group purchased from MOL in 2018 amounting to \$9.1 million. The amount for crude oil sales includes past due trade receivables of \$77.3 million⁽¹⁾ (2019: \$47.8 million) related to November 2019 to February 2020 invoices. While the Group expects to recover the full value of the outstanding invoices and purchased revenue arrears, the ECL on the overdue receivable balance of \$8.2 million was provided against the receivables balance in line with the requirements of IFRS 9 of which \$6.8 million was recognised in the reporting period (2019: \$0.3 million).

For March 2020 and subsequent months, the KRG paid for oil sales in the following month. The December 2020 invoice included in current trade receivables was received in January 2021. In March 2021, the Group received the first payment in relation to the arrears from the outstanding November 2019 to February 2020 invoices. This arrears payment was made in line with the KRG's proposal and corresponded to 50% of the difference between the January average dated Brent price and \$50/bbl multiplied by the gross Shaikan crude oil volumes sold in January.

ECL sensitivities

The tables below show information on the sensitivity of the Group's loss before tax to the estimates used in calculating impairment allowance on outstanding invoices. Changes in estimates could have a material impact on the carrying value of the Group's trade receivables.

The table below demonstrates the sensitivity of the Group's loss before tax to movements in dated Brent, with all other variables held constant:

	2020 Decrease/ (increase) to loss before tax \$'million
Increase/decrease in Brent price	2.0
+5%	2.0
-5%	(5.5)

The table below demonstrates the sensitivity of the Group's loss before tax to movements in the default spread, with all other variables held constant:

	2020 Decrease/ (increase) to loss before tax \$'million
Increase/decrease in probability of default	(0.8)
+10%	(0.8)
-10%	0.8

The Group's loss before tax was not sensitive to movements of +/-10% in production level or loss given default.

Other receivables

Included within other receivables is an amount of \$0.4 million (2019: \$nil) being the deposits for leased assets which are receivable after more than one year. There are no receivables from related parties as at 31 December 2020 (2019: \$nil). No impairments of other receivables have been recognised during the year (2019: \$nil).

(1) The past due invoiced trade receivables amount excludes the associated capacity building payments due to the KRG which reduced the amount due to GKP to \$73.3 million.

Notes to the consolidated financial statements

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14. Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade payables approximates their fair value.

Current liabilities

	2020 \$'000	2019 \$'000
Trade payables	2,212	5,373
Accrued expenditures	14,481	27,468
Other payables	51,612	49,875
Current lease liabilities (see note 21)	718	1,265
Tax liabilities	100	—
	69,123	83,981

The Group changed the presentation of current liabilities in 2020 and the 2019 balances have been restated accordingly.

Accrued expenditures include \$4.4 million interest payable as at 31 December 2020 (2019: \$4.4 million), see note 15.

Other payables include \$46.5 million (2019: \$41.4 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.

Non-current liabilities

	2020 \$'000	2019 \$'000
Non-current lease liability (see note 21)	1,058	1,989
	1,058	1,989

15. Long-term borrowings

	2020 \$'000	2019 \$'000
Liability component at 1 January	102,553	102,156
Interest expense, including unwinding of finance and arrangement fees	10,440	10,397
Interest paid during the year	(10,000)	(10,000)
Liability component at 31 December	102,993	102,553

Liability component reported in:

	2020 \$'000	2019 \$'000
Current liabilities (see note 14)	4,360	4,361
Non-current liabilities	98,633	98,192
	102,993	102,553

In July 2018, the Group completed the private placement of a five-year senior unsecured \$100 million bond issue (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 Notes are redeemable by GKP 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.

During the year, the Group was not in breach of any terms of the Notes.

The Notes are traded on the Norwegian Stock Exchange and the fair value at the prevailing market price as at the balance sheet date was:

	Market price	2020 \$'000	2019 \$'000
Notes	\$102.50	102,500	104,910

As at 31 December 2020, the Group's remaining contractual liability comprising principal and interest based on undiscounted cash flows is as follows:

	2020 \$'000	2019 \$'000
Within one year	10,000	10,000
Within two years	115,639	125,639
	125,639	135,639

16. Provisions

	2020 \$'000	2019 \$'000
Decommissioning provision		
At 1 January	29,807	22,600
New provisions and changes in estimates	5,100	6,518
Unwinding of discount	764	689
At 31 December	35,671	29,807

The provision for decommissioning is based on the net present value of the Group's share of expenditure, inflated at 2.0% (2019: 2.0%) and discounted at 2.0% (2019: 2.0%), which may be incurred in the removal and decommissioning of the wells and facilities currently in place and restoration of the sites to their original state. The expenditure on the Shaikan block in Kurdistan is expected to take place over the next 22 years.

17. Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods. The deferred tax assets arise in the United Kingdom.

	Accelerated tax depreciation \$'000	Share-based payments \$'000	Tax losses carried forward \$'000	Total \$'000
At 1 January 2019	(30)	320	269	559
(Charge)/credit to income statement	4	470	(203)	271
Exchange differences	(1)	11	9	19
At 31 December 2019	(27)	801	75	849
(Charge)/credit to income statement	(85)	(66)	(70)	(221)
Exchange differences	(3)	(3)	(5)	(12)
At 31 December 2020	(115)	732	—	617

Notes to the consolidated financial statements

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18. Financial instruments

	2020 \$'000	2019 \$'000
Financial assets		
Cash and cash equivalents	147,826	190,762
Loans and receivables	97,776	102,375
	245,602	293,137
Derivative financial instruments		
Put options used for hedging	977	—
	246,579	293,137
Financial liabilities		
Trade and other payables	70,081	85,970
Borrowings	98,633	98,192
	168,714	184,162

All financial liabilities, except for borrowings (see note 15) and non-current lease liability (see note 14), are due to be settled within one year and are classified as current liabilities.

All financial instruments apart from the Notes, which are recognised at amortised cost, are recognised at FVTPL.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's financial instruments are Level 2, except the Notes which are Level 1. There were no transfers between fair value levels during the year.

The maturity profile and fair values of the Notes are disclosed in note 15. The maturity profile of all other financial liabilities is indicated by their classification in the balance sheet as "current" or "non-current". Further information relevant to the Group's liquidity position is disclosed in the Directors' report under "going concern".

Fair values of financial assets and liabilities

With the exception of the Notes, and the receivables from the KRG which the Group expects to recover in full (see note 13), the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Notes, as determined using market values at 31 December 2020, was \$102.5 million (2019: \$104.9 million) compared to the carrying value of \$98.6 million (2019: \$98.2 million).

The financial assets balance includes an \$8.2 million provision against trade receivables (see note 13). All financial assets and liabilities, with the exception of derivatives, are measured at amortised cost.

Capital risk management

The Group manages its capital to ensure that the entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity structure. The capital structure of the Group consists of cash, cash equivalents, Notes and equity attributable to equity holders of the parent. Equity comprises issued capital, reserves and accumulated losses as disclosed in note 19 and the consolidated statement of changes in equity.

Capital structure

The Group's Board of Directors reviews the capital structure on a regular basis and will make adjustments in light of changes in economic conditions. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the summary of significant accounting policies.

Financial risk management objectives

The Group's management monitors and manages the financial risks relating to the operations of the Group. These financial risks include market risk (including commodity price, currency and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group currently hedges against commodity price risk by purchasing put options. In 2020, the Group purchased put options that effectively provide a floor price of \$35/bbl for c.60% of its H2 2020 and H1 2021 net entitlement production. The Group does not hedge any other financial risks. The Group does not use derivative financial instruments for speculative purposes.

The risks are closely reviewed by the Board on a regular basis and, where appropriate, steps are taken to ensure these risks are minimised.

Market risk

The Group's activities expose it primarily to the financial risks of changes in oil prices, foreign currency exchange rates and changes in interest rates in relation to the Group's cash balances.

There have been no changes to the Group's exposure to other market risks. The risks are monitored by the Board on a regular basis.

The Group conducts and manages its business predominantly in US dollars, the operating currency of the industry in which it operates.

The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

At 31 December 2020, a 10% weakening or strengthening of the US dollar against the other currencies in which the Group's monetary assets and monetary liabilities are denominated would not have a material effect on the Group's net current assets or profit before tax.

Interest rate risk management

The Group's policy on interest rate management is agreed at the Board level and is reviewed on an ongoing basis. The current policy is to maintain a certain amount of funds in the form of cash for short-term liabilities and have the rest on relatively short-term deposits, usually between one and three months, to maximise returns and accessibility. The Group must pay interest on its Notes semi-annually in cash at 10% per annum.

Based on the exposure to the interest rates for cash and cash equivalents at the balance sheet date, a 0.5% increase or decrease in interest rates would not have a material impact on the Group's profit for the year or the previous year. A rate of 0.5% is used as it represents management's assessment of a reasonable change in interest rates.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

As at 31 December 2020, the maximum exposure to credit risk from a trade receivable outstanding from one customer is \$101.3 million (2019: \$99.3 million). Although the Group is confident in the recovery of the trade receivables balance, a provision of \$8.2 million (2019: \$1.4 million) was recognised against the trade receivables balance.

The credit risk on liquid funds is limited because the counterparties for a significant portion of the cash and cash equivalents at the balance sheet date are banks with investment grade credit ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. It is the Group's policy to finance its business by means of internally generated funds, external share capital and debt. The Group seeks to raise further funding as and when required.

Fair value of derivative instruments

All derivatives are used to hedge against commodity price risk and are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions or using standard calculation techniques for the applicable instruments and commodities involved.

For derivatives designated as a cash flow hedge, the movements in the fair value of the derivatives are recognised in other comprehensive income. Derivatives' maturity and the timing of their recycling into income or expense coincide.

The Group's derivative instruments' value was as follows:

	2020 \$'000	2019 \$'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Put option	977	—
	977	—

In order to manage the Group's oil price risk, put options were entered into during the year. The first tranche related to H2 2020, and was entered into at a cost of \$2.7 million, which has been recognised as a finance cost (see note 6). A second tranche related to H1 2021 was entered into at a cost of \$2.7 million and hedges 1.6 MMBbl of oil with a floor price of \$35/bbl. The fair value of the second tranche at 31 December 2020 was \$1.0 million with a revaluation loss of \$1.7 million recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

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19. Share capital

		2020 \$'000	2019 \$'000	
Authorised				
Common shares of \$1 each (2019: \$1 each)		231,605	231,605	
Non-voting shares of \$0.01 each		500	500	
Preferred shares of \$1,000 each		20,000	20,000	
Series A preferred shares of \$1,000 each		40,000	40,000	
		292,105	292,105	
Common shares				
	No. of shares '000	Amount \$'000	Share capital \$'000	Share premium \$'000
Balance 1 January 2019	229,430	1,150,158	229,430	920,728
Dividend paid	—	(49,053)	—	(49,053)
Balance 31 December 2019	229,430	1,101,105	229,430	871,675
Shares cancelled	(18,059)	(46,820)	(18,059)	(28,761)
Balance 31 December 2020	211,371	1,054,285	211,371	842,914

The Company announced on 8 July 2019 that it would undertake a buyback programme to purchase shares up to a maximum value of \$25 million. This programme was successfully completed on 8 October 2019 and a second buyback programme for \$25 million was commenced on 10 December 2019 and successfully completed on 13 March 2020. Following the buyback programme completion, the Company held 19,059,064 shares in treasury, of which 18,059,064 were cancelled in late 2020.

At 31 December 2020, a total of 1,000,000 (2019: 10,415,603) common shares were held in treasury with a value of \$2.6 million (2019: \$29.7 million).

At 31 December 2020, a total of 0.1 million common shares at \$1 each were held by the EBT and Exit Event Trustee (2019: 0.1 million at \$1 each). These common shares were included within reserves.

Rights attached to share capital

The holders of the common shares have the following rights (subject to the other provisions of the Byelaws):

- entitled to one vote per common share;
- entitled to receive notice of, and attend and vote at, general meetings of the Company;
- entitled to dividends or other distributions; and
- in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for a reorganisation or otherwise or upon a distribution of capital, entitled to receive the amount of capital paid up on their common shares and to participate further in the surplus assets of the Company only after payment of the Series A Liquidation Value (as defined in the Byelaws) on the Series A preferred shares.

20. Cash flow reconciliation

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
(Loss)/profit from operations		(33,381)	49,026
Adjustments for:			
Depreciation, depletion and amortisation of property, plant and equipment (including the right-of-use assets)		84,119	73,806
Amortisation of intangible assets		3	26
Impairment of trade receivables	13	6,776	293
Share-based payment expense	23	2,440	1,910
Lease modification		(97)	—
Operating cash flows before movements in working capital		59,860	125,061
Increase in inventories		(5,487)	(16,850)
Increase in trade and other receivables		(523)	(35,416)
(Decrease)/increase in trade and other payables		(2,977)	15,097
Cash generated from operations		50,873	87,892

Reconciliation of property, plant and equipment additions to cash flows from purchase of property, plant and equipment:

	2020 \$'000	2019 \$'000
Associated cash flows		
Additions to property, plant and equipment	47,730	94,324
Movement in working capital	12,087	6,444
Non-cash movements		
Finance lease additions	(1,721)	(3,528)
Capitalised share option charges	(197)	(314)
Purchase of property, plant and equipment	57,899	96,926

21. Lease liabilities

	2020 \$'000	2019 \$'000
Analysed as:		
Current liabilities	718	1,265
Non-current liabilities	1,058	1,989
	1,776	3,254
Lease maturity analysis		
Year 1	209	—
Year 2	48	—
Year 3	—	3,254
Year 4	1,519	—
Amounts payable under leases		
Within one year	720	1,348
In the second to fifth year inclusive	1,396	2,031
	2,116	3,379
Less future interest charges	(340)	(125)
Net present value of lease obligations	1,776	3,254

Notes to the consolidated financial statements

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22. Commitments

Exploration and development commitments

Additions to property, plant and equipment are generally funded with the cash flow generated from the Shaikan Field. As at 31 December 2020, capital commitments in relation to the Shaikan Field were estimated to be \$0.6 million (2019: \$35.3 million).

23. Share-based payments

	2020 \$'000	2019 \$'000
Total share options charge	2,637	2,224
Capitalised share options charge	(197)	(314)
Share options charge in income statement	2,440	1,910

Value Creation Plan (“VCP”)

The VCP was approved by shareholders in December 2016. On 30 April 2019, an additional 2,087,756 nil-cost share options were granted to the former CEO and an additional 1,565,817 nil-cost share options were granted to the former CFO. As at 31 December 2019, 7.0 million nil-cost share options were outstanding under the VCP. There will be no further awards under the plan.

Outstanding awards will vest subject to the Company achieving a total shareholder return (“TSR”) of at least 8% compound annual growth, in accordance with the VCP rules. Up to 50% of the outstanding share options will vest following the measurement date for the financial year ending on 31 December 2019, 50% of the then outstanding share options will vest following the measurement date for the financial year ending on 31 December 2020, and the remainder of the outstanding share options will vest following the measurement date for the financial year ending on 31 December 2021.

The requisite TSR was not achieved following the measurement date for the financial year ended 31 December 2019 and no share options vested. The measurement date for the financial year ended 31 December 2020 has not yet passed as at the date of this report.

	2020		2019	
	Number of share options '000	Weighted average exercise price (in pence)	Number of share options '000	Weighted average exercise price (in pence)
Outstanding at 1 January	7,017	—	3,364	—
Granted during the year	—	—	3,653	—
Outstanding at 31 December	7,017	—	7,017	—
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of two years.

A charge of \$0.8 million (2019: \$0.8 million) in relation to the VCP is included in the total share options charge.

Staff Retention Plan

At the 2016 AGM, shareholders approved the adoption of the Gulf Keystone Petroleum 2016 Staff Retention Plan ("SRP"), which is designed to reward members of staff through the grant of share options at a zero exercise price.

The exercise of the awarded options is not subject to any performance conditions and can be exercised at any time after the three-year vesting period but within ten years after the date of grant. If options are not exercised within ten years, the options will lapse and will not be exercisable. If an employee leaves the Company during the three years from the date of grant, the options will lapse on the date notice to leave is given to the Company. Should an employee be regarded as a good leaver, the options may be exercised at any time within a period of six months from departure date.

	2020		2019	
	Number of share options '000	Weighted average exercise price (in pence)	Number of share options '000	Weighted average exercise price (in pence)
Outstanding at 1 January	1,129	—	1,440	—
Exercised during the year	(156)	—	(248)	—
Forfeited during the year	—	—	(63)	—
Outstanding at 31 December	973	—	1,129	—
Exercisable at 31 December	973	—	627	—

The weighted average share price at the date of exercise for share options exercised during 2020 was £1.43.

During 2020 no options (2019: nil) were granted to employees under the Group's SRP.

A charge of \$0.1 million (2019: \$0.4 million) in relation to the SRP is included in the total share options charge.

Share options outstanding at the end of the year have the exercise price of nil and the following expiry dates:

Expiry date	Options ('000)	
	2020	2019
11 December 2026	516	628
9 January 2027	250	250
30 June 2027	207	206
30 July 2027	—	45
	973	1,129

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of six years.

Long-Term Incentive Plan

The Gulf Keystone Petroleum 2014 Long-Term Incentive Plan ("LTIP") is designed to reward members of staff through the grant of share options at a zero exercise price, that vest three years after grant, subject to the fulfilment of specified performance conditions. These performance conditions are 50% TSR over the vesting period and 50% the Group's TSR relative to a bespoke group of comparators.

	2020		2019	
	Number of share options '000	Weighted average exercise price (in pence)	Number of share options '000	Weighted average exercise price (in pence)
Outstanding at 1 January	2,629	—	1,614	—
Granted during the year	4,752	—	1,233	—
Forfeited during the year	(127)	—	(218)	—
Outstanding at 31 December	7,254	—	2,629	—
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of two years.

The aggregate of the estimated fair values of the options granted in 2020 is \$2.6 million.

A charge of \$1.7 million (2019: \$1.0 million) in relation to the LTIP is included in the total share options charge.

Notes to the consolidated financial statements

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23. Share-based payments continued

Equity-settled share option plan

The Group's share option plan provides for an exercise price at least equal to the closing market price of the Group shares on the date prior to grant. Awards made under the Group's share option plan have a vesting period of at least three years except for awards made under the legacy Long-Term Incentive Plan, which vest in equal tranches over a minimum of three years subsequent to the achievement of a number of operational and market-based performance conditions. Options expire if they remain unexercised after a period of ten years from the date of grant.

The options granted in 2015 were made under the recruitment remuneration policy, vest in three equal tranches over two years, and expire if they remain unexercised after a period of seven years from the date of grant. Options are forfeited if the employee leaves the Group before the options vest. The Company has not made any awards during 2020 under this scheme.

	2020		2019	
	Number of share options '000	Weighted average exercise price (in pence)	Number of share options '000	Weighted average exercise price (in pence)
Outstanding at 1 January	300	11,492.1	326	11,492.6
Expired during the year	(159)	—	(26)	—
Outstanding at 31 December	141	15,847.2	300	11,492.1
Exercisable at 31 December	141	15,847.2	300	11,492.1

The options outstanding at 31 December 2020 had a weighted average exercise price of £159 (2019: £115) and a weighted average remaining contractual life of less than one year (2019: one year).

A charge of nil (2019: nil) in relation to the equity-settled share option plan is included in the total share options charge.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price (pence)		Options ('000)	
	2020	2019	2020	2019
24 June 2020	—	7,500	—	156.3
22 September 2020	—	14,750	—	2.5
6 February 2021	17,500	17,500	94.4	94.4
19 June 2021	14,625	14,625	5.5	5.5
7 July 2021	14,625	14,625	2.5	2.5
14 July 2021	14,625	14,625	2.5	2.5
21 July 2021	14,625	14,625	5.0	5.0
19 September 2021	15,250	15,250	2.5	2.5
26 October 2021	14,625	14,625	2.5	2.5
21 January 2022	5,500	5,500	15.0	15.0
20 March 2022	19,450	19,450	4.0	4.0
20 March 2022	25,000	25,000	2.5	2.5
8 July 2023	15,875	15,875	2.5	2.5
24 April 2024	9,975	9,975	2.5	2.5
			141.4	300.2

24. Dividend

The Group was focused on preservation of liquidity due to the impact of COVID-19 and the decline in oil prices and did not pay a dividend in 2020. The \$49 million dividend paid in 2019 related to the year ended 31 December 2018. In line with our commitment to balance investment in production growth and distributions to shareholders, the Group is reimplementing an annual dividend policy with the target of paying at least \$25 million per year. A dividend of \$25 million is subject to approval at the AGM in June 2021 and will be paid to shareholders on 2 July 2021 based on a record date of 25 June 2021.

25. Related party transactions

The Group has a related party relationship with its subsidiaries. The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint operations in which the Group has a material interest. These transactions are under terms that are no less favourable to the Group than those arranged with third parties.

Remuneration of key management personnel

The remuneration of the Directors and Officers, the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Those identified as key management personnel include the Directors of the Company and the key personnel:

- J Ferrier – Former CEO (resigned 31 January 2021)
- I Weatherdon – CFO (appointed 13 January 2020)
- S Zouari – Former CFO (resigned 2 December 2019)
- S Catterall – Chief Operations Officer
- G Papineau-Legris – Chief Commercial Officer
- J Barker – HR Director
- R Deutscher – Country Manager – Kurdistan Region of Iraq
- N Kerno – Head of Finance
- M Parsley – Subsurface Manager
- A Robinson – Legal Director and Company Secretary

The values below are calculated in accordance with IAS 19 and IFRS 2.

	2020 \$'000	2019 \$'000
Short-term employee benefits	4,822	4,898
Share-based payment – options	1,273	1,618
	6,095	6,516

Further information about the remuneration of individual Directors, including the leaver arrangements for the previous CEO, is provided in the Directors' emoluments section of the Remuneration Committee report.

26. Contingent liabilities

The Group has a contingent liability of \$27.3 million (2019: \$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 July 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 does not consider that a probable material payment is payable to the KRG. 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.

Glossary

1C	low estimate of contingent resources
1P	proved reserves
2C	best estimate of contingent resources
2P	proved plus probable reserves
ABC	anti-bribery and corruption
AGM	Annual General Meeting
AIM	Alternative Investment Market
AQM	air quality monitoring
bbl	barrel
bopd	barrels of oil per day
CGU	cash-generating unit
COVID-19	Coronavirus
CPR	Competent Person's Report
CSR	corporate social responsibility
DD&A	depreciation, depletion and amortisation
E&E	exploration and evaluation
E&P	exploration and production
EBITDA	earnings before interest, tax, depreciation and amortisation
EBT	employee benefit trust
ECL	expected credit losses
ERCE	ERC Equipoise
ESG	environmental, social and governance
ESP	electric submersible pump
FDP	Field Development Plan
FVTPL	fair value through profit and loss
G&A	general and administrative
GHG	greenhouse gas
GKP	Gulf Keystone Petroleum Limited
GMP	gas management plan
GRI	Global Reporting Initiative
HSE	health, safety and environment
HSSE	health, safety, security and environment
IAS	International Accounting Standards
ICSA	The Chartered Governance Institute
IFRS	International Financial Reporting Standards

IOGP	International Association of Oil & Gas Producers
IPIECA	International Petroleum Industry Environmental Conservation Association
ISAs (UK)	International Standards on Auditing (UK)
KPI	key performance indicator
KRG	Kurdistan Regional Government
LTI	lost time incident
LTIP	Long-Term Incentive Plan
LTIR	lost time incident rate
MMstb	million stock tank barrels
MNR	Ministry of Natural Resources of the Kurdistan Regional Government
MOL	Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc)
PDMR	Persons Discharging Managerial Responsibilities
PF-1	Shaikan Production Facility-1
PF-2	Shaikan Production Facility-2
PID	photo-ionisation detector
PPE	property, plant and equipment
PSC	Production Sharing Contract
SASB	Sustainability Accounting Standards Board
SDGs	The UN's Sustainable Development Goals
SECR	Streamlined Energy and Carbon Reporting
SH	Shaikan
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
SID	Senior Independent Director
SRP	Staff Retention Plan
TCFD	Task Force on Climate-related Financial Disclosures
TRIR	total recordable incident rate
TSR	total shareholder return
UKLA	United Kingdom Listing Authority
UOP	unit of production
VCP	Value Creation Plan
WEF	Water Environment Federation
WI	Working interest
USD	US dollars

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Jon Harris
Chief Executive Officer
Ian Weatherdon
Chief Financial Officer
Martin Angle
Deputy Chairman and
Senior Independent Director
Garrett Soden
Non-Executive Director
David Thomas
Non-Executive Director
Kimberley Wood
Non-Executive Director

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Key shareholder engagements

17 February 2021

SpareBank 1 Markets 2021 Energy
Video conference, Oslo

25 March 2021

Pareto Securities' 16th
E&P Independents video conference, Oslo

31 March 2021

2020 full-year results announcement

18 June 2021

AGM, by videoconference from
Computershare, Rotterdam, The Netherlands

Note: Throughout this report, the imagery used has been captured both before, and during, the onset of the pandemic and is reflective of the changing health and safety recommendations, which have been followed throughout.



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**Further details regarding
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