GKP

GULF KEYSTONE PETROLEUM

Annual report and accounts 2019

User guide

Welcome to the Gulf Keystone Petroleum annual report 2019.
In this interactive pdf you can do many things to help you easily access the information that you want, whether that's printing, searching for a specific item or going directly to another page, section or website.

These are explained below.

Document controls

Use the document controls located in the top left corner to help you navigate through this report.

Links within this document

Throughout this report there are links to pages, other sections and web addresses for additional information.

Navigating with tabs

Use the tabs to quickly go to the start of a different section.

Our culture and purpose

Safety first	ESG principles guide every action we take	Generate value for all stakeholders
Development of our people and local communities	Mutually beneficial partnerships	Financially conservative

We are proud to operate in the Kurdistan Region of Iraq

What's inside?

2019 full-year highlights

32,883 bopd
gross production

Robust
safety performance

$191 million
cash at year end

$44 million
profit after tax

$79 million
distributed back to our shareholders

Strategic report

An overview of key actions and events in 2019 and early 2020, together with our priorities as we focus on the Company's future.

Governance

This section provides information on how the Company is governed, including activities of the Board of Directors.

Financial statements

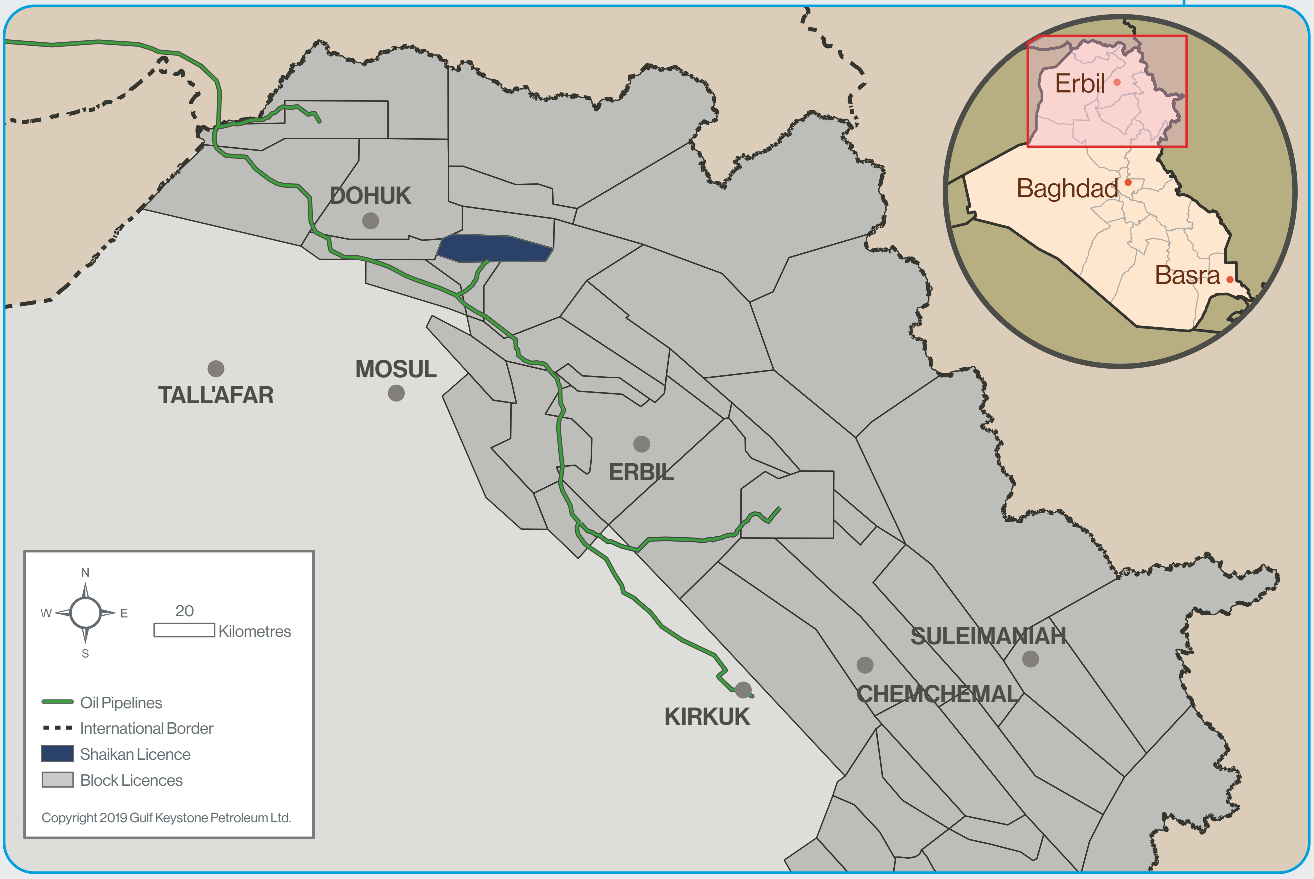
This section includes our financial statements, notes and auditor's report for the Group.

Additional information

At a glance

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

Located c.60km north-west of Erbil in the north-west Zagros fold-belt



2019 – a step change in activity at Shaikan.

Returned $79 million to shareholders through dividends and share buybacks.

Strong balance sheet with $191 million at year end.

Built organisational capability to deliver long-term growth.

SH-12, the first well in the drilling campaign, came onstream in November.

Workovers were completed on SH-1 and SH-3, resulting in material production uplift.

The SH-9 well, originally designed to test the reservoir crest, was spud in October and completed as an oil producer.

The PF-1 export pipeline came online in December, marking the end of export by trucking.

In February, the Crude Oil Sales Agreement with the KRG was renewed for a further 24 months.

Investment case

ESG focused

Committed to safe and sustainable production for the benefit of all stakeholders.

READ MORE on pages 34 to 47

Delivering value to shareholders

Generating value through low-cost production, alongside material production growth and capital returns to shareholders, as appropriate.

READ MORE on page 22

Long-term upside

The Shaikan Field has a substantial resource base with significant long-term development potential.

READ MORE on pages 24 to 27

Near-term production uplift

Low operational risk to achieve the target of 55,000 bopd at Shaikan, once macro-economic conditions improve.

READ MORE on pages 24 and 25

Robust balance sheet

Strong cash position of $164 million, as at 22 April 2020, with a strong focus on preserving liquidity.

READ MORE on pages 13 to 15

Execution track record

Achieved 2019 production, capital expenditure, Opex and G&A guidance.

READ MORE on pages 10 to 15

Organisation built to deliver

Strong Board and senior management leading a talented workforce.

READ MORE on pages 58 to 61

Kurdistan Region of Iraq remains stable

A safe and secure operating environment.

READ MORE on pages 78 and 79

Chairman's statement

The Company maintained a sharp focus on operational delivery to achieve production guidance and made good progress on development activities at Shaikan.

During 2019, the Company increased investment in Shaikan to grow production and delivered material returns to shareholders. The Company maintained a sharp focus on operational delivery to achieve production guidance and made good progress on development activities to increase production at Shaikan to 55,000 bopd. Over the last twelve months, the Company returned c.$100 million to shareholders through the combination of dividends and value-accretive share buyback programmes, whilst maintaining a strong balance sheet throughout.

The Kurdistan Region of Iraq remained a safe and secure environment for us throughout 2019. The Company has closely monitored the Coronavirus ("COVID-19") situation, taken appropriate actions and the priority remains the welfare of staff, contractors and local communities, and safe operations.

While Brent crude averaged approximately $64 per barrel over the course of 2019, slightly down from 2018's average oil price of $71 per barrel, recent events have pushed current crude oil prices down to below $20 per barrel. The impact of COVID-19 on oil demand and surplus global oil supply are expected to place continued pressure on oil prices for several more months.

With the extraordinary impact of the recent global outbreak of COVID-19, delay in payments from the Kurdistan Regional Government ("KRG") and the economic backdrop, the Company suspended guidance and stopped expansion activities, which were otherwise on track to achieve 55,000 bopd in Q3 2020.

Gulf Keystone is in a strong financial position and has flexibility to manage through what is expected to be an extended period of uncertainty, with a large cash position, low-cost production and limited capital expenditure commitments. The Company continues to respond to the evolving macro environment and has implemented a number of cost-saving initiatives; Capex forecast for 2020 is down significantly from 2019 and we are targeting Opex and G&A savings of 20% to further bolster liquidity.

Jaap Huijskes
Non-Executive Chairman

We are well placed to successfully manage through these turbulent times.

The Board recognises the importance of distributions to shareholders and intends to consider the appropriateness and timing of the ordinary dividend and any share buyback once macro-economic conditions improve, outstanding payments from the KRG are resolved and there is a clearer operational outlook.

With the oil and gas sector in Kurdistan being the single largest contributor to the region's economy and future growth, the Company is closely aligned with our host's strategic focus on the continuing safe and sustainable operations and development of the sector. We share a common purpose with the Ministry of Natural Resources ("MNR") to develop the Shaikan Field over time. The eventual improvement of the investment environment and resolution of outstanding payments from the KRG will provide the foundation for the resumption of investment in Shaikan.

Gulf Keystone is committed to high standards across all aspects of environment, social and governance ("ESG"). These are issues that have never been more important to get right, not only for the respect of our planet and those who we work with and around, but also because of the need for companies to remain relevant to investors, who are increasingly conscious of ESG-related matters. We have identified four key priorities for our sustainability initiatives, those being: reducing emissions; the safety and development of our people; the safety and development of the local communities; and the quality of the local environment. Our Sustainability report, which is included later in this report, sets out the framework and culture in place to address these areas, including some case studies of what we have accomplished and what we intend to achieve.

The year saw changes to the Board. In June 2019, we announced that our Chief Financial Officer ("CFO"), Sami Zouari would be leaving the Company and, in September, Garrett Soden stepped down from the Board as a Non-Executive Director. I would like to reiterate my thanks to both Sami and Garrett for their significant contributions to the Company. We were very pleased to welcome Ian Weatherdon as CFO in January 2020, who brings a wealth of sector finance experience to the Board and senior management team.

On behalf of the Board, it leaves me to thank all our stakeholders for their continued support. While there are many challenges ahead of us, with a strong balance sheet, we are well placed to successfully manage through these turbulent times and deliver the significant underlying value of the Shaikan asset for the benefit of all stakeholders. Finally, I wish you and your families good health.

Jaap Huijskes
Non-Executive Chairman

22 April 2020

Chief Executive Officer's review

The Company achieved a number of important targets, meeting guidance and returning c.$100 million to shareholders over the last twelve months.

2019 was a milestone year for the Company, seeing a step change in operational activity at Shaikan. Our focus during the period continued to be on creating value for our shareholders by achieving safe and sustainable production growth, whilst also returning c.$100 million to our shareholders over the last twelve months and maintaining a robust financial position, with cash of $164 million as at 22 April 2020. The start of 2020, however, has been marked by a series of extraordinary events of geopolitical significance, principally the COVID-19 pandemic and the precipitous drop in the oil price related in part to a collapse in global demand as economies went into shutdown.

Looking back on 2019, and building on the commercial foundations laid in 2018, the Company achieved a number of important operational targets, meeting guidance and yielding significant results for the business. As operator of the Shaikan Field, the Company manages its development, remaining focused on capital discipline and controlling costs. The Shaikan Field is a low-cost asset; at current production levels breakeven can be achieved to cover all operating, general and administrative costs and interest payments with a Brent price just below $35 per barrel.

The Shaikan Field performed in line with expectations, enabling Gulf Keystone to achieve full-year gross average production of 32,883 bopd, within the original 2019 gross production guidance of 32,000 – 38,000 bopd.

The first well of a multi-well drilling campaign, SH-12, was completed and subsequently brought online in November. The SH-9 well, originally designed to test the reservoir crest, was spud in October and ultimately completed as an oil producer. We also performed tubing workovers on the SH-1 and SH-3 wells that led to material production uplifts.

Other operational targets achieved during the period include the planned maintenance and debottlenecking works at PF-1 and PF-2 – which were completed in June and October respectively – and the commissioning of the PF-1 export pipeline in December. This was particularly important as it marked the end of export by trucking from the field, resulting in increased operating efficiencies, lower transportation costs and the elimination of health, safety, security and environment ("HSSE") risks associated with the transportation of the crude oil by road tankers, as well as the reduction in carbon emissions.

Jón Ferrier
Chief Executive Officer

On commercial matters, in February 2019 the Company renewed its Crude Oil Sales Agreement with the KRG for a further 24 months. In recent months, we have experienced delays in receipt of payments from the KRG. While we have received payment for March 2020 production, Gulf Keystone remains in dialogue with the KRG, who recently provided a proposal with regard to the payment timing of outstanding invoices for the period November 2019 to February 2020.

The Company recently suspended guidance and stopped further expansion activity, which was otherwise on track to deliver 55,000 bopd in Q3 2020 as guided.

While we have secured ongoing production operations, we continue to closely monitor market dynamics and will take appropriate further actions to preserve value. The Shaikan Field continues to perform well, with average 2020 gross production to date of c.38,000 bopd.

Gulf Keystone aims to operate to high ESG standards. While the term "ESG" is relatively new, Gulf Keystone has been successfully conducting activities under this banner since its arrival in Kurdistan in 2007. The oil industry is integral to the national economy, where oil and gas revenues are a large part of the KRG's annual budget and underpins the social fabric of the region; both part of the "S" of "ESG". Gulf Keystone directly plays its part in positively contributing to society as a significant employer in the region actively developing its local workforce who are key to the success of the business.

We aspire to be at the forefront of HSSE performance in Kurdistan, evidenced by our strong safety track record. Whilst, as previously reported, it was disappointing to incur our first lost time incident ("LTI") in 530 days, an open HSSE reporting culture, along with safe and reliable operations, are of the utmost importance to the Company.

In order to materially lower its emissions, the Company is committed to the elimination of routine flaring of associated gas and, with our partner Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc ("MOL")), is reviewing a number of gas management solutions. Following the results of the SH-9 well, the Company has agreed with MOL and the MNR that currently the most feasible option for the phased reduction of routine flaring involves the development of surface facilities to sweeten the gas and to remove sulphur. The Company will also look to replace diesel power generation with gas, and potentially supply the remaining gas for power generation elsewhere in the region. The phased elimination of routine flaring is expected to gradually halve CO_2 emissions from today's levels of 38kg per bbl by 2025, contingent upon the restart of the investment programme. The parties are currently working together on integrating this revised gas management solution into a new Field Development Plan ("FDP") which is expected to be submitted to the MNR in due course. This will be followed by a period of consultation, prior to approval.

We remain focused on maintaining a conservative financial profile while generating value for our shareholders. We believe that our conservative approach enables us to manage through turbulent times and that our plan to deliver material production growth at Shaikan, balanced with the return of excess capital to investors, underpins our investment case. We continue to take concrete steps to protect value and assure the viability and financial strength of our business, both for today and the longer term.

I would like to give my thanks to the KRG, our partner MOL, our staff and all who have helped us deliver solid progress over the past year and I look forward to keeping all our stakeholders updated during the course of 2020.

Jón Ferrier
Chief Executive Officer

22 April 2020

Operational review

In 2019, the Company significantly increased activity in the field.

It is hard to start any review of operations without acknowledging the impact that the COVID-19 pandemic has had to date and could have going forward. The Company's production operations continue despite the challenges imposed by COVID-19, with average gross production in 2020 to date of c.38,000 bopd. As previously announced, the Company has suspended its expansion programme. At the time of suspension, we were on track to deliver 55,000 bopd in Q3 2020.

In 2019, the Company significantly increased activity in the field. The project to expand production to 55,000 bopd began in earnest with activities including two well workovers, facilities expansion, pipeline installation and the restart of drilling activities. We delivered average gross production for the year of 32,883 bopd; within our original guidance of 32,000 – 38,000 bopd. The Shaikan Jurassic reservoir continues to perform in line with expectations, achieving a significant milestone early in 2020 with total gross cumulative production of 70 million stock tank barrels ("MMstb"). As at 31 December 2019, remaining estimated 2P reserves were 578 MMstb.

To prepare for the increase in total processing capacity to 55,000 bopd and commensurate ramp-up in production in Q3 2020, initial debottlenecking activities were completed as planned at PF-1 in June 2019 and at PF-2 in October 2019. The remaining debottlenecking activities, including installation of the pumps, coolers and separation vessels, were mostly completed in early 2020, however some remaining work and commissioning was outstanding at the time that we had to suspend construction as a precaution for COVID-19. No further shutdowns of the processing facilities will be required for the eventual completion of activities.

Stuart Catterall
Chief Operating Officer

Significant 55,000 bopd expansion progress

Recommenced drilling: multi-well campaign

Workovers delivered production uplifts

Another significant achievement during the year was the completion and connection of the PF-1 pipeline and export station to the main regional export pipeline on 10 December 2019. This means all oil is now exported via pipeline from Shaikan, providing greater operating efficiencies, lower HSSE risks and CO_2 emissions, an end to trucking costs and improved netbacks by c.$1 per barrel.

The 2019 drilling programme started later than planned due to necessary re-certification work on the drilling rig to meet Gulf Keystone's safety standards. Despite the delayed start, we saw improvements in operating efficiencies through the year. In November 2019, we completed the drilling of SH-12 and brought the well onstream with an electrical submersible pump ("ESP"). This well was perforated in the deeper Butmah reservoir to test the response from that zone, and the main SAM reservoir remains to be perforated. The deferral of that activity is the main reason production rates from the field are reduced, with current production at c.36,000 bopd.

The 2019 workovers on the SH-1 and SH-3 wells resulted in material production uplifts. Production from SH-1 increased by 105% to 7,800 bopd and SH-3 by 40% to 6,200 bopd. Both wells continue to perform well.

In order to assess the gas reinjection potential of the Jurassic horizon and possible impact on the longer-term gas management plan, the drilling sequence was changed to drill SH-9 following SH-12. Results from the well indicate a more complex structure at the crest of the field and the location of the secondary gas cap was not found. As a consequence, SH-9 has been completed as an oil producer, providing additional well capacity to PF-1.

In order to maintain field development and production momentum throughout 2019, Gulf Keystone evaluated various gas management options. In consideration of the results of SH-9, MOL and the MNR have agreed in principle to change the base case gas management plan to the sweetening and export of produced gas along with elemental sulphur recovery from the waste stream. The sweet gas would be used to reduce the burning of diesel to generate power at the Shaikan PFs, with the remainder potentially supplied to local power stations or for other domestic requirements.

The FDP, which defines the phased development of the field to deliver the vision of 110,000 bopd, is being revised to reflect the new gas management project, with the intent to resubmit it in due course to the MNR for review and subsequent approval. While the revised base case gas management plan has been agreed in principle, the Company, MOL and the MNR will continue to work together to consider other gas handling solutions. These solutions may reduce costs, accelerate the timing of reduced flaring and/or optimise the ramp-up of production.

Operational review continued

PF-1 pipeline tie-in, eliminating trucking

Target to more than halve CO_2 emissions by 2025, contingent on investment restart

Built organisational capability to deliver long-term growth

With the restart of the investment programme, gas management project activities will follow the MNR's approval of the FDP. With this approval, preparations will commence for Front End Engineering and Design ("FEED"). Currently, FEED is not expected to begin until 2021 at the earliest, and the current total estimated duration of the project has been extended by three years to 60-66 months. Initial capital cost estimates for the revised solution are about $275-$375 million (+/-40% accuracy), up $50-$75 million compared to the previous gas reinjection plan. Despite this, the Net Present Value of the project is not expected to be adversely impacted; in fact, near-term cash flow is improved due to continued production and the deferral of capital expenditures.

ESG

Since commencing operations in Kurdistan, we have aspired to be at the forefront of ESG initiatives. We present, through the Sustainability report – part of the 2019 annual report – a detailed review of the work we have undertaken in this area, the goals we are seeking to attain, and the culture and governance we have in place to attain these goals. We are focusing on: a) reducing emissions; b) the safety and development of our people; c) the safety and development of the local communities; and d) the quality of the local environment. The gas management solution forms a key part of the Company's commitment to reduce emissions.

Given the current relatively high volume of gas being routinely flared, not addressing the issue of flaring is simply not an option and is where the Company is focusing considerable efforts in order to bring about the single biggest change to its environmental footprint. The Company plans to reduce routine flaring by implementing the gas management plan, which is expected to significantly lower all emissions. We have a target to reduce our CO_2 emissions from a current level of c.38kg/bbl to less than half this figure by 2025, contingent upon the restart of the investment programme. This will put us below the global average for CO_2 emissions per barrel produced. Furthermore, the Company continues to remediate inactive drilling sites through the use of landscaping and has an effective waste management programme in place with cradle-to-grave traceability.

The energy sector plays an important role in the Kurdistan economy and Gulf Keystone is proud of its considerable contributions to the development of the region. Significant historical and continuing investments, and the sharing of oil production with the KRG, have had a positive impact on local communities and the economy. The Company also employs a local employee workforce. During 2019, c.75% of Kurdistan-based staff were local employees and around a third were from the local villages surrounding Shaikan. GKP is committed to the development of staff, including management development and engineering apprenticeship programmes. The Company has also adopted proactive community investment programmes in agriculture and education with initiatives including training farmers on agriculture practices; training and equipment for beekeeping; and English-language training.

Stuart Catterall
Chief Operating Officer

22 April 2020

Financial review

A conservative financial position underpins strategy.

A key element of Gulf Keystone's strategy is to maintain a conservative financial position. The Company has a strong balance sheet, with $164.1 million of cash at 22 April 2020 and no debt repayment until 2023, which provides financial flexibility to navigate through these uncertain times.

Revenues

2019 revenue was $206.7 million (2018: $250.6 million). The year-on-year decrease was driven by a lower Brent price, which led to a lower realised oil price of $42.9 per bbl (2018: $49.0 per bbl). There were no MNR liability offsets recognised in 2019 (2018: $16.2 million). All sales were made under the terms of the Crude Oil Sales Agreement signed in early 2019 which covers the period until 31 December 2020.

Operating costs, depreciation, other cost of sales and administrative expenses

Gulf Keystone's (the "Group's") operating costs increased to $37.4 million (2018: $30.7 million) due to plant maintenance and costs associated with the ramp-up of production. While gross operating costs per bbl increased to $3.9 per bbl from $3.2 per bbl – as the increase in production lagged behind the increase in costs – costs per bbl were at the bottom of the stated 2019 guidance of $3.8-$4.6 per bbl.

Other cost of sales components included: depreciation, depletion and amortisation ("DD&A") of oil and gas assets, capacity building charge, production bonuses, and certain other costs such as trucking and oil inventory movements. Cost of sales decreased to $138.2 million (2018: $154.5 million), which was mostly driven by the final production bonus of $16.0 million in 2018 (2019: $nil). Trucking costs have now been eliminated with the completion of the pipeline from PF-1 to the main regional export pipeline which became operational in December 2019.

General and administrative expenses ("G&A") increased from $17.8 million in 2018 to $19.5 million in 2019, with the Shaikan Field related G&A contributing $10.0 million (2018: $7.8 million) of this amount. The increase is in line with guidance of a 10% increase. The rise in the Shaikan Field G&A goes hand in hand with higher levels of activity in the field. The G&A amount includes $1.9 million of share-based payments (2018: $1.8 million) and $0.8 million (2018: $0.4 million) of depreciation costs.

Ian Weatherdon
Chief Financial Officer

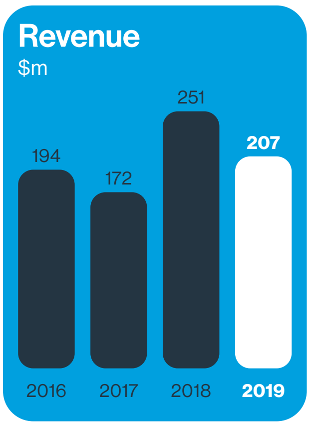
Financial review continued

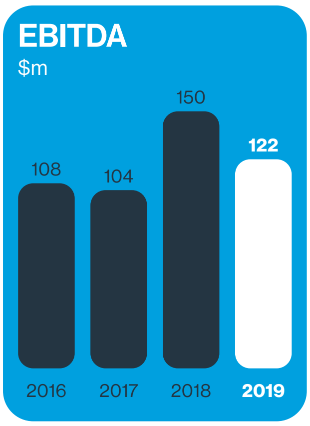
Achieved 2019 production, capital expenditure, operating costs and G&A costs guidance.

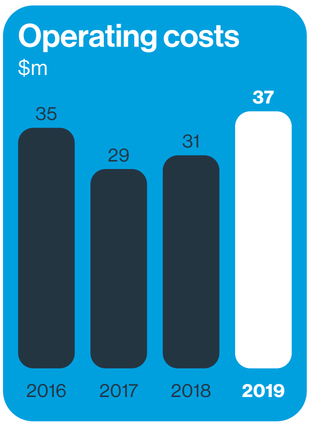
Key financial highlights

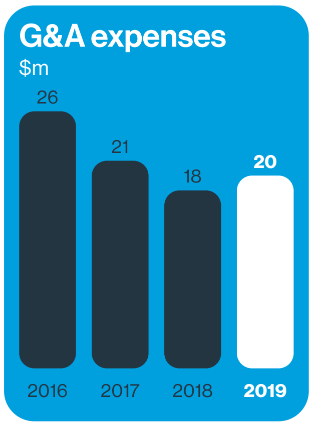
	Year ended 31 December 2019	Year ended 31 December 2018
Gross average production (bopd)	**32,883**	31,563
Realised price ($/bbl)	**42.9**	49.0
Revenue ($m)	**206.7**	250.6
Operating costs ($m)(1)	**(37.4)**	(30.7)
Operating costs per bbl ($/bbl)(1)	**(3.9)**	(3.2)
General and administrative expenses ($m)	**(19.5)**	(17.8)
Incurred in relation to the Shaikan Field ($m)	**(10.0)**	(7.9)
Corporate G&A ($m)	**(9.5)**	(9.9)
Profit from operations ($m)	**49.0**	78.2
Profit after tax ($m)	**43.5**	79.9
Basic earnings per share (cents)	**19.25**	34.84
EBITDA ($m)(1)	**122.2**	150.1
Capital investment ($m)(1)	**90.0**	35.4
Net cash ($m)(1)	**86.4**	191.2
Net (decrease)/increase in cash ($m)	**(104.6)**	135.2
Revenue receipts ($m)	**155.7**	224.7

(1) Operating costs, operating costs per barrel, EBITDA, capital investment and net cash are either non-financial or non-IFRS measures and are explained in the summary of significant accounting policies.









Net finance costs and other gains

The Group incurred finance costs of $11.2 million (2018: $13.9 million) and generated $6.0 million in interest income (2018: $4.4 million).

In 2018, a release of past liabilities in relation to Algerian operations resulted in a $10.2 million gain. Other losses in 2019 consisted of an exchange loss of $0.7 million (2018: $0.7 million gain).

Cash flows

The Group generated cash from operating activities of $83.7 million (2018: $158.2 million). The reduction in revenue coupled with the expected increase in costs, related principally to the ramp-up of production, resulted in Group EBITDA of $122.2 million, down from $150.1 million in 2018.

The Group finished the year with a cash balance of $190.8 million (2018: $295.6 million) after incurring significant asset development costs and distributing capital to its shareholders. The Group has notes outstanding with a principal balance of $100.0 million that do not mature until July 2023.

In 2019, the Group received revenue payments of $155.7 million (2018: $224.7 million). As at the end of 2019, there were five months of oil revenue outstanding (2018: three months) amounting to $90.2 million (2018: $53.2 million). Subsequent to year end, the Company has received payments for three of those outstanding months, totalling $47.8 million. The Company remains in dialogue with the KRG regarding the resolution of outstanding invoices related to November 2019 to February 2020, aggregating $93.7 million gross ($73.3 million net to GKP). The KRG has committed to paying for monthly production by the 15th day of each following month starting with March 2020, for which payment was recently received.

At the June 2019 Annual General Meeting ("AGM"), shareholders approved the distribution of a total cash dividend of $50.0 million. The total dividend amount paid was $49.1 million as the dividend attributable to treasury shares held by the Group as a result of share buyback was not paid out.

To the date of this report, the Group had completed two share buyback programmes for an aggregate amount of $50.0 million. In 2019, the Group bought back 10.5 million shares for a cost of $29.8 million. At year end, the second buyback programme was in progress and the remaining $20.2 million of buybacks were completed in March 2020.

Capital investment

In 2019, net capital investment in Shaikan amounted to $90.0 million, within the stated 2019 guidance of $88-$104 million. Investment included the export pipeline from PF-1 to the main regional export pipeline, SH-12 and SH-9 wells, SH-1 and SH-3 workovers, production facilities expansion work, various studies and reservoir engineering including certain long-lead items for the 75,000 bopd programme.

In line with Gulf Keystone's strategy of maintaining a conservative financial position, the Company has delayed further expansion of Shaikan until the macro-economic environment improves, including resolution of outstanding KRG payments.

Net 2020 capital expenditure forecasts include expenditures incurred to date and remaining firm commitments and are estimated to be $50- $60 million ($40-$48 million net), a c.50% reduction from 2019. While Gulf Keystone has a low-cost structure, the Company is targeting operating costs and G&A reductions of at least 20% and is in the process of reducing its expatriate workforce by c.60%.

Ian Weatherdon
Chief Financial Officer

22 April 2020

Q&A with Ian Weatherdon Chief Financial Officer

Q: What was your background prior to joining Gulf Keystone?

A: Most recently, I was the CFO of Sino Gas & Energy Holdings Limited, an Australian-listed energy company focused on developing natural gas assets in China that was acquired by a private equity firm. Previously, I held various executive positions at Talisman Energy Inc., the Canadian exploration and production company acquired by Repsol in 2015. Recent positions included Vice President of Finance & Planning for the Asia-Pacific region, CFO of Equion Energia Ltd, a joint venture between Talisman and Ecopetrol SA, the Colombian national oil company, and Vice President of Investor Relations. I qualified as a Chartered Accountant, after obtaining a business degree from the University of Calgary.

Q: What attracted you to the Company?

A: I believe Gulf Keystone is a very interesting career opportunity for a number of reasons. Firstly, Shaikan is a world-scale resource with significant upside to sustainably grow production and potentially become one of the largest producers in the London mid-cap E&P space. Secondly, the Company is in a strong financial position with a significant cash balance, low-cost structure and flexible capital investment programme. Finally, I believe that the scale and potential of the reserves and resources represent an interesting opportunity to grow the business with a razor-sharp focus on returns for the benefit of all stakeholders.

I was also attracted by the strong Board and management team, and the high level of transparency and corporate governance procedures in place. The Gulf Keystone team has a strong track record of project delivery and generating value for shareholders.

Q: How have you found working at the Company since you joined?

A: I have enjoyed my brief time at Gulf Keystone. With the recent impact of COVID-19, a low oil price and deteriorating macro-economic conditions, 2020 is set to be a very challenging year for the industry and the Company. The teams in London, Erbil and the field operations have been very welcoming, professional and have demonstrated a sharp focus on capital discipline and a strong cost culture, which are important not only in these trying times but also as we look to grow the business at the right time, in an environmentally and socially sustainable manner that benefits Kurdistan, its people, our shareholders and all other stakeholders.

Q: What were your impressions of the Kurdistan Region of Iraq when you went there?

A: I have always heard very positive things about the Kurdistan Region of Iraq. When I first flew into Erbil, I was struck by the fact that some of the mountains that I could see from the air were surface features of very large oil fields. Erbil is a safe, rapidly developing city, steeped in history, that is home to a diverse range of cultures. The field itself is located in a mountainous region only two hours outside of the city. It was incredible to see the lateral extent of the field while considering that the reservoir sections are potentially around one kilometre thick. I have had the opportunity to see significant operational activity and I was impressed by the passion, professionalism and expertise of the team.

Q: Will you look to make changes to the Company's financial strategy?

A: The financial position of the Company is strong and the strategy put in place prior to my arrival continues to serve the Company well. We are focused on maintaining financial flexibility, efficient and profitable operations to generate cash flow to fund our growth objectives and, as appropriate, return excess funds to shareholders. The low-cost nature, phased approach to development, flexible contracting strategy and large cost recovery pool provide investment flexibility, which is paramount to successfully navigate through periods of low oil prices and deliver superior long-term returns.

We were very pleased to report a profit after tax of $44 million for 2019, on the back of strong revenues of $207 million. Over the past year, we returned close to $100 million to shareholders and as at 22 April 2020 we held $164 million of cash, which provides significant financial flexibility.

Q: How will you look to balance growth with shareholder returns?

A: We are committed to maintaining a prudent financial structure and, at the right time, investing additional capital to increase production initially to our 55,000 bopd target and then beyond. We will continue to manage our liquidity and, as appropriate, return excess funds to shareholders via dividends or share buyback programmes.

In 2019, Gulf Keystone announced its maiden dividend and share buyback programmes, both of which were well received and saw us return close to $100 million since the 2019 Annual General Meeting.

Q: What do you like to do in your spare time?

A: I enjoy staying fit and exploring different countries and cultures.

I was most recently based in Hong Kong, where I spent a lot of my free time hiking and taking advantage of the world-class trail network with my wife. I am an avid traveller, have visited all seven continents and have been very fortunate to have lived on almost all them. This has provided me the opportunity to work with and experience many different cultures. I have thoroughly enjoyed my time in London so far and, since arriving, my family and I have started to immerse ourselves in the many historical and cultural attractions on our doorstep.

Business model

Gulf Keystone aims to create value for all stakeholders through a phased increase in production at Shaikan, whilst maintaining strict financial discipline and ensuring safe operations.

Inputs

Focus on HSSE
One LTI
since the beginning of 2019

READ MORE on pages 44 and 45

High class asset 2P reserves of
578 MMstb
as at 31 December 2019

READ MORE on pages 26 and 27

Shaikan oil payments
$156m net
to GKP received in 2019

READ MORE on page 28

Focus on costs
c.$3/bbl
Opex mid to long-term

READ MORE on pages 13 to 15

Strong balance sheet
$164m
cash position as at 22 April 2020

READ MORE on pages 13 to 15

Low-cost structure
<$35 per barrel
Brent price covers operating costs, G&A and interest expense

READ MORE on pages 13 to 15

Outputs

Kurdistan
The oil and gas industry is an important contributor to the Kurdistan economy and Gulf Keystone is proud of the role it plays within that sector.

Shareholders
Delivering shareholder returns is important to Gulf Keystone. The Company expects the combination of maintaining safe operations, continuing strict cost controls and prudent investment into Shaikan to increase production once macro-economic conditions improve, will yield future returns for shareholders.

Partners
The Company continues to maintain a constructive relationship with its partner MOL and host government, the KRG.

Communities
The Company enjoys good relations with the local communities around Shaikan. Gulf Keystone prides itself on being committed to the hiring, training and development of personnel from the region.

Our core activities

Safe and reliable operations

The Company strives to be at the forefront of HSSE best practice in the Kurdistan Region of Iraq, is proud of its safety track record and is committed to a continuous improvement culture.

READ MORE on pages 44 and 45

Optimise longer-term development of Shaikan

GKP is actively working with MOL and the MNR on a revised Field Development Plan which will be submitted in due course.

READ MORE on pages 24 and 25

Sustainable production growth

Utilising the Company's extensive knowledge of the underlying reservoir supports Gulf Keystone's ability to invest in further production growth at the Shaikan Field. The phased and risk-managed approach is expected to increase production first to 55,000 bopd and then over time to 110,000 bopd. Expansion activity at Shaikan is expected to resume once macro-economic conditions improve.

READ MORE on pages 24 and 25

Commitment to ESG

Since the start of operations in the region in 2007, Gulf Keystone has delivered – and continues to focus on – initiatives that now fall under the sustainability or ESG banner.

READ MORE on pages 34 to 47

Deliver value to stakeholders

The Company is focused on conducting operations for the benefit of all stakeholders. Investing in the field and increasing production, whilst returning value to shareholders, as appropriate, remains a core focus.

READ MORE on pages 4, 5 and 22

Our strategic priorities

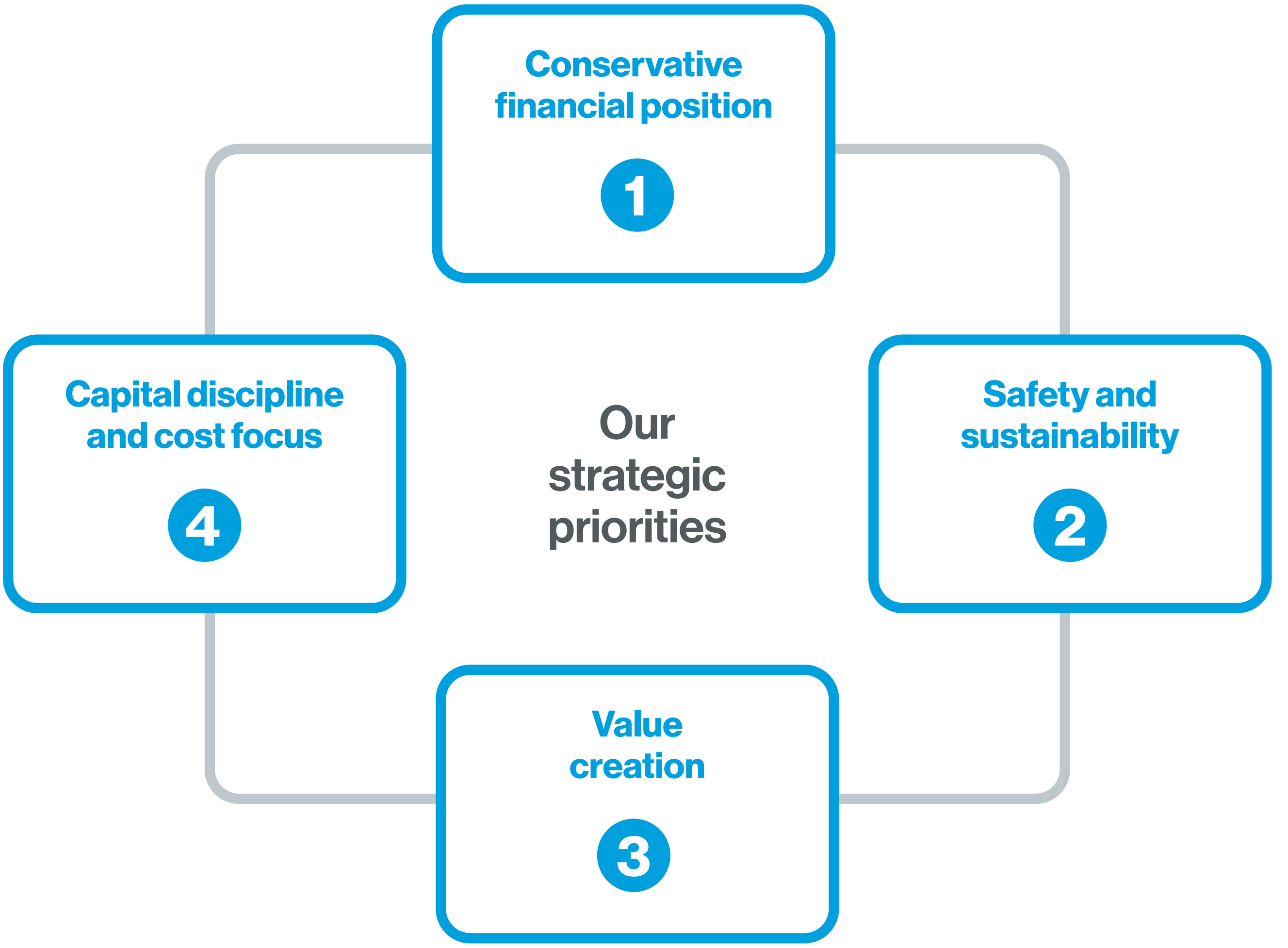
1. **Conservative financial position**
2. **Safety and sustainability**
3. **Value creation**
4. **Capital discipline and cost focus**

Strategy and objectives

Delivering long-term value in a safe, sustainable and cost-effective manner, while maintaining a conservative financial profile.

Our strategy is to maintain a conservative financial profile and create shareholder value through a staged Shaikan development programme to deliver material incremental production growth, balanced, as appropriate, with the return of excess capital to investors. Our focus will remain on the safety and sustainability of our operations, capital discipline and active management of our cost base.

In response to COVID-19 and the current challenging market conditions, the Company is actively taking decisions to maintain its conservative financial profile, including suspension of capital expansion activities and targeted reductions of at least 20% in operating costs and G&A. Resumption of distributions to shareholders is dependent on an improvement in macro-economic conditions, resolution of outstanding payments from the KRG and a clear operational outlook.



1 Conservative financial position

Strategic objectives
- The Group is committed to maintaining a conservative financial profile to manage through periods of uncertainty.
- The Group will maintain a sharp focus on capital allocation, cost reductions and the pace of investment to ensure adequate liquidity to fund the development over time.

Measures
- Proactively manage the pace and scope of the staged development in order to fund activities from ongoing revenues and available cash.
- Active follow-up with the KRG to ensure timely payments in line with contractual terms.

Risks
- Sustained periods of low oil prices.
- Delays in receiving payments from the KRG.
- Cost escalation.

2 Safety and sustainability

Strategic objectives
- The Group is committed to high ESG standards with a focus on safety, the environment, the development of our people and working closely with local communities where we operate to secure mutual benefit from the project. Refer to the Sustainability report on pages 34 to 47 for more detail around safety and sustainability initiatives.
- The Group's aim is to reduce greenhouse gas emissions and to eliminate routine flaring of gas from operations.

Measures
- Formulating and implementing an ESG strategy and plan.
- Minimise the safety risks inherent to our operations by delivering our HSSE and CSR programmes, providing safety and awareness training and proactive management.
- The Group aims for zero LTIs and to improve upon the prior year's total recordable incident rate ("TRIR").
- Subject to approval of the revised FDP, we intend on implementing a gas management plan that would see the reduction and eventual elimination of routine gas flaring over time.

Risks
- An incident may result in loss of life or injury.
- Impact on the environment.
- Disruption to business activities.
- Risk of litigation and reputational damage with an associated financial loss.
- Loss of investor confidence and relevance in a world committed to fighting climate change.
- The impact of COVID-19 on staff and ongoing operations.

3 Value creation

Strategic objectives
- Value creation by means of project delivery, production growth and shareholder distributions.
- Suspension of expansion activities until the macro-environment improves, including resolution of outstanding payments from the KRG.
- Continued production operations with a focus on managing key risks and dependent on market conditions.
- Return capital to shareholders via dividends and/or buybacks once the outlook has improved.

Measures
- Limit 2020 capital spend to $50-$60 million.
- Target to reduce Opex and G&A by at least 20%.
- Guidance has been suspended until the outlook becomes clearer.
- Prolonging life of existing wells through identifying production optimisation opportunities and infill well programme.

Risks
- Continued impact of COVID-19, low oil prices and KRG payment delays.
- Misalignment of the Company, its partner and the KRG.
- Complications with production operations and field development.
- Reservoir productivity.
- Potential for field production to be reduced under OPEC restrictions that may apply to the Kurdistan Region of Iraq.

4 Capital discipline and cost focus

Strategic objectives
- Prudent, disciplined and proactive management of capital expenditures and underlying cost base.
- Monitor progress through business planning and corporate performance management.

Measures
- Adapt expenditure plans to reflect evolving macro-economic conditions and resolution of outstanding payments from the KRG.
- Strict review, ranking and approval of capital expenditure.
- Robust cost control.

Risks
- Slow adaptation to current economic environment resulting in expenditures beyond existing liquidity.
- Reduced organisation resulting in operational or safety issues or loss of focus on cost control measures.

Capital management

Delivering value for stakeholders through a sustained emphasis on capital management and cost optimisation.

Gulf Keystone has a track record of capital discipline throughout the business. The Company aims to optimise value and has substantially reduced its cost base in recent years.

The Company is proud of its ability to keep operating costs per barrel low, even in periods of high investment. Operating costs per barrel of $3.9 were at the lower end of the Company's guidance for 2019. Shaikan is expected to remain a low-cost production asset.

Capital management principles

1. To maintain a strong balance sheet
2. To prudently invest in the field to increase production
3. To manage development risks through phasing of investments
4. To strictly control costs
5. To return value to shareholders, as appropriate

Shaikan has a low cost structure

- Oil revenues from Shaikan totalled $207 million in 2019.
- Operatorship and a low-cost structure provide flexibility to manage oil price volatility and the pace of investment.
- Large cost recovery pool of c.$500 million (gross) contributes to Gulf Keystone's revenue.

Generating value for shareholders

- In 2019, GKP returned $79 million to shareholders, comprising a $49 million dividend (split equally between ordinary and special) and a $30 million share buyback. Subsequent to the year end, GKP completed the remaining $20 million of share buybacks, resulting in aggregate distributions to shareholders of $99 million.
- The Board recognises the importance of distributions to shareholders. However, the resumption of distributions is dependent on an improvement in macro-economic conditions, resolution of outstanding payments from the KRG and a clear operational outlook.
- In periods of strong free cash flow generation and a clear business outlook, the Company will look to return excess capital to shareholders as appropriate.

Strategy
for future growth

Production growth

SEE MORE on pages 24 and 25

Reserves and resources

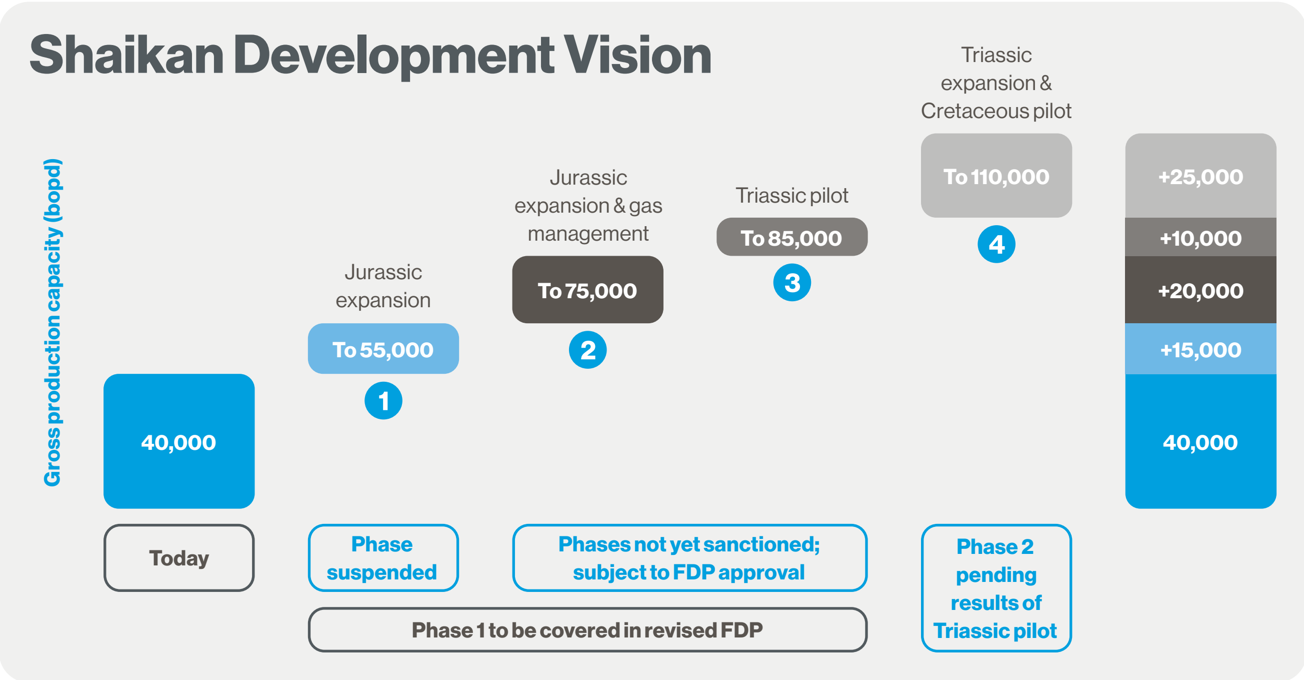
SEE MORE on pages 26 and 27

Payments and steady exports

SEE MORE on pages 28 and 29

Strategy for future growth continued

Production growth



1 55,000 bopd

Key activity	• Two tubing workovers (completed) • PF-1 pipeline tie-in into export pipeline (completed) • Four new wells • Installation of ESPs in two existing wells • Debottlenecking of existing facilities at PF-1 and PF-2 • Installation of additional 3-phase separators and pre-heaters
Estimated gross Capex[1]	**$200-$230m** • 2018: $45m • 2019: $112m • 2020+: remainder
Timing	**Drilling campaign and debottlenecking:** Under review due to current suspension of expansion activity

Drilling

SH-1 and SH-3 tubing workovers completed, resulting in material production uplift at both wells. The SH-12 well, the first well in the drilling campaign, came onstream in November. Following SH-9, which will be completed as an oil producer (discussed under gas management plan on opposite page) the next two wells to be drilled are SH-13 (spudded in January, suspended in March 2020) and SH-I, which will be drilled from the same well pad as SH-13, in order to optimise the cost.

Facilities and pipeline

Before the suspension of the expansion activity, work was ongoing to debottleneck production facilities to a combined capacity of 55,000 bopd. Each of the two existing facilities will be expanded from 20,000 bopd to 27,500 bopd by reducing the manifold back pressure through a combination of larger pipework and additional pumps. Full oil export from Shaikan via pipeline has been in operation since December 2019, marking the end of export trucking from the Shaikan Field.

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 improvement • 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 expansion was reviewed during the year and an infill well was brought forward to provide additional well capacity. By drilling a further five wells and installing 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 (using the new separators installed in the 55,000 bopd project) and by adding a second stabiliser column. Additional storage at PF-1 will maximise availability during pipeline interruptions. Long-term drilling plans will continue to be reviewed, but it is expected that additional infill drilling will be required to maintain capacity together with the initial programme explained above.

Gas management plan

The SH-9 well results indicate a secondary gas cap was not present at that location. In light of the results, the gas management plan was modified to sweeten and export produced gas, and recover elemental sulphur from the acid gas waste stream. This is consistent with our ESG commitment to reduce the impact on the environment over time. It should be noted that due to the required upfront engineering studies, the project is expected to start later than planned due to additional time for both Front End Engineering Design ("FEED") and project execution. While the preliminary gross Capex is estimated to be up by $50-$75 million compared to the previous gas reinjection plan, the delayed start improves near-term cash flow, providing increased short-term financial flexibility. The FDP is in the process of being revised, with the intent to resubmit it to the MNR for approval in due course. Upon approval, planning for FEED will commence.

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 106 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
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.

Strategy for future growth continued

Reserves and resources

In April 2017, the Company received confirmation from an independent third party, ERCE, verifying 2P reserves as at 31 December 2016 of 615 MMstb. After subtracting production, at 31 December 2019, gross 2P reserves are estimated at 578 MMstb. In addition to 2P reserves there are significant contingent resources of 239 MMstb (2C).

Since 31 December 2016, the field has produced 37 MMstb. Production has been stable with no water or gas breakthrough at the wells. Measured pressure decline during this time has flattened. This is a positive indication of additional pressure support, that is believed to be coming from the expansion of gas in the reservoir as the pressure goes below the oil's bubble point.

An FDP including a new strategy for gas management is expected to be submitted in due course, and a revised Competent Person's Report ("CPR") expected to be released following FDP approval.

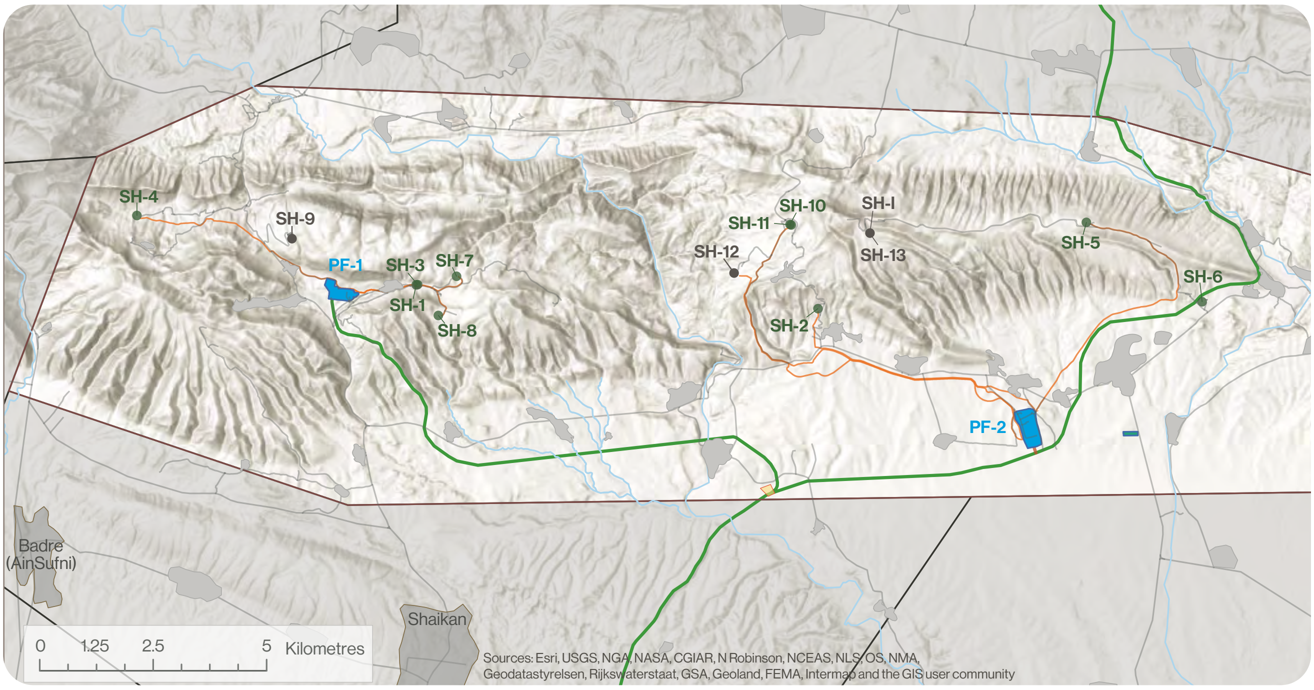
- Reservoir performance has shown no signs of free water or gas, demonstrating stable and predictable field performance.
- Substantial reserves and resources base – 578 MMstb 2P reserves (gross) and 239 MMstb 2C resources (gross).
- Cumulative production figure to date (22 April 2020) is over 70 MMstb, or 11% of the ultimate 2P reserves.

Reserves and resources summary as at 31 December 2019

	Gross field oil reserves (MMstb)			Gross field oil resources (MMstb)		
Formation	1P	2P	3P	1C	2C	3C
Cretaceous	1	3	4	14	53	175
Jurassic	175	531	840	97	80	340
Triassic	18	44	63	29	106	347
Total	**194**	**578**	**908**	**140**	**239**	**862**

Note: The table above is a GKP estimate. GKP updated values from ERC Equipoise – CPR August 2016 and confirmation letter dated April 2017. CPR volume estimates of 615 MMstb as at 31 December 2016, adjusted by GKP for 12.9, 11.5 and 12.0 MMstb gross production in 2017, 2018 and 2019 respectively.

Shaikan Field – block outline



Key					
Completed wells		Villages		Block outline	
55,000 bopd wells		Shaikan flowlines		Export pipeline	
Facilities					

Strategy for future growth continued

Payments and steady exports

Payments

A total of ten payments were received in 2019 from the KRG covering production sold from October 2018 to July 2019. In December 2019, the KRG's MNR informed the Company that payments relating to invoices for August and September 2019 oil production, due in November and December, would be received in January 2020, both of which were then subsequently received as expected. In April 2020, the KRG made two payments: for October 2019 and March 2020 production.

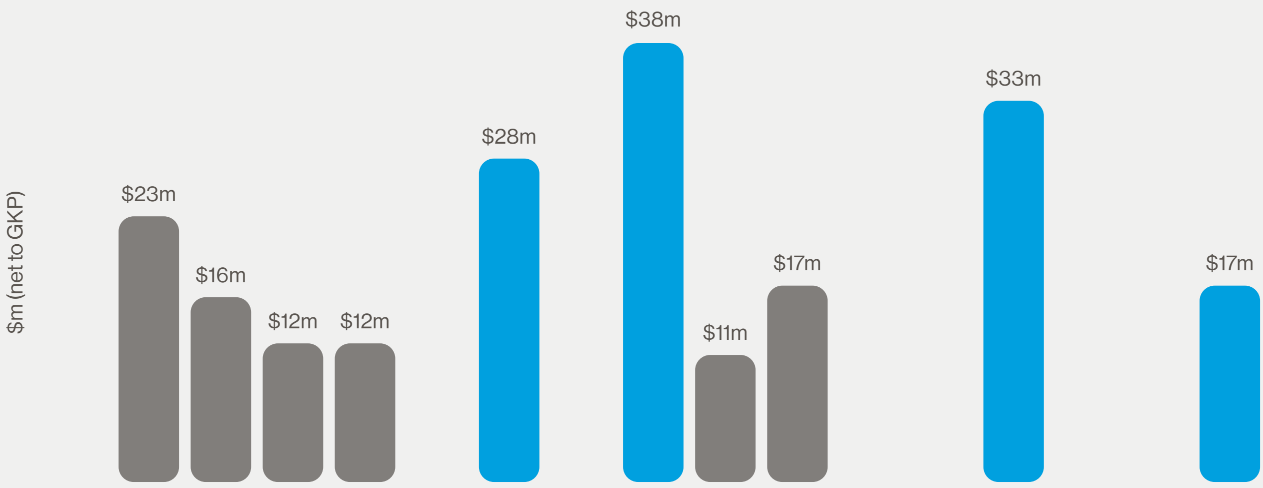
At the time of writing, invoices totalling c.$73 million net to the Company for November 2019 to February 2020 remain outstanding; the Company remains in dialogue with the KRG relating to the payment timing of these outstanding invoices.

Shaikan crude exports

Following the commissioning of the spur line at PF-2 in July 2018, another important milestone was achieved in 2019 with the start of exports in December 2019 via the spur line at PF-1 into the Kurdistan Export Pipeline. The temporary unloading facility at PF-2 has also since been dismantled.

The completion of the PF-1 spur line connection marked the end of export by trucking from the Shaikan Field, significantly reducing the Company's HSSE exposure and reducing the total discount to Brent by c.$1 per barrel to c.$21 per barrel.

Shaikan oil payments

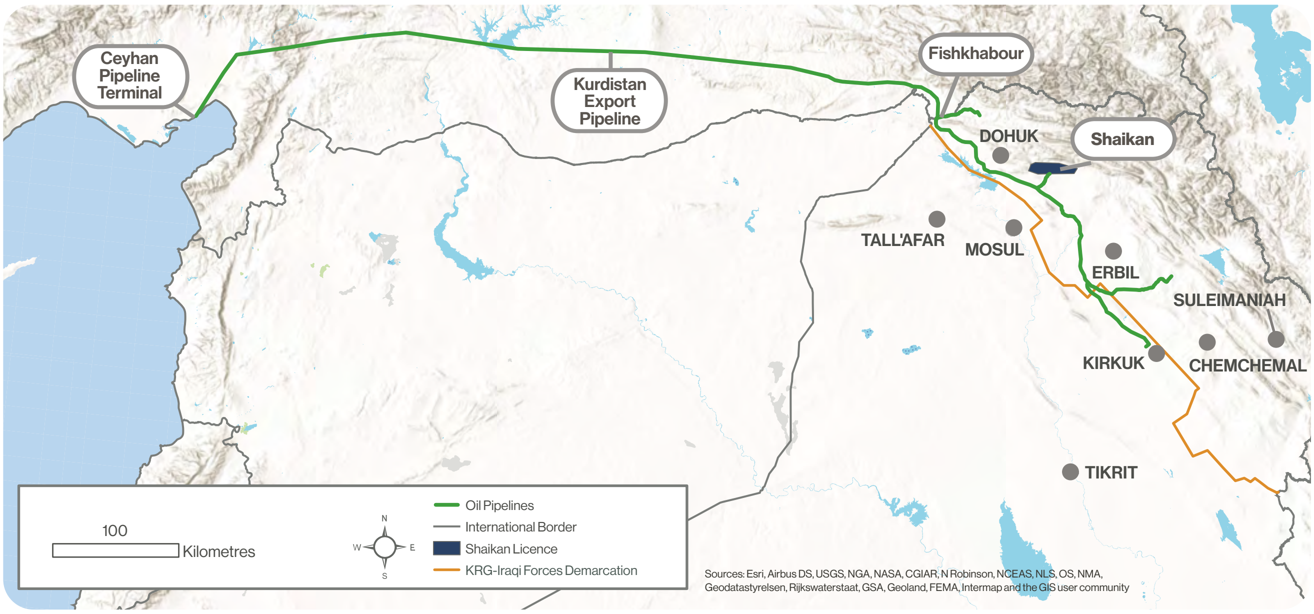


Payments received in	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020
Month of production	Oct 18	Nov 18	Dec 18	Jan 19	—	Feb/ Mar 19	—	Apr/ May 19	Jun 19	Jul 19	—	—	Aug/ Sep 19	—	—	Oct 19/ Mar 20
Gross production (kbopd)	32.4	32.4	27.5	26.4	—	24.6 / 33.3	—	32.7 / 35.5	23.2	34.6	—	—	39.3 / 37.0	—	—	25.7 / 37.3
Brent price[(1)] ($/bbl)	$81.0	$64.8	$57.4	$59.4	—	$64.0 / $66.1	—	$71.2 / $71.3	$64.2	$63.9	—	—	$59.0 / $62.8	—	—	$59.7 / $32.0

Two payments received

(1) Source: Energy Information Administration for monthly Brent average prices.

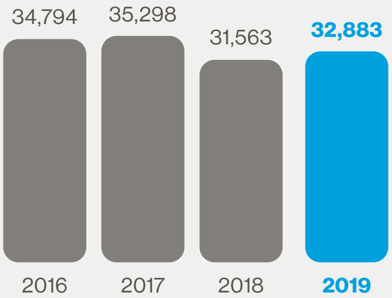
Export route



Key performance measures

Gulf Keystone sets performance measures and assesses the Company's performance against these targets on a regular basis.

Gross production (bopd)



Description

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

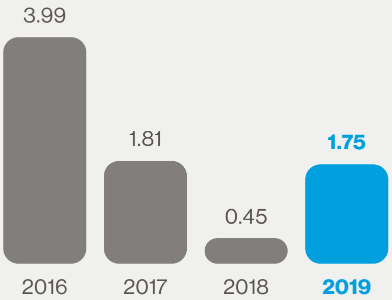
Link to strategic priorities

1 3

Performance

- 2019 production was within the original guidance range of 32,000-38,000 bopd.
- Reservoir performance was in line with our expectations.
- Increase from previous year due to additional well stock (SH-12) and workovers to existing wells (SH-1 and SH-3).

Safety performance (TRIR)



Description

- The Company is committed to safe, reliable operations and HSSE remains a priority.
- Safety performance and improvements in safety management are measured by 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.

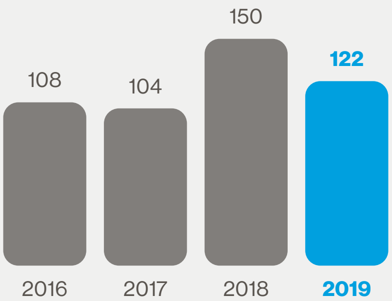
Link to strategic priorities

2

Performance

- Despite a strong emphasis on safety, GKP did not meet its internal safety targets in 2019.
- In December 2019, the Company recorded its first LTI in 530 days. As at the date of this report, there have been more than 100 LTI-free days since the last incident.
- The increase in TRIR in 2019 was due to a significant increase in operational activity, including drilling, production facility shutdowns and other construction works.
- The Company's 2019 HSSE Improvement Plan, which comprised both improvement initiatives and compliance measures, was 99% complete as at 31 December 2019 and duly completed in early 2020.

EBITDA ($m)



Description

- Indicator of the Group's profitability.
- Excludes the impact of costs attributable to income tax (expense)/credit, finance costs, interest revenue, depreciation, depletion and amortisation and other gains and losses.

Link to strategic priorities

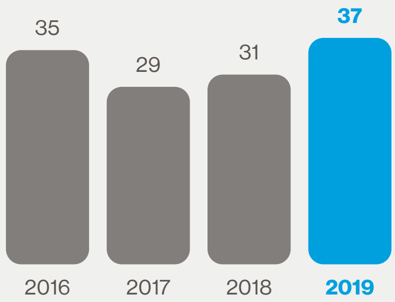
1 3 4

Performance

- Reduction compared to 2018 due principally to:
  - The lower average oil price in 2019, partially offset by increased production.
  - Recognition of $16 million offset revenue in 2018, with none recognised in 2019.
  - Increase in operating and general and administrative costs, due to increased activity and in line with guidance

Strategic priorities key: 1 Conservative financial position 2 Safety and sustainability 3 Value creation 4 Capital discipline and cost focus

Operating costs ($m)



Description

- Operating costs are derived by adjusting cost of sales for various non-cash items and transportation costs (see non-IFRS measures in the financial statements).
- The Company monitors operating costs to ensure they remain in line with the budget. Cost are carefully controlled with a focus on delivering reductions to remain a low-cost operator.

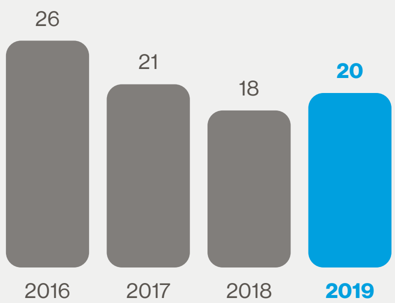
Link to strategic priorities

1 3 4

Performance

- Operating costs increased in 2019 due to a number of non-routine projects, including water handling costs and turnaround maintenance for both production facilities, and an increase in routine costs (staff, fuel and chemicals) as a result of higher activity and production levels.
- Operating costs were $3.9 per barrel in 2019, at the low end of our guidance range.

G&A expenses ($m)



Description

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

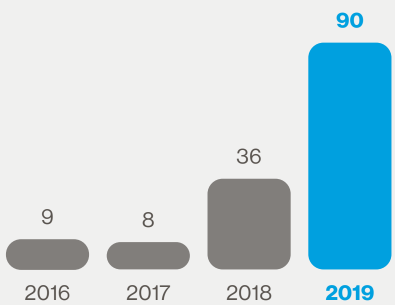
Link to strategic priorities

1 3 4

Performance

- $20 million G&A expense in 2019 includes depreciation and amortisation of $1.3 million and is comprised of $10 million Shaikan costs (2018: $8 million; 2017: $5 million; 2016: $9 million) and $10 million corporate costs (2018: $10 million; 2017: $16 million; 2016: $17 million).
- Maintenance of corporate G&A expenses is due to prudent resource management, whilst the increase in Shaikan G&A costs is due to increasing the size of the support organisation for increased activity and production during 2019.
- G&A costs were up 10%, in line with 2019 guidance.

Capital investment ($m)



Description

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

Link to strategic priorities

1 3 4

Performance

- Significant increase in capital investment in 2019 as the Company continued to spend on the 55,000 bopd work programme. Capital activities included two well workovers, two wells and related flowlines and civils work, production facility debottlenecking and connection of PF-1 to the Kurdistan Export Pipeline.
- Capital investment in 2016 and 2017 was minimised whilst the FDP was being updated and significantly increased in 2018 as the Company embarked on the 55,000 bopd work programme.

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(1)(a-f) of the Companies Act 2006 ("section 172")) in the decisions taken during the year ended 31 December 2019.

The Directors understand their duties under section 172 to act in the way which 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 and, in doing so, to have 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;
- 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
- 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 our commitment to effective stakeholder engagement, and in accordance with section 172, we have set out our key stakeholder groups and our approach to engagement with them. Our stakeholder engagement strategies are tailored for each of these key audiences in order to continue a mutually beneficial dialogue with those who are impacted by our strategy, or who most materially impact it.

Key stakeholders	Background
Shareholders and investors	Clear and regular communication with our shareholders, the owners of the Company and debtholders is essential, and is a key strategic priority of the Board. GKP ensures that all shareholders and debtholders are informed of material developments on a timely basis.
Employees and staff	Regular two-way 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 stakeholders. The Company enjoys a high-calibre workforce and it is essential that they are kept updated on developments and have the platforms to have their voices heard.
Local communities	GKP has a long history of working closely with those communities closest to Shaikan, ensuring they understand our operations, feel safe with the Company's operations and understand the benefits for their communities, as well as for Kurdistan more broadly. The support and close partnership of the local communities is essential to the success of GKP.
Suppliers and contractors	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.
Local and central government, business partner and regulators	Gulf Keystone works closely with its host government, the KRG, and partner MOL on all aspects of operations at Shaikan.

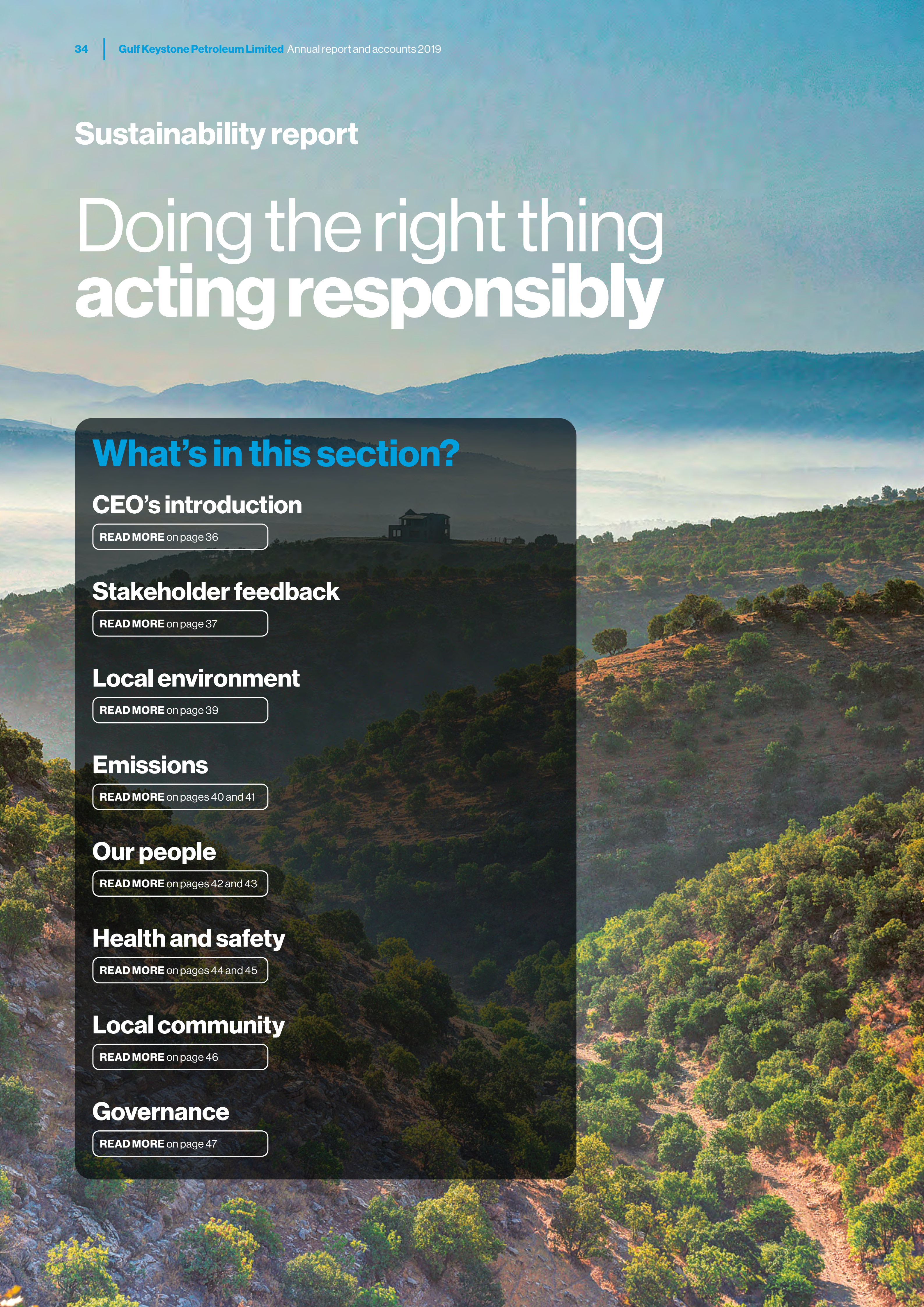
GKP believes the environment is a key consideration in stakeholder engagement.

Environment	All companies, in particular those which operate in the extractive industries, have a duty to protect the environment and take all possible measures to reduce or eliminate any harmful emissions which may have a detrimental effect on climate change.

Responding to stakeholders

Stakeholder engagement is a priority for Gulf Keystone. The Company aims to engage in dialogue across all stakeholder groups via a number of platforms and we look to ensure that our investor relations programme clearly articulates the strategic priorities of the business. We aim to build collaborative relationships with employees, stakeholders and suppliers – being open to change and responding to feedback.

How we engage	Key areas of interest	2019 highlights
Through our investor relations programme, which includes regular updates via the London Stock Exchange's Regulatory News Service, meetings, roadshows, AGM and the investor section of the Company's website.	• Financial performance including balance sheet strength • Strategic direction • Environmental and social governance • Climate change • Risk management • Capital allocation	Shareholder feedback on capital allocation and shareholder distributions, amongst other things, is regularly raised at Board meetings and plays an important part in setting future strategy.
The Company continues to use multiple channels to ensure that employees are engaged and are clear on GKP's objectives. In addition to regular contact and communication from department heads and team leaders, the Company holds regular town hall meetings. These are an effective opportunity to hear directly from the leadership team, and to engage with them. These meetings are supplemented with email updates from the CEO and wider senior management team. An independent whistleblowing service is also in operation in the event any employee wishes to raise a concern on an anonymous basis.	• Safe working environment – opportunities for development and progression • Remuneration • HSSE • Agile working patterns • Opportunities to share ideas and make a positive contribution	Our employees enjoy an open communication environment at work. In the last year, GKP has focused on developing its employee wellbeing package by providing improved medical insurance along with a range of employee engagement activities and initiatives.
GKP regularly consults with the local communities, ensuring they are kept informed of developments on Shaikan, which had increased during the recent period of heightened operational activity. GKP has a policy of employing local people and the use of local suppliers and contractors whenever possible, thus having the greatest positive impact on the social and economic fabric of the local area.	• Job creation, and active development of local staff for managerial positions • Economic impact of GKP's operations • Safe environment • Protection of the environment	Active engagement with communities, ensuring continued operations. Ongoing recruitment and development of local staff. Active CSR programme and initiatives.
Through a partnership approach, GKP is looking for long-term relationships with its suppliers, ensuring the 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.	• Long-term partnerships • Collaborative approach • Open terms of business • Fair payment terms • Drive consistency of application of business ethics practices	GKP is focused on using local suppliers whenever possible.
The Company undertakes regular meetings and conference calls, with both parties, in addition to working events that take place in Kurdistan, London and Budapest.	• Investment to increase Shaikan production capacity to 55,000 bopd when macro conditions allow • Defining a strategy to grow production beyond 55,000 bopd • Ensuring safe and reliable operations at the Shaikan Field	Significant investment in the Shaikan Field, to increase production capacity to 55,000 bopd. Commissioning of PF-1 export line to main export pipeline, eliminating trucking on the Shaikan Field.
GKP flares gas as an element of its operations. Working with the Ministry of Natural Resources and its joint venture partner, it aims to reduce this to the greatest extent possible in routine operations.	• Reduction of emissions from routine gas flaring • Reduction of emissions from Company operations • Recycling and waste management	Progress on formulating a gas management plan in conjunction with the MNR and joint venture partner.



Sustainability report

Doing the right thing **acting responsibly**

What's in this section?

We ensure our operations have a direct and positive impact for Kurdistan, our host government and local communities.

Safety, environmental and social principles are embedded in the ethos of the Company and are at the forefront of every action we take.

Community investments are designed to last long after GKP's operations have ceased.

Engaging with stakeholders is essential in the development and implementation of the Company's environmental and social strategy.

We continue to maintain high standards in waste management and during 2019 we recycled c.90% of our waste.

Our local employees value development through the work and training we provide.

Sustainability report continued

Oil remains an important component of the global energy mix; our aim is to produce it safely and responsibly and see the benefits flow to all of our stakeholders.

CEO's introduction

At Gulf Keystone, we fully recognise the balance required to ensure the benefits of the Company's operations have a direct and positive impact for our host government, on the lives of local communities and on our employees, while minimising the environmental impact of an extractive industry. Safety, environmental and social principles are embedded in the ethos of the Company and will always be at the forefront of every action we take as an organisation.

We therefore have an ongoing programme of initiatives in this area. In determining them, management focuses on the need to make a positive and long-lasting impact on our communities, whilst minimising our environmental footprint. It is important that this is recognised as a process which will evolve over time – as goals are attained and new goals established.

As we increasingly integrate these objectives into the core of our corporate strategy, Gulf Keystone has highlighted the most material impacts of our business on its stakeholders:

- the health and safety of our employees and contractors;
- the environmental footprint of our production facilities;
- the safety and development of our local communities; and
- the need to work responsibly and ethically.

We aim to set out clear, measurable objectives and timelines for achievement. This report seeks to explain these in more detail and highlight the current and planned projects that give us the confidence to achieve them. Our target on CO_2 emissions, which are currently 38kg/bbl, is to reduce these to at least half of the current level by 2025, contingent upon the restart of the investment programme, which should take us below the global average for producers.

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.

Jón Ferrier
Chief Executive Officer

22 April 2020

Jón Ferrier
Chief Executive Officer

Stakeholder feedback

Gulf Keystone Petroleum Limited is an independent oil company and the operator of the Shaikan Field, one of the largest developments in the Kurdistan Region of Iraq. The Shaikan Field is situated about 60km to the north-west of Erbil, covering an area of 280km². The Company has a Production Sharing Contract with the Kurdistan Regional Government ("KRG") and has an 80% working interest in the Shaikan licence. Of utmost importance to the Company is the need to continually minimise HSSE risks by providing outstanding safety training and ensuring a comprehensive strategy is implemented throughout the business. The Company is also fully committed to maintaining a strong culture of social responsibility and operates a number of sustainable initiatives to improve the local environment and communities.

Key stakeholders

- Our employees and staff
- Local and central government and regulators
- Local communities
- Shareholders and investors
- Business partner
- Suppliers and contractors

Engaging with stakeholders is essential in the development and implementation of the Company's environmental and social strategy. We have structured stakeholder engagement processes in place to ensure that as much information as possible is gathered and acted upon.

Our key stakeholder groups are:

- our employees and staff;
- local and central government and regulators;
- local communities;
- shareholders and investors;
- business partner; and
- suppliers and contractors.

During the year, some of our key stakeholder engagement activities included:

- weekly meetings with the KRG's Ministry of Natural Resources ("MNR") to discuss operational, environmental and social activities;
- regular meetings with the Assistant Prime Minister for Energy Affairs responsible for natural resources and other government officials;
- working closely with community partners to devise and implement local community initiatives;
- continuing work with our suppliers and customers to minimise our impact on the environment, with active measures taken;
- meeting with our joint venture partner to continually review and enhance our practices;
- regular meetings and communications with our shareholders and investors; and
- working with all our stakeholders in a responsible manner, to ensure absolute adherence to all matters relating to business ethics, including anti-bribery and corruption.

Sustainability report continued

We engage with stakeholders to develop the Company's environmental and social strategy.

Stakeholder feedback continued

Our local communities want us to take ownership for maintaining and enhancing the condition of their environment; ensuring it remains clean and safe, not only whilst we are in operation, but once we have ceased production. They also value their ability to live safely in proximity to our facilities and want to benefit from the improvements in local infrastructure that we are making.

Our employees value development through the jobs, training and career opportunities we provide. We are encouraged to create as many local jobs as economically possible and provide opportunities for our employees to learn and develop new skills. Many aspire to ever more senior roles and to be able to grasp the wider opportunities that come along with this. Safety at work is also of paramount concern for them and they enthusiastically adopt the Company's HSSE culture.

Our third-party business partners and suppliers want the Company to approach the relationships with them with integrity. They believe that if we are honest and transparent in our dealings with them, not only does this hold us to account, but it will encourage other companies in the sector, and those associated with the sector, to act in a similar way.

The Kurdistan government authorities value the profit sharing they receive from oil production as they work to improve the living standards for all in the region. They support the initiatives we take in the local communities but are also clearly focused on the gas flaring associated with our oil production – and that of others in the greater Shaikan area. They want to ensure the local air quality remains good and that routine flaring is eliminated and contributions to greenhouse gases are minimised.

Finally, there is a recurring theme in the feedback we receive from stakeholders; the actions the Company takes must have long-lasting impact. Local communities and employees want to learn skills and develop themselves and the increased quality of local infrastructure and environment helps facilitate sustainable long-term growth.

Purpose/corporate strategy

Gulf Keystone has an excellent track record of demonstrable drilling and operating successes in the Kurdistan Region of Iraq.

These successes are underpinned by the high-calibre, predominantly local, team we have in place, the long-standing relationships on the ground with the KRG, the MNR, and the support we provide to surrounding communities and businesses.

Our strategy is to progress with the large-scale staged development of the Shaikan Field, once macro-economic conditions improve. The phased development approach to the expansion of the Shaikan Field will enable us to achieve significant ramp-up of production, whilst ensuring the Company retains flexibility in the development of this large field along with the goal of financing our operating and development activities from production cash flows.

This objective will only be achievable with the continued support of our staff, the regional authorities, and the communities in which we operate.

Most importantly, we must deal with the key environmental issue of routine gas flaring from our wells. Not only is this a local air quality issue, but also has wider implications for climate change.

In parallel, we are committed to the safety and development of our people; those that work directly for the Company and those whose very existence is dependent upon our actions.

Finally, as part of our overall remit, we commit to leaving the area in the same condition as we found it through a detailed programme of remediation, waste management and infrastructure development.

Linking stakeholder feedback and corporate strategy

Combining our thoughts on long-term strategy with the stated needs of our shareholders, it becomes clear that the most material ESG impacts for our business fall into four clear categories:

- the quality of the local environment;
- greenhouse gas ("GHG") emissions from flaring;
- the safety and development of our people; and
- the safety and development of local communities.

These are clearly not an exhaustive list but represent the most meaningful differences that the Company can make as a result of our operations.

On the following pages we discuss each of these in turn, stating clearly our long-term objectives, the specific initiatives we are taking and the targets and timelines for delivery.

We also map each material impact to one or more of the most relevant UN Sustainable Development Goals.

Material factors

Local environment

Our overall objective is to leave the environment in which we operate in the same condition as when we started. Moreover, while we are operating it needs to be considered a safe place to live and work.

Impact management

Environmental impact assessments set out how the Company mitigates the impact on the natural environment of its operations, such as the drilling of a new well or the construction of a new facility; the Company is committed to minimising the impact its operations have on the surrounding environment.

Remediation

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

At the beginning of 2018, Gulf Keystone had 21 individual pits that were left after drilling activities; seven were remediated in 2018 and GKP completed the remainder in 2019. According to Kurdistan legislation, all waste drilling cuttings and fluids must be correctly environmentally managed, and pits should be remediated after drilling operations are completed.

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. 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 taken and tested in order 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.

Waste management

Gulf Keystone continues to maintain high standards in waste management and during 2019 recycled approximately 90% of its waste. All the waste recycled had cradle-to-grave traceability. To ensure third parties also comply with Company requirements and local legislation, tools such as GPS vehicle tracking and waste transfer documentation were used. The utilisation of local bitumen manufacturers to handle waste oil and contaminated soils recyclability was researched, agreed and approved by the MNR, who also helped in achieving the target.

Case study

Road construction from cuttings

The oil-based drilling cuttings from the Company's pit remediation programme were used to produce asphalt which in turn was used in the construction of roads in the nearby area. This demonstrated the commitment which the Company has to recycling its waste products and using them to enhance and support local infrastructure projects.

Sustainability report continued

Material factors

Emissions

Our clear aim is to reduce greenhouse gas emissions to as low a level as possible, and to completely eradicate the flaring of gas from all our operations, save where necessary for safety considerations. Whilst we currently meet required standards in Kurdistan for air quality, we aim to continually improve the level of our emissions. We set out below our current emissions levels, with our target of how we aim to reduce these.

We have examined a number of potential solutions to eliminate gas flaring.

The options currently being considered are:

- the investment, potentially with other local operators, in a local gas market to replace current diesel usage;
- the "sweetening" of the gas to deliver methane and ethane to satisfy our and local power generation demand, which could potentially be substituted for the consumption of diesel;
- the optimisation of the facilities in order to reduce production of CO_2; and
- the reinjection of gas, in a later phase, into the Triassic reservoir.

2019 emissions

Set out below is a table showing 2019 CO_2 emissions from our operations.

Location	Amount of CO_2 per year in metric tonnes
Production Facility 1	313,747
Production Facility 2	150,883

We recognise that the emissions are at a relatively high level and thus the Company has set ambitious targets to reduce these by over 50% in the next five years, as set out below, subject to the approval by the MNR of the FDP, which includes the gas management plan.

Year	CO_2 emissions per bbl
2020 (current)	38kg
2025	<50% of current emissions

Future Shaikan gas plant and flare gas recovery (minimisation)

Gulf Keystone is publicly committing to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). We recognise climate change as the biggest environmental threat the world faces and one which could pose particular challenges to our business. Disclosing these climate-related risks is an important step in demonstrating our understanding of these risks and efforts to mitigate them. 2020 will represent our first disclosure to address the TCFD recommendations and we expect this to develop and evolve over time to reflect our analysis.

Subject to the approval of the FDP, the Company intends to minimise flaring emissions from which the bulk of the carbon dioxide is emitted. This flared gas (associated gases with oil production) would be gathered and treated to remove impurities, including hydrogen sulphide.

The treated gas would be processed to meet Shaikan production demands for fuel and enable the reduction of consumption of diesel. The remaining gas will be for export, either for commercial use or power generation by third parties.

Future energy efficiency initiatives

The Company would, wherever possible, maximise heat integration to reduce fuel demand and therefore reduce carbon dioxide emission.

Diesel consumption reduction initiatives and equipment selection techniques

Gulf Keystone has committed to the reduction in the consumption of diesel and the conversion to the use of fuel gas for power generation on its existing production sites.

The Company will also consider, where practical, the electrification of well site facilities to further reduce diesel consumption. In line with international best practice, the Company shall use the best available technology not entailing excessive cost ("BATNEEC") techniques to select future equipment, therefore minimising future emissions.

Current air quality monitoring

We are pleased to report that the air quality, as measured in our air quality monitoring ("AQM") programme, was well within the Kurdish regulatory limits. The Company is committed to minimising its impact on the environment and has been implementing an AQM plan which includes ongoing installation of new monitoring stations.

Two systems are continuously monitoring, in real time, the air quality in ten locations around the Company's facilities. The AQ-Mesh Unit Monitoring system measures SO_2, NO_2, CO and O_3, whilst the Diffusion Tubes Monitoring system measures H_2S, O_3, VOC, SO_2 and NO_2. This data is collected and sent to a UK laboratory for analysis to ensure consistent and impartial interpretation.

We have also introduced a new air quality monitoring system, Scentinal SL 50, which provides continuous monitoring of odorous gases, and four such measuring stations are currently in place. It is the Company's mission to put into place rigorous control measures designed to reduce emissions to levels as low as reasonably practical ("ALARP") and in line with the MNR guidelines.

We also have passive diffusion tubes installed at ten locations near our facilities and in neighbouring villages; these detect a range of relevant gases and emissions. For mobile monitoring, the Company uses a handheld Photo-ionisation Detector ("PID"), to detect more than 400 gaseous pollutants.

Case study

Drone survey

In late 2019, the Company completed a drone survey over the Shaikan block; the first operator to undertake such an initiative. The survey aimed to identify and analyse any natural gas seeps at surface which in turn would provide insights to the underlying geology. This would provide valuable information for the Company when formulating its gas management plan. The initial results are currently being analysed and the survey will be repeated at periodic intervals in order to verify the integrity of the results and provide baseline data for comparison to future surveys.

Sustainability report continued

Material factors

Our people

Quality learning and development

Focus on diversity

Gulf Keystone's vision is to be a best-in-class, value creation, low-cost operator with a leading HSSE record in Kurdistan. Our future success is underpinned by the quality, motivation and commitment of our people and we are focused on their development, fair treatment and reward which is linked to their performance. There is strong recognition that our organisational strategy must include a significant focus on employee development and the localisation of our Kurdistan workforce in a structured way, ensuring safe and effective development and operations of the Shaikan Field.

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

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

To support these objectives, we are investing heavily in employee development programmes such as our best-in-class Competency Based Framework for operational employees; the bespoke Management Development Programme for supervisors and managers; the Coaching and Mentoring Programme; Subsurface Development Programme; and provision of online educational and soft skills learning through Harvard's "Manage Mentor" programme. In addition, we offer distance learning programmes as well as technical and professional courses and local coaching and mentoring.

Our employee profile in Kurdistan is around 74% local and 26% expatriate. We are working towards a goal of 80% local employees within five years. 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 are proud that we have recently appointed our first female field employees in Shaikan Production Facilities and will continue to focus on gender diversity and equal opportunities.

The Company applies a technical ladder system with industry benchmarking for the recruitment, promotion and salary rating of each position.

We encourage open communication and dialogue within the business and hold regular briefing sessions, town hall meetings and business updates with staff. We also have annual performance reviews for all employees and our approach to salary, bonus and equity provision is applied across the organisation.

We also focus heavily on employee welfare and have introduced an improved medical insurance scheme in Kurdistan during 2019.

All staff participate in an employee 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 staff receive an annual entitlement under the Long-Term Incentive Plan ("LTIP"), which will only vest if performance criteria linked to the Company's overall performance are met.

Learning and development

Gulf Keystone needs to assure itself, its partners and the Kurdistan Region of Iraq that its workforce is fully competent and will remain so for the future. To date, eight national staff members have been promoted into positions which were previously held by expatriates. 66 enrolled into GKPI-provided technical courses.

Current initiatives include:

- our in-house Competency Based Framework which serves as the main route to career development for national employees;
- the enrolment of 52 employees at varying stages of the four-level Gas Process Operations Course;
- ten HSE employees enrolled and completed a Worker Safety Management Course, with an average grade of 89%; and
- ten maintenance employees enrolled on and completed an Industrial Instrumentation course, with an average grade of 93%.

Indirect employment

We prioritise the engagement of local subcontractors as well as requiring that our contractors hire personnel from the Shaikan area wherever possible. We endeavour to balance our hiring equally between local villages to ensure fairness of approach.

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 equally shared amongst the villages surrounding the Shaikan operations.

We often support local universities by providing valuable internships to students from all disciplines, but particularly oil and gas-based areas of study including various engineering courses.

Staff testimonial

Maryam M. Mumtaz

I am Maryam and I come from Duhok. I have a degree in Petroleum Engineering from Zakho University, and I joined at the same time as Shaima Hassam in November 2019 as a Trainee Plant Operator. I have always looked forward to getting a good job with a reputable company like GKP so that I can receive quality training, gain strong experience and improve my skills. My initial goal is to continue to grow and improve myself both personally and professionally. Being in the field is challenging, and I have had to adapt quickly, find solutions to difficult situations and make decisions, working as part of the team. GKP is helping me to develop my skills and gain new experiences.

The main thing that attracted me to GKP is the dynamic working environment and fine reputation of the Company. I enjoy challenges and look forward to the opportunities here, where I will be able to assume greater responsibility. Ultimately, I would like to focus on strategy and development and work my way into a long-term position where I can build a solid career.

Staff testimonial

Shaima Hassam

My name is Shaima Hassam and I come from Shaikan. I have a degree in Petroleum Engineering from Zakho University. I joined GKP in November 2019 as a Trainee Plant Operator. This is the first step in my career as a graduate trainee and I am so delighted to work for such an effective and international company as Gulf Keystone and I look forward to developing my skills with the Company.

My first impression of GKP is that it has significant growth potential and is led by a strong management team. During the last four months I have learned and developed my understanding of the facility and how to deal with equipment and instruments. Due to GKP's strong reputation for safety and security, with highly trained and professional staff, I feel that I am working in a very safe operating environment.

Staff testimonial

Thamir Siawsh

My name is Thamir Siawsh and I was born in Erbil. I have a degree in Civil Engineering from Salahadin University and am also a Certified IACCM Associate (International Association for Contract and Commercial Management) and a Certified Contracts Manager. I have more than 24 years of diverse experience, mainly with international companies and United Nations agencies in Iraq. The last twelve years of my career have been spent in supply chain management working with a number of companies including major oil operators. I joined GKP in 2017 as a Contracts Administrator and my role has grown considerably over the last few years and I was quickly promoted to Senior Contracts Engineer. I feel that I have been able to develop my talents and skills to support GKP and I am proud of my success within the business. I have had a wide range of training and development opportunities including technical training and mentoring as well as leadership and management development training programmes.

GKP is a well-known operator and it is an ambition for many people to be part of this developing company.

Sustainability report continued

Health and safety

A commitment to ensuring the highest standards in health and safety remains a core Company value which is built into the everyday working environment. We are driven by protecting our people, engaging continuously with the workforce, and encouraging 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 2019 was to deliver the objectives and targets of the HSE improvement and compliance plan. The aim of the plan was to start embedding and strengthening HSE through 27 improvement initiatives and 23 compliance targets, all endorsed by the Company's HSSE & CSR Committee (to be replaced by the Safety and Sustainability Committee going forward). These initiatives ranged from training, to emergency response exercises, reducing environmental impact, audits and improved systems and procedures.

The Board and senior management team use review committees and site visits to demonstrate the commitment required, reinforcing the high levels of HSE throughout the Company – which has significantly raised overall visibility of HSE across the Company. The HSE function reports directly to the COO and takes part in weekly senior management meetings to address HSE-related matters directly with the executive team.

Case study

STOP cards

The Company has a culture of empowering its staff and contractors to identify potential and actual health and safety matters and to report these to management. STOP cards are prevalent through the organisation, in all offices and facilities. In 2019, over 8,100 STOP cards were submitted; all of these were addressed and communicated to the team.

G K P
GULF KEYSTONE PETROLEUM

STOP (For Safety)

OBSERVATION CARD

Card #

OBSERVATION REPORT چاودێری کردنی راپۆرت

UNSAFE ACT OBSERVED
IMMEDIATE CORRECTIVE ACTION
راستکردنەوەی خێرایی کارە بە مەترسیەکان
تێبینی کردنی کارە بەمەترسیەکان

SAFE ACT OBSERVED
ACTIONS TO ENCOURAGE
هاندانی بەردەوام بوون لەکارە بێمەترسیەکان
تکارێی مەترسیە تێبینی کراوەکان

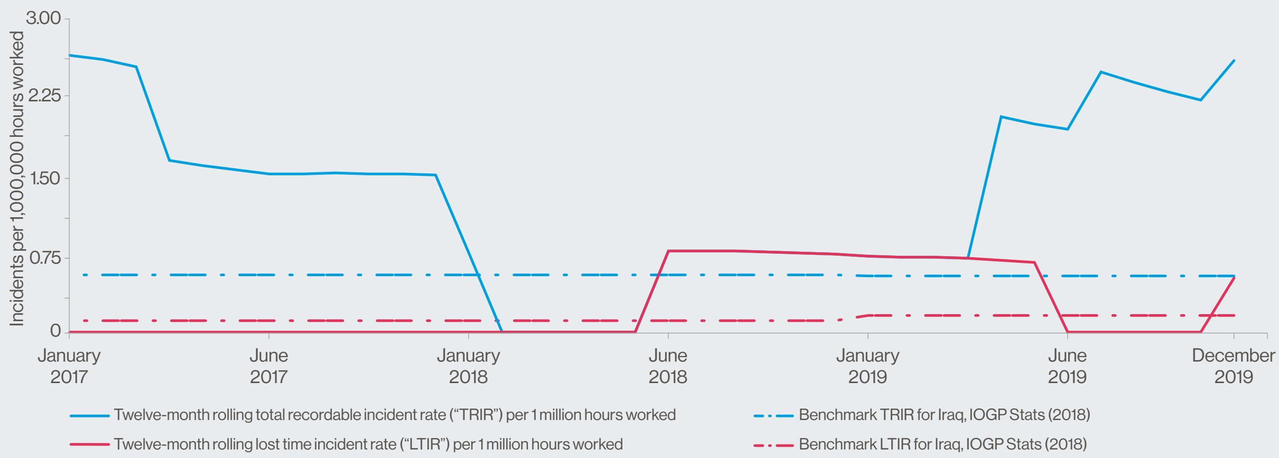
Further actions Required
هەرکارێکی زیاتر کە پێویست بێت

Observer's Name سەرپەرشتیار

Location بەشی بەرپرس

Date دروا

Lost time and total recordable incident rates 2017-2019



GKP encourages an open HSSE reporting culture

Year-on-year statistical comparison

Category	Measure	2017	2018	**2019**
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**
Total recordable incident rate ("TRIR")	Million man-hours	1.51	0.75	**2.61**
Motor vehicle accidents	Total incidents	1	1	**3**
Driving violations (IVMS data[1]) (only those resulting in warnings)	Total incidents	25	–	**–**
First aid cases	Total incidents	2	1	**7**
Solid waste recycling	Percentage	85.5	87	**86**
Liquid hazardous waste recycling	Percentage	100	100	**100**

(1) In Vehicle Monitoring System.

Robust safety performance
1 LTI
in December 2019
after 530 days

86%
solid waste recycling

100%
liquid hazardous
waste recycling

Sustainability report continued

Material factors

Local community

Since the Company started its operations in Kurdistan in 2007, Gulf Keystone has worked alongside the communities located close to Shaikan 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 strive 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 petroleum operations have ceased. Unlike impact management and "Good Neighbour" activities which are reactive by nature, these initiatives are proactive. Following an external review of its community investment programmes, agriculture and education/training emerged as the two areas of focus. Whilst GKP's investments in education programmes cannot replace nor duplicate the existing teaching curriculum, they are aimed to support education in the KRG, wherever it can make a greater impact. This can be done through a combination of directly funded projects, and volunteering initiatives.

Examples of recent initiatives include:

Agriculture:

- wheat improvement programme and practical training;
- distribution of barley and chickpea seeds with associated training;
- provision of beekeeping hives and associated training;
- distribution of condensed fodder for sheep farmers;
- vaccination programme for sheep and goats;
- provision of wool clippers and shears; and
- distribution of egg-producing chickens.

Education and training:

Provision of courses in relation to:

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

The Company has also been involved in a number of local "Good Neighbour" infrastructure projects, including the provision of generators, and the construction of a water supply network.

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 criteria are key to this; ultimately, we are looking to implement projects which provide a real long-term benefit to the communities and which can be sustained from a financial and education perspective.

Case study

Wheat improvement

In 2018 and 2019 the Company initiated a wheat improvement project. This covered eleven villages and more than 700 farmers. The Company distributed high-quality certified wheat seeds and trained the farmers on enhanced techniques to dry and store the wheat, alongside education on weed and pest control. The wheat yield improved on average by around 35% and was used in baking flour as opposed to animal fodder as previously. Furthermore, the farmers kept harvested seeds to use the following season to ensure the sustainability of the project.

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 HSSE and CSR 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.

From the financial year 2020 onwards, this Committee will be replaced by the Safety and Sustainability Committee to reflect its wider remit, whilst maintaining the Company's focus on safety. The Safety and Sustainability Committee will continue to meet at least quarterly, and frequently in Kurdistan.

During 2020 we will be expanding and implementing remuneration KPIs linked to our sustainability strategy. These KPIs will be used to determine bonus entitlements, should any become payable, 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 62 to 102.

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

HSSE AND CSR COMMITTEE
Ensures appropriate systems are in place to manage safety, 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 considers the Group's principal risks at each scheduled[(1)] Board meeting and reviews reports from the Audit and Risk Committee, the HSSE and CSR Committee, and the Technical Committee.

The Group maintains a corporate risk register that encompasses all identified risks, the impact of those risks, the mitigating controls the Group has in place to reduce those risks to an acceptable level and the actions it must take to further mitigate risks that are not yet deemed to be at an acceptable level. The risk register is regularly reviewed by both the Audit and Risk Committee and the Board and is updated based on the latest developments in the business. The corporate risk register is reviewed by senior management following consultation throughout the relevant parts of the Group. In undertaking this risk review, the senior management team will also consider emerging risks. For example, the Company has requested that geopolitical and security advisers 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. During the year, an external risk management consultancy was engaged to do a review of the Group's risk management process and the resulting recommendations were incorporated into the ongoing risk management process.

GKP maintains a separate, more detailed operations risk register that identifies all risks that are specific to the continued safe and reliable operations of the Shaikan asset as well as major future Capex projects. The operations risk register is maintained and reviewed in the same manner as the corporate risk register.

The Audit and Risk Committee engages in an evaluation of the Group's principal strategic and financial risks at each scheduled[(1)] Committee meeting. 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 HSSE and CSR Committee (to be replaced by the Safety and Sustainability Committee going forward) 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 engages in an evaluation of the Group's principal operational risks at each scheduled[(1)] Committee meeting. It supports 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 risks the Group faces. The list is not exhaustive nor in priority order, and changes on an ongoing basis.

(1) Excludes meetings organised on an ad-hoc basis or for a specific purpose.

Principal risks

The Board confirms that it 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	Potential impact	Mitigation
Strategic		
Political, social and economic instability **Risk owner:** CEO Kurdistan and Iraq as a whole have a history of political and social instability which continue to represent a risk to the Group, its operations and its personnel. Uncertainty may arise from changes in the KRG leadership or changes in the continued administration of the Shaikan licence by the KRG. **Link to strategic priorities:** 1 3 4 **Change in year:** ↑	There has been a history of tension between the political parties in the Kurdistan Region of Iraq and with the central government of Iraq. Any possible changes in the government would generate uncertainty and may cause a material adverse impact to the Group. 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. 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. 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.	The Group engages in continuous dialogue with the KRG. 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. The Group acts as a responsible operator and adheres to the terms and requirements of the PSC and FDP, as well as holding regular formal, minuted meetings with the MNR. 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. The Group's security team prepares detailed risk assessments, security procedures and contingency plans which can be activated when threats arise. The Group has a corporate social responsibility policy which has led to several local initiatives and promotes a strong relationship with the local communities.
Disputes regarding title or exploration and production rights **Risk owner:** CEO The Iraqi government has historically disputed the validity of the PSCs granted by the KRG. **Link to strategic priorities:** 1 3 **Change in year:** =	If the validity of the PSCs was successfully challenged, the Group could be required by the KRG or another administration to accept contractor entitlements that are materially less favourable than the current PSCs.	This is an industry-wide risk faced by all international oil companies operating in the Kurdistan Region of Iraq. 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.

Strategic priorities key: 1 Conservative financial position 2 Safety and sustainability 3 Value creation 4 Capital discipline and cost focus

Management of principal risks and uncertainties continued

Key risk factor	Potential impact	Mitigation
Strategic continued		
Business conduct and anti-corruption **Risk owner:** Anti-Bribery Officer 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, breaches anti-corruption laws. **Link to strategic priorities:** 3 **Change in year:** =	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, possible imprisonment for staff and revocation of licence to operate.	The Legal Director and Company Secretary is the Anti-Bribery Officer for the Group and reports directly to the Audit and Risk Committee. The Group has implemented training and appropriate procedures to mitigate the risk of bribery. 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. The Group has anti-bribery and whistleblowing policies and training programmes that educate all personnel about the requirements of these policies. The Group also has robust controls around payment approvals and the non-facilitation of tax evasion.
Export route availability **Risk owner:** CEO 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. **Link to strategic priorities:** 2 3 **Change in year:** ↓	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, theft and smuggling.	Historically, a portion of produced oil was trucked to Fishkhabour where it was injected into the international export pipeline or trucked to PF-2 where it was injected into the Kurdistan Export Pipeline. Tie-ins from the PF-2 and the PF-1 facilities to the Kurdistan Export Pipeline were completed in July 2018 and December 2019, respectively. Currently, all oil produced by the Group is exported by pipeline and trucking operations have ceased. This 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. The Group and the MNR signed an extension to the Crude Oil Sales Agreement in 2019 which provides clarity and pricing for oil exports until the end of 2020.

Strategic priorities key: 1 Conservative financial position 2 Safety and sustainability 3 Value creation 4 Capital discipline and cost focus

Key risk factor	Potential impact	Mitigation
Strategic continued		
Stakeholder expectations **Risk owner:** CEO The Group's long-term strategy, production profile and funding may not meet the expectations of all stakeholder groups due to the diverse nature and desires of the stakeholders (including shareholders, bondholders, the KRG, joint venture partners and local communities). **Link to strategic priorities:** 1 2 3 4 **Change in year:**	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 hostile takeover. Misalignment with our joint venture partner and/or the KRG may result in delays or modifications to the development project. 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.	The Group employs 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. Due to the current uncertain macro-economic environment, the Group has suspended capital expansion activity and is focused on maintaining production operations. Resumption and completion of the 55,000 bopd expansion project will be subject to an improvement in macro-economic conditions, operational clarity and resolution of outstanding payments from the KRG. The FDP is in the process of being revised and will be submitted to the MNR in due course. 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. The Group has agreed a long-term CSR strategy with local and government stakeholders and has a broader medium to long-term CSR strategy to complement its existing community welfare initiatives.
Climate change and sustainability **Risk owner:** CEO 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. **Link to strategic priorities:** 1 2 3 4 **Change in year:**	The transition to a low carbon economy may lead to lower oil prices, loss of markets for the Group's oil, reduced access to funding, reduction of share value and increased compliance and monitoring costs related to new regulatory frameworks. Additionally, conflicting stakeholder expectations may become more apparent, leading to an inability of the Group to develop the asset.	The Group's aim is to reduce greenhouse gas emissions and to eliminate routine flaring of gas from all our operations. GKP, with MOL, is reviewing several gas management solutions. Following the results of SH-9, the Company has agreed with MOL and the MNR that the most likely option for the phased reduction of routine flaring involves the development of surface facilities to sweeten the gas and to remove sulphur. The Company will also look to replace diesel power generation with gas, and potentially supply the remaining gas for power generation elsewhere in the region. The phased elimination of routine flaring is expected to gradually halve CO_2 emissions from today's levels of 38kg per barrel. The parties are currently working together on integrating this revised gas management solution into a new FDP to be submitted to the MNR in due course. Gulf Keystone is publicly committing to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Wherever possible, the Group will improve the efficiency of its operations and processes in order to reduce emissions and consumption. The Group continuously monitors air quality as part of its commitment to minimise impact on the environment and local communities.

Management of principal risks and uncertainties continued

Key risk factor	Potential impact	Mitigation
Strategic continued		
Global pandemic (e.g. COVID-19) **Risk owner:** CEO 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. **Link to strategic priorities:** 1 2 3 4 **Change in year:** ↑	Depending on the duration of the pandemic and its effects on the global economy and the KRG, the global pandemic threatens the viability of the Group. In the short term, the recent deterioration of market conditions, including a significant reduction in oil price, is expected to significantly reduce the Group's revenue generation potential and adversely impact the Group's profitability and liquidity position. The pandemic is currently affecting the Group as follows: • Severe impact on the macro-environment resulting in decreased oil demand and price. • Interruption of supply chain activity and possible contractual implications regarding non-delivery or non-performance. • Implementation of remote working policy increases vulnerability to cyber-crime.	The Group has taken several actions in order to combat the effects of the pandemic, as follows: • The Crisis Management Team, with representatives in the UK and Kurdistan, meets regularly to develop 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. • The Company has suspended its expansion activities and is reducing Opex and G&A across the business in order to preserve liquidity.
Cyber security **Risk owner:** CFO As the Group invests more heavily in information technology systems, software and cloud computing, it becomes more vulnerable to malicious cyber attacks. **Link to strategic priorities:** 3 4 **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, damage our reputation and create significant financial and legal exposure for the Group.	The Group has implemented a cyber security strategy and roadmap in order to identify and remediate system vulnerabilities and weak points. GKP engaged a cyber security specialist to carry out a cyber security review in early 2020. 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		
HSSE risks **Risk owner:** COO The Group may be exposed to specific risks in relation to HSSE matters. Identified risk areas include, but are not limited to, H_2S leaks at the production facilities, loss of containment, road traffic accidents and other accidents at production facilities and well sites. **Link to strategic priorities:** 2 **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 HSSE and CSR 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 2019 included improvement and compliance initiatives and was 99% complete by the end of 2019 and duly completed early in 2020 (see "Key performance measures" section on pages 30 and 31). The 2020 HSSE Action Plan has now been put in place and will be closely monitored during the year. The tie-in of the PF-1 and PF-2 facilities to the Kurdistan Export Pipeline ended oil export trucking operations from 2020 onwards, thereby reducing the risk of road traffic accidents and the environment footprint.
Gas flaring **Risk owner:** COO GKP relies on flaring as a disposal method for gas, which is a by-product of its oil production. Continued gas flaring creates an environmental impact, which is misaligned with the Group's sustainability strategic priority. **Link to strategic priorities:** 1 2 3 **Change in year:** =	Continued gas flaring may result in excessive harmful emissions, resulting in the need to reduce or shut down production. The KRG may impose a ban on gas flaring, resulting in reduction or cessation of production. The KRG may introduce a financial penalty for gas flaring, resulting in a less favourable Shaikan asset valuation.	The Group maintains active dialogue with the regional authorities to ensure that it complies with the existing emissions regulations. Harmful gas emissions are closely monitored by the HSSE department, with any variances outside normal levels investigated and reported to executive management. The Group uses a clean flare stack to improve the combustion of flared gas. The reduction and, ultimately, elimination of routine flaring by means of a gas management project remains an integral part of the Group's FDP and commitment to the KRG and the Kurdistan Region of Iraq in the future.

Management of principal risks and uncertainties continued

Key risk factor	Potential impact	Mitigation
Operational continued		
Security **Risk owner:** COO The Group is exposed to security risks by virtue of the location of its operations. These include the threat of terrorist attack and local protests and unrest at Gulf Keystone sites. **Link to strategic priorities:** 2 **Change in year:** =	Terrorist attacks or local protests may lead to loss of life or injury to personnel, disruption to operations, costs to repair facilities and reputational damage with an associated financial loss.	The wells and facilities are protected by external security consultants and local government forces who work closely with the Group's internal security team. The Company's security advisers prepare detailed risk assessments, security procedures and contingency plans which can be activated when threats arise. 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.
Field delivery risk **Risk owner:** COO Field delivery risk applies to all phases of the E&P cycle from seismic acquisition through to production operations. The major identified risks within this area are the following: • 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. • High non-productive time in drilling operations. • Availability and quality of rigs and drilling services. **Link to strategic priorities:** 1 3 4 **Change in year:** =	Failure to control E&P risks will manifest as project delays, cost overruns, high production costs, early field decommissioning and, ultimately, lower than expected reserves. Water breakthrough in advance of the appropriate water-handling facilities may result in temporary well shut-ins, failure to meet production targets and damage to the production facilities. Gas breakthrough in a well may create gas volumes exceeding the limit of the gas processing capacity and result in reduced oil production and shutting-in the well with gas break through. Issues around drilling operations might result in cost overruns and project delays, and possibly even the suspension of drilling operations.	Technical and financial approvals are required for all material projects and for all dedicated project teams. 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. 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 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. Reservoir modelling is carried out to improve our understanding and forecasting of this event. 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.

Strategic priorities key: 1 Conservative financial position 2 Safety and sustainability 3 Value creation 4 Capital discipline and cost focus

Key risk factor	Potential impact	Mitigation
Operational continued		
Reserves **Risk owner:** COO Recoverable reserves are below expectations, which will affect the revenue and economic viability of the field. **Link to strategic priorities:** 3 **Change in year:** =	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.	The Group bases its forecasts and investment planning on a range of possible outcomes that include a low-side case. Investment risks are considered against a scenario of P90 recoverable reserves (meaning there is a 90% chance that the reserves are at or greater than this level). Phasing of the project investment is considered against the low-side scenario and the investment plans adjusted accordingly. 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.
Financial		
Liquidity and funding capability **Risk owner:** CFO 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. **Link to strategic priorities:** 1 3 4 **Change in year:** ↑	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. 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. Lack of capital discipline and operational cost focus may result in significant unplanned cash outflows and inadequate liquidity.	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. The Board and management ensure that the strategy planning process is robust and consistent. 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. 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. 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.

Management of principal risks and uncertainties continued

Key risk factor	Potential impact	Mitigation
Financial continued		
Export payment mechanism **Risk owner:** CFO There is uncertainty relating to the payment mechanism for export oil in Kurdistan. There can be no assurance that PSC operators will be paid their entire historical or future entitlement. **Link to strategic priorities:** 1 3 **Change in year:** ↑	Delays in, or lack of, revenue payments from the KRG will adversely impact the Group's ability to develop and invest in the asset, to operate efficiently and to make necessary working capital payments. Irregular receipts of revenue payments may damage investor confidence in the Group and the region and make any fundraising difficult.	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. The Group maintains accurate records of liftings and applies robust assumptions when estimating revenue arrears. The Group's position is regularly communicated to the MNR. The signing of the original Crude Oil Sales Agreement in January 2018, and subsequent renewal in February 2019, 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 the end of 2020. After a sustained period of regular oil sales payments, there have been delays in recent payment receipts. However, payments have historically been received and we remain in dialogue with the MNR to remedy this situation.
Commodity prices **Risk owner:** CFO A material decline in oil prices may adversely affect the Group's cash flows and asset valuations and result in delays to the Shaikan development. Low oil prices may adversely impact the KRG's ability to meet its payment obligations towards the region's producers. **Link to strategic priorities:** 1 3 **Change in year:** ↑	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. 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.	The Group monitors and, where possible, reduces costs while maintaining safe operations. The Group's cash forecast is constantly monitored. 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. The Group and Board consider the merits of hedging on an ongoing basis.

In addition, the Board has considered the Company's risks and exposure related to the United Kingdom's ("UK") withdrawal from the European Union ("EU"), an event known as Brexit. Particular consideration was given to the free movement of our staff and the effect on the global capital markets. It is the view of the Board that given the Company's operational focus is in the Kurdistan Region of Iraq and that it derives its income in oil, a globally traded commodity priced in US dollars, the risk was deemed to be immaterial and therefore was not included in the list of principal risks and uncertainties above.

Strategic priorities key: 1 Conservative financial position 2 Safety and sustainability 3 Value creation 4 Capital discipline and cost focus

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. 2020);

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) it is likely that the majority of the principal risks and uncertainties identified by the Group on pages 48 to 56 will have an impact 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 18 to 29, and to the risks, uncertainties and available mitigating action plans, as detailed on pages 48 to 56. 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 work plan and budget were subsequently updated to reflect a revised base case gas management plan.

The Directors reviewed the cash flow projections relating to Group's revenues, operational costs and capital expenditure. These projections included assumptions related to internal and external parameters. The Group is in a strong financial position, with a significant cash balance and ability to meet interest payments on the current financing arrangement ("New Notes").

In making the viability assessment, the Directors have also considered the financial and operational impact of severe but plausible scenarios that could threaten GKP's viability. This was done through modelling the effects of various risks and uncertainties in order to establish the Group's ability to meet its working capital requirements. The modelled scenarios included the following:

Scenario modelled	Reference to principal risks and uncertainties
Low oil price environment with Brent of $30/bbl for 2020, $40/bbl for 2021 and $50/bbl for 2022 and thereafter (real prices)	Commodity prices
Changes to the Group's development programme	Field delivery risk and Liquidity and funding
Reduction in frequency of revenue receipts	Export payment mechanism
Reduction in production	Field delivery risk and Reserves

In reviewing these scenarios, the Directors have considered possible mitigation steps which include, but are not limited to, further optimisation of the development programme including deferrals and reductions to capital expenditure, further rationalisation of the operational cost base, additional financing and the ability to adjust the dividend policy in line with macro and liquidity requirements. The New Notes do not need to be repaid within the three-year review period. The covenants of the New Notes allow the Group flexibility to independently raise an additional $200 million of debt, subject to certain requirements.

Taking into consideration all of the above factors, 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.

As detailed in the risk section, the Group continues to assess the impact of recent developments – COVID-19, low oil prices and delays in collection of outstanding revenue receipts. In a scenario where these conditions were to continue for a sustained period of time, 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, the Austrian integrated oil and gas company, 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, the Dutch State upstream participation company, and Chairman at Royal IHC, a Dutch shipbuilding company.

Jón Ferrier

Chief Executive Officer

Appointed

June 2015

Skills and experience

Jón Ferrier joined Gulf Keystone in June 2015 as Chief Executive Officer, following 30 years in exploration, commercial, strategic and leadership positions in the oil and gas and mining industries. Before joining Gulf Keystone, he was Senior Vice President of Business Development, Strategy & Commercial at Maersk Oil in Copenhagen.

Jón has considerable international experience across technical, commercial and a variety of managerial and leadership positions. Prior to Maersk Oil, Jón's industry experience was gained with Anglo American, ConocoPhillips, Paladin Resources plc and Petro Canada/Suncor, in a number of geographies. He holds an MSc from Imperial College.

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 25 years' experience in the international oil and gas industry. Most recently he was CFO of Sino Gas & Energy Holdings, an energy company focused on developing natural gas assets in China that was an Australian listed company (ASX:SEH) until acquired by a private equity firm. Previously, he held various executive roles at Talisman Energy Inc., the Canadian exploration and production company which was acquired by Repsol in 2015, 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 and Senior Independent Director of Gulf Keystone in June 2019, having been Senior Independent Non-Executive Director since July 2018.

He has had a distinguished executive career and his previous roles include senior positions with SG Warburg & Co. Ltd, Morgan Stanley, Dresdner Kleinwort Benson, as well as the Group Finance Director at TI Group plc. More recently, he spent time at Terra Firma Capital Partners, where he held various senior roles in its portfolio companies.

Martin has served as a Non-Executive Director on the Boards of Pennon Group, where he chaired the Remuneration Committee, Savills plc (Senior Independent Director), National Exhibition Group (Chairman), Severstal, and Dubai International Capital.

Martin is currently Deputy Chairman and Senior Independent Director of Spire Healthcare and is an adviser to the Institute of Arab and Islamic Studies at the University of Exeter.

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, before moving into various reservoir engineering and asset management roles. Subsequently, he joined Lasmo where he became the Group GM Operations and, following the company's acquisition, held three regional Vice President roles with Eni covering the North Sea, Russia/Asia/Australia and West Africa portfolios. David's Board directorships have included positions as President and COO of Centurion Energy and CEO of Melrose Resources. In mid-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 oil and gas sector. Most recently 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. Throughout her career she has advised a wide range of companies in the sector, from small independents through to super-majors. Kimberley was a Partner at Vinson & Elkins LLP from February 2011 to April 2015 and was previously at Dewey & LeBoeuf LLP. She is included in Who's Who Legal Energy 2020 and as an expert in Energy and Natural Resources in Women in Business Law, 2019.

Kimberley is currently a Non-Executive Director of Africa Oil Corp., an E&P company listed on the TSX (Canada) and Nasdaq OMX (Stockholm), with assets in Kenya and Nigeria and a member of the Lundin Group, and a Non-Executive Director of Valeura Energy Inc, a London and TSX (Canada) listed oil and gas company.

Senior management

Stuart Catterall

Chief Operating Officer

Stuart joined Gulf Keystone as Chief Operating Officer in January 2017.

He has over 30 years' experience in the oil and gas industry, undertaking a broad range of senior leadership and technical roles with Amerada Hess, BHP Billiton and Celtique Energy. He has proven expertise in successfully developing oil fields and leading operations in remote, onshore international locations, including in the Middle East/North Africa region.

Stuart has a BSc in Mechanical Engineering from Southampton University and an MSc in Petroleum Engineering from Imperial College.

Gabriel Papineau-Legris

Chief Commercial Officer

Gabriel joined Gulf Keystone in September 2016 and was promoted to Chief Commercial Officer in January 2020.

He has over twelve years of experience in the energy industry. Prior to his appointment at Gulf Keystone, Gabriel worked in private equity at Lime Rock Partners, where he was involved in investigating and executing E&P and oilfield services investment opportunities internationally as well as monitoring portfolio companies. Gabriel began his career in investment banking at Merrill Lynch, advising oil majors, E&P companies and governments on M&A and restructuring transactions, and capital markets financing.

Gabriel graduated from HEC Montréal (BBA) and EDHEC Business School (MSc). He is also a CFA charterholder.

Jane Barker

HR Director

Jane joined Gulf Keystone as HR Director in July 2016.

She has over 30 years' experience in international and strategic HR in the oil and gas sector, including senior management roles with LASMO in London and Venezuela and as HR Director for Afren until 2016. Her early career was spent with Gulf and Chevron in the UK and she also spent five years in financial services as Head of HR for a UK insurance company.

Jane is a Business Studies graduate from the University of Otago.

Alasdair Robinson

Legal Director and Company Secretary

Alasdair joined Gulf Keystone as Legal Director and Company Secretary in June 2017.

After qualifying as a solicitor, Alasdair worked in investment banking for over ten years. In 2007, he joined Melrose Resources as Corporate Finance Manager and Company Secretary and became General Counsel and Company Secretary of the enlarged group upon its acquisition by Petroceltic International. Before joining Gulf Keystone, Alasdair worked for a fund management group as Finance Director and Head of Legal and Risk.

Alasdair is a law graduate of Aberdeen University and has an MBA from Strathclyde Business School. He is a member of the London Stock Exchange Regional Advisory Group.

Corporate governance report

Jaap Huijskes
Non-Executive Chairman

Governance highlights

Voluntary compliance with 2018 UK Corporate Governance Code

Detailed governance evaluation completed by an external party in 2019

Robust governance framework and operation of Board and Committees

Dear Shareholder,

At Gulf Keystone, operating with integrity is a core pillar of our culture. We believe that it is in the interests of all our stakeholders to uphold the highest levels of corporate governance, ethics and environmental, safety and social responsibility standards. In order to achieve this, the Board recognises the need to have robust corporate governance systems in place, acting as a platform to all areas of ethical compliance. This is an ongoing and evolving process and will remain a significant focus for the Board going forward.

A successful company is led by an effective and entrepreneurial Board of Directors, whose role is to promote the long-term sustainable success of the company. At Gulf Keystone, we encourage a culture of openness and debate, with effective contributions from all Directors, executive management and the senior leadership team, within a governance framework which guides appropriate process. During 2019, an external party, ICSA: The Chartered Governance Institute, undertook a detailed review of the Company's corporate governance processes and practices, including an evaluation of Board and Committee performance. This is described in full in the report of the Nomination Committee, but in essence the review was positive, the "score" being "very good" in its conclusions with suggested improvements being matters of a minor administrative nature.

The Company maintains a zero-tolerance approach to bribery and corruption and has put in place a number of policies and procedures for 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

22 April 2020

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

In respect of the year ended 31 December 2019, 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 for balancing the interests of the Group, its stakeholders, including shareholders, staff, host and local governments, and the local communities where we operate.

Key responsibilities of the Board include:

- health and safety;
- 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.

The Board's overarching role is to lead the Company in such a manner as to promote the long-term sustainable success of the Company. The Chairman encourages an open, respectful and collaborative working environment where all Directors voice their opinions and contribute to constructive debate.

The Board has an open and transparent culture with its shareholders, employees and other stakeholders. It recognises that this is important in order to maintain its ethics, culture and values, and to communicate the Company's strategy and performance. This is undertaken through meetings (both one-on-one and group), Company announcements, Company reports, webcasts and conference calls. The Board considers the balance of engagement to be appropriate for a company of the size and complexity of Gulf Keystone.

Division of responsibilities

The Board is led by the Chairman, who promotes a culture of openness and debate. In addition, the Chairman 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 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. Some matters may be delegated to the Board Committees: the Health, Safety, Security, Environmental and Corporate Social Responsibility Committee; the Technical Committee; the Audit and Risk Committee; the Remuneration Committee; and the Nomination Committee. Each Committee has terms of reference in place which are reviewed and approved on a regular basis.

The Executive Committee comprises the CEO, CFO, COO and CCO. 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. The Nomination Committee has been looking to enhance the Board through the recruitment of a Non-Executive Director with recent and relevant financial experience, although this process is currently on hold for the time being.

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

A formal, externally facilitated Board and Committee evaluation takes place every three years, the last one being in 2019. In other years, such evaluation is undertaken internally.

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.

The Board acknowledges that it must have in place a sound system of internal control to safeguard the assets and value of the business. 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.

Corporate governance report continued

Introduction

It is an inherent 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. One of the ways this is achieved is through the Board's commitment to maintain high standards of governance, aiming 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.

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. However, the Board will keep this under review, taking into account GKP's size and legal and regulatory requirements in our locations.
- Provision 36 – No policy in place for post-employment shareholding requirements; this is under review and the Company will update its plans in due course.

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.

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.

During the year, two Board members resigned. Sami Zouari stepped down as Chief Financial Officer and was replaced as an Executive Director by Ian Weatherdon. Garrett Soden, Non-Executive Director, also resigned. The Company had commenced a search process for a potential replacement for Mr Soden, and it proposed that the candidate had recent and relevant financial experience; however, all new additions to the Board of Directors are currently being reviewed in light of the current macro environment.

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	21 June 2019
Jón Ferrier	CEO	5 June 2015	21 June 2019
Ian Weatherdon	CFO	13 January 2020	n/a
David Thomas	Non-Executive Director	13 October 2016	21 June 2019
Martin Angle	Deputy Chairman and Senior Independent Director	16 July 2018	21 June 2019
Kimberley Wood	Non-Executive Director	1 October 2018	21 June 2019

Board composition, independence and diversity

As at the date of this report, the Board comprised two Executive Directors and four 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.

The independence of each of the Non-Executive Directors is considered upon appointment, annually 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, 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 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.

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 five 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. 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 and regulatory information, and Directors' and officers' liability insurance details.

The Company will also provide training on a periodic basis to the Directors on prevalent matters. All Directors undergo Anti-Bribery and Corruption training on the same cycle as staff.

The role of the Board

The Board's role is to lead 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. 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.

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.

Corporate governance report continued

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

The Company maintains a clear division of responsibilities between the 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.

In 2019, 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 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.

Changes to the Board

On 10 September 2019, Garrett Soden stepped down from the Board and Board Committee appointments. On 2 December 2019, Sami Zouari stepped down from the Board and Board Committee appointments. Ian Weatherdon was appointed Chief Financial Officer and an Executive Director on 13 January 2020. 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 eight scheduled Board meetings were held during the year ended 31 December 2019. In addition to those scheduled meetings, there were a number of Board review calls to deal with Board matters as appropriate.

The Directors' attendance record at the scheduled Board meetings and Board Committee meetings for the year ended 31 December 2019 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 he/she was eligible to attend.

	Full Board meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee	HSSE and CSR Committee	Technical Committee
Jaap Huijskes	8/8			4/4	4/4	3/4
Martin Angle	8/8	6/6	5/5	4/4		
Garrett Soden(1)	4/6	4/4	2/3	1/2		
David Thomas	8/8		5/5		4/4	4/4
Kimberley Wood(2)	8/8	6/6	5/5	1/1	4/4	
Jón Ferrier	8/8				4/4	4/4
Sami Zouari(3)	7/7					4/4
Ian Weatherdon(4)	0/0					
Stuart Catterall					4/4	4/4
Gabriel Papineau-Legris						4/4

(1) Resigned 10 September 2019.
(2) Appointed to the Nomination Committee on 3 October 2019.
(3) Resigned 2 December 2019.
(4) Appointed to the Board on 13 January 2020.

The Board will generally hold 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 HSSE and CSR 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.

The Board Committees

The Company has five Board Committees: the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the HSSE and CSR Committee (to be replaced by 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 each year 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 of the Committee meetings are included in the papers distributed to all Board members in advance of Board 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.

As at 31 December 2019, the composition of the sub-committees was as follows:

Board

Audit and Risk Committee	Remuneration Committee	Nomination Committee
Martin Angle (Ch)	Kimberley Wood (Ch)	Jaap Huijskes (Ch)
Kimberley Wood	David Thomas	Martin Angle
	Martin Angle	Kimberley Wood

HSSE and CSR Committee	Technical Committee
David Thomas (Ch)	David Thomas (Ch)
Jaap Huijskes	Jaap Huijskes
Jón Ferrier	Jón Ferrier
Kimberley Wood	Stuart Catterall
Stuart Catterall	Gabriel Papineau-Legris

There were a number of changes to the Board composition during 2019. In September, Garrett Soden resigned as a Director and as Chair of the Audit and Risk Committee, having joined as a Non-Executive Director in 2016 after the Company's restructuring. Should the search process for a replacement for Mr Soden proceed, it is envisaged that this new Director will join the Audit and Risk Committee, as well as other Committees as appropriate. Following Mr Soden's resignation, Martin Angle became Chair of the Audit and Risk Committee and Kimberley Wood took over from Martin Angle as Chair of the Remuneration Committee. Ms Wood also joined the Nomination Committee. In December, Sami Zouari resigned as Chief Financial Officer and left his role as a member of the Technical Committee.

Alasdair Robinson acts as Company Secretary to each Committee.

Board Committees

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 2019, the Audit and Risk Committee comprised two Non-Executive Directors, who are considered to be independent. The members were: Martin Angle (Chair) and Kimberley Wood. Martin Angle assumed the Chair of the Committee on 3 October 2019 upon the resignation of Garrett Soden.

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 2019, the Committee met six 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 December 2018. The Audit and Risk Committee report is set out on pages 74 to 77.

Nomination Committee

As at 31 December 2019, 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. Kimberley Wood was appointed to the Committee on 3 October 2019.

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 March 2019.

The Nomination Committee report is set out on pages 71 to 73.

Corporate governance report continued

Board Committees continued

Remuneration Committee

As at 31 December 2019, the Remuneration Committee comprised three Non-Executive Directors: Kimberley Wood (Chair), David Thomas and Martin Angle. Kimberley Wood assumed the Chair of the Committee on 3 October 2019 following Martin Angle's appointment as Chair of the Audit and Risk Committee.

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 five 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 December 2018.

The Remuneration committee report is set out on pages 82 to 100.

HSSE and CSR Committee

As at 31 December 2019, the HSSE and CSR 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).

The Committee aims to meet at least four times a year and met four times during 2019. The primary function of the Committee is to oversee the development of the Group's policies and guidelines for the management of HSSE and social risks, evaluate the effectiveness of these policies and their ability to ensure compliance with applicable legal and regulatory requirements, evaluate and oversee the quality and integrity of reporting to external stakeholders concerning HSSE and CSR, and review the results of any independent audits of the Group's performance in regard to HSSE and CSR making recommendations, where appropriate, to the Board concerning the same. The Committee also reviews HSSE and CSR performance and examines specific safety issues as requested by the Board. The Committee also 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.

The terms of reference of the HSSE and CSR 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 December 2018.

The HSSE and CSR Committee report is set out on pages 78 and 79.

In order to reflect the changing governance environment, the Company will replace this Committee with the Safety and Sustainability Committee. Updated terms of reference will be agreed at the first meeting of the Committee, expected in June 2020. It is anticipated that the current members of the HSSE and CSR Committee will serve on the Safety and Sustainability Committee.

Technical Committee

As at 31 December 2019, the Technical Committee comprised two Non-Executive Directors, one Executive Director, the Chief Operating Officer (COO) and the Commercial Director, being David Thomas (Chair), Jaap Huijskes, Jón Ferrier (CEO), Stuart Catterall (COO) and Gabriel Papineau-Legris (Commercial Director). Sami Zouari resigned from the Committee on 2 December 2019.

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 four times in 2019. 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 2019.

The Technical Committee report is set out on pages 80 and 81.

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. Monthly reports are produced by management of the Group to ensure that the Board is well informed on the Group's latest operational, financial and corporate and investor relations matters.

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.

Performance evaluation of the Board and its Committees

In March 2019, the Board underwent a full performance evaluation, externally led by ICSA: The Chartered Governance Institute. This entailed comprehensive one-on-one interviews with each Director and the Company Secretary by external evaluators. Details of this are contained in the report of the Nomination Committee. ICSA: The Chartered Governance Institute has no connection with the Company or its individual Directors.

In 2020, the Board is undertaking an internally facilitated performance and governance review. This entails detailed consideration and discussion of an internally generated questionnaire which is designed to cover all relevant aspects of Board governance and evaluation. This process is currently ongoing.

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, the latest amendment being in March 2018. This policy also includes provisions on Conflicts of Interest and the Corporate Criminal Offence. Training is undertaken on a regular basis through both physical presentations (in Kurdistan and the UK), and online training courses. A number of procedures underlie the policy, including the maintenance of registers covering, for example, gifts and hospitality.

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 which enable an open forum for discussion with its workforce.

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 and financial risks) and Technical Committee meetings (operational 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 2019:

- 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, the HSSE and CSR, 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 2019 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 48 to 56.

Corporate governance report continued

Relations with investors and stakeholders

Regular communications with the Company's institutional and retail equity investors, as well as debt investors, 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 (last year, GKP hosted a detailed Capital Markets Event), 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 2019, the Group held a number of investor presentations which are available to view on the Group's website. During 2019, approximately 100 shareholder meetings/conference calls were held and several investor conferences were attended.

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, technical reports and corporate webcasts with the Group's management.

Gulf Keystone seeks to respond to all correspondence from investors as appropriate and endeavours to provide quarterly updates, as well as holding regular update meetings and calls.

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 19 June 2020. 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 2020 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

22 April 2020

Nomination Committee report

Jaap Huijskes
Chair of the Nomination Committee

2019 membership and meeting attendance

	Nomination Committee
Jaap Huijskes	4/4
Martin Angle	4/4
Kimberley Wood[(1)]	2/2
Garrett Soden[(2)]	1/2

	Member since
Jaap Huijskes	6 December 2017
Martin Angle	16 July 2018
Kimberley Wood	3 October 2019
Garrett Soden	8 December 2016

(1) Kimberley Wood joined the Nomination Committee on 3 October 2019.
(2) Garrett Soden stepped down from the Committee on 10 September 2019.

Matters discussed

March 2019
- Board evaluation
- Review of Board composition and Board and senior management appointment and succession plans
- Terms of reference review

June 2019
- CFO appointment process

October 2019
- Committee composition
- CFO appointment process
- Non-Executive Director appointment

December 2019
- CFO appointment
- Non-Executive Director appointment
- Diversity Policy

Nomination Committee report continued

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;
- 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. Kimberley Wood was appointed on 3 October 2019. Garrett Soden stepped down from the Committee on 10 September 2019 upon his resignation from the Board.

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 2019, the Committee met formally on four occasions. In addition, a number of informal meetings took place to discuss matters relevant to the Committee.

Some of the key matters considered by the Committee during the year ended 31 December 2019 were: considering the balance and composition of the Board; the recruitment of further independent Non-Executive Directors; the recruitment of a CFO; Board evaluation; and the Company's Diversity Policy.

On 13 January 2020, Ian Weatherdon was appointed as CFO and an Executive Director following the resignation of Sami Zouari. 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 58 and 59.

Diversity

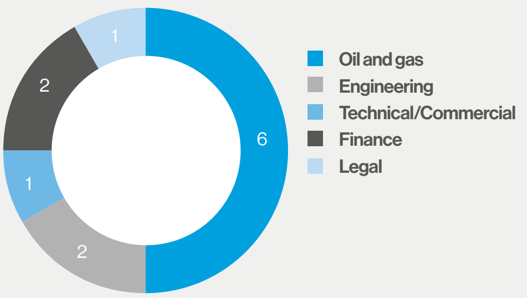
The Committee recognises the benefits of diversity across all areas of the Group and believes that a diverse Board is a positive factor in business success, brings a broader, more rounded perspective to decision-making, and makes the Board more effective. When recruiting, the Board endeavours to consider 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:

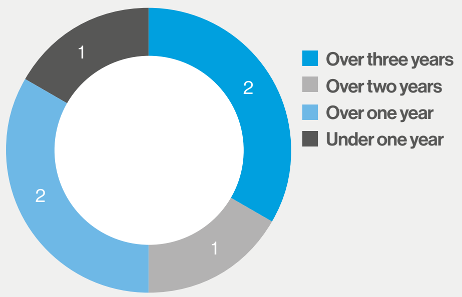
"The Company does not discriminate against workers or consultants on the basis of their gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age. The Company will also seek to accommodate 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.

Board experience



Board tenure



Succession

During 2019, 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.

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. Ridgeway Partners has been selected to run a similar process for the recruitment of a further Non-Executive Director, although this process is currently on hold.

Board evaluation

In 2019, the Board and its Committees undertook a formal evaluation process, using an external evaluation process and facilitator, ICSA: The Chartered Governance Institute, which has no connection with the Company or individual Directors. All Directors and the Company Secretary participated in the evaluation through external one-on-one interviews and the results were presented and discussed at a scheduled meeting of the Board.

The evaluation covered a number of categories of governance: Board responsibilities; oversight; Board meetings; support for the Board; Board composition; working together; and outcome and achievements. Within each category, the Directors and the Company Secretary were asked a number of detailed questions on the operation of the processes and resources in place and were asked to comment on and score the effectiveness of these. The review concluded that the overall "score" for the Company was "very good" and recommended a small number of actions which the Company should take to further enhance the operation of the Board, an example of such actions being more formalised meetings between the Chairman and the Non-Executive Directors to assess matters such as performance. The Board will act on all of these recommendations and intends to repeat this detailed evaluation process at least every three years.

In 2020, the Committee is leading a further Board and Committee evaluation. The Company does not intend to use external consultants for this process; rather, it will conduct internal interviews based upon an agreed set of questions which cover all aspects of Board and Committee evaluation and governance. This process is ongoing as at the date of this report.

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

22 April 2020

Audit and Risk Committee report

Martin Angle
Chair of the Audit and Risk Committee

2019 membership and meeting attendance

	Audit and Risk Committee
Martin Angle[1]	6/6
Garrett Soden[2]	4/4
Kimberley Wood	6/6

	Member since
Martin Angle[1]	16 July 2018
Kimberley Wood	12 October 2018
Garrett Soden[2]	8 December 2016

(1) Appointed Chair on 10 September 2019.
(2) Resigned on 10 September 2019.

Matters discussed

March 2019 (two meetings)

- 2018 full-year results
- Report from the external auditor on the 2018 audit
- Principal judgemental accounting matters 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
- Capital management and distribution
- Treasury management
- Tax review
- Formal approval of full-year results

September 2019 (two meetings)

- 2019 half-year results
- Report from external auditor on outcome of interim review
- Principal accounting judgements and estimates
- Risk register review
- Tax review
- Anti-bribery review

October 2019

- Internal audit and "deep dive" reviews
- External audit

December 2019

- External audit engagement letter and fee quotation
- 2019 Deloitte audit planning report
- Auditor independence
- Evaluation of external auditor
- 2020 budget
- Capital management and distribution
- Risk review and mitigation
- Cyber security review
- Internal audit update
- Organisational and tax structure review
- Delegation of authority
- Insurance review
- Cost recovery report

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 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;
- 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.

Composition

As at 31 December 2019 and the date of this report, the Committee comprised two Non-Executive Directors, who are considered to be independent. The members of the Committee are: Martin Angle (Chair) and Kimberley Wood. The additional member of the Audit and Risk Committee during the year was as follows:

- Garrett Soden (resigned on 10 September 2019).

A search process was initiated, although is currently on hold for a replacement Non-Executive Director for Garrett Soden. In the event the new Director has recent and relevant financial experience, it is proposed that he/she becomes a member of the Audit and Risk Committee.

The meetings were also attended on a selective basis by Jón Ferrier (CEO), Sami Zouari (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

Six Audit and Risk Committee meetings were held in the financial year. 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.

Audit and Risk Committee report continued

Significant issues considered by the Audit and Risk Committee in 2019 and early 2020

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. 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 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 2019, 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.	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 sent for export 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 2019 was appropriate.
Impairment, capitalisation and carrying value of oil and gas assets: An assessment of any impairment, and capitalisation 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 and discount rates.	The Committee considered reports from management and reviewed the impairment assessment. The Committee was satisfied that the base case and the range of scenarios, including a base case Brent oil price of \$60/bbl real based on the prices prevailing at 31 December 2019 and a stress case of \$30/bbl for 2020, \$40/bbl for 2021 and \$50/bbl real for 2022 and thereafter, used for the impairment assessment were reasonable. The Committee agreed with management's conclusion that no impairment is required for the Group's assets for the period. As a result of the capital investment into the Shaikan development programme in 2019, there is an increase in the levels of capitalisation of the Shaikan asset. Detailed testing was undertaken by the Company to ensure that capitalisation is appropriate.
Going concern: 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 included the impact of COVID-19 and a number of stress tests including a prevailing Brent oil price of \$30/bbl for the duration of the going concern period. The Committee concluded that management's recommendation to prepare the financial statements on a going concern basis was appropriate. 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. In 2019, the Committee, in conjunction with the finance team, agreed to enhance the internal audit function through the recruitment of a dedicated Internal Audit Manager. This process is ongoing. The Committee also undertakes detailed analysis of particular matters on a periodic basis, a recent example being cyber security.

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 senior statutory auditor was last rotated during 2016. Having previously conducted a full tender exercise and considered retendering in subsequent years, the Committee will continue to give consideration to the timing of the next formal tender in light of the regulatory requirements and any further changes in the regulatory framework. 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 2019.

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 2019, Deloitte LLP provided the following non-audit services to the Group:

- interim review of the half-year results.

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

During the year, a review of the Audit and Risk Committee's performance and effectiveness was completed. This was conducted alongside a full Board and Committee evaluation, externally facilitated by ICSA: The Chartered Governance Institute in February 2019.

Martin Angle

Chair of the Audit and Risk Committee

22 April 2020

HSSE and CSR Committee report

David Thomas
Chair of the HSSE and CSR Committee

2019 membership and meeting attendance

	HSSE and CSR Committee
David Thomas	4/4
Jaap Huijskes	4/4
Kimberley Wood	4/4
Jón Ferrier	4/4
Stuart Catterall	4/4

	Member since
David Thomas	8 December 2016
Jaap Huijskes	6 December 2017
Kimberley Wood	11 October 2018
Jón Ferrier	5 June 2015
Stuart Catterall	11 January 2017

Committee activities during 2019

The Committee meets formally at least four times a year and during 2019 met on four occasions. During these meetings, the principal matters considered were:

- staff and contractor security risk assessment;
- 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);
- the formulation and approval of the Group's annual HSSE and CSR plan;
- operational planning for key field activities (for example, rig operations);
- review and update of the Group's CSR strategy; and
- review of specific CSR initiatives for local communities.

In September 2019, the Committee meeting was held at the Shaikan Field processing facility, attended by Committee members and relevant staff.

Role

The role of the Health, Safety, Security and Environment ("HSSE") and Corporate Social Responsibility ("CSR") Committee is to support the development and implementation of the Group's HSSE and CSR policies and to ensure that appropriate management systems and processes are in place to minimise any HSSE risks associated with the Group's activities.

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.

In accordance with its terms of reference and with respect to HSSE and CSR matters, the Committee is authorised to:

- oversee the development of policies and guidelines for the management of health, safety, security, environmental and social risks within the Group's operations;
- monitor the quality of management and the methods to create appropriate behaviours and decisions relating to such risks against KPIs;
- review performance to assess the effectiveness of HSSE and CSR programmes and to make recommendations for improvement;
- evaluate the effectiveness of the Group's HSSE and CSR policies and operational risk management systems relating to these;
- assess the policies and systems within the Group for ensuring compliance with applicable legal and regulatory requirements;
- assess the performance of the Group with respect to the impact of decisions and actions upon employees, communities and other stakeholders;
- assess and approve appropriate sustainable CSR initiatives and programmes;
- on behalf of the Board, receive reports from management concerning any serious accidents and actions taken by management as a result;
- evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning HSSE issues;
- review the results of any independent audits of the Group's performance and review any strategies and action plans developed by management in response to issues raised; and
- consider the position of the Group with respect to international best practice and emerging legal requirements including relevant corporate governance developments.

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

Composition

As at 31 December 2019, the HSSE and CSR 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. The Company's HSSE 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.

HSSE and CSR 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, HSSE and CSR Committee and Board meetings. At Board meetings, a formal report back is provided on these matters to the Directors by the COO and the HSSE and CSR Committee Chair.

Sustainability

Recognising the increased awareness and importance of sustainability to both society and business organisations, the Company has for the first time included a detailed Sustainability report in the annual report; please refer to pages 34 to 47. This sets out the Company 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.

Henceforth, in keeping with the increasing emphasis placed on the Company's environmental and social performance, the HSSE and CSR Committee will be replaced with the "Safety and Sustainability Committee" and its terms of reference will be updated to reflect this broader expanded remit. The first meeting of the Safety and Sustainability Committee is scheduled to take place in June 2020. It is envisaged that the members of this Committee will be the same as for the HSSE and CSR Committee.

Health and safety

During 2019, the Committee monitored and supported the Company's 2019 HSSE action plan implementation and was pleased to see an overall achievement of 99% during the year. 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. Unfortunately, one lost time incident was recorded in December 2019, as the result of a road traffic accident near to the Company's processing facilities. Work also continued on improving the Company's emergency response capabilities and a full simulation exercise was held during the year.

Security

The security situation in Kurdistan remained stable during the year, enabling normal staff travel patterns and field operations. The Board and the Committee keep the security situation under constant review through specialist advice and local security experts. The security situation is very closely monitored and the Company has response plans in place which can be activated immediately if required.

Environment

During 2019, 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 HSSE and CSR Committee

22 April 2020

Technical Committee report

David Thomas
Chair of the Technical Committee

2019 membership and meeting attendance

	Technical Committee
David Thomas	4/4
Jaap Huijskes	3/4
Jón Ferrier	4/4
Sami Zouari[(1)]	4/4
Stuart Catterall	4/4
Gabriel Papineau-Legris	4/4

	Member since
David Thomas	8 December 2016
Jón Ferrier	8 December 2016
Jaap Huijskes	6 December 2017
Sami Zouari[(1)]	8 December 2016
Stuart Catterall	11 January 2017
Gabriel Papineau-Legris	8 December 2016

(1) Sami Zouari resigned on 2 December 2019.

Committee activities during 2019

The Committee met four times in 2019. In addition to standing agenda items, the following key matters were discussed:

- production planning and forecasting;
- field development planning and government approvals processes;
- progress with respect to achieving the 55,000 bopd and 75,000 bopd expansion projects;
- produced gas management strategy and gas reinjection planning;
- production enhancement initiatives (including tubing replacement and ESP installation programmes);
- operational risk reviews; and
- 2020 work programme and budget.

The most recent FDP was submitted for approval to the MNR in May 2019. A revised FDP is expected to be submitted to the MNR in due course. The FDP contains a detailed schedule for the future development of the Shaikan Field, including increasing the production level through a series of facilities and drilling investments to 55,000 bopd, then to 75,000 bopd and ultimately to around 110,000 bopd. The FDP also includes a new gas management plan for the elimination of routine flaring. A revised Competent Persons (Reserves) Report is expected to be released following FDP approval.

Role

The Technical Committee was established in late 2016 to provide support and guidance for the field development planning and project execution activities of the Shaikan asset 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.

2019 membership and meeting attendance

The members of the Committee are: David Thomas (Committee Chairman, Independent Non-Executive Director), Jaap Huijskes (Non-Executive Chairman), Jón Ferrier (CEO), Stuart Catterall (COO) and Gabriel Papineau-Legris (CCO). Sami Zouari resigned from the Committee on 2 December 2019.

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

22 April 2020

Remuneration Committee report

Kimberley Wood
Chair of the Remuneration Committee

2019 membership and meeting attendance

	Remuneration Committee
Kimberley Wood (Chair)(1)	5/5
Martin Angle (Chair)(2)	5/5
Garrett Soden(3)	2/2
David Thomas	5/5

	Member since
Kimberley Wood(1)	12 October 2018
Martin Angle(2)	16 July 2018
Garrett Soden(3)	8 December 2016
David Thomas	8 December 2016

(1) Kimberley Wood took over as Chair of the Remuneration Committee on 3 October 2019.

(2) Martin Angle stood down as Chair of the Remuneration Committee on 3 October 2019 to take up the Chair of the Audit and Risk Committee.

(3) Garrett Soden retired on 10 September 2019.

Matters discussed by the Remuneration Committee in 2019

January 2019

- Reviewed 2018 bonus performance outcomes for executives and senior management and resulting bonus payouts
- Determined 2019 bonus objectives
- Reviewed executive and senior management remuneration and determined 2019 salary, bonus and Long-Term Incentive Plan ("LTIP") proposals
- Reviewed 2019 salary, bonus and LTIP proposals for the broader workforce
- Reviewed draft shareholder letter

March 2019

- Approved LTIP awards to participants and associated performance targets
- Reviewed and approved the draft Directors' remuneration report
- Reviewed feedback from shareholders on the Remuneration Policy

June 2019

- Reviewed plan rules for incentives
- Approved new CFO remuneration package
- Reviewed performance to date against 2019 KPIs

October 2019

- Reviewed market practice on the effect of dividend payments on share awards
- Reviewed performance to date against 2019 KPIs
- Approved commencement of a tender process for Remuneration Committee advisers

December 2019

- Reviewed draft 2020 KPIs
- Reviewed performance to date against 2019 KPIs

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 2019 following my appointment as Chair in October 2019. The report summarises our Remuneration Policy, explains how it has been implemented during the reporting period and clearly demonstrates our continued focus on aligning reward with GKP's corporate strategy, values and stakeholder expectations.

The work of the Remuneration Committee during 2019 was conducted against a backdrop of organisational and operational changes in the business. It was a pivotal year for GKP as we saw a material upsurge in operational activity, with considerable investment to ensure delivery on our strategy and the achievement of 55,000 bopd in 2020. However, the COVID-19 pandemic along with macro-economic uncertainties have had a significant impact on our expansion plans, which have now been suspended until conditions improve. We are closely monitoring the situation and have taken steps to ensure the long-term viability and financial strength of our business. We have secured ongoing production operations and are actively reducing the cost structure of the business.

During 2019, the Remuneration Committee supported the Company's objectives by setting challenging targets for the annual bonus scheme. This was balanced against the need to ensure the right policies and practices were in place to attract, retain and motivate all employees.

For the last five years, no salary increases have been awarded to the Executive Directors and their maximum bonus potential was reduced by a significant amount in 2017. In light of the current business context, the Remuneration Committee decided to cancel a planned increase to the salary of the CEO for 2020.

The Remuneration Committee also reviewed the pension contributions offered to Executive Directors and other executives, recognising the need to reduce their pension contributions to that of the UK workforce. With this in mind, the Remuneration Committee has decided to reduce pension contributions for the CEO and other executives from 15% of salary to 10% of salary (the opportunity offered to its UK workforce) over the next two years. This means, effective from 2021, the pension contribution for the CEO will be 12.5% of salary and will reduce to 10% of salary in 2022. The pension contribution for any executives hired from June 2019 will also be 10% of salary (as is the case for our new CFO, Ian Weatherdon).

At the June 2019 AGM, we submitted a new Remuneration Policy for approval, where it was updated to reflect evolving practice. We are pleased that over 98% of our shareholders approved the new Remuneration Policy and over 95% approved the Directors' remuneration report. Since the implementation of the approved Remuneration Policy, we have identified a number of updates in the Remuneration Policy to more closely align it with market practice, which are as follows:

- include the ability to deliver additional shares or equivalents to cover dividends declared during the vesting period for deferred bonus and LTIP awards in line with market practice. We would like to apply this for any awards made from 2020. Please note that no change is being proposed to the existing Value Creation Plan ("VCP") awards (where special dividends are already payable upon exercise). Additional commentary has also been provided on the Committee's discretions allowed within the LTIP to provide further clarity to shareholders;
- increase the maximum bonus opportunity for Executive Directors other than the CEO to 125% of salary from 100% of salary. This is to align the opportunity of the CFO to the CEO and to competitive practice; and
- align pension contributions of Executive Directors with the wider UK workforce by 2022.

The Remuneration Committee notes the emerging best practice for the inclusion of a post-exit shareholding requirement for Executive Directors and we will review this next year.

We will be submitting these updates to the Remuneration Policy for shareholder approval at the upcoming AGM.

Remuneration Committee report continued

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

2019 Board changes

In November 2019, we were pleased to announce the appointment of Ian Weatherdon as the new CFO of GKP. Mr Weatherdon formally joined the Board on 13 January 2020. He joined on a salary of £364,000 with a pension contribution of 10% of salary, which is aligned to GKP's UK workforce. He will receive a 2020 bonus (pro-rated for time in role during 2020) and a grant under the 2014 LTIP in line with the Remuneration Policy. Further details of his package can be found on pages 88 to 93 of the Directors' remuneration report.

Sami Zouari, the former CFO, left the Company in December 2019. As announced at the time, due to contractual requirements, Sami will continue to participate in the VCP, subject to performance, as if he remained an employee. He did not receive any additional compensation apart from his 2019 bonus, pro-rated to his leaving date.

Performance and implementation of the Remuneration Policy in 2019

Annual bonus

Based on the Remuneration Committee's assessment of GKP and individual performance in 2019, the bonus awarded to the CEO was 62.5% of base salary out of a maximum potential of 125% and the former CFO was awarded 50% of his pro-rated base salary out of a maximum potential of 100%. This includes discretion being applied by the Remuneration Committee to allow 2.48% of the total bonus opportunity under the commercial element. The Remuneration Committee concluded this was appropriate due to the major changes to scope which resulted in a number of the targets becoming unattainable. Additionally, the discretionary benefit included recognition for the introduction of the dividend, special dividend and the buyback schemes during 2019, which were all milestone events for GKP. 30% of the bonus award for the CEO will be deferred for three years and will be awarded as nil-cost options. Further details of the way in which these awards were determined are set out on page 97 of the Directors' remuneration report.

Long-term incentives

The CEO and former CFO both 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 (2,087,756 and 1,565,817 respectively due to the total shareholder return ("TSR") outcome of 117% on the second April 2019 measurement date from December 2016). 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 will be 30 days after the release of the 2019 financial results, in May 2020, with vesting dependent on TSR performance. The CEO is not entitled to receive an award under another LTIP until the VCP has ended in 2022. The new CFO is not entitled to participate in the VCP.

Instances of the exercise of discretion by the Remuneration Committee

Other than the small adjustment to bonus outcomes 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 that is reflected in our Remuneration Policy across the workforce. Base salaries are benchmarked on a regular basis and targeted at median. All eligible employees participate in the annual bonus plan which is linked to both corporate and individual targets, with corporate targets the same for all who participate. In addition, all permanent employees received an award in 2019 under the 2014 LTIP which aligns their interests with the long-term success of GKP and to the rewards available to Executive Directors. There is no formal workforce engagement scheme in place. However, the Board will keep this under review taking into account GKP's size and legal and regulatory requirements in our locations.

Summary of remuneration for Executive Directors in 2020

In light of the current business context, the Remuneration Committee decided to cancel a planned increase to the salary of the CEO for 2020. The salary review budget for all other employees, including senior managers, was 5% of payroll for 2020.

Under normal circumstances, both the CEO and CFO would be eligible for a 2020 bonus. However, the unprecedented impact of COVID-19 combined with recent oil price uncertainty means that the Company will need to review the KPIs and performance targets during the year and take account of how business priorities evolve before awarding a bonus. Full details will be published in the 2020 Directors' remuneration report. It is unlikely that a bonus will be paid for Executive Directors in 2020 based on the current climate; however, this will be reviewed later in the year based on the performance actually delivered, the treatment of the wider workforce and the business outlook at that time. The 2020 bonus measures would normally incorporate targets on value creation, licence to operate (including ESG measures), commercial, financial and operational achievements. Further information is set out on page 97 of the Directors' remuneration report.

The new CFO is entitled to participate in the LTIP where performance-based shares are granted up to a maximum of 150% of salary. The 2020 LTIP award for the CFO will vest based on absolute and relative TSR performance conditions, further information of which is set out on page 96 of the Directors' remuneration report. Given the volatility of the Company's share price, the Committee has the discretion to review vesting outcomes to ensure a fair reflection of performance.

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 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 24 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.

Shareholder consultation and 2020 AGM

Three remuneration-related resolutions will be proposed at the 2020 AGM. As I have referred to, our revised Remuneration Policy, described on pages 82 to 100, will be the subject of a binding vote. In addition, our Directors' remuneration report (pages 94 to 100) 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.

Earlier this year, I wrote to our largest shareholders, advising them of the upcoming proposed amendments to the Remuneration Policy and inviting them to discuss their views more generally with respect to remuneration. The Committee believes that the Remuneration Policy has been appropriately set to attract, motivate and retain exemplary employees across the Company. I would like to take this opportunity to commend and thank Jón for his leadership, dedication and stewardship of the Company during these challenging times and all other employees at GKP for their hard work and commitment, all of which continue to contribute to the success of GKP.

Finally, on the behalf of the Remuneration Committee, I would like to thank shareholders for their continued support and very much hope that you will vote in favour of the resolutions contained within the report at the AGM on 19 June 2020.

Yours sincerely

Kimberley Wood
Chair of the Remuneration Committee

22 April 2020

Remuneration at a glance

A summary of the Remuneration Policy to be approved by shareholders at the 2020 AGM is set out below.

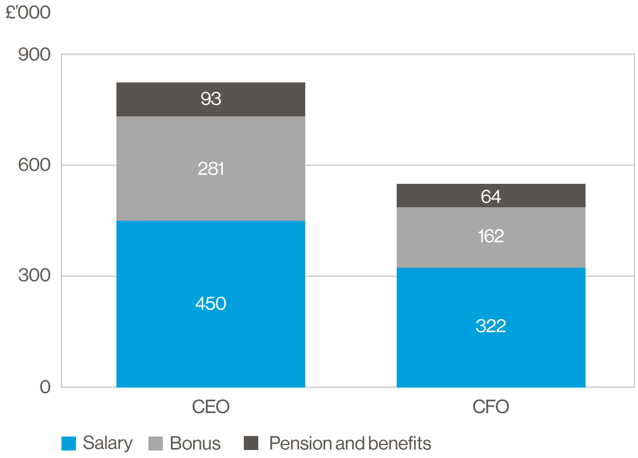
Remuneration element	Structure and opportunity	What has changed since the last policy
Base salary	Salary increases will not typically exceed the average employee increase.	None.
Benefits	Includes private medical insurance, income protection insurance, critical illness cover, death-in-service insurance and relocation benefits (and a car allowance for the CEO).	None.
Pensions	The CEO has agreed to a pension allowance reduction of 5% of salary over the next two years to 10% of salary, which is the rate applicable to the UK workforce. For new appointments after June 2019, pension contribution will be 10% of salary.	Reduction in contribution for those hired before June 2019.
Annual bonus	Maximum bonus opportunity is 125% of annual salary and based on achievement of annual objectives. 30% of the annual bonus is deferred in shares for three years after award date. Malus and clawback provisions apply.	Bonus opportunity for all Executive Directors is 125% of salary. Payment of dividends equivalents over deferred shares vesting period.
2014 LTIP	Typically granted annually to Executive Directors who do not participate in the VCP in the form of nil-cost share options, nominal-cost share options or conditional shares. Awards vest after three years to the extent that performance targets have been met. When eligible, the maximum opportunity is 200% of annual salary for the CEO and 150% of salary for the CFO. At threshold performance up to 30% of the award vests. Malus and clawback provisions apply.	Payment of dividends equivalents over vesting period. Enhanced malus and clawback provisions apply.

Remuneration Committee report continued

Remuneration at a glance continued

2019 remuneration outcomes

Implementation in 2019



- Salaries of £450,000 and £322,000 (pro-rata) paid during the year to the current CEO and former CFO respectively.
- 2019 bonus payouts of 50% of maximum for both Executive Directors due to strong operational and individual strategic performance during the year. Bonus payout of £281,250 and £161,543 were paid to the CEO and former CFO respectively, with 30% of the bonus for the CEO being deferred for three years and paid in shares.
- Due to a TSR performance of 117% between December 2016 and the April 2019 measurement date, 2,087,556 and 1,565,817 nil-cost options were granted to the CEO and former CFO under the VCP. No further awards can be granted under the VCP.
- No LTIP granted during the year nor did any LTIP award vest for the two Executive Directors.
- Pension contribution of 15% of salary.
- Benefits include private medical insurance and car allowance for the CEO.

	CEO	CFO
2020 base salary	£450,000	£364,000
Benefits	Aligned to policy	Aligned to policy including relocation expenses
Pension	15% of salary	10% of salary
Annual bonus	Maximum opportunity of 125% of salary(1) 80% dependent on performance against corporate KPIs and 20% on individual strategic objectives	
2014 LTIP	No award granted in 2020	150% of salary, vesting dependent on absolute and relative TSR performance over three years

(1) Subject to shareholder approval at the 2020 AGM for the CFO.

Part two: Directors' Remuneration Policy

Introduction

Part two provides an overview of the future 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. The Remuneration Policy has been revised from what was approved at the 2019 AGM to:

- include the ability to deliver additional shares or equivalents to cover dividends declared during the vesting period for deferred bonus and LTIP awards in line with best practice;
- increase the maximum bonus opportunity for Executive Directors other than the CEO to 125% of salary from 100% of salary. This is to align the opportunity of the CFO to the CEO and to competitive practice; and
- include details on approach to pension contributions for Executive Directors hired before June 2019.

We have also provided further details on malus and clawback for the bonus and LTIP; the discretion on the bonus and LTIP allowed within the plan rules; the external appointments policy; what happens to existing awards in the event of a change in control and how the Committee takes into account wider workforce remuneration and shareholder considerations.

The policy contained in this part of the report will, therefore, be the subject of a binding vote at the AGM on 19 June 2020.

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.

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 available on the Company's website.

Remuneration Policy table

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

Remuneration element including any changes	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
Base salary No changes.	Essential to attract and retain key executives.	Annual review based on: • role, experience and individual performance; • pay awards elsewhere in the Group; • external market; and • general economic and business environment.	Policy is to benchmark to the relevant market median. Normally, salary increases for Executive Directors will be no more than the average employee increase.	The Committee retains discretion to: • pay above median salaries 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 or in circumstances where a newly appointed or promoted Executive Director was initially positioned below-market with the intention to align to market over time, subject to performance.

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Remuneration Policy table continued

Remuneration element including any changes	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
Benefits No changes.	Helps to attract and retain key executives.	Directors are entitled to private medical insurance, income protection insurance, critical illness cover and death-in-service benefit. The CEO receives a car allowance. The Committee may provide additional benefits, where appropriate, in the individual's particular circumstances (for example, relocation costs). Executive Directors are also eligible for benefits which are introduced for the wider workforce on broadly similar terms.	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 To be aligned to the level provided to the majority of the UK workforce by 2022.	Helps executives provide for retirement and aids retention.	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. The CEO has agreed to a pension reduction of 2.5% of salary effective from 2021 and 2.5% from 2022. 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

Remuneration element including any changes	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
Annual bonus Bonus opportunity for the CFO aligned to that for the CEO. Deferred bonus now includes dividend equivalents during vesting period.	Rewards achievement of annual KPIs.	KPI targets and weightings are set annually and include: HSE; commercial; financial; and operational objectives. Performance is measured over a single year. Bonus awards are determined after the year end based on the achievement of KPIs. For Executive Directors, 30% of the annual bonus is deferred for three years after the award date and paid in shares. A payment equal to the value of dividends which would have accrued on deferred awards may be made following the release of awards to participants, either in the form of cash or as additional shares. Specific malus and clawback provisions apply.	Maximum bonus opportunity is 125% of annual salary for all 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. The new measures and targets will be no more or less difficult than those they replace. 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 or eliminate bonus awards if there is a serious safety event. The Committee may also choose to defer more than 30% of the bonus or settle the deferred bonus in cash.

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Remuneration Policy table continued

Remuneration element including any changes	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
2014 LTIP Now includes dividend equivalents during vesting period. Now includes malus and clawback.	Incentivises executives to deliver key financial targets over the longer term, with particular focus on shareholder return. Helps retain key executives.	Awards are usually granted annually to participants, but grants may be made at other times, such as on recruitment or promotion of an executive. 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. 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. 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. It is the Company's practice to make awards under the 2014 LTIP to all employees of the Company as appropriate in a range of values based on seniority. Specific malus and clawback provisions apply.	The CEO is not eligible to participate in this scheme until the VCP has ended in 2022. The CFO will receive an award in 2020. 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. At threshold performance up to 30% of the award vests.	The Committee may, in exceptional circumstances, change the 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. The new measures and targets will be no more or less difficult than those they replace. Discretion may also be exercised if the Committee believes the LTIP outcome is not a fair and accurate reflection of business performance. Safety is of central importance to the business and the Committee may reduce or eliminate LTIP awards if there is a serious safety event. The Committee also has discretion in determining when awards are granted, the form of the award and those eligible.
Shareholding requirements No material changes.	Aligns the interests of executives and shareholders.	Formal requirements apply to Executive Directors.	At least 200% of salary holding required for all Executive Directors.	The Committee has discretion to change the shareholding requirements. Any changes will be disclosed in the Annual Report on Remuneration.

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 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).

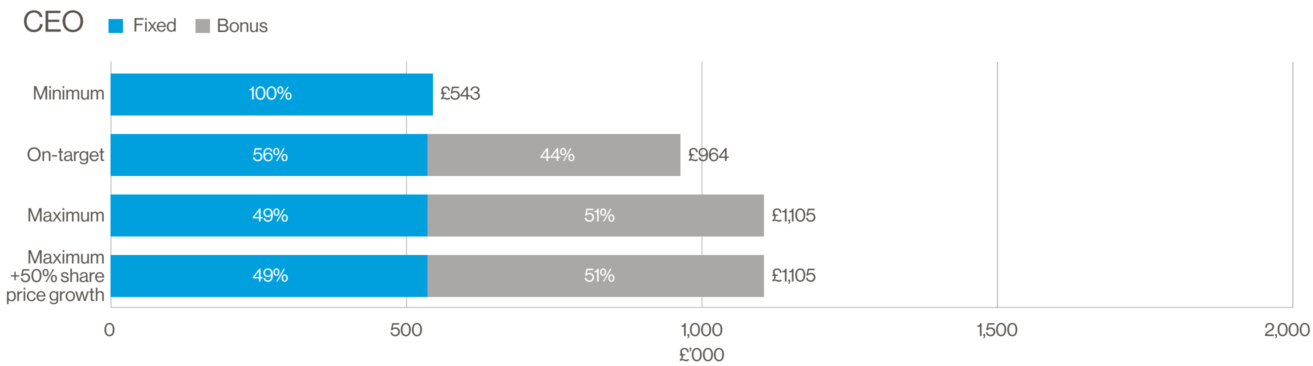
Malus and clawback

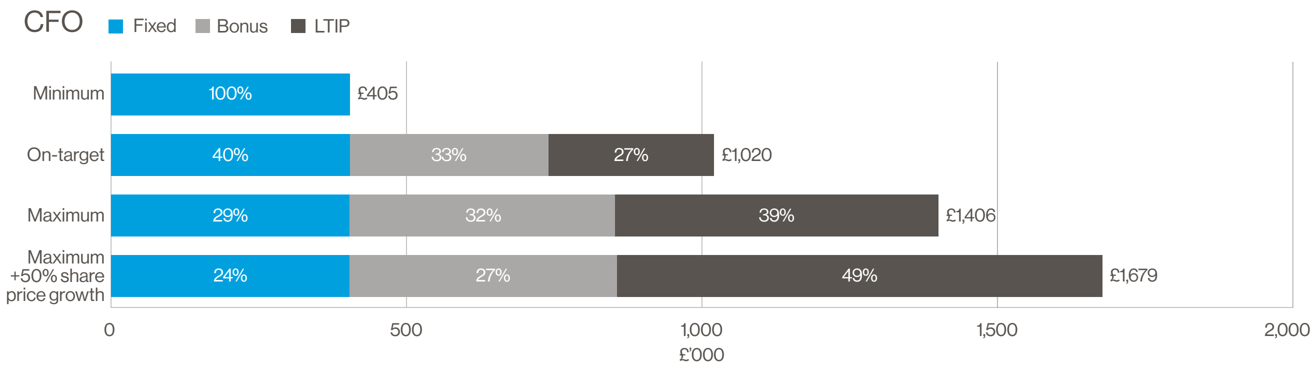
These provisions allow the Committee in certain circumstances (such as gross misconduct or a material misstatement of the Group financial statements) the discretion to:

- reduce bonus payouts;
- 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 proposed 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", "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 2020 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. Please note that the VCP award for the CEO has not been included as these charts are forward looking.

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. Benefits for the new CFO are based on those paid to his predecessor in 2019 (excluding payment in lieu of vacation due but not taken).

The "Target" scenario reflects fixed remuneration as above, plus annual bonus payout of 75% of maximum (93.75% of salary for both executives) and, for the CFO only, LTIP at 50% of maximum award (75% of salary). As a participant in the VCP, the CEO will not receive an LTIP award during 2020.

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 payout 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. As above, no LTIP value is shown in respect of the CEO who, as a VCP participant, will not receive an LTIP award during 2020.

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Executive Directors' recruitment policy

Remuneration packages for new Executive Directors are designed in accordance with the policy described, including a maximum annual bonus opportunity of 125% of salary 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 taxable 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 2020 AGM.

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

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.
- 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 rollover 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. The Committee was pleased to have received strong support for the Policy and report at the 2019 AGM (approval of 98% and 95% respectively). This year, we have informed our major shareholders of further revisions to the Remuneration Policy which include payment of dividends on LTIP awards and deferred bonus shares and aligning bonus opportunities of the Executive Directors.

Remuneration Committee report continued

Part three: Annual Report on Remuneration

Introduction

This part of the report is subject to an advisory vote at the AGM on 19 June 2020. GKP's auditor has reported on those sections (highlighted below) which the Regulations require to be audited.

Remuneration Committee membership during 2019

The terms of reference of the Committee, reviewed annually, are available on the Company's website. As of 31 December 2019, the Committee comprised three independent Non-Executive Directors, all of whom had served on the Committee for the full financial year:

- Kimberly Wood (Chair)
- Martin Angle
- David Thomas
- Garret Soden (retired on 10 September 2019)

The members had no personal financial interest, other than as shareholders, 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.

Occasionally, different Directors and executives, including the CEO, CFO and HR Director, have been invited to attend meetings of the Committee. 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 2019 and attendance of Committee members is included on page 82.

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. MM&K were the Committee's appointed remuneration consultants throughout the 2019 financial year.

Services provided to the Committee by MM&K during 2019 included: the provision of advice on the Company's equity plans and executive remuneration levels; advice on the effects of the payment of dividends on share plan participants; 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 MM&K for services provided to the Committee during the financial year were £44,494 on the basis of time and materials.

Reflecting best practice, the Committee undertook a competitive tender process towards the end of the financial year, with shortlisted firms invited to attend a detailed interview with members of the Committee. Following a thorough and transparent review, the Committee appointed Mercer Limited ("Mercer") as remuneration consultants to the Board with effect from 30 January 2020. Accordingly, Mercer were paid no fees during the 2019 financial year.

Both MM&K and Mercer are signatories to the Remuneration Consultants' Code of Conduct (www.remunerationconsultantsgroup.com) which requires their advice be objective and impartial.

Statement of shareholder voting

The following table shows the results of votes on the 2019 Remuneration Policy and the 2018 Directors' remuneration report at the 2019 AGM held on 21 June 2019:

	Votes for	Votes against	Total votes cast (excluding withheld)	Votes withheld
Remuneration Policy report Directors' remuneration report for year to 31 December 2018	133,733,713 (95.29%)	6,607,860 (4.71%)	140,341,573	2,227
2019 Remuneration Policy	138,334,384 (98.57%)	2,007,249 (1.43%)	140,341,633	1,923

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

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.

2018	Salary £'000	Pension £'000	Benefits £'000	Annual bonus £'000	Other £'000	LTIP(1) £'000	Total £'000
Executive Directors							
Jón Ferrier	450	68	25	430	—	—	973
Sami Zouari	350	53	5	259	—	—	667
Non-Executive Directors							
Martin Angle(2)	42	—	—	—	—	—	42
Philip Dimmock(3)	58	—	—	—	—	—	58
Jaap Huijskes	159	—	—	—	—	—	159
Keith Lough(5)	60	—	—	—	—	—	60
Garrett Soden	80	—	—	—	—	—	80
David Thomas	90	—	—	—	—	—	90
Kimberley Wood(4)	18	—	—	—	—	—	18
Total	**1,307**	**121**	**30**	**689**	**—**	**—**	**2,147**

(1) No LTIP awards vested in 2018.
(2) Martin Angle joined the Company on 16 July 2018.
(3) Philip Dimmock left the Company on 13 July 2018.
(4) Kimberley Wood joined the Company on 1 October 2018.
(5) Keith Lough left the Company on 11 April 2018.

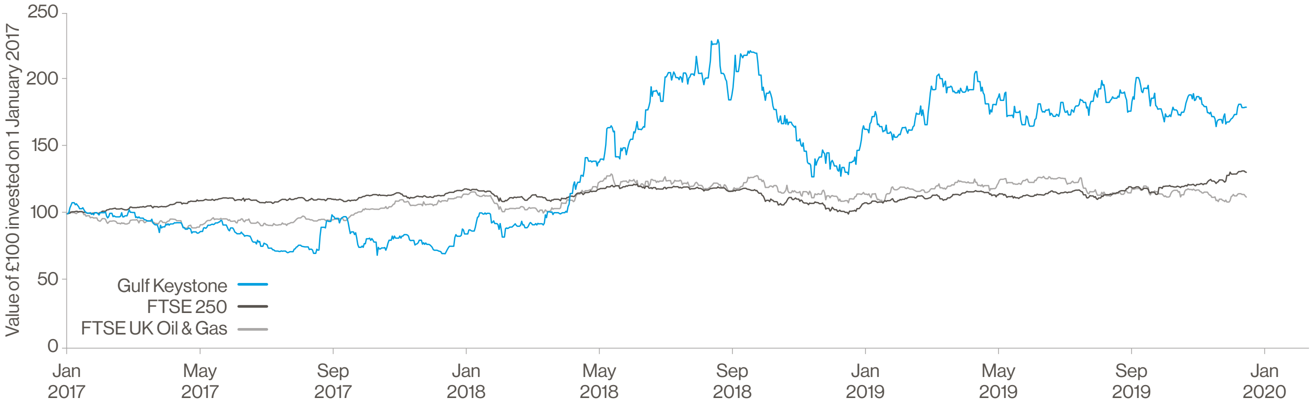
Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

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 2019



Historical CEO pay

	2015 £'000	2016 £'000	2017 £'000	2018 £'000	**2019 £'000**
Single figure remuneration	1,021[1,2]	1,101	768	973	**824**
Bonus percentage of maximum payable	40%[3]	60%	50%	76%	**50%**
Vested LTIP awards as percentage of maximum	0%	0%	0%	0%	**0%**

(1) Includes Jón Ferrier and John Gerstenlauer for 2015.
(2) Excludes payments in lieu of notice period and 2014 bonus payments for John Gerstenlauer.
(3) 2015 bonus percentage calculation relates to Jón Ferrier only.

Percentage change in CEO remuneration

The following table shows the percentage change in the remuneration of the CEO between the years ended 31 December 2018 and 31 December 2019 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%	0%	-35%
Group percentage change	6%	3%	-17%

Relative importance of spend on pay

The table below shows the change from 31 December 2018 to 31 December 2019 in aggregate employee costs, profit/(loss) before tax and operating expenditure:

	2019 $'000	2018 $'000	Percentage change
Total employee pay	**41,490**	29,687	40%
Profit after tax	**43,529**	79,889	-46%
Oil production costs	**53,696**	69,479	-23%

The increase in total employee pay is due to the recruitment of additional personnel for the ramp-up in development and increased drilling activities during the reporting period.

Executive Directors' base salary provision

There were no salary increases for Executive Directors during the financial year ending 31 December 2019.

Annual bonus plan (audited)

During 2019, GKP operated its annual executive performance bonus plan. The maximum bonus potential was 125% of base salary for the CEO and 100% of base salary for the former CFO, with performance assessed against a combination of corporate metrics (weighted 80% of total) and individual objectives (weighted 20%).

2019 performance elements

Corporate performance	Individual performance
80%	20%

Corporate performance elements (80% of bonus)

Commercial	Financial	Licence to operate	Operational
20%	20%	25%	35%

The following table describes the corporate KPIs set for 2019 and the levels achieved.

			Results	
Metric	KPIs	Weighting	Score	Weighted score
Commercial	Operational investment activity	20%	0%	2.48%[1]
Financial	Gross operating cost	10%	100%	10%
	Shaikan G&A (gross)	5%	97%	4.83%
	Corporate G&A	5%	72%	3.58%
Licence to operate	HSSE improvement and process safety plan including CSR	15%	90%	13.5%
	Safety performance (TRI)	10%	0%	0%
Operational	Gross production (bopd) – annual average	15%	54%	8.12%
	Gross production attained by year end (bopd)	10%	0%	0%
	Project capital cost for 55,000 bopd project	10%	75%	7.5%
Total		**100%**		**50%**

(1) Under the commercial KPI of operational investment activity, the resulting score was 0%; therefore nothing would have paid out under this element. However, the Committee determined that a small award should be included due to major changes in scope during the year which were out of management's control and the fact that GKP introduced dividend, special dividend and share buyback policies during the year, which was a significant achievement for the Company. The Committee, therefore, concluded it was appropriate for 2.48% of total bonus opportunity to pay out under this element. As the above KPIs are used to determine annual bonus awards for employees throughout the Group as well as Executive Directors, this discretionary outcome was applied throughout the organisation.

The Committee also noted that the safety performance (TRI) measure had a resulting score of 0%. Safety remains a core focus and is of paramount importance to the Company. Sadly, following over 530 days free from any LTIs, an LTI occurred in December 2019 reflecting an injury occurring as a result of a road traffic accident. In this context, the Committee did not consider that any further discretionary adjustments to bonus payments were necessary.

Individual performance objectives (20% of bonus)

The Committee reviewed performance achieved against individual strategic objectives set for the CEO and former CFO during 2019. These objectives included leading on the delivery of HSE, commercial, operational and financial KPIs for the Company, maintaining effective relationships with key external stakeholders, including shareholders, and developing and communicating a sustainable capital distribution strategy.

Therefore, the Committee concluded that targets under these individual performance objectives had been met and that 50% of this element of the bonus is payable. This payout is in line with the payout achieved under the corporate performance element of the bonus.

Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

Annual bonus plan (audited) continued

Overall outcome

Reflecting performance, Executive Directors received the following bonus awards for 2019:

Executive	Bonus award	% of base salary
CEO	£281,250	62.5%
CFO	£161,543	50%

The Committee concluded that this level of payout under the bonus was representative of GKP's performance during the year.

30% of the bonus paid to the CEO will be deferred for three years and paid as an option over shares. The bonus for the CFO was paid fully in cash given his departure in December (see below). The bonus amount paid was pro-rated accordingly for time in role during the year.

Pension provision for Executive Directors (audited)

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

Benefits

Benefits received by the CEO included a car allowance and private medical insurance, totalling £25,000. The CFO received private medical insurance and payment in lieu of vacation due but not taken, totalling £19,000.

Value Creation Plan ("VCP") awards granted/vested in 2019 (audited)

As a result of the Company's strong TSR performance of 117% in the period from December 2016 to the second measurement date in April 2019, the maximum number of nil-cost options have been awarded to participants. However, as the CEO and CFO already received 1,681,839 nil-cost options each at the first measurement date in May 2018, they could only receive 2,087,756 and 1,565,817 nil-cost options respectively due to the cap in place. The total number of nil-cost options received by the CEO and former CFO is therefore 3,769,595 and 3,247,656 respectively. No further nil-cost options can be awarded under the plan rules. Sustained TSR performance will be tested at the third measurement date in April 2020 to determine whether a proportion of the nil-cost options will vest and become exercisable. This will be subject to disclosure at that time and in the next Annual Report on Remuneration.

Directors	Type of award	Basis of award	Average share price £(1)	No. of shares over which award was granted	% of shares which vest if performance measure is met	Face value of shares over which award was made (£'000)	Vesting determined by TSR performance(2) to
Jón Ferrier	Nil-cost options	Conversion of VCP Performance Units	£2.563	2,087,756	50% in 2020 25% in 2021 25% in 2022	£5,351	May 2020, 2021 and 2022
Sami Zouari	Nil-cost options	Conversion of VCP Performance Units	£2.563	1,565,817	50% in 2020 25% in 2021 25% in 2022	£4,013	May 2020, 2021 and 2022

(1) Average share price is the average of the market value for a share for the 30-day period following the announcement of the Company's financial results for the previous financial year; equal to $3.315 and converted to GBP using average USD/GBP exchange rate as of 30 April 2019.

(2) Vesting is dependent on the Company's TSR exceeding a compound annual growth rate of 8%.

The treatment of Sami Zouari's awards upon his stepping down as CFO and Director of the Company is detailed on page 99.

2014 LTIP awards granted/vested in 2019 (audited)

No long-term incentive awards were made to Executive Directors in 2019 and none vested or were exercised.

Leaver arrangements for Sami Zouari (audited)

Sami Zouari stepped down from the Board on 2 December 2019 and was accorded good leaver status. Details of Mr Zouari's leaver arrangements, which are in accordance with the Remuneration Policy approved by shareholders at the 2019 AGM, are set out below:

- Mr Zouari was paid in full until his departure date on 2 December 2019. He received £13,000 in lieu of vacation due but not taken. Pension and other benefits ceased on his departure date.
- Mr Zouari was entitled to a pro-rated annual bonus in respect of the year ending 31 December 2019. Based on Corporate and individual performance, and as detailed above, the Committee determined that 50% of his bonus will be paid on a pro-rated basis to 2 December 2019. He was paid £161,543.
- As a good leaver, Mr Zouari retains 3,247,656 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 will be settled at the end of each performance period in May 2020, April 2021 and April 2022. Full details of any awards vesting to Mr Zouari 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 maintain a shareholding in the Company of at least 200% of salary. 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 2019 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%	—	—	3,769,595	—	3,769,595
Sami Zouari[(1)]	200%	—	15,000[(2)]	3,247,656	—	3,262,656
Non-Executive Directors	—	—	—	—	—	—
David Thomas	—	—	—	—	—	—
Jaap Huijskes	—	—	—	—	—	—
Martin Angle	—	—	—	—	—	—
Kimberley Wood	—	—	—	—	—	—

(1) As at date of stepping down from the Board on 2 December 2019.
(2) Exercise price £55.00.

Jón Ferrier has not achieved 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.

Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

Implementation of the future Directors' Remuneration Policy in 2020

On 18 November 2019, it was announced that Ian Weatherdon would be joining the Board on 13 January 2020 to succeed Sami Zouari as CFO. Details of Mr Weatherdon's remuneration arrangements are included in the relevant sections below.

Base salaries and benefits

No increases in base salary have been awarded.

The CFO was appointed on a base salary of £364,000 in January 2020 and therefore will not receive any increase until 2021. Mr Weatherdon will also receive relocation support to assist with his move from Hong Kong to the UK. Both the CEO and CFO will continue to receive other benefits in line with the Remuneration Policy.

Annual bonus

The Executive Directors have a duty to run the business for the benefit of all stakeholders in a prudent and sustainable way, creating maximum shareholder value.

Payments under the executive annual bonus scheme will be determined based on performance against a range of KPIs. The unprecedented impact of COVID-19 combined with recent oil price uncertainty means that the Company needs to operate in an agile way that maintains liquidity, maximises long-term shareholder value and has a positive stakeholder impact. As such, the Committee and Board will keep the KPIs and performance targets used under review during the year to take account of how business priorities evolve in response to rapidly changing macro-economic and operational factors. We will publish a full narrative including the basis for KPIs, weightings and targets in the 2020 Directors' remuneration report.

Historically, the same Company KPIs have been used for both the executive and employee bonus plans for which all Company employees are eligible. For 2020, we will similarly aim for consistency and operate on the principle that Executive Directors will be treated in the same way as all other employees.

VCP

No additional Performance Units will be awarded. The maximum number of Performance Units already awarded may convert into nil-cost options under the current (and only) award.

LTIP

Mr Weatherdon will be eligible to receive an LTIP grant of 150% of base salary, 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 comparable 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.

Given the volatility of the Company's share price, 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 extent to which any of the value at vesting is attributable to a general market recovery from the global COVID-19 pandemic, taking into account Gulf Keystone's absolute and relative share price performance and the speed of any share price recovery;
- the overall GBP value of awards vesting to LTIP participants and the percentage of realised value which is attributable to share price appreciation as compared to historical and sector norms; and
- the underlying performance of the Company over the period, including factors such as 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 22 April 2020 and signed on its behalf by:

Kimberley Wood
Chair of the Remuneration Committee

22 April 2020

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 2019. A review of the business is set out in the preceding sections of this annual report, including the Chairman's statement, CEO statement, 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 2019 are set out in the consolidated financial statements.

The Group made a net profit after taxation for the year of $43.5 million (2018: profit of $79.9 million) and, at this time, the Directors have not recommended an ordinary dividend in 2020 (2019: $49.1 million ordinary and special dividends).

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 16 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

None of the Directors who held office at 31 December 2019 had any interest in the common shares of the Company.[(1)]

At the date of this report, the Employee Benefit Trust ("EBT") and Exit Event Trustee held 0.01 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 2019, 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.

Directors' report continued

Significant shareholdings

As at 1 April 2020, 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	31,177,047	14.82
Sothic Capital Management	28,344,486	13.47
Hof Hoorneman	16,570,607	7.88
JP Morgan Chase & Co	12,081,341	5.74
BlackRock Inc	10,846,286	5.16
UBS Group AG	8,704,506	4.14
Dimensional Fund Advisors	7,768,194	3.69
BrightSphere Investment Group	7,090,463	3.37
Hargreaves Lansdown PLC	6,873,073	3.27
Interactive Investor Trading	6,835,522	3.25

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 CEO statement 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. In response to the recent developments in 2020 around the COVID-19 outbreak and oil price decrease, the Group ran a number of stress tests which included \$30/bbl Brent oil price prevailing for the duration of the going concern period and reduction in the frequency of revenue receipts from the KRG.

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 2019 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

Jón Ferrier
Chief Executive Officer

22 April 2020

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 Standard ("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, IAS 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 22 April 2020 and is signed on its behalf by:

Jón Ferrier
Chief Executive Officer

22 April 2020

Ian Weatherdon
Chief Financial Officer

22 April 2020

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 Limited (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 2019 and of the Group's profit 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 28.

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") 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	The key audit matters that we identified in the current year were: • revenue recognition; • capitalisation and carrying value of oil and gas assets; and • going concern. The key audit matters are consistent with the prior year, other than the addition of going concern as a result of the current oil price environment and COVID-19. Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk ◇ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group's financial statements was $7 million, which was determined on the basis of profit before tax ("PBT") and net assets for 31 December 2019.
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	The commencement of the Group's expansion programme during the year and the corresponding increase in the capitalisation of costs was reflected in our risk assessment and audit plan. The increased delay in the revenue payment cycle and the related expected credit losses ("ECL") resulted in an increase to the risk in relation to revenue recognition. The effects of the fall in the oil price to below \$30/bbl and COVID-19 on the recoverable amount valuation were non-adjusting post balance sheet events, but were additionally modelled by management to inform the Group's sensitivity and post balance sheet event disclosures. Our work on going concern reflecting this price was also therefore identified as a key audit matter in the current year. There have been no other significant changes to our approach to the audit.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement on page 102 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including, where relevant, the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We state whether we have anything material to add or draw attention to in relation to that statement that would be required by Listing Rule 9.8.6R(3) if the Company had a premium listing and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 48 to 56 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated; or
- the Directors' confirmation on page 48 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 57 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We also report whether the Directors' statement relating to the prospects of the Group that would be required by Listing Rule 9.8.6R(3) if the Group had a premium listing is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Company to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current year 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	Revenue totalling $206.7 million (2018: $250.6 million) has been recognised during the year, of which $202.8 million (2018: $227.4 million) relates to oil sales in 2019 and $3.9 million (2018: $7.0 million) for transportation services. Payment in respect of oil sold in November and December 2019 has not yet been received as described below. We note that there was no offsetting of payables owed to the Ministry of Natural Resources ("MNR") against amounts due for previously unrecognised revenue (2018: $16.2 million). The Group has continued to estimate revenue on a "payment-assured" basis, in accordance with the terms of the Lifting Agreement which was extended in February 2019. During the year ended 31 December 2019, the Group continued to receive regular cash receipts from the MNR until October 2019, when there was a delay in the payment cycle, with payments of $47.8 million in relation to August, September and October only being received in 2020, which is the reason for the increased risk in the current year. Expected credit losses ("ECL") have been calculated in accordance with IFRS 9 Financial Instruments on the $90.2 million gross receivable as at 31 December 2019. Our key audit matter has been revised in order to reflect these matters. The key judgements in relation to revenue are: • whether any circumstances occurred during the period that would trigger GKP to change its accounting policy from "payment-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 • whether there is any risk in relation to unpaid revenue amounts and the accuracy of the ECL calculation. In assessing whether the payment assured accounting policy basis remains appropriate, with the continued non-recognition of certain historical revenues, we note the Crude Oil Export Sales Agreement is 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. As referenced on page 76 of the annual report, the recognition of revenue relating to oil sent for export and in relation to cost offsets is considered by the Audit and Risk Committee as a significant matter and also, as referenced on page 124, by management as a significant accounting judgement.
How the scope of our audit responded to the key audit matter	We have assessed the appropriateness of the revenue recognition policy in light of current year developments and recalculated the revenue recognised for oil sales and transportation services for the year. In particular, we have performed the following: • challenged management on its assessment of the accounting implications with reference to the relevant accounting standards, 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 2019 and reviewed post year end bank statements to assess whether the outstanding receivable as at 31 December 2019 in respect of August, September and October revenue of $47.8 million was subsequently received. Receipt of amounts in relation to November and December revenue of $42.4 million remain outstanding. We challenged the inputs and recalculated management's ECL calculation; and • obtained an understanding of relevant controls over the revenue recognition process, including management review controls.
Key observations	Based on our analysis, recognising revenue on a "payment-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 2019 and that it is appropriate to recognise $206.7 million of revenue. We concur with the carrying value of receivables.

5.2. Capitalisation and carrying value of oil and gas assets

Key audit matter description	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. Following the results of Shaikan-9, the Group's gas management plan changed from gas reinjection to a gas sweetening and sulphur treatment plant. These 2020 results were considered to provide further information on the field at the balance sheet date and, accordingly, a full impairment valuation was calculated for the Shaikan Field, which had a carrying value of $403.7 million as at 31 December 2019 (2018: $379.6 million). Revised cost estimates and timings have been considered in the Group's valuations and consideration of this has been included as part of our assessment of the carrying value of the assets. In 2020, there was a significant decrease in oil prices and the COVID-19 outbreak, and although the IAS 36 requirement is to consider the facts and circumstances at the balance sheet date, management assessed the impact of these developments on the impairment and post balance sheet disclosure analysis by updating the base case to reflect these developments and by modelling reasonably possible changes to key assumptions and mitigating actions. No impairments were indicated. 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 applied to the impairment assessment could be subject to conscious or unconscious bias. Gulf Keystone evaluated various gas management alternatives during 2019 to reduce routine flaring. The drilling results of Shaikan-9 did not identify a gas cap and accordingly the gas management plan to reduce routine flaring has been modified to sweeten the gas for export and treat the waste gas to recover elemental sulphur. Management has disclosed in the key estimates section on page 124 that even under a combined stress test scenario, including both a higher discount rate and lower commodity prices, no impairment charge is indicated after mitigating actions within management's control. As referenced on page 76 of the annual report, the impairment indicator assessment for the oil and gas assets is considered by the Audit and Risk Committee as a significant issue. Additionally, as a result of the Group's expansion programme to increase production at Shaikan to 55,000 bopd, which commenced during the year, the value of the costs capitalised to the Shaikan asset increased from $35.7 million in 2018 to $90.0 million in 2019; we therefore consider there to be a risk of inappropriate costs being capitalised rather than expensed.

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

5. Key audit matters continued

5.2. Capitalisation and carrying value of oil and gas assets continued

How the scope of our audit responded to the key audit matter	Our audit work therefore assessed the reasonableness of management's key assumptions when calculating its recoverable amount. Specifically, our work included, but was not limited to, the following procedures: • 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 and other market data, including the impact of climate change; • recalculating and benchmarking of discount rates applied, with involvement from Deloitte industry valuation specialists; • comparing forecasted production per the valuation model with actual historical production and estimates set out in the Competent Person's Report; • considering evidence of management bias in the assumptions selected and the application of professional scepticism to address the risk of fraud; • reviewing and challenging the third party expert report supporting the revised gas management costings and considering the competence and objectivity of the expert; • reviewing 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, the potential impact of COVID-19 and expansion being limited to 55,000 bopd; and • obtaining an understanding of relevant controls over the impairment process, including management review controls. In relation to the capitalisation of costs as a result of the Group's expansion programme, our work included the following procedures: • challenging management's capitalisation policy by assessing whether it is in line with the requirements of IAS 16 Property, Plant and Equipment; • performing detailed testing on additions to oil and gas assets, analysing the nature of the costs and assessing whether capitalisation was appropriate; and • obtaining an understanding of relevant controls over the capitalisation process, including management review controls.
Key observations	The assumptions made by management when determining the Shaikan asset's recoverable amount fall within a reasonable range. Overall, we are satisfied that the recoverable amount of the asset has been determined and impairment charges and reversals have been recognised in accordance with the requirements of IAS 36 Impairment of Assets. In addition, we are satisfied that the costs capitalised during the year are in line with management's policy on capitalisation and that management's policy is appropriate.

5.3. Going concern

Key audit matter description	As a result of the significant reduction in oil prices and the COVID-19 outbreak, we consider the appropriateness of the going concern assumption and the adequacy of management's disclosure in this area to be a key audit matter. Management has prepared a base case cash flow forecast for a period of at least twelve months from the date of approval of the financial statements and also considered a number of downside scenarios, including oil prices of $30 per barrel throughout the going concern period. Management has also considered reasonably possible downsides in the timing of revenue receipts from the MNR. Based on this, management has concluded that the going concern basis of accounting is appropriate. Further details of the approach adopted by management in this area are provided in the going concern section of the financial statements on page 117 and in the Audit and Risk Committee report on pages 74 to 77.
How the scope of our audit responded to the key audit matter	Our work included, but was not limited to, the following procedures: • obtaining management's cash flow forecasts for a period of twelve months from the date of approval of the financial statements and comparing these to the Board-approved budget; • challenging the key assumptions used in management's base case model, in particular gross production levels, timings of revenue receipts and the oil price assumption, by holding discussions with senior operational management and reviewing supporting documentation; • comparing the oil price assumptions to third party forecasts and publicly available forward curves; • considering the impact of the COVID-19 outbreak and reduction in crude oil prices; • assessing the historical accuracy of budgets prepared by management; • testing the mechanical accuracy of the cash forecast model; • considering the adequacy of management's downside scenarios, in particular the sensitivity which considered the aggregate impact of a depressed oil price throughout the going concern period with reduced production and receipt timing delays; and • considering whether the disclosures relating to going concern are appropriate.
Key observations	Based on our analysis, we are satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

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 materiality	$7.0 million (2018: $6.6 million)
Basis for determining materiality	Determined on the basis of PBT and net assets for 31 December 2019 (2018: PBT and net assets).
Rationale for the benchmark applied	The benchmarks used reflect the core focus of the users of the accounts.

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 performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a) the quality of the control environment and whether we were able to rely on controls;

b) the lack of changes in the operations of the business; and

c) the low number of uncorrected misstatements historically.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $350,000 (2018: $330,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit 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

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.

Our audit work was performed primarily at the Group's head office in London. 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.

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable –** the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting –** the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

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/auditorsresponsibilities. This description forms part of our auditor's report.

11. 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 ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

22 April 2020

Consolidated income statement
For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue	2	**206,741**	250,554
Cost of sales	3	**(138,184)**	(154,534)
Gross profit		**68,557**	96,020
General and administrative expenses	4	**(19,531)**	(17,813)
Profit from operations		**49,026**	78,207
Finance revenue	7	**6,046**	4,441
Finance costs	7	**(11,153)**	(13,873)
Other (losses) and gains	6	**(661)**	10,925
Profit before tax		**43,258**	79,700
Tax credit	8	**271**	189
Profit after tax for the year		**43,529**	79,889
Profit per share (cents)			
Basic	9	**19.25**	34.84
Diluted	9	**18.37**	33.87

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	2019 $'000	2018 $'000
Profit after tax for the year	**43,529**	79,889
Items that may subsequently be reclassified to profit or (loss):		
Exchange differences on translation of foreign operations	**597**	(800)
Total comprehensive profit for the year	**44,126**	79,089

Consolidated balance sheet

As at 31 December 2019

	Notes	2019 $'000	2018 $'000
Non-current assets			
Intangible assets	10	**454**	84
Property, plant and equipment	11	**407,602**	380,537
Deferred tax asset	18	**849**	559
		408,905	381,180
Current assets			
Inventories	13	**31,040**	14,190
Trade and other receivables	14	**103,181**	67,909
Cash and cash equivalents		**190,762**	295,566
		324,983	377,665
Total assets		**733,888**	758,845
Current liabilities			
Other payables	15	**(83,981)**	(81,478)
Provisions	17	**—**	(4,155)
		(83,981)	(85,633)
Non-current liabilities			
Trade and other payables	15	**(1,989)**	—
Borrowings	16	**(98,192)**	(97,795)
Provisions	17	**(29,807)**	(22,600)
		(129,988)	(120,395)
Total liabilities		**(213,969)**	(206,028)
Net assets		**519,919**	552,817
Equity			
Share capital	19	**229,430**	229,430
Share premium	19	**871,675**	920,728
Treasury shares	19	**(29,749)**	—
Exchange translation reserve		**(3,221)**	(3,818)
Accumulated losses		**(548,216)**	(593,523)
Total equity		**519,919**	552,817

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2020 and signed on its behalf by:

Jón Ferrier
Chief Executive Officer

Ian Weatherdon
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2019

		Attributable to equity holders of the Company					
	Notes	Share capital $'000	Share premium $'000	Exchange translation reserve $'000	Accumulated losses $'000	Treasury shares $'000	Total equity $'000
Balance at 1 January 2018		229,430	920,728	(3,018)	(675,254)	—	471,886
Net profit for the year		—	—	—	79,889	—	79,889
Other comprehensive loss for the year		—	—	(800)	—	—	(800)
Total comprehensive (loss)/profit for the year		—	—	(800)	79,889	—	79,089
Dividend		—	—	—	—	—	—
Employee share schemes	23	—	—	—	1,842	—	1,842
Balance at 31 December 2018		229,430	920,728	(3,818)	(593,523)	—	552,817
Net profit for the year		**—**	**—**	**—**	**43,529**	**—**	**43,529**
Other comprehensive profit for the year		**—**	**—**	**597**	**—**	**—**	**597**
Total comprehensive profit for the year		**—**	**—**	**597**	**43,529**	**—**	**44,126**
Employee share schemes		**—**	**—**	**—**	**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**	**(3,221)**	**(548,216)**	**(29,749)**	**519,919**

Consolidated cash flow statement

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Operating activities			
Cash generated from operations	20	**87,892**	161,483
Interest received		**5,897**	4,441
Interest paid		**(10,068)**	(7,713)
Net cash generated from operating activities		**83,721**	158,211
Investing activities			
Exit costs of Algerian operation		**(11,060)**	–
Purchase of intangible assets		**(390)**	(66)
Purchase of property, plant and equipment		**(96,926)**	(20,589)
Net cash used in investing activities		**(108,376)**	(20,655)
Financing activities			
Payment of dividends		**(49,053)**	–
Share buyback		**(29,831)**	–
Payments in lieu of share options exercised		**(99)**	–
Payment of leases		**(972)**	–
Issue costs of new notes		**—**	(2,366)
Net cash from financing activities		**(79,955)**	(2,366)
Net (decrease)/increase in cash and cash equivalents		**(104,610)**	135,190
Cash and cash equivalents at beginning of year		**295,566**	160,456
Effect of foreign exchange rate changes		**(194)**	(80)
Cash and cash equivalents at end of the year, being bank balances and cash on hand		**190,762**	295,566

In early 2019, the Group paid $11.1 million in final settlement of liabilities relating to its exit from activities in Algeria.

Summary of significant accounting policies

General information

The Company is incorporated in Bermuda (registered address: c/o Coson Corporate Services Limited, 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 Depositary 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.

Adoption of new and revised standards

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 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 supersedes IAS 17 Leases. The date for the initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

As a result of the adoption of IFRS 16, the Group:

a) recognises right-of-use assets and lease liabilities, initially measured at the present value of the future lease payments;
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit and loss;
c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement;
d) for short-term leases (lease term less than twelve months) and leases of low value, the Group has opted to recognise lease expense on a straight line basis as permitted by IFRS 16; and
e) lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease (if available), or the incremental borrowing rate at 1 January 2019, or start of the lease, whichever is earlier.

Under the transition rules of IFRS 16 the Group has adopted the cumulative catch-up approach. The Group has not restated any prior year figures and made any necessary adjustments between assets and liabilities through opening retained earnings. The Group's implementation of IFRS 16 has led to the recognition of right-of-use assets of $405,000 and a lease liability of $465,000 at 1 January 2019. The reconciliation between operating lease commitments at 31 December 2018 and the opening balance for the lease liabilities at 1 January 2019 is as follows:

	$'000
Operating lease commitments at 31 December 2018	3,871
Short-term leases	(3,341)
Effect of discounting	(65)
Total lease liabilities recognised on adoption of IFRS 16 at 1 January 2019	465
Of which:	
Current lease liabilities	447
Non-current liabilities	18

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The judgements and estimates made to separately recognise and measure the effect of each uncertain tax treatment are re-assessed whenever circumstances change or when there is new information that affects those judgements. The Group has re-assessed its tax exposure and the key estimates taken in determining the positions recorded for adopting IFRIC 23. As of 1 January 2019, the tax exposure has been determined by reference to the uncertainty that the tax authority may not accept the Group's proposed treatment of tax positions. The adoption of the interpretation had no material impact on the Group.

New and revised IFRSs issued but not yet effective

At the date of authorisation 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:

IAS 1 and IAS 8	Definition of Material
IFRS 3	Definition of a Business
IFRS 17	Insurance Contracts
Annual Improvements to Standards 2018-20	Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and illustrative example accompanying IFRS 16
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 IFRSs 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 initially recognised at fair value, 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 22 April 2020, the Group had $164.1 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, changes in commodity prices, different production rates from the Shaikan block, cost contingencies, disruptions to revenue receipts, etc. In response to the recent developments in 2020 around the COVID-19 outbreak and oil price decrease, the Group ran a number of stress tests which included a $30/bbl Brent oil price prevailing for the duration of the going concern period and reduction in the frequency of revenue receipts from the KRG. 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 2019 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.

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 IFRSs, or are calculated using financial measures that are not calculated in accordance with IFRSs. 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 IFRSs 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 IFRSs or those calculated using financial measures that are calculated in accordance with IFRSs.

Summary of significant accounting policies continued

Non-IFRS measures continued

Operating costs

Operating costs is a useful indicator of the Group's costs incurred to produce Shaikan oil. Operating costs, in comparison with cost of sales, exclude certain non-cash accounting adjustments, contractual Production Sharing Contract ("PSC") payments and transportation costs

	Year ended 31 December 2019 $ million	Year ended 31 December 2018 $ million
Cost of sales	**138.2**	154.5
Depreciation of oil and gas assets	**(72.5)**	(70.7)
Production bonus	**—**	(16.0)
Capacity building payments	**(15.3)**	(17.0)
Transportation costs	**(12.0)**	(14.3)
Working capital movement	**(1.0)**	(5.8)
Operating costs	**37.4**	30.7

Gross operating costs per barrel (unaudited)

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

	Year ended 31 December 2019	Year ended 31 December 2018
Gross production (MMbbls)	**12.0**	11.5
Gross operating costs ($ million)	**46.7**	36.8
Gross operating costs per barrel ($ per bbl)	**3.9**	3.2

EBITDA

EBITDA is a useful indicator of the Group's profitability, which excludes the impact of costs attributable to income tax (expense)/credit, finance costs, interest revenue, depreciation, depletion and amortisation and other gains and losses.

	Year ended 31 December 2019 $ million	Year ended 31 December 2018 $ million
Profit after tax	**43.5**	79.9
Finance costs	**11.2**	13.9
Interest revenue	**(6.0)**	(4.4)
Tax credit	**(0.3)**	(0.2)
Depreciation of oil and gas assets	**72.5**	70.7
Depreciation and amortisation	**1.3**	0.4
Gains from discontinued operations (Algeria)	**—**	(10.2)
EBITDA	**122.2**	150.1

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 2019 $ million	Year ended 31 December 2018 $ million
Additions to oil and gas assets	**90.0**	35.7
Capital investment	**90.0**	35.7

Net cash

Net cash is a useful indicator of the Group's indebtedness, financial flexibility and capital structure 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 2019 $ million	Year ended 31 December 2018 $ million
Outstanding New Notes	**(98.2)**	(97.8)
Unamortised issue costs	**(1.8)**	(2.2)
Accrued interest	**(4.4)**	(4.4)
Cash and cash equivalents	**190.8**	295.6
Net cash	**86.4**	191.2

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 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 Brent crude price less a quality discount and transportation costs. The sales agreement also specifies the delivery point, 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 since 1 October 2017.

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:

- for the crude oil sales via Fishkhabour route, the point of sale is the point that the crude oil is unloaded into the export pipeline at Fishkhabour;
- for the crude oil sales via the Kurdistan Export Pipeline, the point of sale is the point that the crude oil is injected into the Kurdistan Export Pipeline;
- 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;
- from 15 November 2017 until December 2019, when all of the Group's exports started being sold via the Kurdistan Export Pipeline, the Group performed transportation services in respect of the KRG's share of export oil sales. It recharges all of these transportation costs at nil mark-up to the KRG and these recharged transportation costs are recognised as revenue; and
- under the Shaikan PSC and the bilateral agreement between GKPI and the MNR signed on 16 March 2016 ("Bilateral Agreement"), the Group is entitled to offset certain costs (including capacity building payments and production bonuses) against amounts owed by the KRG to GKPI. In these instances, the Group recognises revenue and a reduction in the liability to the KRG.

To the extent that revenue arises from test production during an evaluation programme, an amount is charged from exploration and evaluation costs to cost of sales so as to reflect a zero net margin.

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.

Interest 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") are 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, seismic acquisition, 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 further 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 is based on values from ERC Equipoise – CPR August 2016 and the confirmation letter dated April 2017. CPR volume estimates at 31 December 2016 were adjusted by GKP for production in 2017, 2018 and 2019.

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, construction or production 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 valued at the lower of cost and net realisable value. 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.

Liquid investments

Liquid investments comprise short-term liquid investments with maturities of two to three months.

Financial assets at fair value through profit and loss

Financial assets are held at fair value through profit and loss ("FVTPL") when the financial asset is either held for trading or it is designated at 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 enter into derivative financial instruments.

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.

Impairment of financial assets

Financial assets, other than those valued at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in local or national economic conditions that correlate with default on receivables.

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.

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 statement of financial position 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 lease expense on a straight-line basis.

Critical accounting estimates and judgements

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.

Summary of significant accounting policies continued

Critical accounting estimates and judgements continued

Key estimates

Reserves estimates

Commercial reserves are determined using estimates of oil-in-place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to numbers of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital and operating costs. Reserves estimates principally affect the depreciation, depletion and amortisation charges, as well as impairment assessments.

Carrying value of producing assets

Oil and gas assets within property, plant and equipment are held at historical cost value, less accumulated depreciation and impairments.

Producing assets are tested for impairment whenever indicators of impairment exist. Management assesses whether such indicators exist, with reference to the criteria specified in IAS 36 Impairment of Assets, at least annually.

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 assumptions such as future oil and gas prices, estimated production volume, pre-tax discount rates that reflect the current market assessment of the time value of money and risks specific to the asset, commercial reserves, inflation and transportation fees. The key assumptions are subject to change based on market trends and economic conditions. The CGU's recoverable amount is the higher of the fair value less cost of disposal and value in use. 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 2019 was the Shaikan Field, with a carrying value of $403.7 million.

Following the results of SH-9, the Group, MOL and the MNR have agreed in principle to change the base case gas management plan from gas reinjection to the sweetening and export of produced gas along with elemental sulphur recovery from the waste stream. These results, although confirmed in 2020, were considered to provide further information on the gas management plan at the balance sheet date. Accordingly, a full impairment valuation was calculated taking into account this change but no write-down was indicated. The Group also performed additional sensitivity analysis to model the effects of the significant decrease in oil prices and the COVID-19 outbreak during 2020. These, together with other possible changes to key assumptions and available management mitigating actions, indicated that no impairment would arise.

The assumptions and estimates in the valuation model include:

- commodity prices that are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts and the long-term corporate economic assumptions thereafter. For the impairment analysis, the base case Brent oil price of $60/bbl real was used, based on conditions prevailing as at 31 December 2019. A stress test based on Brent oil price of $30/bbl for 2020, $40/bbl for 2021 followed by $50/bbl real for the full life of field was included in the assessment;
- 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 15% discount rate;
- 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;
- commercial reserves and production profiles; and
- timing of revenue receipts.

Significant accounting judgement

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. However, as the payment mechanism for sales to the export market continues to develop within the Kurdistan Region of Iraq, the Group considers that revenue can be only 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.

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:

	2019 $'000	2018 $'000
Kurdistan	407,808	380,339
United Kingdom	248	282
	408,056	380,621

Information about major customers

Included in revenues is $206.7 million which arose from sales to the Group's largest customer (2018: $250.6 million).

2. Revenue

	2019 $'000	2018 $'000
Oil sales	202,871	243,711
Transportation revenue	3,870	6,843
	206,741	250,554

The Group's accounting policy for revenue recognition is set out in the summary of significant accounting policies, with revenue recognised on a cash-assured basis.

During 2019, the cash-assured values recognised as oil sales were the invoiced revenue for the year, amounting to $202.9 million (2018: $227.5 million). The MNR liability offset revenue recognised was $nil (2018: $16.2 million). The oil sales price was calculated using the monthly Brent price less an average discount of $21.7 (2018: $22.3) per barrel for quality, pipeline tariff and transportation costs.

From November 2017 until mid-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.

3. Cost of sales

	2019 $'000	2018 $'000
Oil production costs	53,696	69,479
Depreciation of oil and gas assets	72,514	70,744
Transportation costs	11,974	14,311
	138,184	154,534

Oil production costs represent the Group's share of gross production expenditure for the Shaikan Field for the year and include capacity building charges of $15.3 million (2018: $17.0 million) and Shaikan PSC production bonus of $nil (2018: $16.0 million). All costs are included, with no deferral of costs associated with unrecognised sales in accordance with the Group's revenue policy. Production and DD&A costs related to revenue arrears recognised in 2018 have been charged to the income statement in prior periods when the oil was lifted.

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.

Notes to the consolidated financial statements continued

4. General and administrative expenses

	2019 $'000	2018 $'000
Depreciation and amortisation	**1,318**	383
Auditor's remuneration for audit fees (see below)	**253**	252
Other general and admin costs (including staff costs)	**17,960**	17,178
	19,531	17,813

Of the $19.5 million of general and administrative expenses, $10.0 million were incurred in relation to the Shaikan Field (2018: $7.9 million).

	2019 $'000	2018 $'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**228**	224
Fees payable to the Company's auditor for other services to the Group – audit of the Company's subsidiaries pursuant to legislation	**25**	28
Total audit fees	**253**	252
Corporate finance services	**13**	—
Other assurance services (including half-year review)	**73**	70
Total fees	**339**	322

5. Staff costs

The average number of employees and contractors (including Executive Directors) employed by the Group was 407 (2018: 362), reflecting part-time, shift work and rotational working arrangements.

Staff costs were as follows:

	2019 $'000	2018 $'000
Wages and salaries	**35,812**	25,582
Social security costs	**3,454**	2,263
Share-based payment (see note 23)	**2,224**	1,842
	41,490	29,687

Staff costs include the costs relating to contractors, who are long-term workers in key positions.

A proportion of staff costs is allocated to cost of sales and a proportion is capitalised as oil and gas assets under the Group's accounting policy for property, plant and equipment, with the remainder classified as general and administrative costs in the income statement. The net staff cost recognised as cost of sales and general and administrative expense in the income statement is $28.5 million (2018: $25.7 million). Capitalised staff costs went up from $4.0 million in 2018 to $13.0 million in 2019, reflecting the increase in the Group's development activities.

6. Other gains

	2019 $'000	2018 $'000
Other gains	**—**	10,215
Exchange (losses) and gains	**(661)**	710
	(661)	10,925

In 2018, the Group received final clearance from Sonatrach in relation to Ferkane Permit (Block 126) in Algeria, which resulted in a release of past liabilities and recognition of $10.2 million in other gains.

7. Finance costs and finance revenue

	2019 $'000	2018 $'000
Notes interest charged during the year (see note 16)	**(10,397)**	(13,150)
Finance lease interest	**(67)**	–
Unwinding of discount on provisions (see note 17)	**(689)**	(723)
Total finance costs	**(11,153)**	(13,873)
Finance revenue	**6,046**	4,441
Net finance costs	**(5,107)**	(9,432)

8. Tax

	2019 $'000	2018 $'000
Current year charged	**–**	–
Adjustment in respect of prior year	**–**	–
Deferred UK corporation tax credit (see note 18)	**271**	189
Tax credit attributable to the Company and its subsidiaries	**271**	189

Under current Bermudian 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 until at least 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.

UK corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated assessable profit for the year of the UK subsidiary.

Deferred tax is provided for due to the temporary differences, which give rise to such a balance in jurisdictions subject to income tax. During the current period no taxable profits were made in respect of the Group's Kurdistan PSC, nor were there any temporary differences on which deferred tax is required to be provided. As a result, no corporate income tax or deferred tax has been provided for Kurdistan in the period.

All deferred tax arises in the UK.

The tax credit for the year can be reconciled to the profit per the income statement as follows:

	2019 $'000	2018 $'000
Profit before tax	**43,258**	79,700
Tax at the Bermudian tax rate of 0% (2018: 0%)	**–**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**271**	189
Tax credit for the year	**271**	189

Notes to the consolidated financial statements continued

9. Profit per share

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

	2019 $'000	2018 $'000
Profit		
Profit after tax for the purposes of basic and diluted profit per share	**43,529**	79,889

	2019 Number '000	2018 Number '000
Number of shares		
Basic weighted average number of ordinary shares	**226,178**	229,317

The Group followed the steps specified by IAS 33 in determining whether potential common shares are dilutive or anti-dilutive.

Reconciliation of dilutive shares:

	2019 Number '000	2018 Number '000
Number of shares		
Basic weighted average number of ordinary shares outstanding	**226,178**	229,317
Effect of dilutive potential ordinary shares	**10,775**	6,528
Diluted number of ordinary shares outstanding	**236,953**	235,845

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.

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 (2018: 0.3 million) share options that were excluded from the calculation of diluted earnings because they were anti-dilutive.

10. Intangible assets

	Computer software $'000
Year ended 31 December 2018	
Opening net book value	63
Additions	66
Amortisation charge	(46)
Foreign currency translation differences	1
Closing net book value	84
At 31 December 2018	
Cost	1,102
Accumulated amortisation	(1,018)
Net book value	84
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**

The amortisation charge of $26,000 (2018: $46,000) for computer software has been included in general and administrative expenses (note 4).

Notes to the consolidated financial statements continued

11. Property, plant and equipment

	Oil and gas assets $'000	Fixtures and equipment $'000	Right-of-use assets $'000	Total $'000
Year ended 31 December 2018				
Opening net book value	416,908	565	—	417,473
Additions	35,715	644	—	36,359
Disposals at cost	(126,584)	(399)	—	(126,983)
Revision to decommissioning asset	(2,229)	—	—	(2,229)
Depreciation charge	(70,744)	(337)	—	(71,081)
Depreciation on disposals	126,584	399	—	126,983
Foreign currency translation differences	—	15	—	15
Closing net book value	379,650	887	—	380,537
At 31 December 2018				
Cost	600,048	6,201	—	606,249
Accumulated depreciation	(220,398)	(5,314)	—	(225,712)
Net book value	379,650	887	—	380,537
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**

The net book value of oil and gas assets at 31 December 2019 is comprised of property, plant and equipment relating to the Shaikan block and has a carrying value of $403.7 million (2018: $379.7 million).

The additions to the Shaikan asset during the year include costs for the work on the export pipeline from PF-1 to the Kurdistan Export Pipeline, SH-12 and SH-9 wells, SH-1 and SH-3 workovers, production facilities expansion work and various studies and reservoir engineering, as well as certain long-lead items for the 75k programme and recurring capital costs.

The DD&A charge of $72.5 million on oil and gas assets (2018: $70.7 million) has been included within cost of sales (note 3). The depreciation charge of $1.3 million on fixtures and equipment and right-of-use assets (2018: $0.3 million) has been included in general and administrative expenses (note 4).

Additions during the year include capitalised staff costs of $13.0 million (2018: $4.0 million).

Right-of-use assets at 31 December 2019 consisted of $2.5 million of buildings and $0.1 million of equipment.

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.

12. Group companies

Details of the Company's subsidiaries and joint operations at 31 December 2019 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	Place of incorporation	Proportion of ownership interest	Principal activity
Shaikan	Kurdistan	80%(1)	Production and development activities

(1) 75% is held directly by Gulf Keystone Petroleum International Limited, with 5% originally owned by Texas Keystone, Inc. ("TKI") held in trust until formal transfer of the share to GKPI is completed.

13. Inventories

	2019 $'000	2018 $'000
Warehouse stocks and materials	**30,135**	13,534
Crude oil	**905**	656
	31,040	14,190

Inventories at 31 December 2019 include write-downs to net realisable value of $1.0 million (2018: $0.6 million) included in cost of sales.

14. Trade and other receivables

	2019 $'000	2018 $'000
Trade receivables	**97,917**	61,251
Other receivables	**4,458**	5,405
Prepayments and accrued income	**806**	1,253
	103,181	67,909

Trade receivables comprise invoiced amounts due from the MNR for crude oil sales totalling $90.2 million as at 31 December 2019 (2018: $53.2 million). This included past due trade receivables of $47.8 million (2018: $40.9 million). November and December 2019 sales were still outstanding as at the time of this report. During 2018, the Group purchased a share of Shaikan revenue arrears from MOL amounting to $9.1 million. In line with the requirements of IFRS 9, the fair value of this receivable stood at $7.7 million as at 31 December 2019 (2018: $8.0 million). The adjustment to the fair value is recognised in cost of sales (note 3).

Included within other receivables for 2019 is an amount of $nil (2018: $0.4 million) being the deposits for leased assets which are receivable after more than one year. There are no receivables from related parties as at 31 December 2019 (2018: $nil) (see note 25). No impairments of other receivables have been recognised during the year (2018: $nil).

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and no amounts are provided against them, except as noted above.

Notes to the consolidated financial statements continued

15. 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

	2019 $'000	2018 $'000
Trade payables	6,982	11,857
Other payables	29,268	19,552
Current lease liabilities (see note 21)	1,265	—
Accrued expenses	46,466	50,069
	83,981	81,478

There is $4.4 million interest payable included in accrued expenses as at 31 December 2019 (2018: $4.4 million) (see note 16).

Other payables include $10.0 million (2018: $10.0 million) in relation to the Sheikh Adi PSC bonus that was payable on the declaration of commerciality. It is likely that this liability will be offset against unrecognised Shaikan revenue arrears, in accordance with the principles agreed under the Bilateral Agreement between the Group and the MNR.

Non-current liabilities

	2019 $'000	2018 $'000
Non-current lease liability (see note 21)	1,989	—
	1,989	—

16. Long-term borrowings

	2019 $'000	2018 $'000
Liability component at 1 January	102,156	99,084
Interest charged during the year	10,397	13,150
Interest paid during the year	(10,000)	(7,713)
Exchange or redemption of Reinstated Notes	—	(100,000)
Issue of New Notes at fair value	—	97,635
Liability component at 31 December	102,553	102,156

Liability component reported in:

	2019 $'000	2018 $'000
Current liabilities: (see note 15)	4,361	4,361
Non-current liabilities	98,192	97,795
	102,553	102,156

On 14 October 2016, the Company issued $100 million of Guaranteed Notes ("Reinstated Notes"). The unsecured Reinstated Notes were guaranteed by Gulf Keystone Petroleum International Limited, one of the Company's subsidiaries, and their key terms are summarised as follows:

- maturity date was 18 October 2021. At any time prior to maturity, the Reinstated Notes were redeemable by the Company in part or full at par and could therefore be refinanced without any prepayment penalty;
- the Company had the option to defer its interest payments until the maturity of the Reinstated Notes in payment in kind at 13% or pay in cash at 10% until 18 October 2018. From 19 October 2018, the Company would be mandatorily liable to pay interest in cash at 10%; and
- the Company was permitted to raise up to $45 million of additional indebtedness at any time on market terms to fund capital and operating expenditure.

In July 2018, the Group redeemed all of the $100 million Reinstated Notes at a price equal to 100% of the principal, plus accrued and unpaid interest on the Notes up to and including the Redemption Date. The Group also successfully completed the private placement of a 5-year senior unsecured $100 million bond issue (the "New Notes"). The unsecured New Notes are guaranteed by Gulf Keystone Petroleum International Limited and Gulf Keystone Petroleum (UK) Limited, two of the Company's subsidiaries, and their key terms are summarised as follows:

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

The New 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	2019 $'000	2018 $'000
New Notes	$104.91	**104,910**	102,750
		104,910	102,750

As of 31 December 2019, the Group's remaining contractual liability, comprising principal and interest based on undiscounted cash flows at the maturity date of the New Notes, is as follows:

	2019 $'000	2018 $'000
Within one year	**10,000**	10,000
Within two to five years	**125,639**	135,639
	135,639	145,639

17. Provisions

	2019 $'000	2018 $'000
Current provisions	**—**	4,155
Non-current provisions	**29,807**	22,600
	29,807	26,755

Decommissioning provision	Current provisions (Algeria) $'000	Non-current provisions (Kurdistan) $'000	Total $'000
At 1 January 2019	**4,155**	**22,600**	**26,755**
New provisions and changes in estimates	**—**	**6,518**	**6,518**
Unwinding of discount	**—**	**689**	**689**
Settlement of provisions	**(4,155)**	**—**	**(4,155)**
At 31 December 2019	**—**	**29,807**	**29,807**

The provision for decommissioning is based on the net present value of the Group's share of expenditure 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 23 years.

Notes to the consolidated financial statements continued

18. 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 2018	(68)	136	335	403
(Charge)/credit to income statement	37	202	(50)	189
Exchange differences	1	(18)	(16)	(33)
At 31 December 2018	(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**

19. Share capital

	2019 $'000	2018 $'000
Authorised		
Common shares of $1 each (2018: $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 at 31 December 2017	229,430	1,150,158	229,430	920,728
Balance at 31 December 2018	229,430	1,150,158	229,430	920,728
Dividend paid	**—**	**(49,053)**	**—**	**(49,053)**
Balance at 31 December 2019	**229,430**	**1,101,105**	**229,430**	**871,675**

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. By 31 December 2019, the Company had, under both programmes, bought back a total of 10,497,603 shares for a total consideration of $29,831,168. The second tranche of the buyout was successfully completed on 13 March 2020. During 2019, 82,000 shares were issued from treasury to satisfy share options exercised.

At 31 December 2019, a total of 10,415,603 common shares were held in treasury with a value of $29.7 million.

At 31 December 2019, a total of 0.1 million common shares at $1.0 each were held by the EBT and Exit Event Trustee (2018: 0.1 million at $1.0 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. Reconciliation of profit from operations to cash generated from operations

	2019 $'000	2018 $'000
Profit from operations	**49,026**	78,207
Adjustments for:		
Depreciation, depletion and amortisation of property, plant and equipment	**73,806**	71,081
Amortisation of intangible assets	**26**	46
Share-based payment expense	**1,910**	1,785
(Increase)/decrease in inventories	**(16,850)**	3,000
(Increase) in receivables	**(35,123)**	(4,330)
Increase in payables	**15,097**	11,694
Cash generated from operations	**87,892**	161,483

21. Lease liabilities

	2019 $'000
Analysed as:	
Current liabilities	**1,265**
Non-current liabilities	**1,989**
	3,254
Lease maturity analysis	
Year 1	**—**
Year 2	**—**
Year 3	**3,254**
Amounts payable under leases	
Within one year	**1,348**
In the second to fifth year inclusive	**2,031**
	3,379
Less future interest charges	**(125)**
Net present value of lease obligations	**3,254**

22. Commitments

Exploration and development commitments

Additions to property, plant and equipment are generally funded by the cash flow generated from the Shaikan Field. As at 31 December 2019, capital commitments in relation to the Shaikan Field were estimated to be $35.3 million (2018: $29.9 million).

Notes to the consolidated financial statements continued

23. Share-based payments

	2019 $'000	2018 $'000
Total share options charge	2,224	1,842
Capitalised share options charge	(314)	(57)
Share options charge in income statement	**1,910**	**1,785**

Value Creation Plan ("VCP")

The VCP was approved by shareholders in December 2016 and, as of 31 December 2019, two awards of Performance Units have been made to the CEO and former CFO. No further awards of Performance Units are envisaged. Any outstanding awards under the VCP will be allowed to run-off and vest subject to the Company achieving the performance criteria of 8% compound annual growth in total shareholder return ("TSR") on each of five annual Measurement Dates and the plan limits in place, in accordance with the VCP rules.

On 30 April 2019, nil-cost options over 2,087,756 shares were granted to the CEO and nil-cost options over 1,565,817 shares were granted to the former CFO. The overall cap on the VCP scheme has been attained and there will be no further awards of options under the VCP. As defined under the rules of the VCP and subject to the achievement of performance conditions, up to 50% of the number of shares granted under the nil-cost options will vest following the Measurement Date for the financial year ending on 31 December 2019, 50% of the remainder of the number of shares granted under the nil-cost options may vest following the Measurement Date for the financial year ending on 31 December 2020, with the remainder of the number of shares granted under the nil-cost options vesting following the Measurement Date for the financial year ending on 31 December 2021.

	2019		2018	
	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	3,364	—	—	—
Granted during the year	3,653	—	3,364	—
Outstanding at 31 December	7,017	—	3,364	—
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of seven years.

A charge of $0.8 million (2018: $0.6 million) in relation to the VCP is included in the total share options charge.

Staff Retention Plan

At the 2016 Annual General Meeting ("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.

	2019		2018	
	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	1,440	—	1,595	—
Exercised during the year	(248)	—	—	—
Forfeited during the year	(63)	—	(155)	—
Outstanding at 31 December	1,129	—	1,440	—
Exercisable at 31 December	627	—	—	—

The weighted average share price at the date of exercise for share options exercised during 2019 was £2.09.

During 2019, no options (2018: nil) were granted to employees under the Group's SRP.

A charge of $0.4 million (2018: $0.8 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 following expiry date and exercise prices:

	Exercise price (pence)		Options ('000)	
Expiry date	**2019**	2018	**2019**	2018
11 December 2026	**—**	—	**628**	939
9 January 2027	**—**	—	**250**	250
30 June 2027	**—**	—	**206**	206
30 July 2027	**—**	—	**45**	45
			1,129	1,440

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of seven 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 vests three years after grant, subject to the fulfilment of specified performance conditions. These performance conditions are 50% TSR over the vesting period and 50% of the Group's TSR relative to a bespoke group of comparators.

	2019		2018	
	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	**1,614**	**—**	—	—
Granted during the year	**1,233**	**—**	1,786	—
Forfeited during the year	**(218)**	**—**	(172)	—
Outstanding at 31 December	**2,629**	**—**	1,614	—
Exercisable at 31 December	**—**	**—**	—	—

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of nine years.

The aggregate of the estimated fair values of the options granted in 2019 is $1.0 million.

A charge of $1.0 million (2018: $0.5 million) in relation to the LTIP is included in the total share options charge.

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 2019 under this scheme.

	2019		2018	
	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	**326**	**11,492.6**	360	10,149.7
Expired during the year	**(26)**	**—**	(34)	—
Outstanding at 31 December	**300**	**11,492.1**	326	11,492.6
Exercisable at 31 December	**300**	**11,492.1**	326	11,492.6

The options outstanding at 31 December 2019 had a weighted average exercise price of £115 (2018: £115) and a weighted average remaining contractual life of one year (2018: two years).

A charge of $nil (2018: $nil) in relation to the equity-settled share option plan is included in the total share options charge.

Notes to the consolidated financial statements continued

23. Share-based payments continued

Equity-settled share option plan continued

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price (pence)		Options ('000)	
Expiry date	2019	2018	2019	2018
15 March 2019	3,000	3,000	—	15.9
30 July 2019	3,000	3,000	—	10.0
24 June 2020	7,500	7,500	156.3	156.3
22 September 2020	14,750	14,750	2.5	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
			300.2	326.1

24. Dividend

At the Company's AGM on 21 June 2019, the shareholders approved the distribution of a total cash dividend of $50 million for the year ended 31 December 2018. The first tranche of c.$17 million was paid in July 2019, with the second tranche of c.$32 million paid in October 2019. The first tranche paid was 5.68 pence per common share, which is equivalent to 7.26 US cents per common share. The second tranche paid was 11.61 pence per common share, which is equivalent to 14.53 US cents per common share. The total dividend paid was $49.1 million as the dividend attributable to treasury shares held by the Group as a result of share buyback was not paid out. The distribution is eligible under Bermudan law based on the solvency of the Group. As the Group has negative retained earnings, this is considered a return of capital and, accordingly, is presented as a deduction from share premium.

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 – CEO
- S Zouari – former CFO
- J Barker – HR Director
- S Catterall – Chief Operations Officer
- R Deutscher – Country Manager – Kurdistan Region of Iraq
- N Kernoha – Head of Finance
- G Papineau-Legris – Commercial Director
- A Robinson – Legal Director and Company Secretary
- M Parsley – Subsurface Manager

The values below are calculated in accordance with IAS 19 and IFRS 2.

	2019 $'000	2018 $'000
Short-term employee benefits	4,898	5,444
Share-based payment – options	1,618	1,132
	6,516	6,576

Further information about the remuneration of individual Directors is provided in the Directors' emoluments section of the Remuneration Committee report.

26. Financial instruments

	2019 $'000	2018 $'000
Financial assets		
Cash and cash equivalents	190,762	295,566
Loans and receivables	102,375	66,656
	293,137	362,222
Financial liabilities		
Trade and other payables	85,970	81,478
Borrowings	98,192	97,795
	184,162	179,273

All financial liabilities, except for borrowings (see note 16) and non-current lease liability (see note 15), are due to be settled within one year and are classified as current liabilities.

The maturity profile and fair values of the New Notes are disclosed in note 16. 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".

Notes to the consolidated financial statements continued

26. Financial instruments continued

Fair values of financial assets and liabilities

With the exception of the New Notes, 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 New Notes, as determined using market values at 31 December 2019, was $104.9 million (2018: $102.8 million) compared to the carrying value of $98.2 million (2018: $97.8 million).

No material financial assets are impaired at the balance sheet date. 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, New Notes and equity attributable to equity holders of the parent. Equity comprises issued capital, reserves and accumulated losses as disclosed in note 19, the consolidated statement of comprehensive income 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 has no currency risk or other hedges against 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 foreign currency exchange rates, oil prices 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 or any changes to the manner in which the Group manages and measures the risk. The Group currently does not hedge against the effects of movement in oil prices or foreign currency rates. 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 2019, 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 New Notes semi-annually in cash at 10%.

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 2019, the maximum exposure to credit risk from a trade receivable outstanding from one customer is $98 million (2018: $61 million).

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 good 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.

27. Contingent liabilities

The Group has a contingent liability of $27.3 million (2018: $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 (GKP and MOL), 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.

28. Subsequent events

Subsequent to the year end, global oil prices have fallen significantly. Contributors to the fall include the negative impact on demand related to the global outbreak of the COVID-19 virus and surplus oil supply. It is not possible to reliably estimate the length or severity of these global developments, and hence their potential financial and operational impact. If the current situation prevails for an extended period of time, this could have a significant adverse impact on the Company's financial results for future periods.

For further information on the Group's assessment of the impact these events may have on the Group's going concern, impairment and viability assessments, please refer to the going concern and carrying value of producing assets sections under the summary of significant accounting policies and the viability statement.

Glossary

1C	low estimate of contingent resources
1P	proved reserves
2C	best estimate of contingent resources
2P	proved plus probable reserves
3C	high estimate of contingent resources
3P	proved plus probable plus possible reserves
AGM	Annual General Meeting
AIM	Alternative Investment Market
ALARP	as low as reasonably practical
AQM	air quality monitoring
BATNEEC	best available technology not entailing excessive cost
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
FEED	Front End Engineering and Design
FDP	Field Development Plan
FVTPL	fair value through profit and loss
G&A	general and administrative
GHG	greenhouse gas
GKP	Gulf Keystone Petroleum Limited
GKPI	Gulf Keystone Petroleum International Limited

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
IVMS	in vehicle monitoring system
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)
New Notes	Five-year senior unsecured $100 million bond issue
PBT	profit before tax
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
SH	Shaikan
Shaikan PSC	PSC for the Shaikan block between the KRG, GKPI, TKI 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
TKI	Texas Keystone, Inc.
TRI	total recordable incidents (includes, but not limited to, LTI and medical treatment injury)
TRIR	total recordable incident rate
TSR	total shareholder return
UKLA	United Kingdom Listing Authority
UOP	unit of production
VCP	Value Creation Plan

Directors and advisers

Registered office

Gulf Keystone Petroleum Limited

c/o Coson Corporate Services Limited
Cedar House
3rd Floor
41 Cedar Avenue
Hamilton HM12
Bermuda

Directors

Jaap Huijskes
Non-Executive Chairman

Jón Ferrier
Chief Executive Officer

Ian Weatherdon
Chief Financial Officer

Martin Angle
Deputy Chairman and
Senior Independent Director

David Thomas
Non-Executive Director

Kimberley Wood
Non-Executive Director

Bermudan Company Secretary

Coson Corporate Services Limited

Cedar House
3rd Floor
41 Cedar Avenue
Hamilton HM12
Bermuda

Bermudan legal adviser

Cox Hallett Wilkinson

c/o Coson Corporate Services Limited
Cedar House
3rd Floor
41 Cedar Avenue
Hamilton HM12
Bermuda

Legal advisers – corporate

Herbert Smith Freehills LLP

Exchange House
Primrose Street
London EC2A 2EG
United Kingdom

Memery Crystal LLP

165 Fleet Street
London EC4A 2DY
United Kingdom

Legal advisers – dispute resolution

Three Crowns LLP

New Fetter Place
8-10 New Fetter Lane
London EC4A 1AZ
United Kingdom

Freshfields Bruckhaus Deringer LLP

20th Floor, Al Fattan Currency House
Tower 2, DIFC
PO Box 506 569
Dubai
UAE

Auditor

Deloitte LLP

2 New Street Square
London EC4A 3BZ
United Kingdom

Registrars

Computershare Investor Services (Jersey) Limited

Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES
Channel Islands

Joint corporate brokers

Canaccord Genuity Limited

88 Wood Street
London EC2V 7QR
United Kingdom

Peel Hunt LLP

Moor House
120 London Wall
London EC2Y 5ET
United Kingdom

Financial adviser

Citigroup Global Markets Limited

33 Canada Square
London E14 5LB
United Kingdom

Bankers

Bank of N.T. Butterfield & Son Limited

65 Front Street
PO Box HM 195
Hamilton HM AX
Bermuda

Barclays Bank PLC

Level 27
1 Churchill Place
London E14 5HP
United Kingdom

Byblos Bank S.A.L – Iraq

Street 60 – Near Sports Stadium
PO Box 34-0383
Erbil
Kurdistan Region of Iraq

Byblos Bank S.A.L – UK

Berkeley Square House
Suite 5, Berkeley Square
London W1J 6BS
United Kingdom

CitiBank, N.A. London Branch

Citigroup Centre
25 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Kurdistan International Bank for Investment and Development

Golan Street
Erbil
Kurdistan Region of Iraq

The Royal Bank of Scotland Group plc

43 Curzon Street
London W1J 7UF
United Kingdom

Investor relations and media relations

Celicourt Communications

Orion House
5 Upper St Martin's Lane
London WC2H 9EA
United Kingdon

Key shareholder engagements

28 March 2019
2018 full year results announcement and Capital Markets Event, London

21 June 2019
AGM, Frankfurt

10 September 2019
2019 half year results announcement

11 September 2019
Pareto Securities' 26th Oil and Offshore Conference, Oslo

2 October 2019
Analyst and investor site visit, Kurdistan Region of Iraq

22 January 2020
Pareto Securities' annual E&P Independents Conference, London

26 February 2020
SpareBank 1 2020 Energy Conference, Oslo

23 April 2020
2019 full year results announcement

19 June 2020
AGM, by videoconference from Hilton Hotel, Amsterdam Schiphol, The Netherlands

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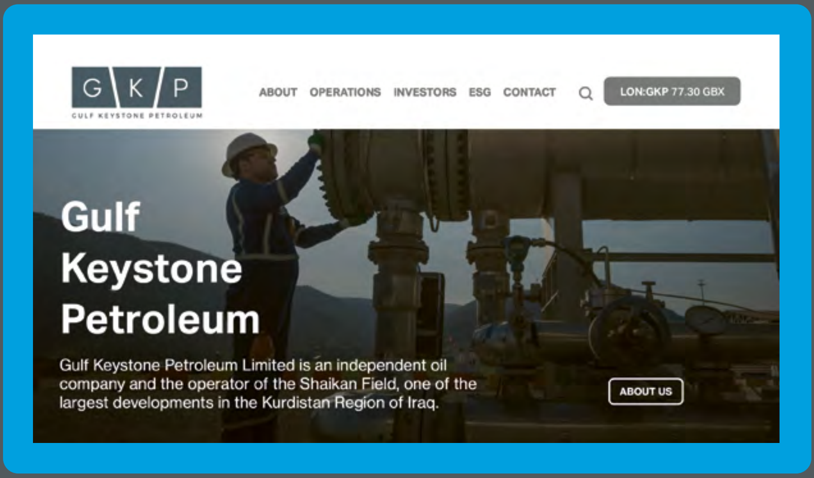
Bermuda
Gulf Keystone Petroleum Limited
c/o Coson Corporate Services Limited
Cedar House
3rd Floor
41 Cedar Avenue
Hamilton HM12
Bermuda

Kurdistan Region of Iraq
Gulf Keystone Petroleum
International Limited
3rd Floor
UB Centre
Bakhtyari
Erbil

United Kingdom
Gulf Keystone Petroleum (UK) Limited
6th Floor
New Fetter Place
8-10 New Fetter Lane
London EC4A 1AZ



Further details regarding shareholder information can be found on our website.

www.gulfkeystone.com