



Annual report and accounts 2021

About us

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



2021 full-year highlights

43,440 bopd

record gross annual average production, representing a 19% increase vs 2020

\$100 million

of dividends distributed to shareholders

\$222.7 million

adjusted EBITDA, almost four times greater than 2020

\$164.6 million

profit after tax

\$169.9 million

cash at year end

2021 timeline

January:

New Chief Executive Officer, Jon Harris, appointed

March:

Reinstatement of annual dividend policy of at least \$25 million

June:

Resumption of drilling activities ahead of schedule

July:

Payment of \$25 million annual ordinary dividend

August:

Payment of \$25 million special dividend

2021 full-year highlights

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

Strategic report

Our investment case	2
Chairman's statement	4
Chief Executive Officer's review	6
Operational review	8
Financial review	10
Our asset	14
Operating in Kurdistan	16
Crude oil payments	17
Business model	18
Strategy and objectives	20
Key performance measures	22
Stakeholder engagement	24
Sustainability report	28
Management of principal risks and uncertainties	46
Viability statement	56

Governance

Board of Directors	58
Corporate governance report	60
Nomination Committee report	70
Audit and Risk Committee report	73
Safety and Sustainability Committee report	77
Technical Committee report	79
Remuneration Committee report	81
Directors' report	99
Directors' responsibilities statement	101

Financial statements

Independent auditor's report	102
Consolidated income statement	109
Consolidated statement of comprehensive income	109
Consolidated balance sheet	110
Consolidated statement of changes in equity	111
Consolidated cash flow statement	112
Summary of significant accounting policies	113
Notes to the consolidated financial statements	121
Non-IFRS measures	137
Report on Payments to Governments	139
Glossary	140
Directors and advisers	IBC
Key shareholder engagements	IBC

September:

Completed debottlenecking of PF-2, increasing total field processing capacity to c.57,500 bopd

October:

Payment of \$50 million interim dividend and record 2021 gross monthly production of 45,654 bopd

November:

Submission of draft Shaikan Field Development Plan to the Ministry of Natural Resources

Our asset

READ MORE
on pages 14 to 17

CEO review

READ MORE
on pages 6 and 7

Sustainability report

READ MORE
on pages 28 to 45

Our investment case



Robust financial position

- The Shaikan Field is highly cash generative
- Rigorous focus on maintaining capital discipline and our leading low cost structure
- Robust balance sheet, enabling us to safeguard the future of the Company and our ability to deliver against our strategy through economic and commodity cycles

\$2.7/bbl

gross Opex in 2021

\$122.2 million

free cash flow in 2021



Long life asset with proven production track record

- The Shaikan Field ranks among the largest energy developments in Kurdistan and has significant growth potential
- 100 million stock tank barrels (MMstb) produced to date
- Estimated 489 MMstb of 2P reserves left to produce as at 31 December 2021⁽¹⁾, equivalent to a 2P gross reserves life index of around 30 years⁽²⁾

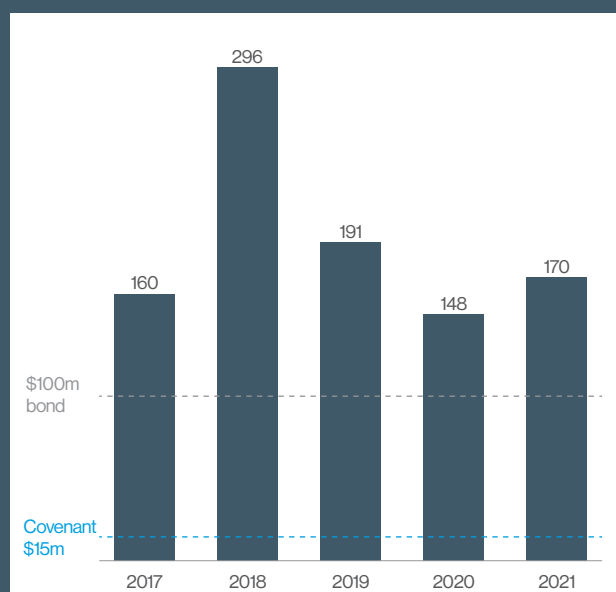
>100 MMstb

oil produced from the Shaikan Field to date

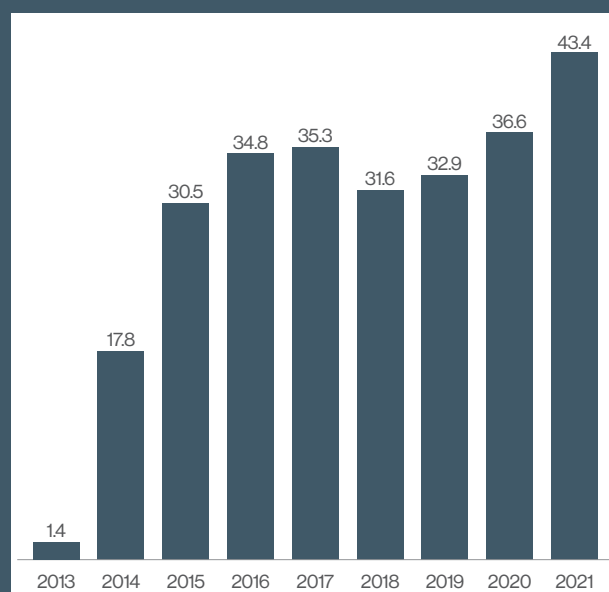
30 years

estimated 2P gross reserves life index⁽²⁾

Cash balance 2017-2021 (\$m)



Shaikan Field production history ('000 bopd)



(1) Based on the 31 December 2020 Competent Person's Report adjusted for 2021 production.

(2) 489 MMstb of estimated gross 2P reserves as at 31 December 2021/ gross average production for 2021 of 43,440 bopd.



Balancing sustainable growth with shareholder returns

- Committed to balancing investment in sustainable growth with shareholder returns
- Delivered against this promise in 2021, reinstating our annual dividend policy of at least \$25 million and paying total dividends of \$100 million
- 2021 gross average production increased 19% to 43,440 bopd, the third year of consecutive production growth since 2018
- Submitted a draft Field Development Plan to the MNR to capitalise on the significant future growth potential of the Shaikan Field

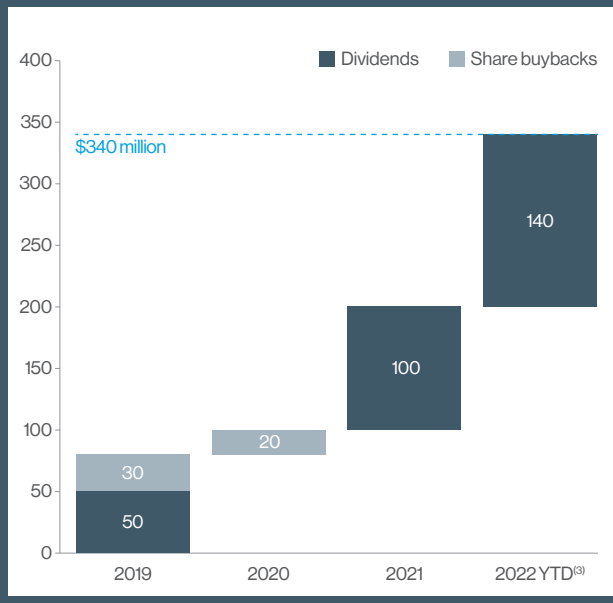
19%

increase in gross average production in 2021

\$100 million

dividends paid in 2021

\$340 million cumulative shareholder distributions declared since 2019



(3) As at 30 March 2022.



Safety and sustainability underpin our business

- Focused on enhancing the safety and sustainability of our business
- Strategic priorities include minimising environmental impact, workforce safety, enhancing diversity & inclusion, generating local economic value and strong governance and compliance
- The Gas Management Plan will enable us to eliminate routine flaring and significantly reduce our carbon intensity per barrel by 2025

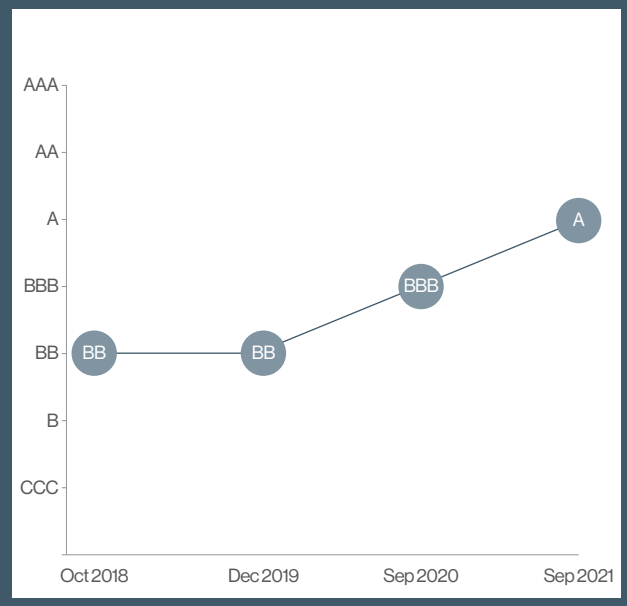
>50%

reduction in scope 1 and 2 CO₂ emissions per barrel by 2025

“A”

MSCI ESG Research rating⁽⁴⁾

MSCI ESG rating history



(4) MSCI ESG Research as at 24 September 2021. MSCI ESG Research aims to measure a company’s resilience to long-term, financially relevant ESG risks. Companies are rated on a AAA-CCC scale relative to the standards and performance of their industry peers. “A” is at the upper end of the “average” rankings of BB, BBB and A.

To read about GKP’s principal risks and uncertainties, and how the Company manages them, please see pages 46 to 55.

Chairman's statement



We are focused on driving sustainable growth and value from the Shaikan Field for the benefit of all stakeholders.

Jaap Huijskes
Non-Executive Chairman

2021 was characterised by both an improvement in the oil price and operational environment. The price of Dated Brent averaged \$71/bbl in the year, up \$29/bbl versus the 2020 average, driven by the partial recovery of global demand and the continued regulation by OPEC+ of supply. At the same time, COVID-19 restrictions gradually loosened, with a return to more normal working patterns in the field. Having taken rapid action in 2020 to protect staff, reduce costs and preserve liquidity, the Company was able to capitalise on these better conditions.

Since the beginning of the year, the price of Brent crude has continued to increase, although it remains volatile. While the improvement in oil price drives increased cash flow, I and the Board are deeply concerned about the primary reason for the increase, the invasion of Ukraine. Our thoughts are with the many Ukrainian citizens who have had to flee their homes or have lost their lives due to the conflict.

In 2021, Gulf Keystone generated significant cash flow due to its strong leverage to the recovery in oil price, increased production and continued cost and capital discipline. In line with the Company's strategy of balancing investment in sustainable growth with shareholder distributions, in March 2021 the Board reinstated the Company's dividend policy of paying at least \$25 million annually to shareholders. Total dividends of \$100 million were subsequently paid in 2021, given continuing strong oil prices and cash generation.

Since the beginning of 2022, Gulf Keystone has paid a \$50 million interim dividend and we are pleased to have declared \$90 million of additional dividends, comprising a \$25 million 2021 annual ordinary dividend for shareholder approval at the Company's AGM on 24 June 2022 and a \$65 million interim dividend payable in May 2022. Including these, prior dividends and \$50 million of share buybacks, since 2019 the Company has distributed \$340 million to shareholders.

Capitalising on a strong balance sheet and improving operating conditions, the Company also resumed investment in the Shaikan Field, restarting drilling activities ahead of schedule in June and bringing two new wells, SH-13 and SH-14, on stream by the end of the year. The Company also resumed engagement with the MNR on Gulf Keystone's vision to develop the Shaikan Field's almost 800 MMstb of 2P reserves and 2C resources, resulting in the submission of a draft Field Development Plan ("FDP") towards the end of 2021.

Phase 1 of the draft FDP is expected to enable Gulf Keystone to increase gross production plateau to between 85,000-95,000 bopd while reducing carbon intensity per barrel by over 50% through the implementation of a Gas Management Plan. We are committed to ensuring the FDP generates significant value for all of Gulf Keystone's stakeholders. We continue to actively engage the MNR to obtain approval of the draft FDP and in the meantime have focused our capital expenditure programme for 2022 on production, safety and preparatory activities.

Sustainability continues to be a strategic focus for the Board, which is supported by Gulf Keystone's Safety and Sustainability Committee. With the submission of the draft FDP, the Board was pleased to see the Company's Gas Management Plan, and its objectives of reducing carbon intensity and eliminating routine flaring, move a step closer. The Company also continued to make significant social and economic contributions to Kurdistan through local employment and community engagement programmes, local supply chain investment and generation of revenues from the field for our host government, the KRG.

The Board continued to engage with Gulf Keystone's shareholders in 2021, both at the Annual General Meeting ("AGM") and on a more frequent basis with the Company's major shareholders. We welcome ongoing engagement and feedback from all investors and encourage all GKP shareholders to participate in our 2022 AGM. This year, the Company's remuneration policy will be subject to a binding shareholder vote at the AGM. The Board has made minor changes to the current policy, which was approved at the 2019 AGM with support in excess of 98%.

The only change to the Board over the last year was the appointment of Jon Harris as Gulf Keystone's new CEO in January 2021. Jon has been instrumental in successfully resuming investment in the Shaikan Field and advancing negotiations with the MNR as we seek approval of the FDP.

On behalf of the Board, I would like to thank Jon, the rest of the leadership team and all of Gulf Keystone's employees for another strong year of operational and financial delivery. In addition, I would like to thank all of our stakeholders for their ongoing support. We are excited about the future and we look forward to further progress in driving sustainable growth and value from the Shaikan Field for the benefit of all of Gulf Keystone's stakeholders.

Jaap Huijskes
Non-Executive Chairman

29 March 2022



Chief Executive Officer's review



We continue to deliver against our strategic commitment to balance growth with shareholder returns.

Jon Harris
Chief Executive Officer

I am pleased to report strong operational and financial delivery for Gulf Keystone in 2021. By growing production from the Shaikan Field and maintaining our rigorous focus on cost and capital discipline, we were able to capitalise on our leverage to an improving oil price and generate revenue of \$301 million and adjusted EBITDA of \$223 million. We delivered on our strategy of balancing investment in sustainable growth and shareholder returns, as we resumed drilling activities and submitted a draft Field Development Plan ("FDP") to the Ministry of Natural Resources ("MNR") while also returning \$100 million of dividends to our shareholders.

The foundation of our performance is a rigorous focus on safety, which is one of Gulf Keystone's core values. Despite carefully managing the resumption of drilling activities, we were disappointed to record a lost time incident ("LTI") in October. We are committed to continuous learning and carried out detailed investigations and implemented remedial actions to safeguard against future incidents.

Gross average production in 2021 was 43,440 bopd, at the top end of our tightened guidance range of 42,000-44,000 bopd. This represented a 19% increase versus the prior year and the third consecutive year of production growth. Higher production was driven by the contribution from well workovers taking place in 2020 and 2021 and the contribution of two new wells, SH-13 and SH-14, at the end of the year.

We were pleased to successfully restart drilling activities in June, ahead of schedule. Despite a promising start, the need for an acid stimulation programme on SH-13 and equipment failures and wellbore issues in the subsequent side-track on SH-14 created delays. Nonetheless, we were able to surmount these challenges to bring SH-13 and SH-14 on stream towards the end of the year and spud SH-15 in early 2022.

We also continued to progress development of the full potential of the Shaikan Field's significant reserves and resources with the submission of a draft FDP to the MNR towards the end of 2021. This was the result of several months of constructive engagement with the MNR and our partner MOL following the resumption of discussions in 2021.

The draft FDP comprises a plan to increase Phase 1 gross production plateau to between 85,000-95,000 bopd while significantly reducing our carbon intensity. We plan to achieve this by expanding Jurassic gross production plateau up to 85,000 bopd and testing the Triassic reservoir, targeting gross production plateau of up to 10,000 bopd. At the same time, we will implement a Gas Management Plan to eliminate routine flaring through the reinjection of natural gas into the reservoir, underpinning our target to more than halve our scope 1 and 2 emissions per barrel by 2025. The Gas Management Plan is critical to our licence to operate in Kurdistan and responds to both GKP's and the KRG's desire to eliminate routine flaring and reduce the emissions intensity of the region's production.

In keeping with our commitment to eliminate routine flaring, we have applied to endorse the World Bank's "Zero Routine Flaring by 2030" initiative. Beyond the Gas Management Plan, we are exploring the viability of several other projects to reduce our scope 1 and 2 emissions intensity further beyond the 2025 target.

Our focus on climate risk is just one part of our ESG agenda and sustainability strategy. Our other priorities include working safely, minimising our impact on the local environment, supporting and developing our people, generating economic value in Kurdistan and maintaining strong governance and compliance. We are particularly proud of our social and economic contribution to Kurdistan, our home for over 15 years, and see significant opportunities from the FDP for further local job creation, workforce development and investment in our local supply chain and communities as we generate increasing revenues for the KRG and the region from the Shaikan Field. In 2021, \$336 million was generated for the KRG, primarily from production entitlements, royalties and capacity building payments.

While we continued to invest in growth in 2021, we also delivered against our strategic commitment to balance growth with shareholder returns. We understand the importance of cash returns to our shareholders and we were pleased to reinstate our dividend policy of distributing at least \$25 million annually, subsequently distributing total dividends in the year of \$100 million. Since the beginning of 2022, we have distributed a further \$50 million and we are delighted to declare \$90 million of additional dividends, comprising a \$25 million 2021 ordinary annual dividend for shareholder approval at the Company's AGM on 24 June 2022 and a \$65 million interim dividend payable in May 2022.

We have entered 2022 with momentum and hit the milestone in February of 100 MMstb cumulative gross production from the Field since inception. Gross average production year to date has been around c.45,500 bopd, and we remain focused on delivering our 2022 gross average production guidance of 44,000-50,000 bopd.

As a Company, we are deeply saddened and concerned about the invasion of Ukraine and the resulting humanitarian crisis. Our thoughts are with the people of Ukraine and we are all hoping for a swift and peaceful end to the conflict.

While there has been no impact on our operations to date, we are closely monitoring the developing situation in Ukraine. This includes potential sanctions being imposed on Russian entities, which could adversely impact our business.

We also continue to monitor the broader political and regulatory environment in the Kurdistan Region and Federal Iraq following the recent ruling by the Iraqi Federal Supreme Court regarding the Kurdistan Region Oil & Gas Law. We have noted the KRG's strong opposition to the ruling and agreement by both the KRG and the Federal Government to engage on what has been a long-standing issue. To date, we have seen no impact from the ruling on our business.

While the timing of approval of the FDP is uncertain given the scale of the project, constructive engagement continues with the MNR, and further progress is required before we fully execute FDP activity, including drilling beyond SH-15. For the remainder of 2022, we are focused on executing activity that enables us to expedite the FDP following approval. This includes activities to prepare for expansion of our production facilities to include water handling and preparation of well pads and installation of flowlines to enable a continuous drilling programme. We are also focused on well interventions and workovers. Net capital expenditure guidance for 2022 is \$85-\$95 million.

We are targeting gross Opex of \$2.9-\$3.3/bbl, with the increase versus 2021 primarily due to increased operational activity and the continued catch-up of previously scheduled work programmes deferred due to COVID-19.

Assuming timely payment of invoices and continuing strong oil prices, we are expecting strong cash flow generation in 2022. This would provide flexibility to fund a potential increase in capital expenditure, with progress on the FDP, and the opportunity for further distributions to shareholders, while preserving adequate liquidity and maintaining a robust balance sheet.

I would like to thank the teams in Kurdistan and the UK for their hard work and contributions to a strong year of performance. I would also like to give my thanks to our Chief Operating Officer, Stuart Catterall, who has retired from Gulf Keystone after five years with the Company. Stuart has helped us steer the Company through a volatile oil price cycle and the COVID-19 pandemic, enabling us to emerge stronger and more focused on driving sustainable value from the Shaikan Field.

Stuart will be succeeded by John Hulme who joins us at the end of April from Noreco where he was their COO. John brings a wealth of experience from more than 30 years in the industry, previously working at Exxon, Anadarko, Santos and Newfield. I look forward to welcoming John to GKP.

Jon Harris
Chief Executive Officer

29 March 2022



Operational review

Gulf Keystone’s operational performance was solid in 2021, with a continued increase in production, the successful resumption of drilling activities and the submission of a draft Field Development Plan to the MNR.

As ever, a rigorous focus on safety underpinned all our activity. As drilling restarted, we took extra precautions to ensure all drilling and operational staff on site were prepared. Unfortunately, we were disappointed to incur one lost time incident (“LTI”) during drilling operations after over 660 LTI-free days.

Following a challenging year in 2020 from the COVID-19 pandemic, the rollout of vaccinations in 2021 facilitated a gradual improvement in operating conditions. We were pleased to see 97% of our staff get double vaccinated in the year following a successful awareness campaign. This enabled us to ease health protocols on site, including a move from three shifts back to two, although access to our offices in Erbil and London remained restricted with employees encouraged to work from home.

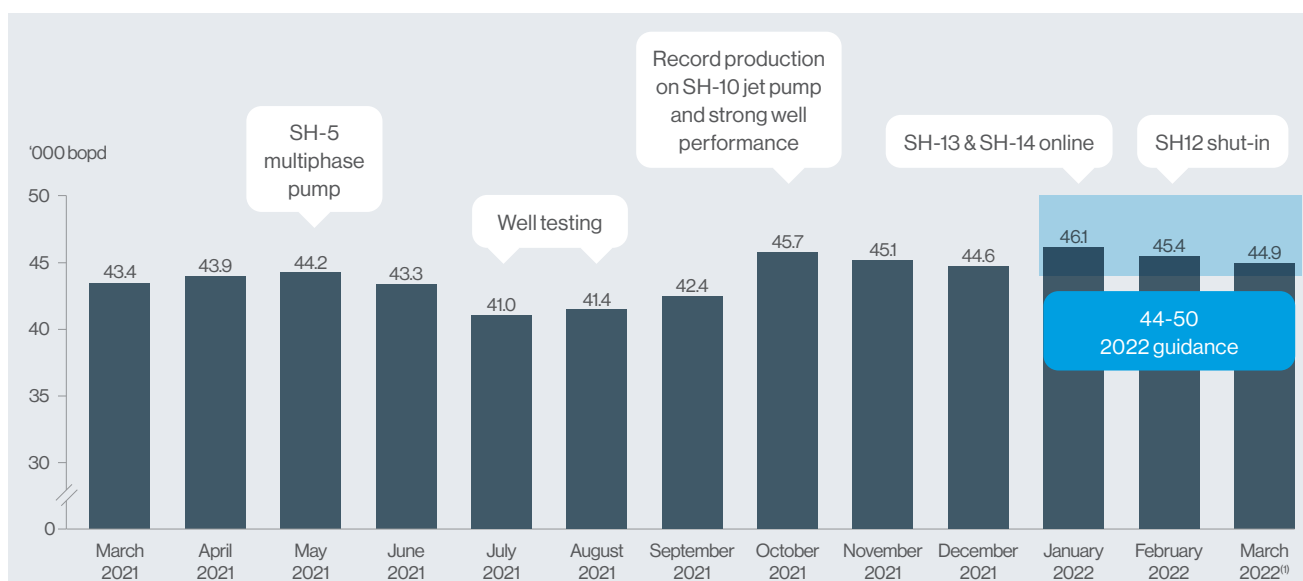
We achieved gross average production of 43,440 bopd in 2021, towards the upper end of our tightened guidance range of 42,000-44,000 bopd and a 19% increase versus 2020. Higher production was driven by a full year of production from SH-9, the successful workover of SH-12 towards the end of 2020 and enhanced production from the installation in 2021 of a multiphase pump on SH-5 and a jet pump in SH-10. We also completed two new wells, SH-13 and SH-14, towards the end of 2021. Both plant and pipeline uptime remained high at above 99%.

Following an extended hiatus in 2020 due to the COVID-19 pandemic, we successfully restarted drilling activities in June 2021, ahead of schedule. Rapid mobilisation was made possible by a cohesive effort across the whole organisation and our excellent relationships with our suppliers. Despite the early completion of SH-13, progress subsequently slowed as an acid stimulation programme was required on the well to access the broader fracture network. During the drilling of SH-14, equipment failures and wellbore issues in the subsequent side-track led to delays, in turn resulting in a deferral of spudding SH-15 to January 2022. Nonetheless, despite these issues, SH-13 and SH-14 were brought on stream towards the end of the year. We also completed the debottlenecking of PF-2, increasing total field capacity to c.57,500 bopd.

Draft Shaikan Field Development Plan

With the submission of the draft Field Development Plan to the MNR in November 2021, we took an important step towards unlocking the full potential of the Shaikan Field. Constructive discussions continue with the MNR and, while final timing of approval remains uncertain due to the complexity of the project, we are pleased to provide an interim update on the progress that we have made to date on Phase 1 of the draft FDP. Final details and cost estimates may vary and we expect to provide an update upon FDP approval.

Gross average production (March 2021 – March 2022)



(1) As at 28 March 2022.

As a result of a series of optimisations, we are now targeting to increase Phase 1 gross plateau production to between 85,000-95,000 bopd, including up to 85,000 bopd from the Jurassic reservoir and up to 10,000 bopd from the Triassic reservoir.

In addition, we have updated the Gas Management Plan from processing and export of gas with recovery of elemental sulphur, to reinjection of gas into the reservoir, underpinning our target to eliminate routine flaring and more than halve our scope 1 and 2 emissions per barrel by 2025. The project is expected to be executed in parallel with the Phase 1 increase in oil production.

From FDP approval, the expected duration of the Phase 1 Jurassic and Triassic projects is 36 to 42 months and the Gas Management Plan is 18 to 24 months. Total Phase 1 gross Capex is currently estimated to be \$800-\$925 million, up around \$160 million from the previous FDP with the objective of increasing production towards 95,000 bopd through project optimisations. We continue to review opportunities to further optimise the project.

While the focus remains on delivering Phase 1 of the FDP, we are committed to exploiting the further potential of the field with a vision of increasing production beyond 85,000-95,000 bopd through the expansion of the Triassic reservoir and a Cretaceous reservoir pilot.

Current operational activity and 2022 outlook

Gross average production since the beginning of the year has been c.45,500 bopd. After acid stimulations, current SH-13 production is in line with expectations, while we continue to explore options to further increase SH-14 production. Following the early appearance of trace quantities of water, SH-12 is currently shut-in while we investigate near-term production options ahead of the installation of planned water handling facilities.

Looking ahead to the rest of the year, we remain focused on delivering gross average production of 44,000-50,000 bopd, reflecting the anticipated production contribution from SH-15, which is currently being hooked up ahead of targeted start-up in Q2 2022, and the benefits of an intervention and workover campaign with our existing wells with the primary focus of production assurance and enhancement, where possible.

We remain confident in Shaikan Field gross 2P reserves of 489 MMstb and gross 2C resources of 293 MMstb, based on the 31 December 2020 Competent Person's Report adjusted for 2021 production from 2P reserves of around 16 MMstb.

Constructive engagement continues with the MNR on the FDP, and further progress is required before we fully execute FDP activity, including drilling beyond SH-15. In 2022, we are focused on executing activity that enables us to expedite the FDP following approval. This includes activities to prepare for expansion of our production facilities to include water handling and a continuous drilling programme. Net capital expenditure guidance for 2022 is \$85-\$95 million.

Sustainability

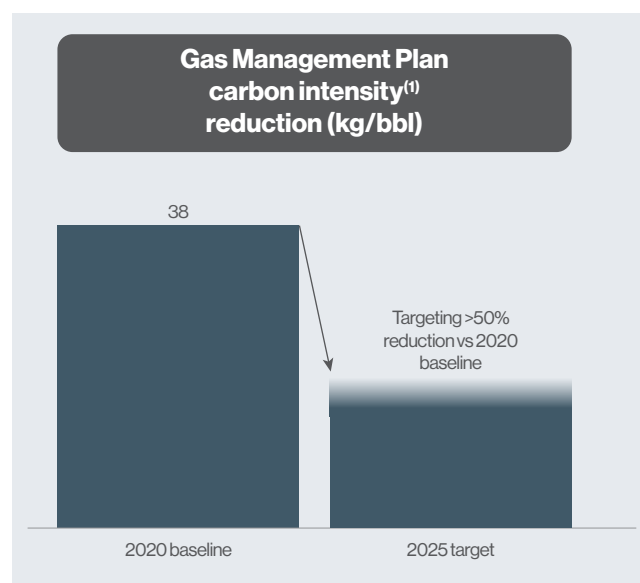
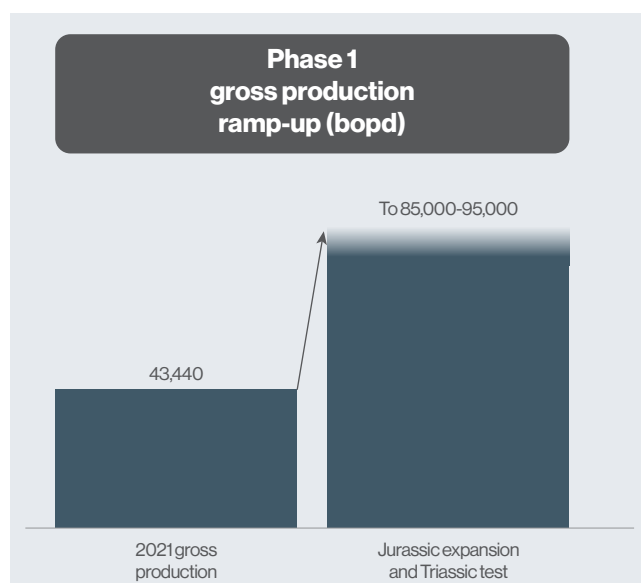
We continue to work hard on enhancing the sustainability of our business, with Board approval of our sustainability strategy and roadmap in 2021. We remain focused on a number of core priorities. First, we continue to target zero harm across our operations, particularly as operational activity continues to increase. Second, the Gas Management Plan will enable us to reduce our carbon intensity by more than 50% by 2025 and we are also exploring the viability of other projects that could enable us to reduce our scope 1 and 2 emissions further. Third, we continue to develop our people and identify opportunities to enhance diversity and inclusion across our business. Lastly, we remain intensely focused on amplifying the broader social and economic value of the Shaikan Field and our operations for Kurdistan. We look forward to updating you on our progress.

Jon Harris

Chief Executive Officer

29 March 2022

Draft Shaikan Field Development Plan



(1) Scope 1 and 2 emissions intensity.

Financial review



We are committed to a disciplined approach to capital allocation and cost control, and maintaining a prudent level of liquidity and robust financial position.

Ian Weatherdon
Chief Financial Officer

Key financial highlights

		Year ended 31 December 2021	Year ended 31 December 2020
Gross average production ⁽¹⁾	bopd	43,440	36,625
Dated Brent ⁽¹⁾	\$/bbl	70.8	42.0
Realised price ⁽¹⁾	\$/bbl	49.7	20.9
Revenue	\$m	301.4	108.4
Operating costs	\$m	34.4	27.4
Gross operating costs per barrel ⁽¹⁾	\$/bbl	2.7	2.6
Other general and administrative expenses	\$m	13.6	12.3
Incurred in relation to Shaikan Field	\$m	4.1	5.0
Corporate G&A	\$m	9.5	7.3
Share option expense	\$m	8.5	1.2
Adjusted EBITDA ⁽¹⁾	\$m	222.7	56.7
Profit/(loss) after tax	\$m	164.6	(47.3)
Basic earnings/(loss) per share	cents	77.14	(22.45)
Revenue and arrears receipts ⁽¹⁾	\$m	221.7	101.1
Net capital expenditure ⁽¹⁾	\$m	50.8	45.9
Free cash flow ⁽¹⁾	\$m	122.2	(22.9)
Dividends	\$m	100.0	—
Cash and cash equivalents	\$m	169.9	147.8
Face amount of the Notes	\$m	100.0	100.0
Net cash ⁽¹⁾	\$m	69.9	47.8

(1) Gross average production, Dated Brent, realised price, gross operating costs per barrel, adjusted EBITDA, revenue and arrears receipts being actual cash received during the year, net capital expenditure, free cash flow and net cash are either non-financial or non-IFRS measures and, where necessary, are explained in the summary of non-IFRS measures.

Strategically, Gulf Keystone is committed to a disciplined approach to capital allocation and cost control, and maintaining a prudent level of liquidity and robust financial position. By taking decisive action in 2020 to reduce capital expenditures, operating costs and general and administrative (“G&A”) expenses, the Company entered 2021 with a strong balance sheet and well positioned to capitalise on improving macro-economic fundamentals. In 2021, the Company restarted its development programme, generated a significant increase in adjusted EBITDA and paid dividends of \$100 million, while further strengthening the balance sheet.

Adjusted EBITDA

Adjusted EBITDA grew almost four-fold in 2021 to \$222.7 million (2020: \$56.7 million), driven by a strong increase in the oil price and higher production, partly offset by higher operating costs, share option expense and capacity building payments.

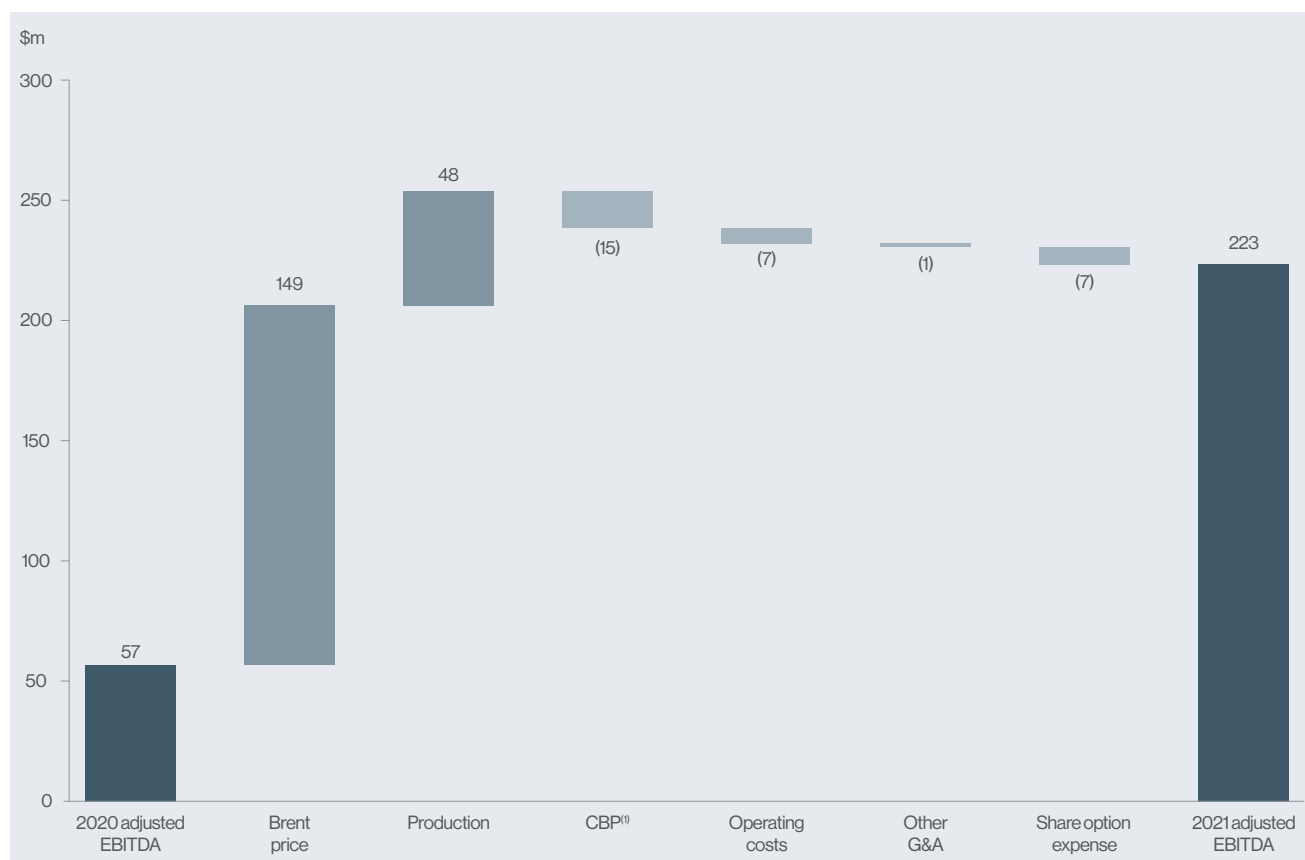
Gross average production was 43,440 bopd in 2021, up 19% from 36,625 bopd in 2020 and towards the upper end of the Company’s tightened 2021 guidance range of 42,000-44,000 bopd. With Gulf Keystone’s leverage to the strengthening of the Dated Brent price from an average of \$42.0/bbl in 2020 to \$70.8/bbl in 2021, the realised price per barrel more than doubled to \$49.7/bbl, resulting in an almost tripling in revenue from \$108.4 million in 2020 to \$301.4 million in 2021.

Revenue was partially offset by a corresponding \$15.2 million increase in capacity building payments to \$23.5 million (2020: \$8.4 million), which is a component of the KRG’s entitlement from the Shaikan Field.

Gulf Keystone continues to maintain strict control over its cost base. Gross operating costs per barrel increased 4% to \$2.7/bbl in 2021 (2020: \$2.6/bbl), in the middle of the Company’s 2021 guidance range of \$2.5-\$2.9/bbl. The increase in operating costs in 2021 to \$34.4 million (2020: \$27.4 million), primarily due to increased production, maintenance and well services activity that was deferred from 2020, was substantially offset by higher production.

Other G&A, comprising Shaikan Field and corporate support costs, were slightly higher in 2021 at \$13.6 million (2020: \$12.3 million), reflecting increasing activity levels. Share option expense in the period increased by \$7.3 million, principally due to tax settlements related to the exercise of former Directors’ contractual Value Creation Plan share option entitlements being made in cash and an increase in accrued national insurance contributions resulting from the increased share price.

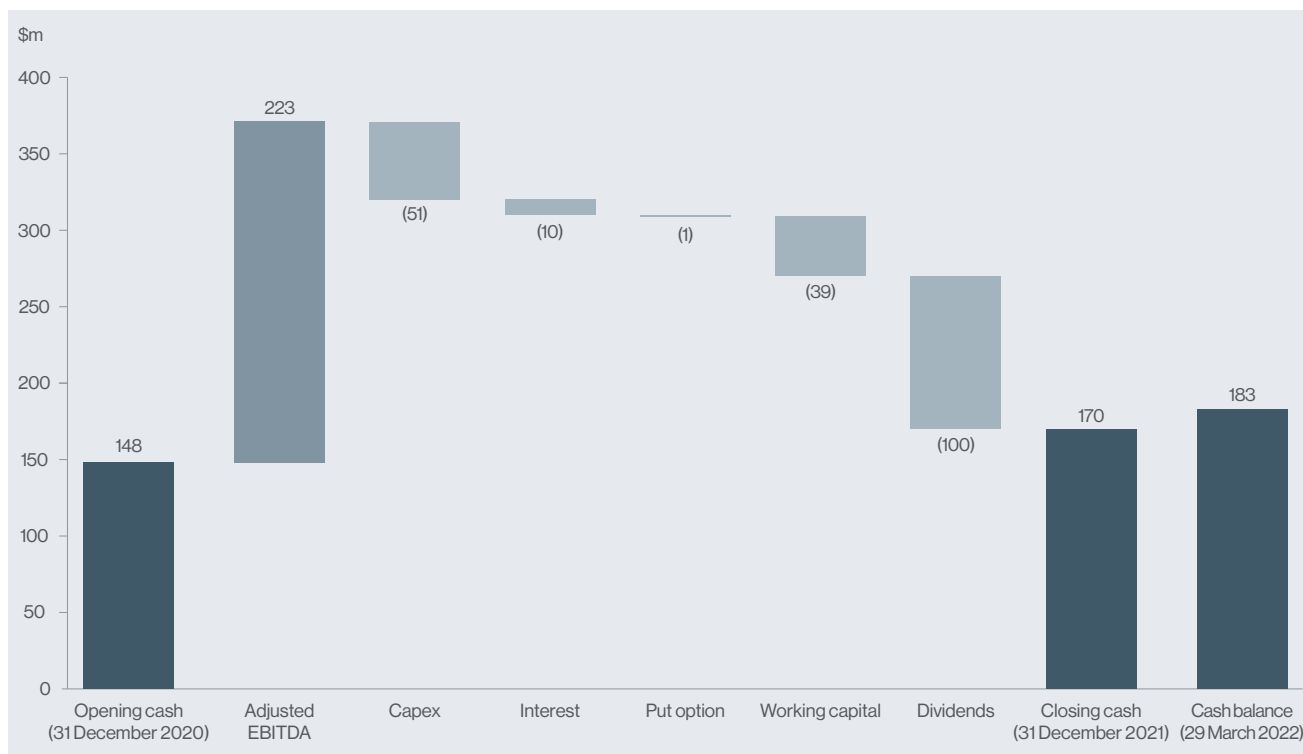
Adjusted EBITDA



(1) Capacity building payments.

Financial review continued

Cash flows



Cash increased in 2021 from \$147.8 million to \$169.9 million. The Group has notes outstanding with a principal balance of \$100.0 million (2020: \$100.0 million) that do not mature until July 2023, resulting in net cash of \$69.9 million at 31 December 2021. The cash balance has consistently exceeded the \$100.0 million notes outstanding since issue in 2018 and the Company continues to retain significant covenant headroom.

The Company generated cash from operating activities of \$178.6 million in 2021, up from \$42.6 million in 2020 due principally to the increase in adjusted EBITDA.

In 2021, the Company received revenue receipts of \$221.7 million from the KRG for crude oil sales related to the December 2020 to August 2021 invoices and partial repayment of arrears related to the outstanding November 2019 to February 2020 invoices. Of the original outstanding arrears of \$73.3 million net to GKP, a total of \$32.4 million was repaid in 2021, based on an arrangement with the KRG and IOCs operating in Kurdistan⁽¹⁾. Despite continued collection of arrears, the delays to payments from the KRG have contributed to a working capital increase of \$38.5 million (2020: \$9.0 million increase).

Since the beginning of 2022, the Company has received a further \$106.4 million net to GKP for crude oil sales and arrears related to the September 2021 to November 2021 invoices. As at 29 March 2022, the outstanding arrears balance was \$21.9 million net to GKP.

With the improvement in oil prices and continuous payments from the KRG, Gulf Keystone restarted its investment programme in the Shaikan Field and resumed drilling activities in June. During the year, the Company invested net capital expenditure of \$50.8 million (2020: \$45.9 million), primarily on the completion of the SH-13 and SH-14 wells, related civil and flowline works and the debottlenecking of PF-2. Net capital expenditure was slightly lower than final 2021 guidance of approximately \$55 million.

As at 31 December 2021, there were \$437 million gross of unrecovered costs, subject to potential cost audit by the KRG. The R-factor, calculated as cumulative gross revenue receipts of \$1,478 million divided by cumulative gross costs of \$1,543 million, was 0.96. The unrecovered cost pool and R-factor are used to calculate monthly cost oil and profit oil entitlements, respectively, owed to the Company from crude oil sales.

Free cash flow generation was \$122.2 million in 2021, an increase of \$145.1 million versus the prior year (2020: (\$22.9) million), enabling the Company to continue to deliver against its commitment of balancing investment in growth with returns to shareholders. In March 2021, Gulf Keystone reinstated its dividend policy of paying at least \$25 million annually. Given continuing strong oil prices and cash generation in the year, the Company paid total dividends of \$100 million. Since the beginning of 2022, Gulf Keystone has paid an additional dividend of \$50 million to shareholders.

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

(1) The repayment of arrears related to January 2021 and February 2021 were calculated based on 50% of the difference between average monthly Dated Brent price and \$50/bbl multiplied by the gross Shaikan crude sold in a month. The KRG advised IOCs that since the Dated Brent price had remained consistently well above \$50/bbl, the 50% difference would be changed to 20% from March 2021 and onwards.

Outlook

The Company has a strong balance sheet with cash and cash equivalents of \$182.7 million at 29 March 2022.

Looking ahead to 2022, we are currently planning to invest net capital expenditure of \$85-\$95 million. This includes the drilling of SH-15, well interventions and workovers and activity that enables us to expedite the FDP following approval, including preparatory work for the continued expansion of our production facilities to include water handling and for a continuous drilling programme. Constructive engagement continues with the MNR on the FDP, and further progress is required before we fully execute FDP activity, including drilling beyond SH-15. With progress on the FDP, we expect to resume drilling and increase 2022 capital guidance.

We are targeting gross Opex of \$2.9-\$3.3/bbl, driven by increased operational activity and the continued catch-up of previously scheduled work programmes deferred due to COVID-19. 2022 annual gross average production is expected to be 44,000-50,000 bopd.

Given the strong oil price outlook and our flexible spending programme, we currently have no hedging programme in place. We consider hedging on an ongoing basis, taking into account macro-economic and corporate considerations.

In line with our commitment to balancing investment in growth with returns to shareholders, we are pleased to declare \$90 million of dividends, comprising a \$25 million 2021 ordinary annual dividend for shareholder approval at the Company's AGM on 24 June 2022 and a \$65 million interim dividend payable in May 2022.

Assuming timely payment of invoices and continuing strong oil prices, we are expecting strong cash flow generation in 2022. This would provide flexibility to fund a potential increase in capital expenditure, with progress on the FDP, and the opportunity for further distributions to shareholders, while preserving adequate liquidity and maintaining a robust balance sheet.

Ian Weatherdon

Chief Financial Officer

29 March 2022



Our asset

The Shaikan Field is a long life asset, with a proven production track record and significant growth potential.

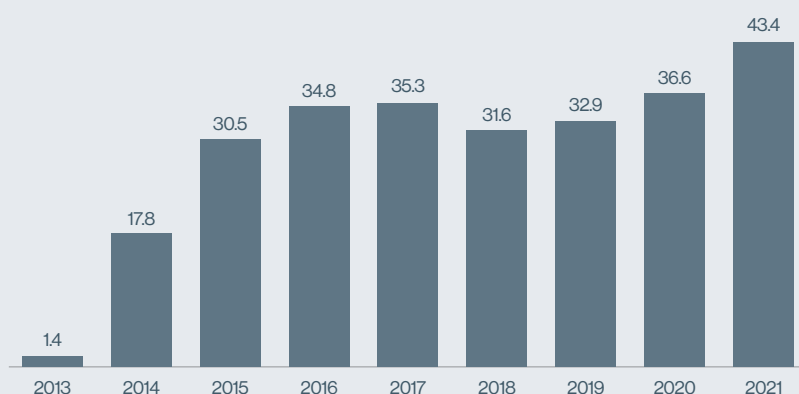
Location & size

The Shaikan Field is one of the largest energy developments in Kurdistan by reserves and production. Located around 60 kilometres north-west of Erbil, the largest city in Kurdistan, and at the north-west end of the Zagros Fold-belt, the Field spans an area of approximately 280 square kilometres.

History & production

The Shaikan Field Production Sharing Contract ("PSC") was awarded in 2007, with oil discovered in 2009 through the SH-1 well and first commercial production achieved in July 2013. Since then, over 100 MMstb of oil has been produced, with gross average production increasing from 1,361 bopd in 2013 to 43,440 bopd in 2021. Gross average production grew 19% in 2021, marking the third consecutive year of growth.

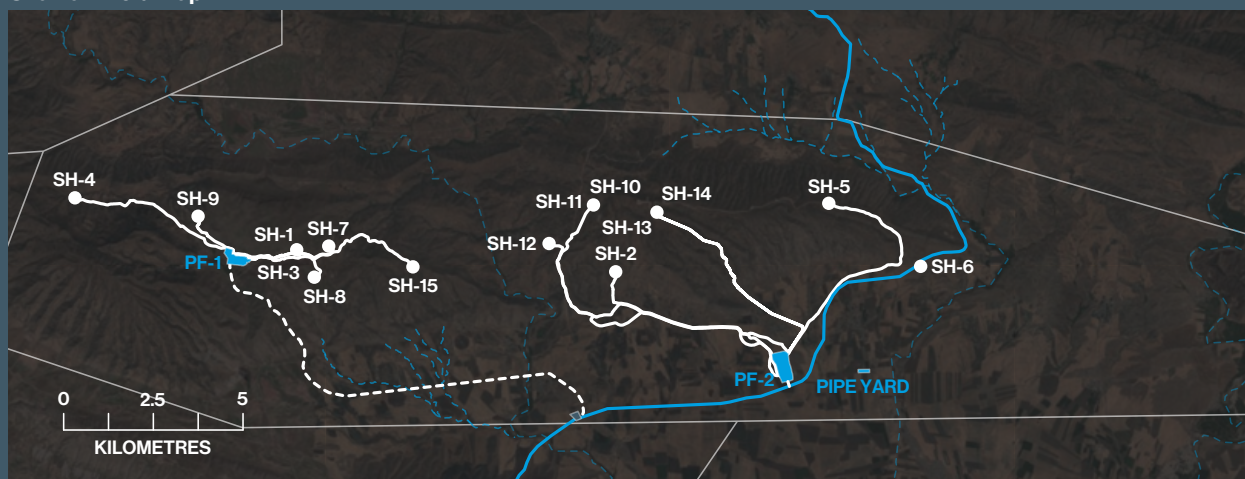
Shaikan Field production history ('000 bopd)



Infrastructure

The number of Shaikan Field production wells was expanded to 13 in 2021, following the start-up of SH-13 and SH-14 towards the end of the year. The Field's wells produce into two production facilities, PF-1 and PF-2, which have a total capacity of around 57,500 bopd following recent debottlenecking work.

Shaikan Field map



- | | | | | |
|------------|--------------|---------------------|-----------------------------|--------------------|
| Key | ● Wells | — Shaikan flowlines | — Kurdistan Export Pipeline | — Block boundaries |
| | ■ Facilities | - - Pipeline tie-in | - - River network | |

Reserves & resources

The Shaikan Field consists of three reservoirs, the Cretaceous, the Jurassic and the Triassic, with the Cretaceous being the shallowest and the Triassic the deepest. Crude oil contained in the Cretaceous and Jurassic reservoirs is relatively heavy, with the Cretaceous containing bituminous oil between 12-15° API and the Jurassic holding heavy oil with a slightly higher API of 15-17°. The Triassic reservoir contains light oil with gas condensate of between 38-43° API. The reservoir is constructed of three layers or "horizons", the Kurra Chine A ("KCA"), the Kurra Chine B ("KCB") and the Kurra Chine C ("KCC").

Production to date has been entirely from the Jurassic reservoir, in which all of the Field's 489 MMstb estimated gross 2P reserves at 31 December 2021⁽¹⁾ are located (see table below). As part of the Field Development Plan, Gulf Keystone plans to test the Triassic reservoir, which is estimated to contain 157 MMstb of gross 2C resources at 31 December 2021⁽¹⁾.

Gross reserves and resources based on the Competent Person's Report at 31 December 2020 and estimated gross reserves and resources at 31 December 2021 based on adjustments for 2021 production were:

Formation (MMstb)	Reserves		Resources	
	1P	2P	2C ⁽²⁾	2P+2C ⁽³⁾
31 December 2021				
Jurassic	224	489	80	569
Triassic	—	—	157	157
Cretaceous	—	—	56	56
Total – gross	224	489	293	782
31 December 2020				
Jurassic	240	505	80	585
Triassic	—	—	157	157
Cretaceous	—	—	56	56
Total – gross	240	505	293	798

The reconciliation of changes in reserves and resources between the Competent Person's Report and the Company's estimates at 31 December 2021 is as follows:

Gross (MMstb)	Reserves		Resources	
	1P	2P	2C ⁽²⁾	2P+2C ⁽³⁾
31 December 2020	240	505	293	798
Production	(16)	(16)	—	(16)
31 December 2021	224	489	293	782

GKP's 80% net working interest⁽³⁾ ("WI") share of estimated reserves and resources at 31 December 2021 were:

Formation (80% WI) (MMstb)	Reserves		Resources	
	1P	2P	2C ⁽²⁾	2P+2C ⁽³⁾
Jurassic	179	391	64	455
Triassic	—	—	125	125
Cretaceous	—	—	45	45
Total – net WI	179	391	234	625

(1) Based on the 31 December 2020 Competent Person's Report adjusted for 2021 production.

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

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

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

Our asset continued



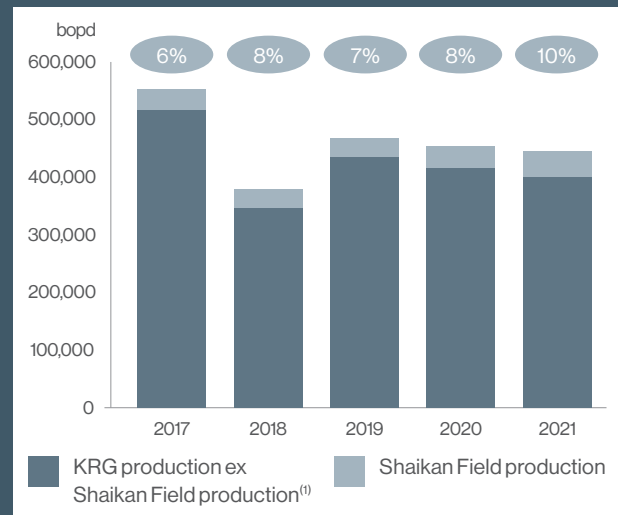
Operating in Kurdistan

Kurdistan's oil and gas industry

The oil and gas industry in Kurdistan is relatively young compared to other producing regions in the world with the KRG concluding Production Sharing Contracts with a number of local and international oil companies from 2007. Since then, the discovery and development of oil fields, like the Shaikan Field, have enabled Kurdistan to become a major global producer, producing around 445,000 bopd in 2021⁽¹⁾. Between 2017 and 2021, the Shaikan Field's contribution to total KRG production grew from 6% to 10%⁽¹⁾ (see chart).

The oil and gas industry provides a significant contribution to Kurdistan's economy, primarily through oil revenues, investment in local goods and services and employment. In 2021, 275, or 74%, of Gulf Keystone's workforce was local at the end of the year, with more than 600 local people indirectly employed through contractors. \$49 million, or 58%, of our total purchasing and contracting in the year was spent with local suppliers. In addition, the Shaikan Field generated \$335.8 million for the KRG from production entitlements, royalties and capacity building payments. Read more about Gulf Keystone's economic value generation in Kurdistan in the Sustainability report on pages 28 to 45.

Shaikan Field production as % of KRG production (2017-2021)



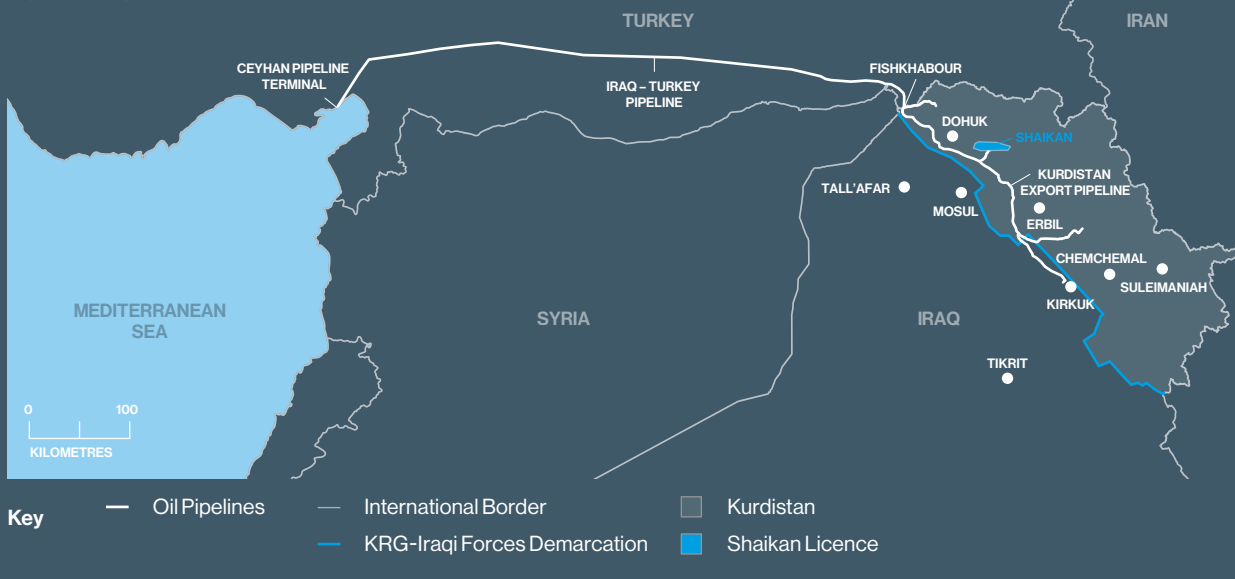
(1) Source: Deloitte reviews of Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue; KRG production defined as "total exported and consumed".

Crude marketing and export

The KRG is responsible for marketing and exporting all crude from the Shaikan Field. Crude exports continued reliably in 2021 with all production exported via the Kurdistan Export Pipeline to Fishkhabour, from where production then travels to Ceyhan through the Iraq-Turkey Pipeline (see map). Pipeline uptime was in excess of 99%.

The realised price for Shaikan crude of \$49.7/bbl in 2021 was based on an average Dated Brent price of \$70.8/bbl less a quality discount and transportation costs for use of export pipelines totalling \$21.2/bbl, in accordance with the principles of the Crude Oil Sales Agreement.

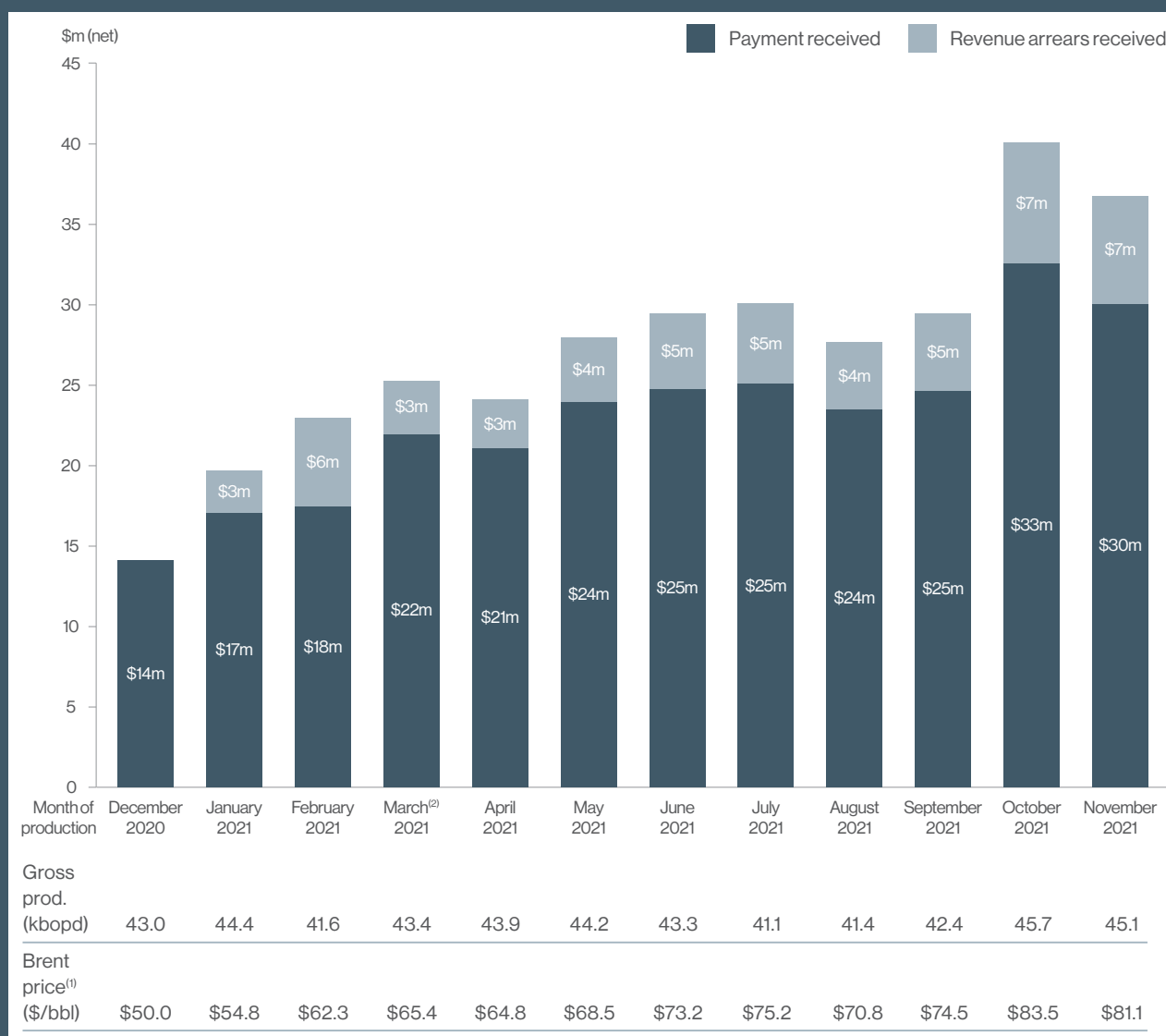
Pipeline export map





Crude oil payments

Net crude oil payments since December 2020



Crude oil payments

A total of nine payments were received in 2021 from the KRG covering production sold from December 2020 to August 2021. Payments for September to November 2021 were received in the first quarter of 2022. In addition, in March 2021, the KRG began repaying arrears related to the outstanding November 2019 to February 2020 invoices, with the first repayment received for January 2021 production.

The KRG has continued to repay the arrears balance alongside payments for crude oil sales, based on an arrangement with the KRG and IOCs operating in Kurdistan⁽³⁾. As at 29 March 2022, the outstanding arrears balance was \$21.9 million net to GKP.

(1) Source: EIA Brent spot prices.

(2) \$3.3 million net to GKP for the March 2021 arrears was received as part of the April 2021 arrears payment.

(3) The repayment of arrears related to January 2021 and February 2021 was calculated based on 50% of the difference between average monthly Dated Brent price and \$50/bbl multiplied by the gross Shaikan crude sold in a month. The KRG advised IOCs that since the Dated Brent price had remained consistently well above \$50/bbl, the 50% difference would be changed to 20% from March 2021 and onwards.

Business model

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

Inputs

Focus on safe operations

No LTI

recorded for over 160 days⁽¹⁾

One LTI in 2021; full investigation completed, followed by remedial actions

Long life asset

782 MMstb

estimated gross 2P reserves + 2C contingent resources⁽²⁾

>30 years

gross 2P reserves life index⁽³⁾

Local and empowered workforce

74%

of GKP's employees are local to Kurdistan

>600

local workers employed through GKP contractors

Financial strength

\$170m

cash as at 31 December 2021

\$100m

bond due mid-2023

Low-cost structure

<\$35/bbl

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

\$2.7/bbl

gross Opex in 2021

(1) As at 29 March 2022.

(2) Based on the 31 December 2020 Competent Person's Report adjusted for 2021 production.

(3) 489 MMstb of estimated gross 2P reserves as at 31 December 2021/ gross average production for 2021 of 43,440 bopd.

Our core activities



Develop

The Shaikan Field is one of the largest energy developments in Kurdistan by reserves and production, with significant growth potential. The Company submitted a draft Field Development Plan to the Ministry of Natural Resources in 2021, which comprises a plan to increase gross production to 95,000 bopd while achieving a greater than 50% reduction in scope 1 and 2 CO₂ emissions per barrel by 2025 through the elimination of routine flaring. The FDP is subject to review and approval by the MNR.

[Read more](#) on pages 14 and 15

Our strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Underpinned by our values and culture

1. Safety

2. Social responsibility

3. Trust through open communication



Produce

In 2021, Gulf Keystone delivered gross average production of 43,440 bopd, towards the upper end of its guidance range, the Company's highest gross annual average production rate to date from the Shaikan Field and a 19% increase versus 2020. This record was achieved with continuing reliable production from the Field, with over 99% plant and pipeline uptime. In February 2022, the Company hit the milestone of 100 MMstb cumulative gross production from the Field.

[Read more](#) on pages 8 and 9

Operating responsibly



Strong governance framework

[Read more](#) on pages 60 to 69



Sustainability underpins our business model

[Read more](#) on pages 28 to 45

Outputs

Investors

Gulf Keystone is committed to balancing investment in growth with shareholder returns, while maintaining a robust financial position. The Company delivered on its promise in 2021, paying \$100 million of dividends, while maintaining a net cash position.

Kurdistan

Kurdistan is part of Gulf Keystone's DNA. Through our ongoing operations and by creating local jobs, investing in the local supply chain and supporting local communities, Gulf Keystone makes a significant contribution to Kurdistan's oil and gas industry, society and economy. The Company is planning to make further significant contributions as it commits to a new Field Development Plan to deliver sustainable growth.

Communities

Gulf Keystone takes pride in its engagement with communities and has a strong relationship with the areas local to Shaikan. The Company is one of the largest employers in Kurdistan and has a high staff localisation ratio, with many employees hired from neighbouring villages. It is committed to local workforce development through jobs, training and career opportunities.

Workforce

Gulf Keystone's workforce is integral to the Company's ability to deliver its strategy. Through annual equity awards under the Long-Term Incentive Plan ("LTIP"), all employees are able to share in the Company's success.

Host government and partner

The Company continues to work with its host government, the KRG, and partner, MOL, to generate value from the Shaikan Field. In 2021, \$336 million was generated for the government, primarily from production entitlements, royalties and capacity building payments.

Strategy and objectives

Our strategy is to create value for all stakeholders by driving sustainable and profitable production growth from the staged development of the Shaikan Field, balanced with distributions to shareholders.

Our strategic priorities are as follows:



Safety and sustainability

Strategic objective

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

2021 progress

- Submission of draft FDP to MNR, comprising a Gas Management Plan to eliminate routine gas flaring and reduce scope 1 and 2 emissions per barrel by >50% by 2025
- Increase in TRIR, due to two recordable incidents in 2021; remedial actions implemented, zero LTIs for over 160 days since incident⁽¹⁾
- Substantial completion of HSE improvement programme
- Developed ESG roadmap to progress the sustainability strategy
- December 2021 Kurdistan staff localisation rate of 74%. 2021 voluntary turnover rate of 1.7%
- Zero production outages related to COVID-19, with 97% of GKPI's workforce receiving vaccinations
- Refer to the Sustainability report on pages 28 to 45 for more detail on safety and sustainability initiatives and 2021 performance

2022 priorities

- Continue to target zero harm across our operations and improvement of the Company's total recordable incident rate ("TRIR")
- Deliver HSE and corporate social responsibility ("CSR") programmes
- Progress discussions with MNR to secure approval of the FDP, including the Gas Management Plan
- Endorse the World Bank's "Zero Routine Flaring by 2030" initiative
- Explore viability of additional projects to further reduce scope 1 and 2 emissions intensity beyond the 2025 target
- Work towards full compliance with TCFD for fiscal year 2022
- Ensure high level of staff localisation and retention
- Further build capability of workforce, drive engagement and well-being and advance diversity and inclusion

Link to key performance measures

- Safety performance (TRIR)



Value creation

Strategic objective

- Deliver sustainable and profitable production growth and distributions to shareholders

2021 progress

- Annual gross average production of 43,440 bopd, towards the upper end of tightened guidance range of 42,000-44,000 bopd
- Resumed drilling activities ahead of schedule; SH-13 and SH-14 brought online, SH-15 spudded
- Submitted draft FDP following constructive engagement with partner MOL and MNR
- \$222.7 million adjusted EBITDA, primarily driven by a strong increase in the oil price and higher production
- Reinstated dividend policy of at least a \$25 million annual dividend
- Paid \$100 million of dividends to shareholders in 2021

2022 priorities

- Deliver annual gross average production guidance range of 44,000 – 50,000 bopd
- Progress discussions with MNR to secure approval of the FDP
- Maintain dividend policy of paying at least \$25 million to shareholders
- With continuing strong oil prices and cash flow generation, there may be opportunities to consider further distributions to shareholders

Link to key performance measures

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



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

(1) As at 29 March 2022.

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



Capital discipline and cost focus

Strategic objective

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

2021 progress

- Net Capex of \$50.8 million, below final 2021 guidance of approximately \$55 million
- Gross Opex per barrel of \$2.7/bbl, within 2021 guidance range of \$2.5-\$2.9/bbl
- Other G&A expenses of \$13.6 million, slightly higher versus 2020 reflecting increasing activity levels

2022 priorities

- Deliver annual net Capex guidance range of \$85-\$95 million
- Deliver annual gross Opex per barrel guidance range of \$2.9-\$3.3/bbl
- Maintain position as leading low-cost operator among Kurdistan Region of Iraq and international E&P peers

Link to key performance measures

- Operating costs (\$m)
- Other G&A expenses (\$m)
- Net capital expenditure (\$m)



Robust financial position

Strategic objective

- Maintain adequate liquidity to fund the development of the Shaikan Field over time while allowing for shareholder distributions

2021 progress

- \$122.2 million of free cash flow generated in 2021, an increase of \$145.1 million versus the prior year
- Cash balance of \$169.9 million as at 31 December 2021, in excess of \$100 million outstanding debt due in 2023
- Significant headroom under current Nordic bond financial covenants

2022 priorities

- Adequate liquidity to fund 2022 and forward work programme
- Maintain robust balance sheet
- Ready access to debt market

Link to key performance measures

- Adjusted EBITDA (\$m)
- Net cash (\$m)



Key performance measures

Safety performance

(TRIR)



Why we measure this

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

Link to strategic priorities



Link to remuneration

Yes

Performance

- TRIR increased in 2021 due to two incidents (a lost time incident and a medical treatment case) during drilling operations.
- Both incidents were investigated and the Company implemented a number of remedial actions.
- As at 29 March 2022, there have been more than 160 LTI-free days since the last incident in December 2021.
- The Company's 2021 HSE improvement plan was substantially complete on 31 December 2021.

Adjusted EBITDA

(\$m)



Why we measure this

- Indicator of the Group's cash generation to fund expenditures and return capital to shareholders.

Link to strategic priorities



Link to remuneration

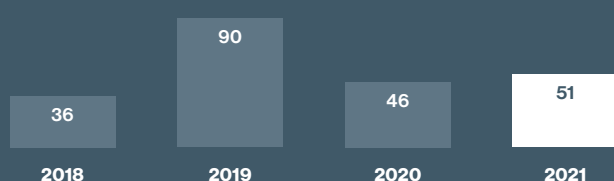
No

Performance

- Revenue increase of \$193 million driven by 19% increase in gross average production and leverage to the strengthening of the Dated Brent price.
- Increase in absolute operating costs due to ramp up of operational activity and catch up on scopes deferred from 2020. Opex of \$2.7/bbl in line with guidance.
- Increase in share option related expense due to settlement in cash of tax payable on exercise of Value Creation Plan share options.

Net capital expenditure

(\$m)



Why we measure this

- Net capital expenditure includes the Company's net expenditure on oil asset investments.
- Net capital expenditure is incurred in an efficient, controlled and timely manner to profitably develop oil reserves.

Link to strategic priorities



Link to remuneration

Yes

Performance

- Increase in 2021 following recommencement of investment in the Shaikan Field.
- Majority of expenditure on completion of SH-13 and SH-14 wells, related civil and flowline works and the debottlenecking of PF-2.
- Net capital expenditure lower than 2021 guidance due to revised spud date of SH-15 and the deferral of installation of two electric submersible pumps, partially offset by the higher cost of SH-14.

Net cash

(\$m)



Why we measure this

- Maintaining a robust balance sheet and adequate liquidity provides the flexibility to execute our strategy and fund the development of the Shaikan Field.

Link to strategic priorities

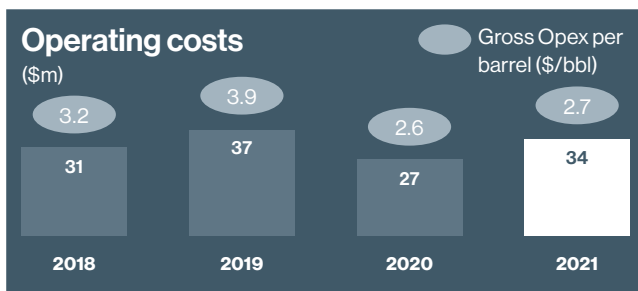


Link to remuneration

No

Performance

- Increase in 2021 due to higher adjusted EBITDA, more than offsetting the slight increase in net capital expenditure and payment of \$100 million of dividends.



Why we measure this

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

Link to strategic priorities

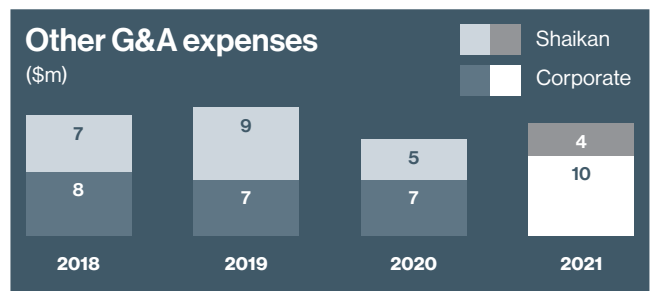


Link to remuneration

Yes

Performance

- Increase primarily driven by ramp-up in operational activity in 2021, following cost-saving measures implemented in 2020 as a result of the COVID-19 pandemic and lower oil prices.
- Majority of increase relates to increased activity due to higher production, maintenance and well services following deferral of these scopes in 2020.
- Gross operating costs of \$2.7 per barrel (2020: \$2.6 per barrel) within 2021 guidance range of \$2.5 - \$2.9 per barrel.



Why we measure this

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

Link to strategic priorities

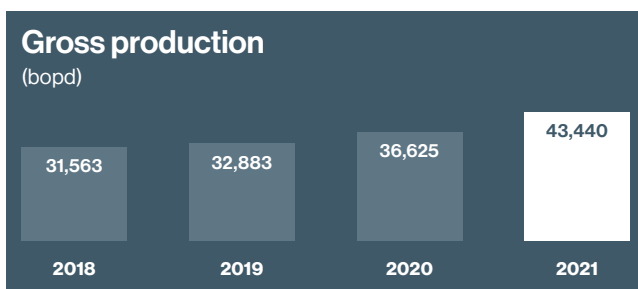


Link to remuneration

Yes

Performance

- 2021 costs, excluding stock-based compensation, were up slightly from 2020, reflecting increasing activity levels.



Why we measure this

- Indicator of our revenue generation potential.
- Measure of progress towards achieving our annual production guidance and driving sustainable production growth.

Link to strategic priorities



Link to remuneration

Yes

Performance

- 2021 gross average production of 43,400 bopd, at the top end of the tightened 42,000–44,000 bopd guidance range.
- 19% increase versus 2020 driven by the contribution from well workovers taking place in 2020 and 2021 and the contribution of two new wells, SH-13 and SH-14, at the end of the year.

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

Strategic priorities key:



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Stakeholder engagement

Ongoing engagement with our stakeholders remains a priority and is critical to Gulf Keystone's success.

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

The Board of Directors of Gulf Keystone Petroleum Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 of the Companies Act 2006 ("section 172")) in the decisions taken during the year ended 31 December 2021.

In doing so, the Directors have taken account of the likely long-term consequences of decisions made in the year, the interests of Gulf Keystone's employees, the Company's business relationships with suppliers and its single customer, the host government, and the impact of the Company's operations on the community and the environment.

The Directors have also acted with regard to the desirability of Gulf Keystone maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

When formulating the Company's strategy, the Directors consider the longer-term and broader consequences and implications of its business on key stakeholders and factors relating to climate change. The need to be a responsible energy company is embedded in Gulf Keystone's corporate purpose and is the focus of the Company's ESG strategy.

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

Investors

Key engagement topics

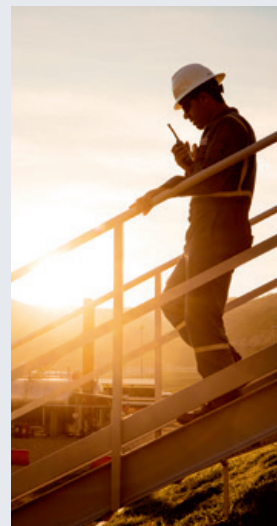
- Operational and financial performance
- Valuation considerations
- Capital allocation
- Financing strategy
- Risk management
- Shareholder distributions
- ESG

How we engaged in 2021

- Active and ongoing investor relations programme engaging with equity and debt investors
- Clear and timely investor communications, including the London Stock Exchange's Regulatory News Service
- Regular meetings with sell-side analysts
- AGM held with open invitation to all shareholders with the ability to submit questions electronically via the Company's website
- Consulted with GKP shareholders regarding remuneration policy

Why we engage

- We are dependent on access to equity and debt funding
- Our investors have valid views on strategic, financial and operational decision making which we must take into account



Host government

Key engagement topics

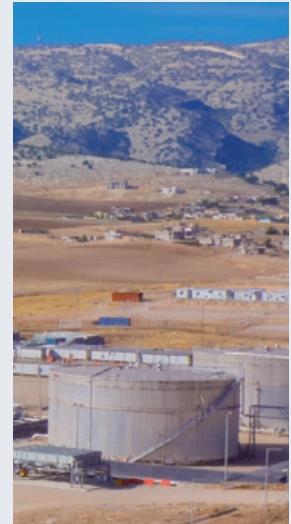
- Community investment strategy and plans
- Shaikan Field performance
- Shaikan Field Development Plan
- Commercial arrangements
- Health and safety
- Environmental matters
- Crude oil sales payments

How we engaged in 2021

- Regular meetings and correspondence with senior KRG and MNR officials
- Crude Oil Sales Agreement renewal
- Generate revenues from the Shaikan Field for the government, comprising production entitlements, royalties and capacity building payments

Why we engage

- We work closely with our host government, the KRG, to ensure alignment on developing and producing resources for the benefit of all stakeholders, business and operational strategy and our licence to operate
- The KRG is responsible for marketing and exporting all crude from the Shaikan Field



Local communities

Key engagement topics

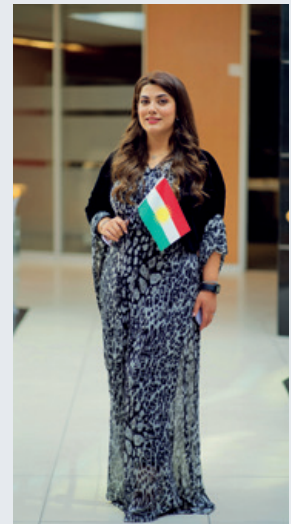
- Local employment
- Development of local staff and contractors
- Health and safety
- Major incident prevention
- CSR initiatives
- Protection of the environment

How we engaged in 2021

- Active and ongoing engagement with local communities
- Support and funding for local community initiatives
- Proactive staff localisation policy
- Proactive use of local supplier and service companies

Why we engage

- The support of local communities is essential for the mutually beneficial development and operation of the Shaikan Field



Stakeholder engagement continued

Workforce

Key engagement topics

- Health, safety and security
- Learning and development
- Remuneration and benefits
- Company strategy
- Gulf Keystone's purpose, values and culture
- Team collaboration
- ESG and climate change

How we engaged in 2021

- Regular safety briefings across the Company
- Regular "town hall" briefings
- Regular "teach-ins" by departments
- Team meetings and office visits
- Clear communication of targets and attainment of incentive schemes
- Clear communication of policies and procedures, including "working from home" and vaccination protocols

Why we engage

- The Company's workforce is essential to the success of the Company



Joint venture partner

Key engagement topics

- HSE
- CSR strategy and initiatives
- Shaikan Field performance
- Shaikan Field Development Plan
- Work programme and budget
- Commercial arrangements
- Crude oil sales payments
- ESG and climate change

How we engaged in 2021

- Regular multi-disciplinary meetings and dialogue
- Approval of work programmes and budgets

Why we engage

- Partner alignment is critical for the development and operation of the Shaikan Field to achieve its full potential





Suppliers and contractors

Key engagement topics

- Fair and transparent contracting processes
- Long-term partnerships
- Collaborative approach
- Fair payment terms
- Consistency of application of business ethics practices

How we engaged in 2021

- Rigorous contracting processes strictly in accordance with the MNR set tendering processes for all suppliers, resulting in broad participation
- Active contract management
- Focus on working with businesses that are involved with local communities
- Regular communication with all suppliers and the MNR Tender Committee

Why we engage

- The support and performance of suppliers and contractors enables the Company to deliver against its strategy



The Company's impact on the environment continues to be a key consideration in stakeholder engagement.



Environment

Key engagement topics

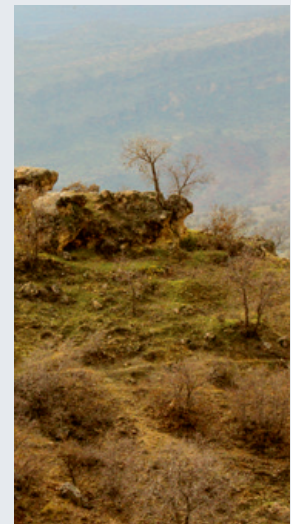
- Elimination of routine flaring
- >50% reduction in scope 1 and 2 emissions per barrel by 2025

How we engaged in 2021

- Submitted draft FDP to the MNR, which includes a Gas Management Plan that underpins the Company's 2025 emissions intensity reduction target
- Continued to minimise our impact on the local environment, in particular by protecting air quality, managing water and waste and assessing and managing the impact of our facilities

Why we engage

- We are focused on minimising our impact on the environment, particularly regarding climate change and reducing our emissions footprint



Sustainability report



Safety and sustainability underpin our business.

Jon Harris
Chief Executive Officer

CEO's introduction

The sustainability of our business, in particular the integration of sustainability into our corporate purpose, values, strategy and culture, is fundamental for our ability to create long-term value for all our stakeholders. As an E&P company operating in Kurdistan, we have a particular set of responsibilities related to our environmental, social and governance performance which guide our sustainability strategy and its priorities. These strategic priorities, and the material factors that underpin them, have been identified as the result of a materiality assessment exercise, which included interviews with our stakeholders, including our investors, workforce, government and local community stakeholders (read more on page 30). Through regular engagement, we ensure that our sustainability strategy remains current, focused and efficient.

So what is important to Gulf Keystone and the sustainability of our business?

We are keenly aware of the role that we and our industry must play in addressing climate risk, while ensuring the world maintains access to secure and affordable supplies of energy. We also must minimise our impact on the local environment where our operations are situated and which we and our local communities rely upon.

Regarding social aspects, striving for safe operations, with zero harm to our employees and contractors, is our number one priority. We are also focused on the development of our people and creating a diverse and inclusive environment for them to work in. Our economic and social contribution in Kurdistan is also paramount, as we support local jobs, invest in the local supply chain and generate revenues from the field for the government and its people, as is regular interaction with and investment in the communities local to the Shaikan area.

We strive to maintain a robust governance and compliance framework, with a commitment to the highest standards of ethical conduct at all levels of the organisation.




Safety and sustainability is one of Gulf Keystone's key strategic priorities (see the Strategy and objectives section on pages 20 and 21). Our sustainability strategy is sponsored by our Chief Operating Officer, reporting directly to me, and supported by our HSE and Sustainability team. The Board has direct oversight over the strategy through the Safety and Sustainability Committee. All short-term employee bonuses include an element of safety and sustainability based on the achievement of certain objectives during the year and we are also proposing to our shareholders this year the introduction of an ESG performance condition to the Company's Long-Term Incentive Plan ("LTIP") from 2023, with a weighting of 20%. You can read more about this in the Remuneration Committee report, beginning on page 81.

In 2021, we continued to make strides in executing our sustainability strategy. We moved a step closer to our 2025 target of more than halving our scope 1 and 2 emissions per barrel by submitting a draft FDP to the Ministry of Natural Resources, which includes a Gas Management Plan focused on eliminating routine flaring.

We also completed substantially all of our HSE improvement plan, continued to maintain a high level of local employment, with a total of 275 local people employed directly by Gulf Keystone and over 600 through our local contractors, invested \$49 million in our local supply chain through purchasing and contracting, continued to support a variety of local community projects and generated \$336 million for the Kurdistan Regional Government from the Shaikan Field. In addition, we refreshed our Company-wide compliance training programme.

There were some areas where we need to work harder. Our carbon emissions and intensity increased in 2021, due to higher production and changes in the gas-oil ratio from particular wells, making the Gas Management Plan and meeting our 2025 target even more important. While we are a diverse organisation in terms of nationalities and ethnicity, we need to do more on gender diversity and attracting more women to work at Gulf Keystone and in our industry.

Our sustainability strategy:

	Environment	Social	Governance
Strategic priorities	<ul style="list-style-type: none"> • Address climate risk • Minimise our impact on the environment 	<ul style="list-style-type: none"> • Workforce health and safety • Support and develop our people • Enhance diversity and inclusion • Generate economic value in Kurdistan • Engage with and invest in our local communities 	<ul style="list-style-type: none"> • Robust corporate governance and compliance • Highest standards of business ethics
Material factors	<ul style="list-style-type: none"> • Emissions • Air quality • Facility impact management • Water management • Waste management • Soil remediation 	<ul style="list-style-type: none"> • Workforce health and safety • Learning and development • Diversity and inclusion • Local employment • Local supply chain purchasing and contracting • Payments to host government • Community engagement and investment 	<ul style="list-style-type: none"> • Board oversight • Internal controls and policies • Risk management • Anti-bribery and corruption
Key current targets	<ul style="list-style-type: none"> • Eliminate routine flaring • Reduce carbon intensity per barrel by >50% by 2025⁽¹⁾ • Full TCFD compliance for fiscal year 2022 	<ul style="list-style-type: none"> • Zero harm 	<ul style="list-style-type: none"> • Outstanding governance and compliance
Alignment with SDGs			

Looking ahead to this year, we will continue to make progress on delivering our sustainability strategy. We continue to target zero harm across our operations and will be sharpening our focus further on safety as operational activity continues to ramp up.

We are exploring the viability of several projects to reduce our scope 1 and 2 emissions intensity further beyond the 2025 target and we are continuing to work towards full TCFD compliance, which will be implemented for fiscal year 2022 reporting. We are also developing plans to further build the capability of our workforce, drive engagement and well-being and advance diversity and inclusion. I look forward to updating you on our achievements.

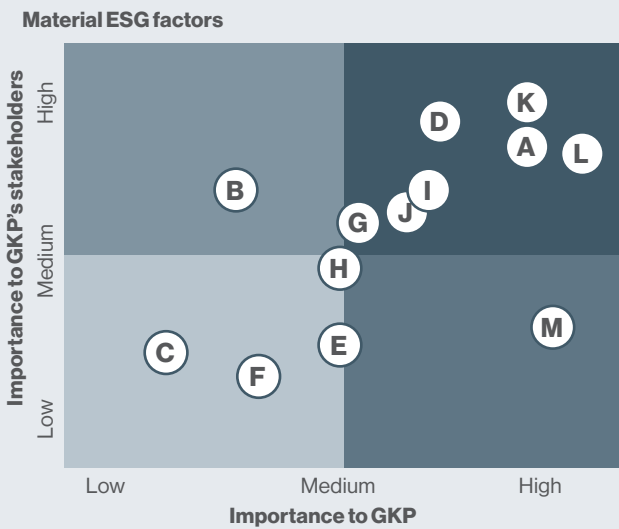
Jon Harris
 Chief Executive Officer
 29 March 2022

Sustainability report continued

Identification of material ESG factors for Gulf Keystone

In 2020, Gulf Keystone used the recognised process, known as materiality assessment, to assess and evaluate the universe of material ESG factors and identify which factors were most relevant to GKP and its stakeholders.

The Company started with a broad universe of ESG factors and narrowed them down to a selection of relevant and material ESG factors for GKP. The importance of these factors to the Company and its stakeholders was then measured. This process was guided by: interviews with the Company's stakeholders; the SASB materiality metrics, to identify which ESG areas are considered material for companies in the oil and gas exploration and production sector; benchmarking of peer company reporting; and a review of relevant public information and internal documentation.



Environment

- A. Climate change/gas flaring
- B. Environmental management
- C. Biodiversity

Social

- D. Process safety
- E. Occupational health
- F. Employee training and development
- G. Diversity

Governance

- H. Human rights
- I. Community engagement
- J. Community investment
- K. Economic value generated

Governance

- L. Business ethics and anti-corruption
- M. Effective governance

(1) >50% reduction measured against a baseline carbon intensity of 38kg/bbl in 2020.



Environment

Why is this important to our business model and strategy?

Our business is inextricably linked to environmental considerations. We care deeply about addressing climate risk and are focused on transforming our emissions footprint. We also seek to minimise our impact on the local environment, in particular by protecting air quality, managing water and waste and assessing and managing the impact of our facilities.

Targets:

Eliminate routine flaring

Reduce carbon intensity per barrel by >50% by 2025⁽¹⁾

Full TCFD compliance for fiscal year 2022

Material SDG alignment:



Our performance

Material factors	Indicator	Unit of measurement	2019	2020	2021	Standard Alignment
Emissions	Total scope 1 emissions (80% WI)	ktCO ₂ e	342	407	505	SECR, TCFD ^{(3),(4)}
	Total scope 2 emissions (80% WI)	ktCO ₂ e	10	8	13	SECR, TCFD ^{(3),(4)}
	Emission intensity	kgCO ₂ e per barrel	35.7	37.9	40.8	SECR, IPIECA ^{(3),(6)}
	Total SO ₂ emissions (80% WI)	ktSO ₂	65	71	82	SASB ⁽⁵⁾
Water and wastewater management⁽²⁾	Total water withdrawn (80% WI)	m ³	22,944	11,467	88,432	SASB, IPIECA ^{(5),(6)}
Waste management	Recycled solid non-hazardous waste	% of total waste	86	92	86	IPIECA ⁽⁶⁾
	Recycled solid hazardous waste	% of total waste	5	6	28	IPIECA ⁽⁶⁾
	Recycled liquid non-hazardous waste	% of total waste	100	100	100	IPIECA ⁽⁶⁾
	Recycled liquid hazardous waste	% of total waste	100	100	100	IPIECA ⁽⁶⁾

(1) >50% reduction measured against a baseline carbon intensity of 38kg/bbl in 2020.

(2) 2019 and 2020 data are estimates, with the installation of water metering devices in 2021 to better understand the amount of water withdrawn.

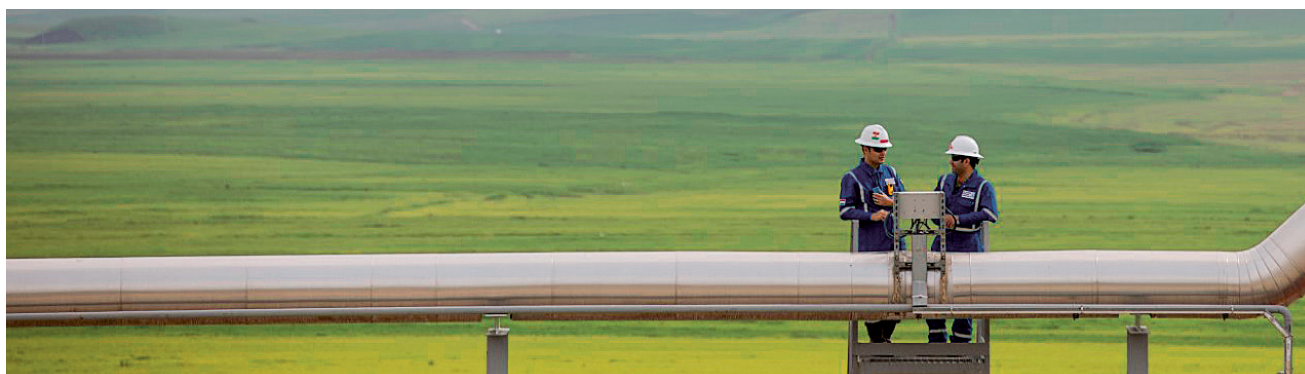
References

(3) Streamlined Energy and Carbon Reporting ("SECR").

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

(5) Sustainability Accounting Standards Board ("SASB").

(6) International Petroleum Industry Environmental Conservation Association ("IPIECA").



Sustainability report continued

Environment continued

Addressing climate risk

Emissions

Our aim is to more than halve our emissions intensity per barrel by 2025 by eliminating routine gas flaring from all our operations. This objective is underpinned by implementation of the Gas Management Plan (see case study below).

While we progress implementation of the Gas Management Plan, we have seen a gradual increase in our carbon emissions and intensity since 2019, primarily due to increasing production and changes in the gas-oil ratio from particular wells. We have seen the same trend regarding our sulphur dioxide emissions, which will be virtually eliminated following implementation of the Gas Management Plan.

Looking beyond 2025, we are identifying and reviewing potential projects that could further materially reduce our carbon intensity. We expect to conduct feasibility studies for these projects in 2022 and will provide more information on progress and the evolution of our emissions in the future.

Minimising our impact on the environment

Air quality monitoring

Given the proximity of our operations to local villages, air quality around our facilities is continuously measured as part of the Company's air quality monitoring programme. During 2021 we were pleased to report that the air quality tested was well within the Kurdistan regulatory limits.

Air quality is monitored in three ways:

Stationary field monitoring

The Company operates four Scintinal SL-50 air quality monitoring stations which constantly measure a wide range of air quality parameters, such as H₂S, Methane, VOC, NO_x, PM2.5 and PM10. This data is monitored and reported monthly to the Ministry of Natural Resources.

Additionally, the Company deploys passive diffusion tubes at ten locations near the Shaikan Field and neighbouring villages to ensure the levels of H₂S, O₃, VOC, SO₂ and NO₂ remain below Kurdistan stipulations. These tubes are deployed and recovered monthly for analysis.

Case study

Gas Management Plan

The Gas Management Plan is a critical element of Gulf Keystone's sustainability strategy, underpinning our target of more than halving our emissions intensity per barrel by 2025. It is also fundamental for our licence to operate in Kurdistan as the government seeks to reduce gas flaring.

The Gas Management Plan is designed to eliminate routine gas flaring from our operations by reinjecting the associated natural gas that is produced with our oil production back into the reservoir, a method that is used elsewhere in Kurdistan and globally. To do this, the project involves the installation of additional facilities to collect the associated gas from PF-1 and PF-2, transport it to the new production facility PF-3 via pipeline and subsequently reinject it into the reservoir through a dedicated gas injection well.

In addition, a portion of the associated gas will be utilised to generate electricity, with power generation centralised at PF-3 and distributed to PF-1 and PF-2 via overhead lines to replace the majority of diesel power generation at the facilities.

The project is expected to save several million tonnes of carbon emissions over the life of the Field once implemented. In keeping with our commitment to eliminate routine flaring, we have applied to endorse the World Bank's "Zero Routine Flaring by 2030" initiative. We will provide more detail on the project upon approval of the Field Development Plan by the MNR.



Handheld Photo-ionisation Detector (“PID”)

The Company uses a handheld PID, which can detect more than 400 gaseous pollutants, providing a helpful, portable method for tracking air quality.

Gas surveys

The Company conducts gas surveys of the Shaikan block, aimed at identifying any natural gas seeps at surface level to provide insights to the underlying geology. Surveys are conducted using very sensitive hydrogen sulphide (H₂S), methane (CH₄) and sulphur dioxide (SO₂) detectors deployed from a land vehicle, together with sensors deployed from a drone to cover inaccessible areas.

A survey in 2019 confirmed the presence of three known seeps, together with the discovery of a fourth seep in the area. Generally low ppb levels of H₂S and SO₂ and typical low ppm background levels of CH₄ were detected, indicating overall low levels of seepage.

A second survey was conducted in 2021 in order to verify the results of the baseline survey. Apart from areas where there are known anthropogenic inputs (e.g. in close proximity to the production facilities, local villages, main roads), similar levels of these three gases were observed. Follow-up monitoring is planned in and around the four identified seeps.

Facility impact management

Before any facilities or access roads are built, flowlines installed or wells drilled, the Company conducts an environmental and social impact assessment (“ESIA”) during the design phase so any potential impacts can be identified and mitigation plans agreed with the KRG before construction. In 2021, one ESIA was conducted related to the drilling of a future well.

Specific measures to minimise the impact of Gulf Keystone facilities on the environment include:

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



Sustainability report continued

Environment continued

Minimising our impact on the environment continued

Soil remediation

We aim to manage contaminated soil, surface water and ground water to prevent, minimise or mitigate risks to public health and safety of the environment. All waste drilling cuttings and fluids must be managed in line with Kurdistan legislation and international standards, and pits, which are excavated next to well pads and used to hold drilling fluid, should be remediated after drilling operations are completed. All historic pits have been remediated and, in 2021, given all current pits were in use, no remediation was required.

Water and wastewater management

Water at both production facility camps is supplied via water wells, which are sampled and analysed on a monthly basis to ensure they meet the World Health Organization (“WHO”) guidelines. Site water storage tanks are chlorinated on a weekly basis.

In 2021, the Company installed metering devices at both production facilities, PF-1 and PF-2, to better understand the amount of water withdrawn. Water withdrawn in 2021 increased versus the prior year because of more accurate measurement and increased operational activity. In addition to the installation of water meters, a water treatment unit was installed at one of our production facilities to improve drinking water quality. In 2022, another water treatment facility will be installed in the second production facility.

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

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

Waste management

Gulf Keystone maintains high standards in waste management. During 2021, the Company recycled 100% of its non-hazardous liquid waste, 100% of its hazardous liquid waste, 86% of its non-hazardous solid waste and 28% of its hazardous solid waste, the latter increasing from around 6% in 2020 due to better process efficiency and the increased recycling capacity of our contractors. All the waste recycled had cradle-to-grave traceability. To ensure third parties comply with Company requirements and local legislation, tools such as GPS vehicle tracking, waste transfer documentation and quarterly contractor auditing were used.

Oil-based mud (“OBM”) cuttings

Gulf Keystone is committed to collecting oil-based mud cuttings and disposing of them through a third-party provider in accordance with Kurdistan environmental regulations.

In addition to disposal, we have found a way to feed OBM to asphalt production in Kurdistan. The drill cuttings are transported in sealed containers on flatbed trucks to the asphalt company. The trucks are equipped with GPS to track their journey and their manifests signed and stamped upon arrival. In 2021, a total of 37 tonnes of OBM waste was collected and transported to the asphalt plant, where it was reused as raw material for road construction. From 37 tonnes of oily waste, 11 tonnes of asphalt were produced.

TCFD

We recognise climate change as one of the biggest environmental threats the world faces. To demonstrate our commitment to climate-related risks, we have embedded the four pillars of the TCFD into our business to provide transparency on our understanding and management of climate-related risks. We continue to work to achieve full compliance with TCFD reporting requirements for the 2022 fiscal year.

Our summary is provided below.

Governance	The Board is responsible for approving and monitoring GKP’s ambitions in relation to reducing the Company’s impact on climate change, and to operating in a responsible and ethical manner.	Index
The Board’s oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> The Safety and Sustainability Committee oversees the management of GKP’s climate-related risks and opportunities, all under the supervision and oversight of the Board. The Chair of the Safety and Sustainability Committee has overall accountability for sustainability. The Committee meets formally four times a year. 	<ul style="list-style-type: none"> Safety and Sustainability Committee report Pages 77 and 78
Management’s role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> Gulf Keystone’s Chief Operating Officer is the executive sponsor for sustainability, responsible for maintaining the risk register in relation to climate change and proposing targets and projects to the Executive Committee and the Safety and Sustainability Committee for consideration. Heads of Department are also responsible for assessing and managing climate-related risks and opportunities. 	<ul style="list-style-type: none"> Safety and Sustainability Committee report Pages 77 and 78

Strategy		Index
Climate-related risks and opportunities the organisation has identified over the short, medium and long term.	<ul style="list-style-type: none"> • Short term (0-5 years) – market shift in terms of new and more robust legislation and regulations and increased cost of capital for high-carbon industries. Opportunity for increased positive ESG perception in the market by achieving the Company's target of more than halving scope 1 and 2 emissions intensity by 2025. Hiring and retaining a talented workforce could become more challenging without a positive sustainability strategy. • Medium term (5-10 years) – changing climate conditions could cause disruption to operations and supply chains, as well as putting our employees and contractors, local communities and environment at risk. • Long term (10+ years) – reduced market demand for oil and gas as renewable fuels become more widely available. 	<ul style="list-style-type: none"> • Risks and uncertainties • Pages 46 to 55
Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	<ul style="list-style-type: none"> • GKP's scenario analysis helps guide strategic and risk management decisions under complex and uncertain conditions, including climate change. • Providing a better understanding of the risks and uncertainties GKP may face against future outcomes enables the Company to build a climate-risk mitigation strategy. • The Company is targeting a >50% reduction in its scope 1 and scope 2 emissions intensity by 2025 through the implementation of the Gas Management Plan. 	<ul style="list-style-type: none"> • Risks and uncertainties • Pages 46 to 55 • Viability statement • Pages 56 and 57 • Gas Management Plan case study • Page 32
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> • The first step of assessing the Company's resilience to two climate-related scenarios has been completed for 1.5°C (Paris-aligned) and 4°C (fossil-fuelled growth) scenarios. 	
Risk management	Climate change is already factored into certain aspects of the Company's strategy, including the risk management process.	Index
Processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> • Existing ESG and climate-related risks will be consolidated in an ESG register in 2022 and linked to the corporate risk register. 	<ul style="list-style-type: none"> • Risks and uncertainties • Pages 46 to 55
Processes for managing climate-related risks.	<ul style="list-style-type: none"> • We have identified processes for managing climate-related risks in operations, supply chain and HSE which we are currently implementing. 	
How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	<ul style="list-style-type: none"> • Gulf Keystone maintains a detailed risk register that encompasses all identified risks (which includes climate change and sustainability-related risks), the impact of those risks, the mitigating controls the Company has in place to reduce those risks to an acceptable level and the actions it must take to further mitigate risks that are not deemed to be at an acceptable level. • This register is regularly reviewed by the Executive Committee and the Audit and Risk Committee. 	<ul style="list-style-type: none"> • Risks and uncertainties • Pages 46 to 55
Metrics and targets	Despite the challenges presented by the pandemic, Gulf Keystone remains committed to reducing scope 1 and 2 CO ₂ emissions per barrel by more than 50% by 2025 through the implementation of the Gas Management Plan.	Index
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> • The Company uses key metrics and targets to manage and monitor its performance in reducing its impact on the environment, providing a straightforward and transparent measure to GKP's stakeholders. 	<ul style="list-style-type: none"> • Environment performance highlights • Page 31
Scope 1 and scope 2 greenhouse gas ("GHG") emissions, and the related risks.	<ul style="list-style-type: none"> • GKP actively monitors scope 1 and scope 2 absolute emissions and intensity throughout the year and discloses them on an annual basis. • Data is calculated in line with the GHG Protocol. 	<ul style="list-style-type: none"> • Environment performance highlights • Page 31
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> • The Company is targeting a >50% reduction in its scope 1 and scope 2 emissions intensity by 2025 through the implementation of the Gas Management Plan. This project is expected to eliminate routine flaring. 	<ul style="list-style-type: none"> • Environment performance highlights • Page 31

Sustainability report continued

Social

Why is this important to our business model and strategy?

Gulf Keystone's relationship with, and contribution to, society has been critical to the development of the Company as it stands today and is fundamental for its future success. As a large employer of over 390 people in Kurdistan and the UK, we are responsible for creating a safe, diverse and inclusive working environment for each one of our staff and are focused on providing the learning and development opportunities they need to advance their careers. Our operations generate significant economic value, creating local jobs, supporting local suppliers and generating revenues for the host government from the Shaikan Field. We also regularly engage with and invest in our local communities, as we continue to strengthen the relationships we have built over 15 years working in Kurdistan.

Target:

Zero harm

Material SDG alignment:



Our performance

Material factors	Indicator	Unit of measurement	2019	2020	2021	Standard Alignment
Workforce health and safety	Total recordable incident rate ("TRIR")	Incidents per million man-hours	2.61	0.71	1.37	SASB ⁽³⁾
	Lost time incident rate ("LTIR")	Incidents per million man-hours	0.52	0.00	0.68	IPIECA, GRI ^{(4),(5)}
Gender diversity	Proportion of female staff in workforce (as at 31 December)	%	9	10	7	GRI, WEF ^{(5),(6)}
Economic value generation in Kurdistan	Proportion of local staff in workforce (as at 31 December)	%	74	84	74	IPIECA ⁽⁴⁾
	Local supplier purchasing and contracting (80% WI)	\$m	40	21	49	GRI ⁽⁵⁾
	Proportion of total purchasing and contracting with local suppliers (80% WI)	%	27	42	58	IPIECA ⁽⁴⁾
	Payments to host government ⁽⁷⁾	\$m	221.6	120.6	335.8	GRI ⁽⁵⁾

References

- (1) Streamlined Energy and Carbon Reporting ("SECR").
- (2) Task Force on Climate-related Financial Disclosures ("TCFD").
- (3) Sustainability Accounting Standards Board ("SASB").
- (4) International Petroleum Industry Environmental Conservation Association ("IPIECA").
- (5) Global Reporting Initiative ("GRI").
- (6) Water Environment Federation ("WEF").
- (7) See the Report on Payments to Governments for 2021 for full disclosure.

Sustainability report continued

Social continued

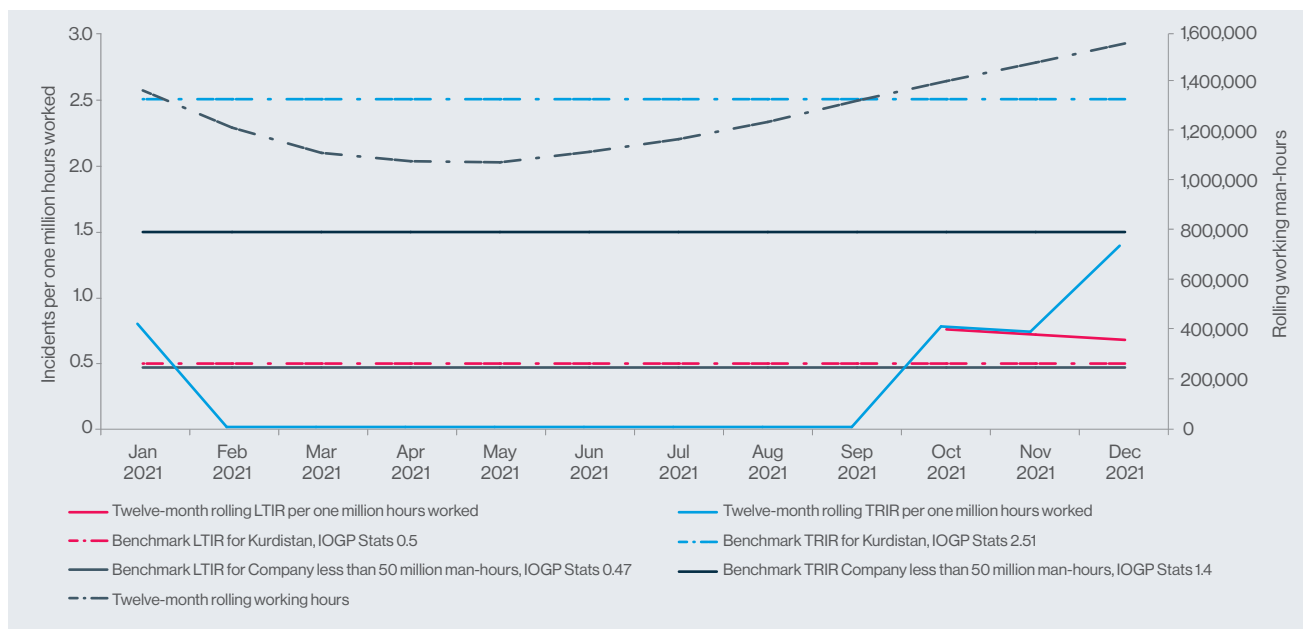
Workforce health and safety continued

Land clearance activity

Each time our operations expand into a new area of the Shaikan Field, we make the land safe beforehand by surveying for and clearing unexploded ordnance. In 2021, we surveyed 978,363 m³ of land in preparation for future FDP activity, finding two pieces of ordnance that were safely disposed of by a government agency. Through this vital activity, we protect our staff and contractors, and reclaim the use of land for our local communities.

2021 health and safety performance

With the resumption of drilling activity in 2021, Gulf Keystone stepped up safety training and stand-downs for staff. Despite these efforts, one lost time incident and one recordable incident were recorded during drilling activities (see chart). Full investigations were carried out for both incidents and remedial actions implemented. Since the last time incident, over 160 LTI-free days⁽¹⁾ have been completed.



(1) As at 29 March 2022.

Gulf Keystone continued to manage the effects of the COVID-19 pandemic in 2021, with the priority in the year ensuring as many employees as possible received vaccinations against the virus. A campaign to educate employees on the benefit of the vaccination was carried out, resulting in a Company-wide vaccination rate of 97%. The success of the campaign enabled a return to more normal working patterns in the field, including a move from three shifts to two, although access to our offices in Erbil and London remained restricted with employees encouraged to work from home. Social distancing, mask wearing and increased hygiene standards at all Company sites and offices continued to be maintained.

HSE Plan 2021

The HSE Plan is the Company's roadmap for improving HSE and monitoring HSE-related metrics throughout the year. The HSE Plan is proposed by the COO to the Executive Committee and endorsed by the Safety and Sustainability Committee.

In 2021, the HSE Plan comprised action points addressing topics such as improvements to the HSE Management System, process safety, training, contractor management, emergency preparedness, environmental protection and health and medical care. The Company achieved 99% completion of the 2021 actions.

Case study

Production facility operational safety study

Gulf Keystone has a comprehensive suite of documents, drawings, procedures and plans describing the PF1 and PF2 production facilities, their management, operations and maintenance, developed throughout the lifecycle of the field. Similarly, safety and environmental studies (e.g. hazard identification ("HAZID"), hazard and operability ("HAZOPS"), quantified risk assessments ("QRAs"), environmental impact assessments ("EIAs") have been undertaken in parallel and integrated into these plans and procedures. In an initiative to consolidate this information and ensure any gaps were identified and filled, the Company undertook a systematic review of both PF1 and PF2 and developed a simple operational safety case, framed around identified major accident hazards ("MAHs"). Following an initial review of the documentation, an independent HAZID study was conducted for both production facilities, with participation of operating, engineering and safety staff. A total of 17 MAH scenarios were identified and each reviewed in detail in a series of "bowtie" workshops to identify the barriers and controls currently in place to mitigate these MAHs. Gaps were identified, documented and a prioritised action plan established to fill these.



Sustainability report continued

Social continued

Our people

At Gulf Keystone we recognise that our success is dependent on the skills, motivation and commitment of our people. To obtain these qualities, we are focused on creating a safe, diverse and inclusive working environment for each one of our staff and providing them with the learning and development opportunities they need to advance their careers. We are also committed to local employment, hiring directly from the local communities in Kurdistan that support us.

GKP's culture

Getting the best out of our people starts with the environment they work in. Our culture is underpinned by our core values – safety; social responsibility; trust through open communication; innovation and excellence; integrity and respect; and teamwork – and all employees and contractors are encouraged to come to work every day with these in mind. Regular meetings, briefing sessions, town hall sessions as well as “coffee chats” and surveys give our people the opportunity to feel close to the organisation, to listen and discuss progress and help to facilitate the interaction between employees at all levels, providing insight into our performance and Company growth objectives.

Commitment to local employment

We are committed to the localisation of our Kurdistan workforce in a structured way, ensuring the safe and effective development and operation of the Shaikan Field. We have several strategies in place to help meet these requirements which protect our good standing with our employees, the MNR and local stakeholders:

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

As at 31 December 2021, we had 275 local employees in Kurdistan, or 74% of our total headcount. In addition, through our contractors we provided work in 2021 to over 600 local workers who support our field and office facilities, providing services such as security, catering, cleaning and laundry. Since 2018, over 100 employees have been promoted into more senior positions and several employees have replaced expatriate staff in senior technical or management positions.

We work hard to attract and retain the most talented individuals and develop them into high calibre professionals. Our skills level within the local workforce is monitored carefully to ensure that our development plans are successful. This category includes trained operations staff, technicians, supervisors and managers. In terms of engagement, our employee retention rate remains excellent, with a 2021 voluntary turnover level of 1.7%, well below our target of 5%, and we are proud that close to 50% of our local workforce has been with the Company for over five years. This is a strong indicator of the high employee engagement and positive people culture within our business.

Diversity and inclusion

At Gulf Keystone we value a diverse workforce. We treat people fairly, equally and without prejudice irrespective of gender, age, race, disability, sexual orientation and other attributes and this is reflected in both our Diversity and Equal Opportunities policies.

We make a concerted effort to attract female employees to improve our gender diversity and to create opportunities for development and promotion into senior leadership positions. In 2022, we plan to introduce a global women's network to promote women's advancement across the Company through education, networking events and volunteering activities.

We work hard to foster an inclusive culture that creates a strong sense of belonging. We believe that our individual differences and perspectives bring enhanced value to our teams and enable us to find more innovative solutions to solving problems. In 2022, we plan to focus learning activities to equip managers with the skills to improve workplace inclusion, increase cultural sensitivity and intelligence and promote equity best practices.

Learning and development

We provide training and development opportunities for all our employees and have ambitious development objectives and localisation targets for our workforce in Kurdistan. We are committed to developing our local workforce and providing both technical and non-technical management training programmes.

Amongst our training opportunities we deliver a bespoke Gulf Keystone Management Development Programme together with a Coaching and Mentoring Programme for our managers and supervisors. We offer a mini-MBA programme to our employees to learn more about our business and industry in general. In addition, we offer online training courses through Harvard's “ManageMentor” programme which provides a range of educational and soft skills courses. We are also delivering English language training as we consider that this is critical for our employees to be successful in their future careers.

We have invested in providing structured technical training programmes for our employees working in our subsurface and HSE groups. In 2021, we commenced our engineering apprenticeship programme which includes placements across a range of engineering disciplines and will offer our local graduates the opportunity to receive formal training across a range of functions.



Staff testimonial

Khudaida Hassan Darweesh

Production Superintendent

My name is Khudaida Hassan Darweesh. I grew up in Kurdistan and hold a Bachelor of Science in Geology from Mosul University. I started work for Gulf Keystone in March 2013 as Plant Lead Operator in Production Facility 1 when the facility was still under construction. I worked with the team to successfully commission and start up the facility.

In June 2014, I was promoted to Process Supervisor and moved to Production Facility 2. It was a great opportunity and challenge to learn and progress in this senior position. During this time, I completed the SAIT Gas Process Operations certificate, followed by a course in energy leadership skills. I also worked closely with the managers and superintendents at the Production Facility, who became my mentors.

As a result of my training and working with team, I was promoted to Plant Superintendent in January 2017. Following my promotion, I went on to complete a mini-MBA course, the Management Development Programme and Harvard's "ManageMentor" programme, all sponsored by Gulf Keystone. I love how the Company supports our learning and development and, in turn, encourages us to teach what we have learned to our more junior colleagues.



Staff testimonial

Dunia Awdo

Government Liaison Officer

My name is Dunia Awdo and I'm from Shaqlawa, close to Erbil in Kurdistan. I hold a bachelor's degree from Salahaddin University's College of Languages – English department. I have been working with Gulf Keystone for twelve years.

I joined the HR department at Gulf Keystone in 2010 as an HR Assistant, which was the start of my career in the industry. I quickly found the chance to build on my former experience and gain more skills and knowledge when I moved to the position of Government Liaison Assistant in 2012, then Government Liaison Officer in 2018. My role has grown considerably over the last few years and I'm responsible for coordinating Company activities with all KRG Ministries and Government Directorates and keeping the Company updated with all Government instructions and policies.

I have been able to develop my talents and skills through various Gulf Keystone initiatives, including a Leadership and Communication training course in 2019, the Management Development Programme in 2021 and the Harvard "ManageMentor" programme.

I am delighted to be a member of the Gulf Keystone family. The Company is committed to creating a collaborative workplace that shows strength in diversity and where everyone is treated fairly and with respect.

Sustainability report continued

Social continued

Generating economic value for Kurdistan

Kurdistan is part of Gulf Keystone's DNA and since the Company's entry into the region in 2007, we have generated significant economic value by creating local jobs, investing in the local supply chain and generating value from the Shaikan Field for our host government, the KRG.

Creating local jobs

As at 31 December 2021, 275, or 74%, of Gulf Keystone's employees were local. In addition to direct employment, the Company's operations are also responsible for significant indirect employment through the engagement of local contractors. In 2021, major Gulf Keystone contracts with local companies supported over 600 jobs among local villagers. The Company engages with local stakeholders to ensure that direct and indirect employment is shared amongst the villages surrounding the Shaikan operations.

Supporting the local supply chain

In 2021, \$49 million, or 58%, of our total purchasing and contracting in the year was spent locally, with 17 new contracts entered into with local Shaikan companies for services ranging from security to construction. The proportion of total expenditure spent with local suppliers has increased over the past three years, demonstrating our commitment to supporting the local supply chain.

Generating value from the Shaikan Field

Since first commercial production in 2013, the Shaikan Field has generated increasing revenues for our host government, the KRG, through production entitlements, royalties and capacity building payments. In 2021, with the sharp recovery in the oil price and increased production from the field, \$335.8 million in total was generated for the KRG. For further information, please refer to the Report on Payments to Governments for 2021 on page 139.

Local community engagement and investment

Gulf Keystone's relationships with the communities located close to the Shaikan Field is critical to the Company's success. Through regular engagement and investment, Gulf Keystone continues to deepen these relationships, listening to local stakeholders regarding all aspects of Field operations and supporting local community initiatives.

Engaging with and listening to local stakeholders

We operate in Kurdistan at the pleasure of our hosts, in particular the local communities situated in the Shaikan area. Beginning from the early phases of our operations, we identify and assess the possible impacts of our operations and projects on the communities, and we communicate with local stakeholders and local authorities to mitigate issues and negative impacts. We maintain close relationships with local authorities, share information on safety, security and other issues, and set professional standards for local employees and contractors.

The Company has in place a formal procedure for our local communities to provide all types of feedback regarding our operations. The procedure is connected to our corporate values and incorporates guidance on best practice from the International Finance Corporation ("IFC") Standards. Grievances and the resulting conclusions are documented in a tracking system, which enables us to analyse, track and mitigate future issues.

Supporting and funding local community initiatives

Gulf Keystone works closely with its local communities to identify programmes that promote local economic growth and social development. Our primary focus is on supporting agriculture, the second largest sector of Kurdistan's economy after oil and gas, and on education and enterprise. We also support our local communities with Good Neighbour projects, which provide vital infrastructure tailored to requests received from local stakeholders.

During 2021, we supported 18 villages within the Shaikan area with various sustainable projects across agriculture, education, water, electrical and health. In total, around \$800,000 was provided by Gulf Keystone to fund the projects.

Agriculture

We continued to provide support in 2021 to local farmers and livestock breeders, helping them to generate a sustainable income and to better deal with the challenges of operating in an area often impacted by drought. In summary, the Company:

- Distributed 123 metric tonnes of certified wheat seed and fertilisers to over 440 farmers.
- Supplied 1,500 olive trees and a cold press olive extractor; olive trees have numerous benefits, particularly for the Shaikan area, given they are drought resistant, can live for hundreds of years, start bearing fruit in less than five years and can produce more than 200kg of olives annually.
- Donated three metric tonnes of black barley seeds to sheep breeders and distributed 24 metric tonnes of fodder to 120 sheep and goat breeders to assist with the challenges of reduced pastoral land.

We also continued our support for a local beekeeping project, disbursing three boxes of live bees and two boxes of beehives to each beekeeper in the area. The project, which began in 2019, has been a success to date, with honey production in 2021 increasing 60% to almost a tonne. The project is focused on encouraging a new generation of beekeepers in the Shaikan area, with many of the participants in the project newcomers to bee husbandry.

Education and training

Gulf Keystone provided funding for a local NGO, AOACO, to run an auto mechanic training course covering a range of skills, including engine and electrical repairs and air conditioning. Thirty students from 13 nearby villages participated, with five participants going on to start their own business following the course. Read more about the project in Luqman's testimonial.

Good Neighbour projects

Gulf Keystone has been involved in several "Good Neighbour" projects, with the objective of providing our local communities with the infrastructure they need most.

In 2021, we provided vital medical equipment to the intensive care hospital in Duhok as part of our continued support related to the COVID-19 pandemic. We also developed local water infrastructure by drilling a water well, constructing water tanks and a water supply network and connecting existing water wells to the electricity grid. In addition, we provided four generators to villages to help them with power outages during the summer season and purchased five air blowers for a local fire department.

Health

Gulf Keystone supported a team of ophthalmologists and optometrists to examine more than 1,600 students in 15 schools located around the Shaikan area. The initiative resulted in the distribution of 220 pairs of glasses to local students, with many students and their parents previously unaware of visual impairments. Ten students were referred for further examination and five others scheduled for surgical procedures. Read more about the project in Bangin's testimonial.

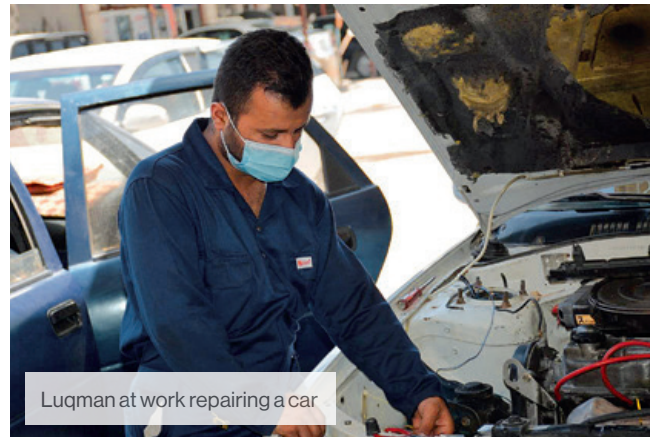


Bangin receiving his glasses from his headmaster

Local community testimonial

Bangin

Bangin is a six-year-old first-grader at Afriva school in the Shaikan area. He has sickle cell anaemia, a chronic illness that needs ongoing treatment. He also suffers from poor eyesight, needing to sit at the front of the classroom to see his teachers write on the white board. Unable to afford a visit to an ophthalmologist, Bangin was one of 220 students in the Shaikan area to receive glasses following the visit to his school by the eye test screening programme funded by Gulf Keystone.



Luqman at work repairing a car

Local community testimonial

Luqman

Luqman was one of the local Shaikan villagers who benefited from the Gulf Keystone funded auto mechanic training course. After completing the course, he was able to develop his own business and manage a repair shop in the Chra sub-district. The business assists him in providing food and daily living expenses for his family. He currently repairs generator motors, electric heaters and various other appliances. In the future, he intends to expand his services to vehicle maintenance.

Sustainability report continued

Governance

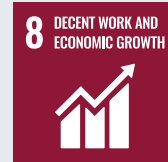
Why is this important to our business model and strategy?

Outstanding governance, compliance and ethical conduct are the bedrock of our organisation and underpin our purpose as a responsible energy company. By combining the correct tone and culture with a strong governance structure and relevant policies, procedures, training and communication, we ensure that we are able to operate effectively, legally and ethically, safeguarding the long-term sustainability of our business for all our stakeholders.

Targets:

Outstanding governance, compliance and ethical conduct

Material SDG alignment:



Our performance

Material factors	Indicator	Unit of measurement	2019	2020	2021	Standard Alignment
Board oversight	Proportion of independent Directors on Board ⁽¹⁾	%	67%	57%	57%	UK Corporate Governance Code
	Proportion of independent Directors on Nomination Committee	%	100%	100%	100%	UK Corporate Governance Code
	Proportion of independent Directors on Audit and Risk Committee	%	100%	67%	100%	UK Corporate Governance Code
	Proportion of independent Directors on Remuneration Committee	%	100%	100%	100%	UK Corporate Governance Code
	Proportion of female Directors on Board	%	17%	14%	14%	UK Corporate Governance Code
	Director Board meeting attendance	%	96%	98%	100%	UK Corporate Governance Code

(1) Includes independent Non-Executive Chairman.



Role of the Board

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. Further details on the Board's role can be found in the Corporate governance report on pages 60 to 69.

Board independence and diversity

The Board is composed of two Executive Directors, the Chief Executive Officer and Chief Financial Officer, and five Non-Executive Directors, four of whom are independent, including the Non-Executive Chairman.

It is recognised that diversity is a key element for the Board, and that diversity extends to a number of different facets. The Company is currently looking to enhance the diversity of its Board through the recruitment of an additional Non-Executive Director.

Board and executive oversight of sustainability

In 2019, GKP amended the terms of reference of the existing Health, Safety, Environmental and Corporate Social Responsibility Committee to bring in a broader remit for responsibilities on environmental (including emissions), social and governance matters. The Committee was renamed the Safety and Sustainability Committee and has primary responsibility within the organisation for ensuring appropriate systems are in place to manage health, safety, security and environmental risks, corporate social responsibility, as well as implementing and monitoring appropriate governance processes. This includes the formulation of relevant KPIs and making recommendations of improvement where appropriate.

The Safety and Sustainability Committee meets four times per year and reports into the Board on all matters discussed. All significant decisions affecting sustainability matters are considered by the Board upon the recommendation of the Safety and Sustainability Committee. Committee meetings are attended by management representing health and safety, security, environmental and social matters and governance. All Board members are encouraged to attend whether or not they are Committee members.

Gulf Keystone's Chief Operating Officer is executive sponsor for sustainability and has an open and regular dialogue with the Safety and Sustainability Committee. He is supported by the HSE and Sustainability team, headed up by Gulf Keystone's Head of HSE and Sustainability, who is supported by a Sustainability Manager.

Linking executive and employee remuneration to safety and sustainability

The Company has implemented remuneration KPIs linked to the implementation of safety and sustainability, including the sustainability strategy. These KPIs are used to determine bonus entitlements throughout the organisation, thus helping to ensure that all staff are fully cognisant of the importance of safety and sustainability to the Company's future success and delivery of shareholder value. In 2021, safety and sustainability accounted for a potential 25% of the Company performance element of executive and employee bonus entitlements. In addition, the Company is proposing to its shareholders this year the introduction of an ESG performance condition to the Company's Long-Term Incentive Plan ("LTIP") from 2023, with a weighting of 20%.

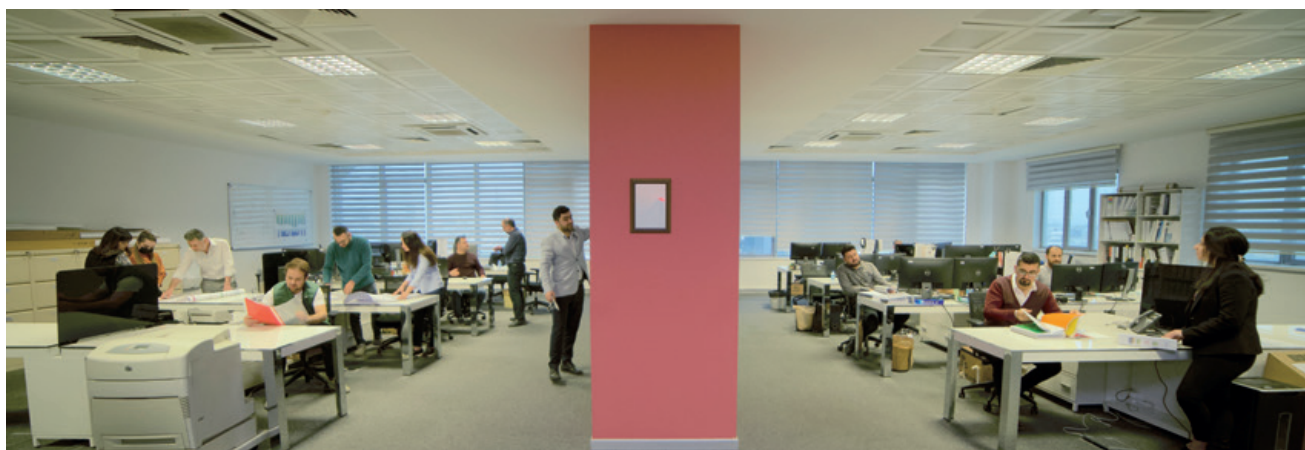
Ethics and compliance

The Company fully appreciates that it must operate an ethics and compliance programme which is fully compliant with the highest standards. Failure to do so could endanger the Company's licence to operate.

Gulf Keystone operates a zero tolerance approach to bribery and corruption. It is essential that the Company maintains transparent relationships free from corruption with the host government, suppliers, contractors and local communities. This protects our reputation and our licence to operate, as well as the ability to access funding and operate effectively.

The Company operates an independent whistleblowing service in the event any employee wishes to raise a concern, either online or over the phone, on an anonymous basis. There were no whistleblower cases handled by the service in 2021.

A comprehensive compliance training programme, which incorporates, amongst other matters, anti-bribery and corruption, handling of confidential information, conflicts of interest and whistleblowing is undertaken on a periodic basis for all staff and contractors, the last such programme being completed in March 2022.



Management of principal risks and uncertainties



Risk assessment framework

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

The Group considers potential emerging risks and maintains risk registers that incorporate strategic, ESG, commercial, financial, operations, projects, information technology and operational technology risks. The risk registers include clear definitions of the risk, potential impact, mitigating controls the Group has in place to reduce the impact or probability of the risk to an acceptable level, and actions to further mitigate the impact or probability of the risk. The Company invites specialist advisers to attend meetings with the Board and management to provide an assessment of particular risks which may affect the Company, such as geopolitical, security and cyber security risks, thus enabling the Company to understand and plan for the mitigation of these risks.

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

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

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

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

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

Principal risks

The Board has 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. The following table indicates the principal post-mitigation risks the Group faces. The list is not exhaustive nor in priority order, and may change.

Key risk factor	Potential impact	Mitigation
Strategic		
<p>Political, social and economic instability</p> <p>Risk owner: CEO</p> <p>Kurdistan and Iraq as a whole and the neighbouring region have a history of political, social and economic instability which continue to represent a risk to the Group, its operations and its personnel.</p> <p>Uncertainty may arise from changes in the KRG leadership or changes in the continued administration of the Shaikan licence by the KRG.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>There has been a history of tension between the political parties in the Kurdistan Region of Iraq and with the central government of Iraq.</p> <p>Any changes in the government could generate uncertainty and may cause a material adverse impact to the Group, including changes in PSC terms.</p> <p>Other consequences of political, social and economic instability may include unrest or armed conflict, limits on production (including restrictions related to OPEC actions) or cost recovery, import and export restrictions, price controls, uncertainty over payment mechanisms for export sales, imposition of additional costs and taxes, tax increases and other retroactive tax claims, revocation of licence to operate, expropriation of property, cancellation of contract rights and an increase in regulatory burdens and fiscal pressures on the KRG.</p>	<p>The Group engages in continuous dialogue with advisers and the KRG.</p> <p>The Group acts as a responsible operator and adheres to the terms and requirements of the PSC and FDP, and holds regular, minuted meetings with the MNR. In November 2021, a draft FDP was submitted to the MNR which contains the GMP.</p> <p>The Board closely monitors future spending plans and ensures that an adequate cash balance and other potential sources of liquidity are identified and maintained to enable the Company to manage potential future uncertainties.</p> <p>The Group has a corporate social responsibility policy which has led to several local initiatives and promotes a strong relationship with the local communities.</p>
<p>Disputes regarding title or exploration and production rights</p> <p>Risk owner: CEO</p> <p>The Iraqi government disputes the validity of the PSCs granted by the KRG.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>If the validity of the PSCs was successfully challenged, the Group could be required by the KRG or another administration to accept terms that are materially less favourable than the current PSC.</p> <p>In February 2022 a majority decision of the Iraqi Supreme Court ruled that the Kurdistan Region of Iraq Oil and Gas Law ("KROGL") was unconstitutional. The ruling also provides that the Iraqi Ministry of Oil may pursue annulment of Production Sharing Contracts issued by the Kurdish Regional Government ("KRG"). The KRG responded that "it will take all constitutional, legal, and judicial measures to protect and preserve all contracts made in the oil and gas sector".</p>	<p>This is an industry-wide risk faced by all international oil companies operating in the Kurdistan Region of Iraq.</p> <p>The Group will continue to engage with KRG officials on this matter and will react as any implications of the ruling become clearer. The Group is also in discussions with external legal counsel and other advisers on the matter.</p> <p>The Group cannot control or completely mitigate disputes between the KRG and other parties. The Group closely monitors the local situation.</p>

Key to strategic priorities

 **Safety and sustainability**

 **Value creation**

 **Capital discipline and cost focus**

 **Robust financial position**

Key to change in year

 **Newly identified**





 **Increased level of risk**

 **Similar level of risk**

 **Decreased level of risk**

Management of principal risks and uncertainties continued

Principal risks continued

Key risk factor	Potential impact	Mitigation
Strategic		
<p>Business conduct and anti-corruption</p> <p>Risk owner: Anti-Bribery Officer</p> <p>Due to the nature of the industry sector and the region in which the Group operates, it is exposed to the risk that the Group, or parties acting on its behalf, breach relevant laws, including anti-bribery and corruption laws.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Violation of anti-bribery or corruption regulations by the Group, or those acting on its behalf, may result in a criminal case against Gulf Keystone and/or its employees which may lead to reputational damage, monetary losses, fines, imprisonment of staff and revocation of licence to operate.</p>	<p>The Chief Legal Officer and Company Secretary is the Anti-Bribery Officer for the Group and reports directly to the Audit and Risk Committee.</p> <p>The Group has various policies, including anti-bribery and corruption, whistleblowing and prevention of tax evasion, and has implemented training programmes to ensure understanding and promote compliance.</p> <p>All employees, agents and other associated persons are made fully aware of the Group's policies and procedures regarding ethical behaviour, business conduct and transparency. All staff and certain contractors are required to certify compliance with policies.</p> <p>The Group has robust controls around contracting, payment approvals and the non-facilitation of tax evasion.</p>
<p>Export route availability</p> <p>Risk owner: CCO</p> <p>Risks associated with availability and accessibility of infrastructure allowing the Group to sell oil to export markets, and changes to export route forced on the Group which affect profitability.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Loss of revenue or reduction in profitability. The Group relies on the international pipeline between Fishkhabour (in Kurdistan) and Ceyhan (in Turkey) and the Kurdistan Export Pipeline for delivery of oil. These pipelines may be subject to interruption due to a variety of reasons, including, but not limited to, technical, maintenance, repairs, damage by military operations, terrorism, theft, smuggling, regional politics, arbitration ruling or sanctions.</p> <p>The Kurdish Pipeline Company ("KPC") which owns the Kurdistan Export Pipeline, is 60% owned by Rosneft. In the event Rosneft is subject to certain sanctions by virtue of the Russian invasion of Ukraine, the Company may no longer be able to access the pipeline. Please also refer to "Risk of economic sanctions impacting the Group" on page 49.</p>	<p>The Crude Oil Sales Agreement between the Group and the MNR provides for access to the Kurdistan Export Pipeline and is currently renewed on a monthly basis.</p> <p>Each PF is equipped with storage tanks that could mitigate the impact of short-term pipeline disruptions. Additional storage at PF-1 is planned as part of the FDP.</p> <p>The option to export oil by means of trucking operations could be reimplemented but it would take time to do so. Plans to recommission truck loading facilities have been identified, however there is a possibility that the Group may not be able to maintain the current or future production rate using this method.</p>

Key to strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Key to change in year



Newly identified



Increased level of risk



Similar level of risk





Decreased level of risk

Key risk factor	Potential impact	Mitigation
<p>Strategic</p> <p>Risk of economic sanctions impacting the Group</p> <p>Risk owner: Chief Legal Officer and Company Secretary</p> <p>The imposition of foreign economic sanctions impacts the ability of the Group to operate, or to produce, transport or market crude oil.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>In the event foreign economic sanctions (be it country, sectoral or specific) are made on Russian or other owned companies, this could have an impact on GKP's ability to operate, or to produce, transport or market crude oil. In particular, the Kurdistan Pipeline Company ("KPC") which owns the export pipeline, is partly owned by a Russian entity, and specific economic sanctions could entail that the Company is unable to access this pipeline.</p>	<p>The Group continues to monitor the current economic sanctions imposed on a country, sectoral and specific basis and takes regular professional advice relating to this. The Group is considering possible outcomes and monitors the potential sanctions-related risks affecting the Group of all suppliers and stakeholders.</p>
<p>Stakeholder misalignment</p> <p>Risk owner: CEO</p> <p>The Group's long-term strategy and plans may not be fully aligned with all stakeholder groups due to the diverse nature of the stakeholders (including, but not limited to, shareholders, bondholders, the KRG, the MNR, joint venture partners and local communities).</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Ineffective or poorly executed strategy may lead to loss of investor confidence and reduction in the Company's share price or credit quality, which reduces the Group's ability to access finance and increases vulnerability to a takeover.</p> <p>Misalignment with our joint venture partner, the KRG or the MNR may result in delays or modifications to the development project, potentially impacting economic returns.</p> <p>The inability to finalise commercial negotiations with the MNR confirming either no changes are required to the existing PSC or that the PSC will be amended in line with current oil sales invoice terms could potentially negatively impact profitability and stakeholder value.</p> <p>Amount of recoverable costs may be challenged and reduced, adversely impacting profit and cash generation from operating activities.</p> <p>Local community opposition may lead to project delays, inability to gain land lease extensions, significant security risk to our employees and contractors or, in extreme cases, loss of licence to operate.</p>	<p>The Group 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 and the Nordic ABM of the Oslo Bors.</p> <p>Discussions between the Group, MOL and the MNR regarding the Gas Management Plan resumed in 2021 and a draft FDP was submitted in November 2021, which is being reviewed by and discussed with the MNR.</p> <p>The Company continues to progress commercial negotiations with the MNR to finalise PSC terms with the overarching objective of at least maintaining the value of the current contract.</p> <p>Shaikan Management Committee meetings including representatives of the MNR, MOL and GKP are held periodically to discuss issues and ensure alignment. Key decisions from meetings are formally documented.</p> <p>Strong community relations are vital to our ability to achieve local support for new projects. Gulf Keystone strives to be a good corporate citizen and fosters its reputation through strong and positive relationships with the governments and communities where we do business.</p> <p>The Group continues to collaborate with local and government stakeholders and has a CSR strategy to complement its existing community welfare initiatives.</p>

Management of principal risks and uncertainties continued

Principal risks continued

Key risk factor	Potential impact	Mitigation
Strategic		
<p>Climate change and sustainability</p> <p>Risk owner: CEO</p> <p>Climate change and sustainability are material issues for the global economy and for the Group. Introduction of regulations or the physical impact of climate change may have a significant effect on the long-term viability of the Group.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>The transition to a low carbon economy may lead to a decline in oil demand resulting in lower oil prices, costs relating to flaring emissions or carbon taxes, reduced access to or increased cost of funding and insurance, disruptions to the supply chain, increasing challenges to attract and retain talent, and increased compliance and monitoring costs related to new regulatory frameworks.</p> <p>The Group may also be impacted by physical risks due to climate changes, including increasing frequency and magnitude of extreme weather events impacting operations, production efficiency losses, disruptions to the supply chain and weakened international cooperation.</p> <p>Additionally, conflicting stakeholder expectations and/or a lower oil price may lead to an inability of the Group to develop the asset.</p>	<p>Gulf Keystone is committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), targeting full compliance by fiscal year 2022 as per Standard Listing requirements.</p> <p>The Company has formulated its sustainability strategy and an ESG implementation roadmap has been approved by the Board.</p> <p>A specific ESG risk register has been created to closely track and review existing and evolving ESG risks more effectively.</p> <p>The ability to achieve the Group’s targets of reducing emissions intensity and eliminating routine flaring is dependent on finalisation of the Gas Management Plan with our partner MOL and the MNR and its subsequent implementation. A draft FDP, containing a proposal for the Gas Management Plan, was submitted to the MNR in November 2021.</p> <p>Wherever possible, the Group will improve the efficiency of its operations and processes in order to reduce emissions and consumption.</p> <p>The Group continuously monitors air quality and its management of waste, water and wastewater, soil remediation and the impact of its facilities as part of its commitment to minimise impact on the environment and local communities.</p>

Key to strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Key to change in year



Newly identified



Increased level of risk



Similar level of risk



Decreased level of risk

Key risk factor	Potential impact	Mitigation
<p>Strategic</p> <p>Global pandemic (e.g. COVID-19)</p> <p>Risk owner: CEO</p> <p>The effects of a global pandemic such as COVID-19 may be severe and far-reaching, affecting the global economy, our business, our workforce and the local communities in which we operate.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Over the long term, a pandemic and its effects on the global economy may threaten the viability of the Group. In the short term, the deterioration of market conditions and volatile oil prices could reduce the Group's revenue generation potential and adversely impact the Group's profitability and liquidity position.</p> <p>A pandemic may adversely affect the health and safety of our staff, the KRG's ability to make ongoing revenue or arrears payments, field operations and expansion activities and increase cyber security vulnerabilities due to remote working.</p>	<p>The Group has taken several actions in order to manage the impact of the COVID-19 pandemic, as follows:</p> <ul style="list-style-type: none"> • Implemented a vaccination campaign resulting in 97% of GKPI's workforce receiving double vaccinations. • The Crisis Management Team, with representatives in the UK and Kurdistan, meets as required to develop and review plans to effectively manage the response. • The Company actively monitors advice from the World Health Organization and Public Health England and receives regular independent medical advice relating to the COVID-19 outbreak to ensure best practice precautions are being applied. • Clear guidelines and health precautions on how employees should protect themselves and reduce exposure and transmission have been communicated to the organisation. • Implementation of a remote working policy, along with additional guidance relating to cyber-safety practices, and health screening of staff and contractors entering work sites. <p>The Company monitors the environment for potential signs of new or emerging pandemics.</p> <p>The Company ensures that it maintains adequate liquidity and operational flexibility to protect itself from the effects of a pandemic.</p>
<p>Cyber security</p> <p>Risk owner: CFO</p> <p>As the Group becomes more reliant on information technology systems, software and cloud computing, it becomes more vulnerable to malicious cyber attacks.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>A cyber security breach could disrupt our operational and development activities, put employees at risk, result in the disclosure of confidential information, which could adversely affect the share price, damage our reputation and create significant financial and legal exposure for the Group.</p> <p>As a result of current global events there could be an increase in the frequency and severity of cyber attacks.</p>	<p>The Group has developed focused information and operational technology cyber risk registers to facilitate identification, management and mitigation of potential risks.</p> <p>The Group has implemented a cyber security strategy and roadmap to continuously identify and remediate system vulnerabilities.</p> <p>The Group has contracted a recognised Managed Security Services Provider that employs several tools to manage cyber security risks on an ongoing basis, including third-party monitoring, vulnerabilities management, red team tests, dark web monitoring, endpoints and perimeter security and ongoing cyber security awareness training.</p> <p>The Group has invested in staff and software to monitor, maintain and regularly upgrade its systems, processes and network.</p> <p>The Group enrolled on the Early Warning Service carried out by the UK National Cyber Security Centre.</p>

Management of principal risks and uncertainties continued

Principal risks continued

Key risk factor	Potential impact	Mitigation
Operational		
<p>Health, Safety and Environment (“HSE”) risks</p> <p>Risk owner: COO</p> <p>The Group, its staff and contractors and local communities may be exposed to specific risks in relation to HSE matters.</p> <p>Identified risk areas include, but are not limited to, H₂S leaks at the production facilities, loss of containment, road traffic accidents and other accidents at production facilities and well sites.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>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.</p>	<p>The Board has established a Safety and Sustainability Committee to ensure that the Company has a robust HSE strategy with clear lines of accountability and commitment throughout the organisation.</p> <p>The Company has formulated its sustainability strategy and the ESG roadmap was approved by the Safety and Sustainability Committee in November 2021, and subsequently approved by the Board in January 2022. In addition, a specific ESG risk register was created to track and review ESG risks more effectively.</p> <p>The Group has comprehensive HSE and operations management procedures, including emergency and incident response plans. The HSE Action Plan for 2021 included improvement and compliance initiatives and was 99% complete by the end of 2021 (see “Key performance measures” section on pages 22 and 23).</p> <p>In 2021 the Company completed a thorough review of the safety case for the FDP. The 2022 HSE Action Plan has been established, including key actions from the safety case, and progress will be closely monitored during the year.</p>
<p>Gas flaring</p> <p>Risk owner: COO</p> <p>GKP relies on flaring as a disposal method for the gas produced as a by-product of its oil production, which creates an environmental impact. There is a risk that the Group does not achieve its target of reducing scope 1 and 2 CO₂ emissions per barrel by more than 50% by 2025, which is subject to approval of the FDP.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>The KRG may enforce a ban on gas flaring and/or introduce a financial penalty or other sanctions for gas flaring, resulting in reduction or cessation of production or a less favourable Shaikan asset valuation.</p>	<p>The Group maintains active dialogue with the regional authorities to ensure that it complies with the existing emissions regulations.</p> <p>Harmful gas emissions are closely monitored by the HSE department, with any variances outside normal levels investigated and reported to executive management.</p> <p>The Group uses a clean flare stack to improve the combustion of flared gas.</p> <p>The ability to achieve a reduction of routine flaring is dependent on finalisation of the Gas Management Plan with our partner MOL and the MNR and its subsequent implementation. A draft FDP, containing a proposal for the Gas Management Plan, was submitted to the MNR in November 2021.</p>

Key to strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Key to change in year



Newly identified



Increased level of risk



Similar level of risk





Decreased level of risk

Key risk factor	Potential impact	Mitigation
Operational		
<p>Security</p> <p>Risk owner: COO</p> <p>The Group is exposed to security risks by virtue of the location of its operations. These include the threat of terrorist attack, military action and local protests and unrest at Gulf Keystone sites.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Political unrest, armed conflict in Iraq or other security issues may lead to loss of life or injury to personnel, personnel evacuations, disruption to operations, costs to repair facilities, increased costs of doing business due to increased security and reduced staff retention, reputational damage with the associated financial loss and loss of investor confidence.</p> <p>There can be no assurance that the Group will be able to obtain or maintain effective security over any of the Group's assets or personnel.</p>	<p>The Board has established a Safety and Sustainability Committee to ensure that the Company has a robust HSE strategy with clear lines of accountability and commitment throughout the organisation.</p> <p>The wells and facilities are protected by external security consultants and local government forces who work closely with the Group's internal security team.</p> <p>The Company retains external security advisers who prepare detailed risk assessments, security procedures and contingency plans which can be activated when threats arise.</p> <p>Local communities are an essential source of intelligence about the nature, severity and likelihood of any threat. The Group ensures it maintains good relations with the local population and considers the impact of all decisions on them.</p>
<p>Field delivery risk</p> <p>Risk owner: COO</p> <p>The Company does not achieve its stated investment case and economic and production returns do not match expectations.</p> <p>The major identified risks within this area are the following:</p> <ul style="list-style-type: none"> • Loss of a well due to water or gas breakthrough, pressure decline or mechanical failure. • Damage to wells during drilling due to loss of drill fluids. • Well locations are sub-optimal. <p>Link to strategic priorities</p>    <p>Change in year</p> 	<p>Failure to control development and production risks may manifest as project delays, cost overruns, high production costs, early field decommissioning and, ultimately, lower than expected reserves.</p> <p>Water breakthrough in advance of the installation of appropriate water-handling facilities may result in temporary well shut-ins, failure to meet production targets and damage to the production facilities.</p> <p>Gas breakthrough in volumes exceeding the limit of the gas processing capacity could result in reduced oil production and shutting-in the well with gas breakthrough.</p> <p>Drilling operations issues might result in cost overruns and project delays, and possibly even the suspension of drilling operations.</p>	<p>Technical and financial approvals are required for all material projects and for all dedicated project teams.</p> <p>All projects are closely monitored to ensure the project delivers against plan, which enables actions to be taken to maintain progress, and minimise budget overruns.</p> <p>All wells are monitored to ensure early detection of, and reaction to, any abnormalities. Zones within wells which are producing water may be isolated while other zones in the well are brought on production. Wells are regularly tested to look for any changes in gas/oil ratio and to provide an early warning of any gas breakthrough.</p> <p>Reservoir modelling is carried out to improve our understanding and forecasting of this event. Our current analysis does not show inclement water breakthrough.</p> <p>Water-handling and desalting facilities are included in the Group's capital programme.</p> <p>Design of future development wells takes account of the updated modelling to optimally locate the producing interval from wells at a depth to minimise the risk of early gas and water breakthrough.</p>

Management of principal risks and uncertainties continued

Principal risks continued

Key risk factor	Potential impact	Mitigation
Operational		
<p>Reserves</p> <p>Risk owner: COO</p> <p>Recoverable reserves are below expectations, which will affect the revenue and economic viability of the field.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Due to natural uncertainty in the volumes of hydrocarbons in place and the proportion of those hydrocarbons that might be recoverable, the actual reserves may be lower than our most likely forecast.</p>	<p>An updated, independent third-party evaluation of the Company's reserves as at 31 December 2020 was issued by ERCE in early 2021. The report reaffirmed the reserves and resources estimates of the 2016 CPR, after adjusting principally for production.</p> <p>The Company continues to evolve and optimise its Field Development Plans. A draft FDP was submitted to the MNR in November 2021.</p> <p>The Group bases its forecasts and investment planning on a range of possible outcomes that include a low-side case.</p> <p>Phasing of the project investment is considered against the low-side scenario and the investment plans adjusted accordingly.</p> <p>Data acquired from well production and pressure measurements and the results from new wells are used to help model the reservoir and reduce uncertainty over time.</p> <p>Seismic data has been reprocessed and the structural model has been rebuilt in order to better understand the subsurface.</p>
Financial		
<p>Liquidity and funding capability</p> <p>Risk owner: CFO</p> <p>The Group has insufficient working capital to meet short-term operational requirements or has insufficient funding in place to pursue the full Shaikan development programme.</p> <p>Link to strategic priorities</p>    <p>Change in year</p> 	<p>Lack of liquidity may result in the Group not being able to function as a going concern and being unable to meet its operational commitments.</p> <p>Lack of funding in the long term may result in the Group's inability to fully achieve its strategy, failure to reach the stated field plateau, failure to service its debt and inability to deliver a return to investors.</p> <p>Lack of capital discipline and operational cost focus may result in significant unplanned cash outflows and inadequate liquidity.</p>	<p>The Group currently has a significant cash balance.</p> <p>The Group invests capital in phases and has a flexible capital programme, enabling it to quickly adjust levels of spending to adapt to changes in market circumstances.</p> <p>A draft FDP including a GMP was submitted to the MNR in November 2021. The Group is proactively reviewing options to finance the FDP.</p> <p>The Board and management ensure that the strategy planning process is robust. The Group's business plan is regularly reviewed and revisited by the Board to ensure that it reflects any changes to internal or external factors.</p> <p>Business planning and corporate performance management processes are used to control spend. These processes involve the review of multiple scenarios to assess a possible range of outcomes.</p> <p>The Group carefully manages debt maturities and considers potential sources of funding to ensure there are available funds to repay debt outstanding on maturity.</p>

Key to strategic priorities



Safety and sustainability



Value creation



Capital discipline and cost focus



Robust financial position

Key to change in year



Newly identified



Increased level of risk



Similar level of risk



Decreased level of risk

Key risk factor	Potential impact	Mitigation
Financial		
<p>Oil revenue payment mechanism</p> <p>Risk owner: CFO</p> <p>There is uncertainty relating to the revenue payment mechanism for oil in Kurdistan.</p> <p>There can be no assurance that PSC operators will be paid their full contractual entitlement.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>Delays in, or lack of, revenue payments from the KRG could adversely impact the Group's ability to develop and invest in the asset, to operate efficiently and to make necessary working capital payments.</p> <p>Irregular receipts of revenue payments may damage investor confidence in the Group and the region and make any fundraising difficult.</p> <p>Changes in the terms of the Crude Oil Sales Agreement may have an unfavourable effect on revenue.</p> <p>Recently payment terms have slipped from the contractual 60 days per the Crude Oil Sales Agreement to around 90 days.</p>	<p>The Group continues to monitor the political situation in the Kurdistan Region of Iraq and maintains dialogue and relations with the relevant national and regional authorities.</p> <p>The Group has maintained accurate records of liftings and applies robust assumptions when estimating historic revenue arrears. The Group's position is regularly communicated to the MNR.</p> <p>Export oil sales quantities are currently agreed by three parties (including an independent pipeline operator) to reduce uncertainty regarding delivery volumes.</p> <p>The Crude Oil Sales Agreement between the Group and the MNR provides for oil sales payments according to revenue entitlement and is renewed on a monthly basis. The Company is pursuing with the MNR a longer-term contractual arrangement.</p> <p>The KRG has proposed a mechanism to repay outstanding arrears of \$73.3 million relating to November 2019 to February 2020 invoices. The outstanding balance is \$21.9 million net to GKP at 29 March 2022.</p>
<p>Commodity prices</p> <p>Risk owner: CFO</p> <p>A material decline in oil prices may adversely affect the Group's cash flows, asset valuations, production operations or result in delays to the Shaikan development.</p> <p>Low oil prices may adversely impact the KRG's ability to meet its payment obligations towards the region's producers.</p> <p>Link to strategic priorities</p>  <p>Change in year</p> 	<p>The Group's revenues, profitability and future rate of growth will depend substantially on prevailing oil prices, which can be volatile and subject to fluctuation.</p> <p>A sustained low oil price environment would have an adverse effect on the Group's liquidity and ability to develop the asset. In addition, it may lead to a reduction in the Group's commercial reserves and an impairment of its asset.</p>	<p>The Group monitors and, where possible, reduces costs while maintaining safe operations.</p> <p>The Group's cash forecast is constantly monitored and it maintains surplus cash to manage short-term uncertainty.</p> <p>In establishing the annual work programme and budget, the Group considers a range of forward oil curves to assess the potential impact on cash flows and liquidity. Commodity prices are monitored on an ongoing basis.</p> <p>While a hedging programme is not currently in place, the Board considers hedging on an ongoing basis, taking into account macro-economic and corporate considerations.</p>

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. 2022);
- 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) it is expected to be the peak investment period under the draft FDP; and
- c) should the risks and uncertainties identified by the Group on pages 46 to 55 have an impact on the Group, it is reasonable to believe that they will occur within this period.

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

The Directors' viability assessment has been made with reference to the Group's strategy and business model, as detailed on pages 18 to 21, and to the risks, uncertainties and available mitigating action plans, as detailed on pages 46 to 55.

The Group conducted an annual planning process which consisted of the review of the Group's strategy and performance, preparation of a work plan and budget and review of risks, uncertainties and opportunities over the three-year assessment period.

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

- average Brent price of \$81/bbl in 2022 and \$55/bbl thereafter;
- cost assumptions in line with the draft FDP;
- production profiles in line with the draft FDP;
- maintain current level of debt; and
- regular revenue receipts.

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

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

Stress test scenarios	Downside assumptions	Mitigating actions	Reference to principal risks and uncertainties ⁽¹⁾
<ol style="list-style-type: none"> 1. Low oil price environment 2. Oil revenue payment interruptions 3. Delays to the development programme 4. Decreasing reservoir productivity 5. Impacts of climate change 6. Inability to access debt market 7. Inability to access export pipeline 	<ul style="list-style-type: none"> • Brent price reduction to \$50/bbl flat in 2023 onwards, to reflect the potential impact of meeting the Paris Agreement targets • Revenue receipts interruptions • Reduced production • Cost increases • Introduction of a carbon tax • Repayment of \$100 million Notes • Limited pipeline access 	<ul style="list-style-type: none"> • Deferrals and reductions in capital expenditure • Further optimisation of the development programme • Further rationalisation of the operational cost base • Oil export via trucking • Dividend policy adjustment 	<ul style="list-style-type: none"> • Political, social and economic instability • Disputes regarding title or exploration and production rights • Export route availability • Risk of economic sanctions impacting Group • Oil revenue payment mechanism • Stakeholder misalignment • Climate change and sustainability • Gas flaring • Commodity prices • Global pandemic • Field delivery risk • Reserves • Liquidity and funding capability

(1) Principal risks which were not specifically modelled were either considered not likely to have an impact within the viability period or their financial effect was covered within the overall downside economic risks implicit within the stress testing.

In February 2022, a majority decision of the Iraqi Supreme Court ruled that the Kurdistan Region of Iraq Oil and Gas Law (“KROGL”) was unconstitutional and provides that the Iraqi Ministry of Oil may pursue annulment of Production Sharing Contracts issued by the Kurdistan Regional Government (“KRG”). The KRG responded that “it will take all constitutional, legal, and judicial measures to protect and preserve all contracts made in the oil and gas sector”. While the Iraqi government has disputed the validity of the PSCs and the ruling has not to date impacted our business, it is not possible to determine potential future implications. The Group will continue to engage with KRG officials on this matter and will react as any implications of the ruling become clearer.

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



Board of Directors



Jaap Huijskes
Non-Executive Chairman

Appointed November 2017

Skills and experience

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

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

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



Jon Harris
Chief Executive Officer

Appointed January 2021

Skills and experience

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

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

Jon received a Masters of Engineering from the University of Leeds, UK.



Ian Weatherdon
Chief Financial Officer

Appointed January 2020

Skills and experience

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

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

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



Martin Angle
Deputy Chairman and
Senior Independent Director

Appointed July 2018

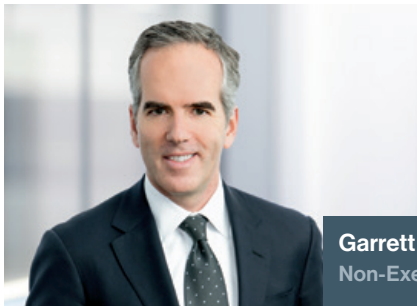
Skills and experience

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

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

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

Martin is currently Deputy Chairman and Senior Independent Director of Spire Healthcare plc, a Non-Executive Director of Ocean Biomedical Inc. (USA) and is a Hon. Professor in the College of Social Sciences and International Studies, University of Exeter. He is a Chartered Accountant and holds a BSc (Hons) in Physics from the University of Warwick.



Garrett Soden
Non-Executive Director

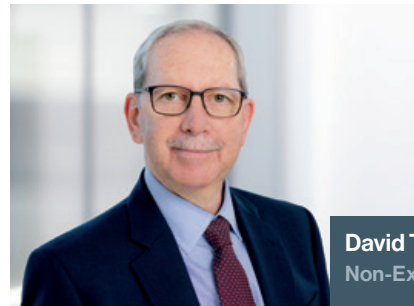
Appointed July 2020

Skills and experience

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

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

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



David Thomas
Non-Executive Director

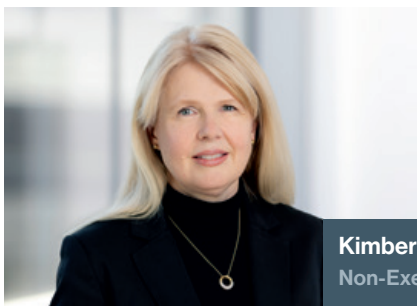
Appointed October 2016

Skills and experience

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

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

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



Kimberley Wood
Non-Executive Director

Appointed October 2018

Skills and experience

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

Kimberley is a legal professional with 20 years' experience and a specialist in the energy sector. She was Head of Oil and Gas for Europe and Middle East at Norton Rose Fulbright LLP and remains a Senior Consultant for the firm. She is included in Who's Who Legal Energy 2021 and as an expert in Energy and Natural Resources in Women in Business Law, 2021. Kimberley is also the European Regional Forum Liaison Officer for the Oil & Gas Law Committee of the International Bar Association ("IBA").

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

Corporate governance report



Our commitment to the highest standards of corporate governance, ethics and integrity are essential in delivering sustainable success for our stakeholders.

Jaap Huijskes
Non-Executive Chairman

Dear Shareholder,

The Board recognises that a continual commitment to the highest standards of corporate governance, ethics and integrity is essential in delivering sustainable success for our stakeholders. Strong corporate governance is core to our culture, which ultimately benefits the long-term interests of all of our stakeholders. In addition to having a comprehensive governance and policy framework in place, the highest priority is given to fostering a culture of safety, governance, sustainability, environmental, social and ethical considerations, underpinned by the Company's core values.

In promoting the long-term sustainable success of the Company, the Board encourages a transparent and open culture to ensure effective contributions from all Directors, management and the wider workforce. Communication is key to this and despite the logistical challenges associated with COVID-19 in 2020 and 2021, we have sought to maintain and enhance this aspect of our culture as we interact with our staff and other stakeholders. In 2021, the Board undertook an internal evaluation of its performance and governance. This covered a number of aspects of the Board's role, performance and governance, and the general conclusion was positive, with only minor amendments to existing practices proposed. A further, externally facilitated evaluation was completed in early 2022. This highlighted some enhancements which could be made as the Company evolves. These are more fully described in the report of the Nomination Committee.

The Company maintains an absolute zero-tolerance approach to bribery and corruption. It has in place a number of policies and procedures to maintain this, including regular training. This runs alongside the Company's Whistleblowing Policy, Information Handling Policy, Share Dealing Code and Diversity Policy. The Board considers the robustness and appropriateness of such policies and procedures, ensuring that operating with integrity remains a top priority, and will review and amend these policies as appropriate in the spirit of continuous enhancement.

Jaap Huijskes
Non-Executive Chairman
29 March 2022

Introduction

It is the duty of the Board of Directors that it must act in a manner, 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. The maintenance of high standards of governance is integral to this, and the Board sets the tone for the highest ethical compliance. The Board aims to create a culture which demands the same commitment and performance from all employees and contractors in all business activities. The governance processes applied across the Group are set out below and in the individual Committee reports.

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

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

In respect of the year ended 31 December 2021, Gulf Keystone Petroleum Limited, a Bermuda registered company, voluntarily adhered 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 this Corporate governance report.

Board leadership and purpose

The Board is accountable to shareholders and other stakeholders for the creation of a sustainable, long-term business. The Board oversees a robust governance framework with clear procedures, lines of responsibility and delegated authorities to ensure that the Company's strategy and values are implemented, and key risks assessed and managed effectively. The Board also engages with the Company's stakeholders on an ongoing basis to ensure their long-term interests are understood and preserved. This includes investors, the host government and local communities, staff and contractors, business partners and suppliers. It is recognised that the nature of the Company's business requires specific expertise at Board level and this is regularly reviewed to ensure it is appropriate.

Key responsibilities of the Board include:

- health and safety;
- ethical compliance;
- environmental and social governance;
- strategy development and objectives;
- operational and technical review;
- financial performance, structure and capital management;
- corporate planning and KPIs;
- stakeholder and workforce engagement;
- people, culture and values;
- risk management;
- Board development and effectiveness; and
- governance and regulatory compliance.

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

Division of responsibilities

The Board is led by the Chairman, who promotes a culture of openness and debate and is responsible for the leadership of the Board and its overall effectiveness. The Chairman also facilitates constructive Board relations and the effective contribution of all Non-Executive and 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, a further Non-Executive Director who is a non-independent shareholder representative, and the CEO and CFO. The CEO is responsible for operational management, and the development and implementation of strategy in conjunction with the senior leadership team. The Chief Legal Officer attends Board and Committee meetings as Secretary to ensure corporate governance and regulatory compliance.

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

The Executive Committee comprises the CEO, CFO, Chief Operations Officer, Chief Commercial Officer, Chief Legal Officer and Chief HR Officer. They meet on a regular basis, at least weekly, to discuss significant management matters. The senior leadership team, comprising functional heads of departments and the Executive Committee, also meets on a regular basis to discuss management matters.

Corporate governance report continued

Composition, succession and evaluation

The Nomination Committee is primarily responsible for reviewing the composition and balance of the Board, and for recommending any new appointments to the Board and Committees. Appointments and succession planning are based on merit and in accordance with the Company's Diversity Policy. During the year, one new appointment to the Board was made: Jon Harris was appointed as CEO in succession to Jón Ferrier.

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

A formal, externally facilitated Board and Committee evaluation takes place at least every three years, the last one being in 2022. This is more fully described within the report of the Nomination Committee.

Audit, risk and internal control

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

The Board acknowledges that it must have in place a sound system of internal control to safeguard the assets and value of the business and to ensure reliability of financial information. In this respect, a regular review is undertaken by the Audit and Risk Committee to consider the adequacy of and 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 and will further be considered at the AGM in 2022.

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. We firmly believe that this voluntary adherence establishes a solid basis from which to conduct Board and managerial decision-making acting in the best interests of the Company and its stakeholders. A copy of the Code is available on the website of the Financial Reporting Council ("FRC") on www.frc.org.uk.

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

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

Provision 36 – The policy for post-employment shareholding requirements is being put for consideration by shareholders within the Remuneration Policy at the 2022 AGM.

The information contained in this report, and elsewhere in this annual report and accounts, 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.

The following Board changes were made during 2021: Jon Harris was appointed CEO on 18 January 2021, replacing Jón Ferrier who retired on 31 January 2021.

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	18 June 2021
Jon Harris	CEO	18 January 2021	18 June 2021
Ian Weatherdon	CFO	13 January 2020	18 June 2021
David Thomas	Non-Executive Director	13 October 2016	18 June 2021
Martin Angle	Deputy Chairman and Senior Independent Director	16 July 2018	18 June 2021
Kimberley Wood	Non-Executive Director	1 October 2018	18 June 2021
Garrett Soden	Non-Executive Director	14 July 2020	18 June 2021

Board composition, independence and diversity

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

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

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

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. The balance of skill diversity of the Board is specifically considered at the annual Board evaluation and by the Nomination Committee.

The experience provided by the Board covers, inter alia, financial/capital markets, legal, commercial, technical (including petroleum engineering, geology, operations and HSE) 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.

Jon Harris was appointed to the Board in January 2021 following an external recruitment process managed by Korn Ferry which was based on merit and objective criteria including diversity. Korn Ferry 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. It is recognised that diversity is a key element for the Board, and that diversity extends to a number of different facets. The Company is currently looking to enhance the diversity of its Board through the recruitment of an additional Non-Executive Director. The operation of this is monitored on a continual basis and a report is prepared for each scheduled Board meeting which sets out the breakdown of staff according to parameters. This includes the gender balance of those considered to be senior management. The implementation of the Diversity Policy has resulted in enhanced awareness throughout the organisation of the benefits of a diverse workforce. The Diversity Policy will be strictly adhered to in the recruitment process for any Board position. The current gender balance of the Board is six male and one female.

Corporate governance report continued

Board induction

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

The Company will also provide training on a periodic basis to the Directors on relevant matters. All Directors undergo anti-bribery and corruption, and also compliance, training on the same cycle as staff, with the latest such cycle having been completed in March 2022.

The role of the Board

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

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

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

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 Chief Legal Officer and Company Secretary and, if necessary, the Board and its individual Directors have the ability to seek external expert advice at the expense of the Company.

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

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

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

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

As part of the Board evaluation undertaken in early 2022, 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 and fostering the underlying culture and principles of the Company to all staff and stakeholders.

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

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

Board meetings and attendance

Board meetings are held on a regular basis and no decision of any consequence is made other than by the Directors. A total of nine scheduled Board meetings were held during the year ended 31 December 2021. In addition to those scheduled meetings, the Board held a further seven strategy review meetings. These meetings were attended by all Directors and, if appropriate, senior management, with discussions being minuted. No formal decisions were made at these meetings.

The Directors' attendance record at the scheduled Board meetings and Board Committee meetings for the year ended 31 December 2021 is shown in the table below. For Board and Board Committee meetings, attendance is expressed as the number of meetings that each Director attended followed by the number of meetings held for the period she/he was a Director during the year. The number of meetings attended by each Director is shown out of the total number she/he was eligible to attend.

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

(1) Resigned from the Audit and Risk Committee on 9 June 2021.

(2) Resigned on 31 January 2021.

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

(4) Resigned from the Safety and Sustainability Committee and the Technical Committee on 18 February 2022 upon his retirement.

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

Current Board Committees		
Audit and Risk	Remuneration	Nomination
Martin Angle (Chair) Kimberley Wood	Kimberley Wood (Chair) David Thomas Martin Angle	Jaap Huijskes (Chair) Kimberley Wood Martin Angle
Safety and Sustainability	Technical	
David Thomas (Chair) Jaap Huijskes Kimberley Wood Jon Harris	David Thomas (Chair) Jaap Huijskes Jon Harris Gabriel Papineau-Legris	

Corporate governance report continued

The Board Committees

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

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

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

Alasdair Robinson acts as Company Secretary to each Committee.

There were a number of changes to the Board and Committee composition during 2021. Jon Harris was appointed to the Board on 18 January 2021 as Chief Executive Officer, replacing Jón Ferrier who resigned on 31 January 2021. Jon Harris replaced Mr Ferrier as a member of the Technical Committee and the Safety and Sustainability Committee on 26 January 2021. On 9 June 2021, Garrett Soden resigned as a member of the Audit and Risk Committee. Stuart Catterall resigned from the Safety and Sustainability Committee and the Technical Committee on 18 February 2022 upon his retirement.

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 2021, the Audit and Risk Committee comprised two Non-Executive Directors, both of whom are considered to be independent. The members were: Martin Angle (Chair) and Kimberley Wood.

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 2021, the Committee met eight 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 January 2022. The Audit and Risk Committee report is set out on pages 73 to 76.

Nomination Committee

As at 31 December 2021, the Nomination Committee comprised three Non-Executive Directors, who are considered to be independent, including the Non-Executive Chairman of the Board. The members were: Jaap Huijskes (Chair), Kimberley Wood and Martin Angle. There were no changes to the composition of the Committee in 2021.

The Nomination Committee met on three 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 December 2021.

The Nomination Committee report is set out on pages 70 to 72.

Remuneration Committee

As at 31 December 2021, the Remuneration Committee comprised three Non-Executive Directors: Kimberley Wood (Chair), David Thomas and Martin Angle. There were no changes to the composition of the Committee in 2021.

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

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

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

The Remuneration Committee report is set out on pages 81 to 98.

Safety and Sustainability Committee

As at 31 December 2021, the Safety and Sustainability Committee comprised three Non-Executive Directors, one Executive Director and the Chief Operating Officer, being David Thomas (Chair), Jaap Huijskes, Kimberley Wood, Jon Harris (CEO) and Stuart Catterall (COO). On 26 January 2021, Jon Harris replaced Jón Ferrier on the Committee. Stuart Catterall resigned from the Committee on 18 February 2022.

The Committee was formed in June 2020 in succession to the HSE and CSR Committee. It aims to meet at least four times a year and met four times during 2021. The primary function of the Committee is to oversee the development of the Group's policies and guidelines for the management of ESG including evaluating HSE and social risks, evaluate the effectiveness of these policies and their ability to ensure compliance with applicable legal and regulatory requirements, overseeing the quality and integrity of reporting to external stakeholders concerning safety and sustainability, and reviewing the results of any independent audits of the Group's performance in regard to safety and sustainability making recommendations, where appropriate, to the Board concerning the same. The Committee also reviews ESG and safety performance and examines specific safety issues as requested by the Board, and will also review all governance matters which are relevant to the work of the Committee. The Committee provides visible leadership on HSE matters through site visits to the production facilities and drilling sites as well as aiming to hold a Committee meeting once a year in Erbil at the field facilities, although due to restrictions on account of COVID-19, this was not possible in 2021.

The terms of reference of the Safety and Sustainability Committee are documented and agreed by the Board and are available in the corporate governance section of Gulf Keystone's corporate website: www.gulfkeystone.com. The terms of reference are reviewed regularly and were last updated in March 2022.

The Safety and Sustainability Committee report is set out on pages 77 and 78.

Technical Committee

As at 31 December 2021, the Technical Committee comprised two Non-Executive Directors, one Executive Director, the Chief Operating Officer ("COO") and the Chief Commercial Officer ("CCO"), being David Thomas (Chair), Jaap Huijskes, Jon Harris (CEO), Stuart Catterall (COO) and Gabriel Papineau-Legrís (CCO). On 26 January 2021, Jon Harris replaced Jón Ferrier on the Committee. Stuart Catterall resigned from the Committee on 18 February 2022.

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

The Technical Committee report is set out on pages 79 and 80.

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 Chief Legal Officer for all governance and regulatory matters. Independent professional advice is also available to Directors in appropriate circumstances, at the Company's expense. Board members also keep up to date with developments in relevant law, regulation and best practice to maintain their skills and knowledge.

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

Performance evaluation of the Board and its Committees

Following the financial year end, the Board undertook an externally facilitated performance evaluation and governance review in early 2022. This entailed detailed consideration, analysis and discussion of the results of the evaluation undertaken by Evalus Limited. A summary of this is included in the report of the Nomination Committee.

Corporate governance report continued

Business ethics

The Company adopts a zero-tolerance approach to bribery and corruption and has adopted a number of measures and procedures to ensure ongoing compliance with relevant anti-bribery laws. An Anti-Bribery Policy is in place which is regularly reviewed and updated by the Board. This policy also includes provisions on Conflicts of Interest and the Criminal Finances Act. Training is undertaken on a regular basis through both physical presentations (in Kurdistan and the UK, where possible), and online training courses. A number of procedures underlie the Policy, including the maintenance of registers covering, for example, gifts and hospitality. The latest compliance training cycle was completed in March 2022.

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

Risk management and internal control

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

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

The Directors have derived assurance over the control environment from the following internal and external controls during 2021:

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

The above procedures and controls have been in place in respect of the Group for the 2021 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 and to how these are managed and mitigated are contained on pages 46 to 55.

Relations with investors and stakeholders

Regular communications with the Company's institutional and retail equity investors, as well as bondholders, are given high priority by the Board. The Non-Executive Chairman, Senior Independent Director, Chief Executive Officer, Chief Financial Officer and members of the Investor Relations team are the Company's principal spokespersons, engaging with investors, analysts, the press and other interested parties. Communication is undertaken through site visits, shareholder presentations, attendance and presentations at industry conferences, one-on-one meetings, conference calls and other written and oral mediums. Throughout 2021, the Group held a number of investor presentations which are available to view on the Group's website. It is recognised that 2021 was a difficult year for organising physical meetings or site visits, and therefore many of the investor interactions had to be carried out through video conference calls, including the Annual General Meeting.

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

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

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

Information pursuant to the Takeover Directive

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

Annual General Meeting

At the Company's Annual General Meeting ("AGM") held on 18 June 2021, all resolutions were successfully passed. However, resolutions 2 and 6, being the re-election of the Company's Chairman and Chief Financial Officer, failed to attain the support of 80% of the shareholders who voted. Substantially all the votes against resolutions 2 and 6 were from a single major shareholder. In accordance with Provision 4 of the 2018 UK Corporate Governance Code, the Board consulted with the single shareholder, and, as part of this exercise, also consulted with the Company's other major shareholders. Feedback received from the single shareholder encompassed issues principally related to the Company's operational progress, organisational structure and capital allocation. The Company also received feedback from other major shareholders, all of which were supportive of resolutions 2 and 6. The Board has carefully considered the issues and has addressed them, to the extent possible or necessary. The Company reported on this matter on 17 December 2021 in accordance with the Code and also stated that the independent members of the Board continued to hold every confidence in both the Chairman and Chief Financial Officer, recognising the value and contribution each bring to the Company.

The 2022 AGM will be held on 24 June 2022. The Notice of AGM accompanies this annual report and accounts 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. The 2022 AGM will be held by video conference. Both the annual report and accounts and Notice of AGM are available on the Company's website.

Jaap Huijskes

Non-Executive Chairman

29 March 2022

Nomination Committee report



Jaap Huijskes
Non-Executive Chairman

2021 membership and meeting attendance

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

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.

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

Matters discussed

January 2021

- Board evaluation
- Committee composition
- Terms of reference review

June 2021

- Board composition including review of diversity, skill set and regulatory requirements
- Committee composition

December 2021

- Board and Executive Committee succession review
- Non-Executive Director recruitment

Review of the Committee’s activities

The Nomination Committee meets at least twice per year. During 2021, the Committee met formally on three occasions. In addition, a number of informal meetings took place to discuss matters relevant to the Committee, and on some occasions, matters of a Nomination Committee nature may be discussed in full Board meetings.

Some of the key matters considered by the Committee during the year ended 31 December 2021 were: considering the balance and composition of the Board and Committees; the recruitment of further independent Non-Executive Directors; succession planning for the Board and Executive Committee, Board Committee composition; and Board evaluation.

On 18 January 2021, Jon Harris was appointed as CEO and Executive Director upon the retirement of Jón Ferrier. Jon Harris was appointed following an extensive search process, externally led by Korn Ferry. Jon Harris has over 30 years’ experience in the oil and gas industry including 25 years with BG Group in various international roles, including Executive Vice President Technical and General Manager Production Operations, as well as senior management assignments in the United States, Trinidad and Tobago and Egypt. Further information on Jon Harris is detailed in the section on the Board of Directors on pages 58 and 59.

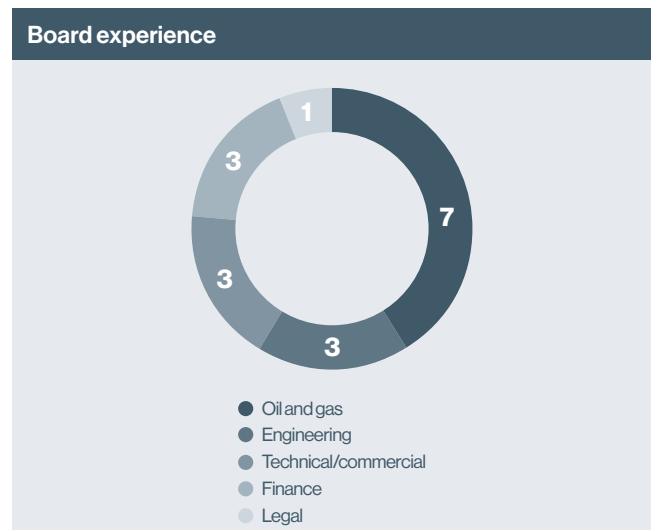
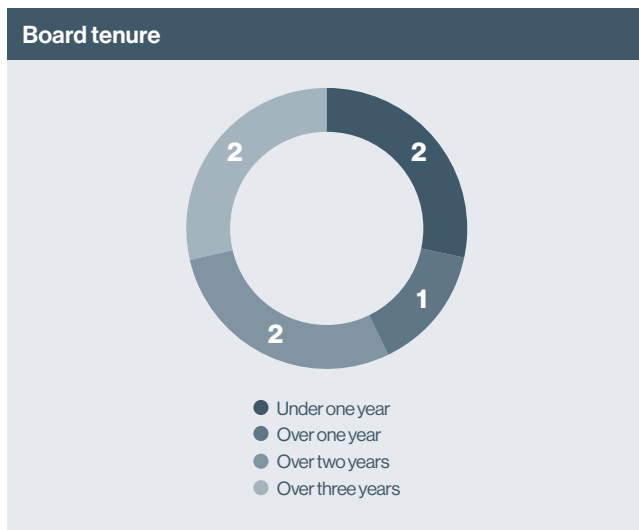
Diversity

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 Executive Committee is three male and one female.



Nomination Committee report continued

Succession

During 2021, 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 the Executive Committee. 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, ESG and HR.

In 2021 Korn Ferry was engaged to run the selection process for the appointment of a new CEO.

Board evaluation

The Company aims to undertake an externally facilitated Board evaluation process every three years. In early 2022, the Company undertook an externally facilitated evaluation with Evalu8 Limited. The evaluation covered the following topics and covered the Board and all Board Committees, with all Board members participating:

- composition, succession and evaluation;
- Board/Committee strategy and Company purpose;
- leadership;
- meetings, contributions and relationship with the Board;
- effectiveness;
- accountability;
- remuneration; and
- relations with shareholders.

The review concluded that the Board as a whole considered the overall governance and associated processes of the Company were strong with only a small number of enhancements being proposed to improve overall effectiveness. These included:

- enhanced diversity at the Board and Committee level;
- enhanced communication with major shareholders;
- improved transparency on certain matters (e.g. remuneration) between the Board/Committees and senior management; and
- additional training for Directors.

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

Jaap Huijskes

Chair of the Nomination Committee

29 March 2022

Audit and Risk Committee report



Martin Angle

Chair of the Audit and Risk Committee

2021 membership and meeting attendance

	Member since	Audit and Risk Committee
Martin Angle	16 July 2018	8/8
Garrett Soden ⁽¹⁾	2 September 2020	3/3
Kimberley Wood	12 October 2018	8/8

(1) Non-independent. Resigned from the Committee on 9 June 2021.

Matters discussed

January 2021

- External audit
- Risk review
- Cyber review
- D&O insurance
- Audit tender

March 2021 (two meetings)

- 2020 full-year results
- Report from the external auditor on the 2020 audit
- Principal accounting judgements and estimates affecting the Group based on reports from both the Group's management and external auditor
- Auditor independence
- Going concern and viability statement
- Risk register review, including climate change risks
- Management representation letter
- Private session with external auditor

- Cyber security
- Terms of reference

June 2021

- Risk review, including climate change risks
- Review of specific control areas
- Internal audit
- ERP review
- Cyber security
- Insurance review
- Non-audit services policy

August/September 2021 (two meetings)

- 2021 half-year results
- Report from the external auditor on outcome of interim review
- Principal accounting judgements and estimates affecting the Group based on reports from both the Group's management and external auditor

October 2021

- Risk register review, including climate change risks
- Cyber security
- Insurance review
- ERP system implementation

December 2021

- External audit engagement letter and fee quotation
- 2021 Deloitte audit planning report
- Auditor independence
- Risk register review, including climate change risks
- Internal audit
- ERP system implementation
- Non-audit fee spend

Audit and Risk Committee report continued

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 requirements, and for making recommendations to the Board in relation to the appointment of the Group's internal (if applicable) and external auditor.

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

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

Composition

As at 31 December 2021 and the date of this report, the Committee comprised two Non-Executive Directors, both of whom are considered to be independent. The members of the Committee are Martin Angle (Chair) and Kimberley Wood. Garrett Soden resigned from the Committee on 9 June 2021.

The meetings are also attended on a selective basis by Jon Harris (CEO), Ian Weatherdon (CFO), Nadzeya Kernoha (Head of Finance), Alasdair Robinson (Chief Legal Officer and Company Secretary), representatives from finance management, representatives from operations and Deloitte LLP (external auditor).

Review of the Committee's activities

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

Matters discussed

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

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

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

Significant issues considered by the Audit and Risk Committee in 2021

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

The significant issues considered in the year are detailed below:

Significant issue	How the issue was addressed by the Committee
<p>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.</p> <p>In 2021, the Group has continued to recognise revenue when cash receipt is assured. The key judgement for the revenue recognition is considering whether the current accounting policy remains appropriate and whether under this policy it is reasonable to recognise the invoices that remained unpaid as of 31 December 2021 as revenue for the year.</p>	<p>The Committee considered whether recognition of revenue in relation to oil sales was appropriate. The Committee discussed the key judgements with management and reviewed the information provided, including details of communications with the KRG and MNR. The Committee also had discussions with the external auditor in respect of the Group's revenue recognition policy. Based on these reviews and discussions, the Committee agreed with management's conclusion that the Group should recognise revenue in relation to oil exported when the receipt of cash was assured. The Committee was satisfied that the revenue recognition policy for oil sales for the year ended 31 December 2021 was appropriate. The Committee was also satisfied with the judgement that recognising revenue for the invoices that remained unpaid as of 31 December 2021 is appropriate.</p>
<p>Impairment and carrying value of oil and gas assets: An assessment of any impairment and carrying value of the Group's assets is required under International Financial Reporting Standards. This assessment involves management making a number of judgements and assumptions including identifying indicators of impairment and estimating future oil prices, production profiles, costs and discount rates.</p>	<p>The Committee considered reports from management and reviewed the impairment indicator assessment which included impacts of climate change and geopolitical factors. The Committee was satisfied that the base case and the range of scenarios, including a base case Brent oil price of \$81/bbl for 2022 and \$55/bbl real thereafter based on the price prevailing at 31 December 2021 and a stress case of \$80/bbl for 2022 and \$50/bbl real thereafter, used for the impairment indicator assessment, were reasonable. The Committee agreed with management's conclusion with regard to the Iraqi Supreme Court ruling on 15 February 2022 that it is not possible to determine the potential future implications on the impairment assessment at present, although to date it has not had any adverse impact on the Group's operations. The Committee agreed with management's conclusion that no impairment indicators existed for the Group's assets.</p>
<p>Going concern and viability statement: The appropriateness of preparing the Group financial statements for the year on a going concern basis and the preparation of the long-term viability statement.</p>	<p>The Committee considered reports and analysis prepared by management, taking into account the external auditor's review of these papers and their observations. The analysis involved stress testing the assumptions. The Committee concluded that management's recommendation to prepare the financial statements on a going concern basis was appropriate.</p> <p>The Committee reviewed the assessment of the principal risks facing the Group, the stress test scenarios and possible mitigating actions over the three-year viability statement period. Based on this review, the Committee approved the disclosure included under the long-term viability statement.</p>

Internal audit

The Audit and Risk Committee has oversight responsibilities for the internal audit function. The Committee has been considering the appropriateness of the appointment of an internal auditor and the matter is under active consideration by the Committee.

The Committee also undertakes detailed analysis of higher risk internal procedures and controls on a periodic basis, recent examples being cyber security, payments, inventory and supply chain management. In addition, specialist advisers are engaged, where necessary, to review key controls in high risk areas. The lack of an internal audit function has not had any impact on the work of the external auditor.

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 and Risk Committee report continued

Audit tendering

The Audit and Risk Committee has noted the changes to the Code 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 four senior statutory auditors in line with the required rotation timetable, the last rotation being after completion of the audit for the year ended 31 December 2020.

In line with guidance issued by the FRC encouraging companies to consider delaying tenders for new auditors, principally related to current COVID-19 constraints, the Company applied for and received the FRC's approval for a two-year extension to the appointment of Deloitte LLP as the Company's auditor.

As a result, Deloitte will continue to serve as the Company's auditor for the financial year ending 31 December 2022. The Company plans to progress the audit tender in 2022 to allow, as appropriate, the new auditor to shadow Deloitte through the audit for the financial year ending 31 December 2022. There are no contractual obligations that restrict the choice of external auditor.

Effectiveness of external auditor

To assess the effectiveness of the external audit process, the auditor is asked on an annual basis to describe the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. Gulf Keystone monitors the auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the Committee's decision to recommend reappointment on an annual basis. The external auditor's fulfilment of the agreed audit plan and any variations from the plan and the robustness and perceptiveness of the auditor in its assessment of the key accounting and audit judgements are also considered when making a judgement on auditor effectiveness. The Committee monitored the efficiency of the audit process and the performance of the auditor. 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 2021, Deloitte LLP provided the following non-audit services to the Group:

- interim review of the half-year results;
- advisory services relating to ESG; and
- other assurance services.

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

A breakdown of the fees paid to the external auditor in respect of audit and non-audit work is included in note 4 to the consolidated financial statements. In 2021, the Company implemented a Non-audit Services Policy which stipulates a cap limiting non-audit fees to 70% of the average prior three years of audit fees. Taking 2021 as a whole, this cap was exceeded largely due to Deloitte being engaged for the half-year results review (which is not considered an audit fee) and with respect to ESG strategy implementation and compliance. However, non-audit services fees were less than audit fees for the year and the Committee is satisfied that the non-audit services do not impact the independence of the auditor.

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

Committee evaluation

In early 2022, an externally facilitated review of the Audit and Risk Committee's performance and effectiveness was completed which did not raise any issues other than of a minor administrative nature. This was conducted alongside a full Board and Committee evaluation.

Martin Angle

Chair of the Audit and Risk Committee

29 March 2022

Safety and Sustainability Committee report



David Thomas

Chair of the Safety and Sustainability Committee

2021 membership and meeting attendance

	Member since	Safety and Sustainability Committee
David Thomas	8 December 2016	4/4
Jaap Huijskes	6 December 2017	4/4
Kimberley Wood	11 October 2018	4/4
Jon Harris	26 January 2021	4/4
Stuart Catterall	11 January 2017	4/4

Committee activities during 2021

The Committee seeks to meet formally four times a year. During 2021 it met on four occasions (in March, June, September and November), and also held a “workshop” specifically for ESG. The Committee has a number of standing agenda items which are considered at each meeting, and will supplement these with specific agenda items as necessary. In 2021, the topics considered included:

- HSE performance and statistics, including a review of any incidents which have occurred and lessons learned;
- ESG strategy plan formulation and implementation, including production of the Group’s Sustainability report;
- progress for the year against the HSE improvement plan;
- security review and risk assessment;
- the formulation, approval and delivery of the Group’s annual CSR plan and initiatives, including review of key initiatives;

- the Group’s strategy on the reduction of GHG emissions, including the formulation of specific targets relating thereto; and
- HSE operational planning for key field activities (for example, rig operations).

Due to travel restrictions on account of COVID-19, no site visits by the Committee to the Shaikan Field were possible during 2021 but it is hoped that this will be possible in 2022.

Role

The role of the Safety and Sustainability Committee is to monitor the development and implementation of the Group’s health and safety, environmental, social responsibility and ESG governance policies and to ensure that appropriate management systems and processes are in place to minimise any HSE risks associated with the Group’s activities, including the impact of the Group’s operations on GHG emissions and local communities.

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

The Safety and Sustainability Committee has written terms of reference which were last updated in March 2022. A copy of the terms of reference is available on the Company’s website. In accordance with its terms of reference, the Committee is authorised to:

- oversee the development of policies and guidelines for the management of all risks relating to safety, sustainability and ESG, incorporating health, safety, security and environmental and social risks within the Group’s operations;
- oversee the quality of safety and ESG (incorporating health, safety, security, environment and corporate social responsibility) policies, processes, governance, management and the methods to create appropriate behaviours and decisions, including relevant key performance indicators;

Safety and Sustainability Committee report continued

Role continued

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

Composition

As at 31 December 2021, the Safety and Sustainability Committee comprised three of the independent Non-Executive Directors, David Thomas (Chair), Jaap Huijskes and Kimberley Wood, the CEO, Jon Harris, and the COO, Stuart Catterall. Jon Harris was appointed to the Committee on 26 January 2021. Stuart Catterall resigned on 18 February 2022 upon his retirement. The Company's Head of HSE and Sustainability, Patrick Bersebach, the CSR Manager, Sirwan Dara, and the Security Manager, Serdar Abdullah, also attend meetings, along with other management and staff members as required. Alasdair Robinson acts as Secretary to the Committee.

Governance

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

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

Sustainability

Recognising the importance of sustainability to both society and business organisations, the Company has included a detailed Sustainability report in the annual report and accounts; please refer to pages 28 to 45.

This sets out the Company's culture as it relates to sustainability issues, the management processes which it has in place, and focuses on a number of the environmental and social initiatives which have been launched and implemented over the past few years. In addition, the report includes key environmental and safety performance statistics. In 2021 the Company engaged Deloitte to act as the Company's ESG advisers. Working with Deloitte, the Company developed a detailed ESG strategy roadmap which will be implemented as the Company strives to meet its emission reduction targets.

Health and safety

During 2021, the Committee monitored and supported the Company's 2021 HSE 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, there was one lost time incident during the year; a full review was undertaken and lessons learned embedded in the Company's culture and processes. The Company also held emergency response simulation exercises during the year.

Security

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

Environment

During 2021, the Company took a proactive role in the implementation of a number of specific initiatives to minimise any environmental impact from the Company's operations. These are described more fully in the Sustainability report.

Corporate social responsibility

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

David Thomas

Chair of the Safety and Sustainability Committee

29 March 2022

Technical Committee report



David Thomas
Chair of the Technical Committee

2021 membership and meeting attendance

	Member since	Technical Committee
David Thomas	8 December 2016	4/4
Jaap Huijskes	6 December 2017	4/4
Jon Harris ⁽¹⁾	26 January 2021	4/4
Stuart Catterall	11 January 2017	4/4
Gabriel Papineau-Legris	8 December 2016	4/4

(1) Appointed to the Committee on 26 January 2021.

Committee activities during 2021

The Committee met four times in 2021.

In addition to standing agenda items, the following key matters were discussed:

- the Company's Field Development Plan ("FDP") and its submission in draft form to the Ministry of Natural Resources ("MNR");
- production planning and forecasting (including 2022 production guidance);
- produced gas management strategy, including gas management plan as contained in the FDP;
- production enhancement initiatives (including ESP installation programmes);
- drilling strategy and progress;
- operational risk reviews;
- well workover options;
- Shaikan subsurface re-mapping and re-modelling project; and
- review and approval of 31 December 2020 Competent Person's (Reserves) Report ("CPR").

In February 2021, the Company announced that an updated CPR as at 31 December 2020 had been completed by its independent reserves auditor, ERC Equipoise. The updated CPR confirmed that the gross 1P, 2P+2C reserves and resources volumes of the Shaikan Field were in line with the previous (2016) CPR, after adjusting for production over the period.

In summary, the results of the CPR were as follows:

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

Full details of the Shaikan Field reserves and resources are set out on page 15.

Technical Committee report continued

Role

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

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

2021 membership and meeting attendance

The members of the Committee are: David Thomas (Committee Chair, independent Non-Executive Director), Jaap Huijskes (Non-Executive Chairman), Jon Harris (CEO), Stuart Catterall (COO) and Gabriel Papineau-Legrís (CCO). Jón Ferrier (former CEO) resigned from the Committee on 26 January 2021 and was replaced by Jon Harris. Stuart Catterall resigned on 18 February 2022 upon his retirement.

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

29 March 2022

Remuneration Committee report



Kimberley Wood
Chair of the Remuneration Committee

2021 membership and meeting attendance

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

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 2021. During 2021, the Committee undertook a review of the current Remuneration Policy to ensure it continues to support GKP's corporate strategy, values and stakeholder expectations and ensures that outcomes fairly reflect GKP's performance.

The work of the Remuneration Committee in 2021 was conducted against a backdrop of recovery from the unprecedented impact in 2020 from the COVID-19 pandemic and a return to more normal levels of oil prices and operational activity. The Remuneration Committee set robust and challenging targets for the annual bonus scheme and ensured the right policies and practices were in place to attract, retain and motivate all employees.

For the last six years, no salary increases have been awarded to the Executive Directors. Following a detailed benchmark review, the Remuneration Committee decided to award an increase in salary to the CEO of 4.8% to £440,000 and this broadly aligns with the wider workforce increase of 4% to 6%. No increase in pay was awarded for the CFO in 2022 following benchmarking analysis.

Matters discussed by the Remuneration Committee in 2021

The Committee held four Committee meetings in 2021 and also met on an informal basis on a further two occasions to discuss the following remuneration matters:

- reviewed 2020 bonus performance outcomes for executives and senior management and resulting bonus pay-outs;
- reviewed executive and senior management remuneration and proposals for the broader workforce;
- approved bonus KPIs for 2021;
- approved LTIP awards to all eligible participants and associated performance targets;
- reviewed and approved the VCP pay-outs to former Executive Directors;
- reviewed and approved the draft Directors' remuneration report;
- reviewed the Company's incentive structure for Executive Directors and other staff, resulting in a revised Remuneration Policy to put to a shareholder vote at the 2022 AGM;
- reviewed the Committee's terms of reference; and
- reviewed and agreed salary and bonus review for wider workforce.

Remuneration Committee report continued

Part one: Annual Statement from the Chair of the Committee continued Changes to the Remuneration Policy

Our current Policy was approved at the 2019 AGM with support in excess of 98%. In this context and recognising the value of continuity and the overarching purpose of the Remuneration Committee as discussed above, we are proposing relatively minor changes to the Policy, primarily to align it with best practice. The proposed revisions are as follows.

Shares vesting from future Long-Term Incentive Plan ("LTIP") awards made to Executive Directors will be subject to a holding period of two years.

We are introducing post-exit shareholding requirements for Executive Directors in line with the Investment Association guidelines.

We are amending the performance conditions for the LTIP. At present, conditions are written directly into the Policy which creates unhelpful inflexibility since any change would require a new vote. The Committee and Board have agreed that it would be desirable for the Policy to allow one or more ESG condition(s) to be operated alongside the existing absolute and relative total shareholder return ("TSR") conditions. The Committee will consult with shareholders prior to introducing ESG conditions, noting that ESG is expected to carry a weighting of 20% and be implemented no earlier than 2023. To reassure shareholders, the Policy provides that at least 60% of the performance conditions will be linked to TSR.

2021 Board changes

We were pleased to welcome Jon Harris as the new CEO of GKP on 18 January 2021. Jon joined on a salary of £420,000 p.a. with a pension allowance of 10% of salary, which is aligned to GKP's UK workforce. He was eligible for a 2021 bonus (pro-rated for time in role during 2021) and a grant under the 2014 LTIP in line with the Remuneration Policy. Jon's base salary remains in line with market competitive rates. Further details of the new CEO package can be found on page 86 of the Directors' remuneration report.

Jón Ferrier, the departing CEO, retired from the Company and Board on 31 January 2021 after a period of handover. As announced at the time, due to legacy contractual requirements that will not apply to the current Executive Directors or any future appointments, Jón will continue to participate in the VCP, subject to performance, as if he remained an employee. He did not receive any severance compensation on departure except for contractual pay in lieu of notice. Further details can be found on page 97 of the Directors' remuneration report.

Performance and implementation of the Remuneration Policy in 2021 Annual bonus

Based on the Remuneration Committee's assessment of GKP and individual performance in 2021, the bonus awarded to the CEO was 101% of his pro-rated base salary out of a maximum potential of 125% and the CFO was awarded 81% of salary out of a potential of 100%. 30% of the annual bonus is to be deferred in shares for three years after award date. These payments reflect the attainment of personal objectives combined with Company performance as measured in the corporate KPIs. Further details can be found on page 96 of the Directors' remuneration report.

Long-term incentives

The CEO and CFO received conditional awards of 470,325 and 305,711 options respectively over shares (equivalent to 200% and 150% of salary) on 1 April 2021. The award is subject to both absolute and relative total shareholder return ("TSR") targets being met, each measure having a 50% weighting. The exercise of reasonable discretion has been a feature of GKP's approach in recent years where the formulaic outcome does not align with the overall shareholder experience and this remains unchanged. The Remuneration Committee will have the discretion to review vesting outcomes to ensure a fair reflection of performance.

The former CEO and former CFO both continue to participate in the VCP, for which they received an award in December 2016. Following the first two measurement dates in May 2018 and April 2019, a total of 3,769,595 and 3,247,656 nil-cost options were granted, respectively. No further nil-cost options can be accrued under the VCP as the cap was met at the second measurement date. The first vesting date for these nil-cost options in May 2020 resulted in no options vesting as performance conditions were not attained. On the second measurement date in May 2021, the performance conditions were met and 50% of the nil-cost options vested. The third and final measurement date is 30 days following the release of the Company's financial results in March 2022 with vesting dependent upon compound TSR performance. The incoming CEO and CFO are not entitled to participate in the VCP, which has been closed to new entrants since 2016. Only one award was ever made under the VCP.

Instances of the exercise of discretion by the Remuneration Committee

No discretion was exercised by the Remuneration Committee outside the normal Remuneration Policy guidelines.

Remuneration across the workforce

GKP fosters an inclusive culture across the whole workforce which is reflected in our Remuneration Policy. Base salaries for all employees are benchmarked on a regular basis and targeted at median. The annual bonus plan is open to all employees, the outcome of which is linked to both corporate and individual targets. The corporate targets are the same for all who participate. In addition, all permanent employees working for the Company at the time of grant received an award in 2021 under the 2014 LTIP which aligns their interests with the long-term success of GKP and to the structure of rewards available to Executive Directors.

The Committee and Board are given regular briefings on the pay, incentive and benefit arrangements for the wider workforce. The Board also regularly engages with employees through briefing sessions, surveys and town hall meetings, gaining valuable feedback directly from employees as well as receiving updates from the Chief HR Officer who attends all Committee meetings by invitation.

Summary of remuneration for Executive Directors in 2022

In light of the current business context and the detailed remuneration benchmarking review, the Remuneration Committee decided to award the CEO an increase in salary of 4.8%. No increase in salary was awarded to the CFO for 2022. The salary review budget for all other employees, including senior managers, was 4-6% of payroll for 2022.

Both the CEO and CFO will be eligible for a 2022 bonus. The Company will review the Company's achievements, KPIs and performance targets and publish these in the 2022 Directors' remuneration report. The 2022 bonus measures will incorporate targets on safety and sustainability (including ESG and HSE improvement targets); value creation (covering shareholder value and project delivery); financial and operational achievements; and people, culture and values initiatives. Further information is set out on page 98 of the Directors' remuneration report.

The CEO and CFO are entitled to participate in the LTIP where performance-based shares are granted up to a maximum of 200% and 150% of salary, respectively, in line with policy. The 2022 LTIP award will have performance conditions based on absolute and relative TSR. Further information is set out on page 98 of the Directors' remuneration report.

Remuneration outcome for the Chair and Non-Executive Directors

After a thorough review of Chair and Non-Executive Director fees in 2020, the Chair and Non-Executive Director fees were reduced in 2021. There will be no change to fees in 2022 save for an increase of £5,000 for the role of Senior Independent Director to reflect additional workload.

Basis of preparation of the report

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

As a responsible corporate citizen, GKP is committed to following best practice, maintaining high corporate governance standards and the principles enshrined in the UK Corporate Governance Code (the "Code") which are taken into account to the extent they are considered appropriate for the Company. As GKP only has 25 employees in the UK, not all elements of the Code or certain 2018 changes to the 2013 Regulations, including the CEO pay ratio, are relevant or applicable. As noted above, the Committee has regard to wider workforce reward but considers that a ratio calculation would not be meaningful with such a small workforce.

Shareholder consultation and 2022 AGM

Three remuneration-related resolutions will be proposed at the 2022 AGM. As I have referred to above, our revised Remuneration Policy, described on pages 87 to 92, will be the subject of a binding vote. In addition, our Directors' remuneration report (pages 81 to 98) will be the subject of an advisory vote, in accordance with the 2013 Regulations.

The Remuneration Committee ensures that, in carrying out its obligations, it takes account of the views and opinions of all its stakeholders; this includes consulting with our major shareholders and with leading proxy advisers. I am aware that some shareholders have reservations about the legacy VCP plan which was implemented at the 2016 AGM. This is a legacy plan that is closed to new entrants and will be fully wound down following the measurement date that will be 30 days following the release of the Company's financial results for the year ended 31 December 2021. For the avoidance of doubt, current or future Executive Directors do not participate in the VCP.

The Committee believes the remuneration outcomes for 2021 reflect an appropriate outcome taking into account the global context and we hope that shareholders will recognise this as a continuation of our strategy for reward which fairly reflects the performance of the Company. Finally, on behalf of the Remuneration Committee, I would like to thank shareholders for their continued support and hope that you will vote in favour of the resolutions contained within the report at the AGM on 24 June 2022.

Yours sincerely,

Kimberley Wood

Chair of the Remuneration Committee

29 March 2022

Remuneration Committee report continued





Remuneration at a glance

Remuneration Policy objective

What does the Policy seek to achieve?

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

Alignment of the Remuneration Policy to purpose and strategy

Our purpose	
GKP is a responsible energy company developing natural resources for the benefit of all our stakeholders, delivering social and economic benefits by working safely and sustainably with integrity and respect.	
Strategic priorities for 2022:	Relevant incentive metrics:
Safety and sustainability 	<ul style="list-style-type: none"> • Zero harm in operations and delivery • ESG roadmap implementation • HSE improvement plan • Safety performance • People, culture, values Read more on page 96
Value creation 	<ul style="list-style-type: none"> • Shareholder value • Project delivery • Production Read more on page 96
Capital discipline and cost focus 	<ul style="list-style-type: none"> • Financial and distribution strategy • Budget discipline Read more on page 96
Robust financial position 	<ul style="list-style-type: none"> • Budget discipline Read more on page 96

(1) Safety performance figures are based on TRIFR (recordable incidents per million man-hours) applied to drilling, production and export operations.

Summary of Remuneration Policy

The key aspects of the Remuneration Policy to be approved by shareholders at the 2022 AGM is set out below.

Remuneration element	Structure and opportunity	What has changed since last Policy
Base salary	Salary increases will not typically exceed the average employee increase.	None.
Benefits	Includes car allowance, private medical insurance, income protection insurance, critical illness cover, death-in-service insurance and relocation benefits.	None.
Pensions	Pension allowance is 10% of salary, in line with the rest of the workforce.	No change (previous legacy terms for former CEO have ceased due to his retirement).
Annual bonus	Maximum bonus opportunity is 125% of annual salary for the CEO and 100% for other Executive Directors, 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. Target bonus is 60% of maximum.	None.
2014 LTIP	Typically granted annually and 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 CEO and 150% of salary for CFO. At threshold performance up to 30% of the award vests. Malus and clawback provisions apply.	Awards are subject to a two-year holding period post vesting.
In-post shareholding requirements	At least 200% of salary holding required for all Executive Directors.	None.
Post-exit shareholding requirements	Executive Directors are required to hold any shares acquired through LTIPs granted after the 2022 AGM up to the in-post shareholding requirements for two years post-cessation of employment.	Introduction of post-exit shareholding requirements in line with the IA guidelines.

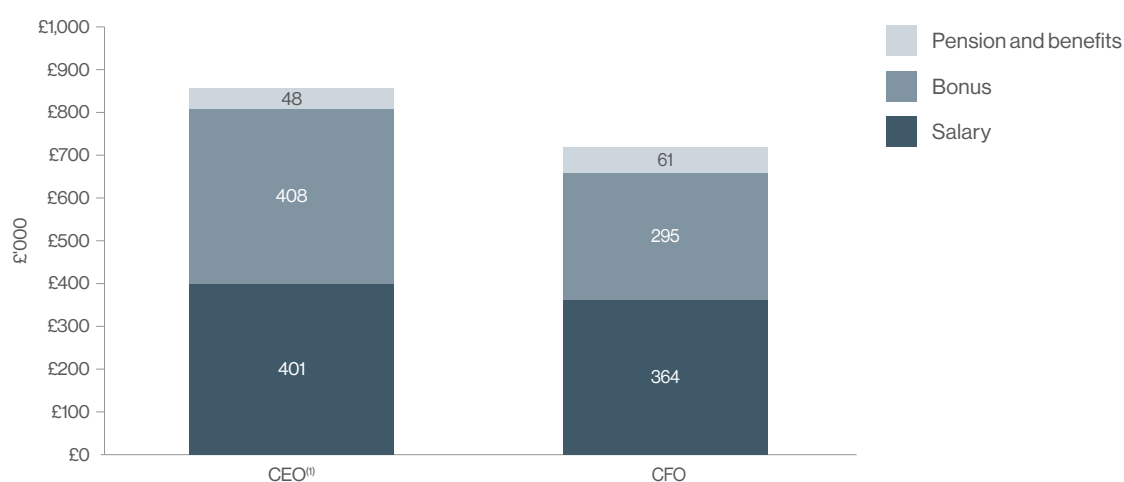
Remuneration Committee report continued

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

2021 remuneration outcomes

Implementation in 2021

- Salaries of £420,000 (pro-rated for time in role during 2021) and £364,000 paid during the year to the CEO and CFO, respectively.
- 2021 bonus pay-outs of 101% and 81% of salary equating to £408,442 and £294,840 for the CEO and CFO respectively, with 30% of the bonus being deferred for three years and paid in shares.
- The CEO and CFO were granted LTIP awards of 200% and 150% of salary respectively.
- Neither Executive Director was eligible for the vesting of any LTIP award or for the legacy VCP.
- Pension allowance of 10% of salary for both the CEO and CFO.
- Benefits included private medical insurance, death in service and income protection for the CEO and CFO.



(1) CEO figures pro-rated for time spent in role.

Implementation in 2022

	CEO	CFO
2022 base salary	£440,000 (+4.8%)	£364,000 (no change)
Benefits	Aligned to Policy	Aligned to Policy
Pension	10% of salary	10% of salary
Annual bonus	Maximum opportunity of 125% of salary. 80% dependent on performance against corporate KPIs and 20% on individual strategic objectives	Maximum opportunity of 100% of salary. 80% dependent on performance against corporate KPIs and 20% on individual strategic objectives
LTIP	200% of salary, vesting dependent on absolute and relative TSR performance over three years	150% of salary, vesting dependent on absolute and relative TSR performance over three years

Part two: Directors' Remuneration Policy

Introduction

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

Purpose and role of the Remuneration Committee

The Remuneration Committee determines and agrees with the Board the overall Remuneration Policy for the Executive Directors and Executive Committee members. 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 Executive Committee (being those individuals considered to be Persons Discharging Managerial Responsibilities ("PDMR");

- 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 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. Terms of reference are in place and reviewed annually, the latest version being in March 2021. They are available on the Company's website.

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Remuneration Policy table

The Company's Directors' Remuneration Policy to be voted on at the 2022 AGM is described in the following table.

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

Remuneration element	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
LTIP	<p>Incentivises executives to deliver key financial targets over the longer term, with particular focus on shareholder return.</p> <p>Helps retain key executives.</p>	<p>Awards are usually granted annually to participants, but grants may be made at other times, such as on recruitment or promotion of an executive.</p> <p>Awards are in the form of nil-cost share options, nominal-cost share options or conditional shares. In special circumstances they may be cash-settled.</p> <p>Awards normally vest after three years to the extent that performance targets can be based on a combination of share price, financial, operational and strategic metrics as determined by the Committee. At least 60% of the award will be based on absolute and/or relative TSR.</p> <p>A payment equal to the value of dividends which would have accrued on vested awards may be made following the release of awards to participants, either in the form of cash or as additional shares.</p> <p>It is the Company's practice to make awards under an LTIP to all employees of the Company as appropriate in a range of values based on seniority.</p> <p>Specific malus and clawback provisions apply (see page 90).</p> <p>Once vested, the shares received (net of tax) must be held for at least a two-year period before they can be sold (subject to the shareholding requirements). Note: this provision is subject to shareholder approval at the 2022 AGM.</p>	<p>When eligible, the maximum value of the shares subject to award to the CEO is 200% of annual salary and for the CFO it is 150% of salary.</p> <p>At threshold performance up to 30% of the award vests.</p>	<p>The Committee may, in exceptional circumstances, change the performance measures and targets and their respective weightings part way through a performance period, if there is a significant event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. The new measures and targets will be no more or less difficult than those they replace.</p> <p>Discretion may also be exercised if the Committee believes the LTIP outcome is not a fair and accurate reflection of business performance.</p> <p>Safety is of central importance to the business and the Committee may reduce or eliminate LTIP awards if there is a serious safety event.</p> <p>The Committee also has discretion in determining when awards are granted, the form of the award and those eligible within the constraints of the LTIP rules.</p>

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Remuneration Policy table continued

Remuneration element	Link to strategy	Operation	Opportunity	Remuneration Committee discretion
Shareholding requirements	Aligns the interests of executives and shareholders.	Formal requirements apply to Executive Directors. Participation in long-term incentives may be scaled back or withheld if the requirements are not met or maintained.	At least 200% of salary holding required for all Executive Directors. Post-exit: Executive Directors are required to retain the lower of actual shares held and shares equal to 200% of salary for two years post-exit in respect of shares which vest from grants of LTIP awards after the approval of this Policy at the 2022 AGM.	The Committee has discretion to change the shareholding requirements – in particular where compassionate circumstances apply.

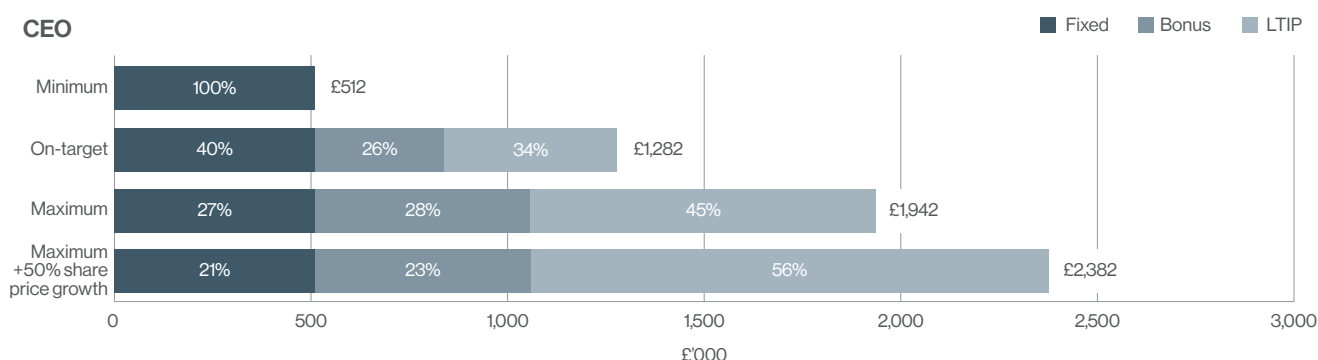
Malus and clawback

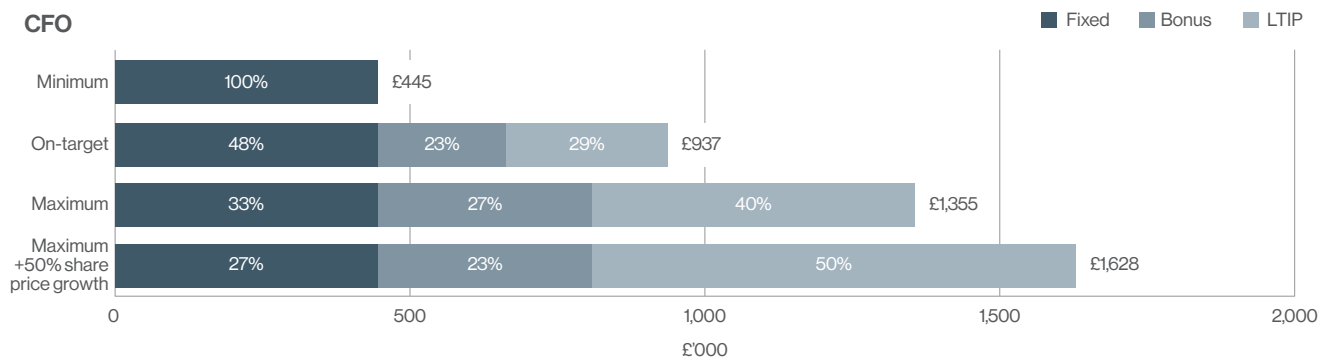
These provisions allow the Committee in certain circumstances (such as gross misconduct, a material misstatement of the Group financial statements or decisions taken outside of the Group's risk appetite) the discretion to:

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

Remuneration scenarios for Executive Directors based on policy

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





Potential reward opportunities are based on GKP's Remuneration Policy, applied to the 2022 base salaries and pension opportunities. The annual bonus and LTIP are based on the maximum opportunities set out under the Remuneration Policy. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant and the projected values in the second and third scenarios are based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period).

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

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

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

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

Executive Directors' recruitment policy

Remuneration packages for future Executive Directors will be aligned to the policy described, including a maximum annual bonus opportunity of 125% of salary for the CEO and 100% of salary for any other Executive Director 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 taking into account the terms of the award forfeited. 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. 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 Executive Directors.

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.

Remuneration Committee report continued

Part two: Directors' Remuneration Policy continued

Non-Executive Directors' letters of appointment continued

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

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

Inspection of documents and re-election of Directors

Directors' service contracts and appointment letters will be available for inspection prior to and during the 2022 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:

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; and
- 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.

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

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

External appointments

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

Considerations of shareholder views

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

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. Awards granted to a "bad" leaver lapse on cessation of employment.

Part three: Annual Report on Remuneration

Introduction

This part of the report is subject to an advisory vote at the AGM on 24 June 2022. GKP's auditor has reported on those sections (highlighted below) which the Regulations require to be audited.

Remuneration Committee membership during 2021

The terms of reference of the Committee, reviewed annually, are available on the Company's website. As of 31 December 2021, the Committee comprised three independent Non-Executive Directors, all of whom had served on the Committee for the full financial year:

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

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

Statement of shareholder voting

The following table shows the results of votes on the 2020 Directors' remuneration report at the 2021 AGM held on 18 June 2021.

	Votes for	Votes against	Total votes cast (excluding withheld)	Votes withheld
Directors' remuneration report for year to 31 December 2020	97,828,443 (93.52%)	6,774,781 (6.48%)	104,603,224	14,865

The Chair of the Committee may ask non-Committee members to attend meetings, including other Board members and members of the senior management team, including the Chief Human Resources Officer. 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 2021 and attendance of Committee members is included on page 81.

Advisers

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

Services provided to the Committee by Mercer during 2021 included the provision of advice on the Company's equity plans and executive remuneration levels; corporate governance support and best practice advice to the Remuneration Committee on the drafting of the Directors' remuneration report; and other ad-hoc projects. Fees paid to Mercer for services provided to the Committee during the financial year were £34,498. Mercer has no connections with the Company or individual Directors other than an agreement for the provision of market data for the wider workforce.

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

Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

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

2021	Salary /fees £'000	Pension £'000	Benefits £'000	Annual bonus £'000	Other ⁽²⁾ £'000	LTIP ⁽³⁾ £'000	Total £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive Directors									
Jon Harris	401	40	8	408	—	—	857	449	408
Ian Weatherdon	364	36	25	295	—	—	720	425	295
Jón Ferrier ⁽¹⁾	38	6	3	—	451	3,593	4,091	498	3,593
Non-Executive Directors									
Martin Angle	80	—	—	—	—	—	80	80	—
Jaap Huijskes	160	—	—	—	—	—	160	160	—
Garrett Soden	60	—	—	—	—	—	60	60	—
David Thomas	80	—	—	—	—	—	80	80	—
Kimberley Wood	70	—	—	—	—	—	70	70	—
Total	1,253	82	36	703	451	3,593	6,118	1,822	4,296

(1) Jón Ferrier left the Board effective 31 January 2021.

(2) Jón Ferrier's payment relates to payment in lieu of notice and accrued holiday.

(3) LTIP figures represent value vesting from the VCP for Jón Ferrier.

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

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

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

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

Historical CEO pay

	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Single figure remuneration	768	973	824	552	857
Bonus percentage of maximum payable	50%	76%	50%	0%	81%
Vested LTIP awards as percentage of maximum	0%	0%	0%	0%	0%

Percentage change in Director remuneration

The following table shows the percentage change in the remuneration of the Directors between the years ended 31 December 2020 and 31 December 2021 and the average percentage change for the remuneration in the Group as a whole excluding the CEO.

	Salary/ Fees	Benefits	Annual bonus
Executive Directors			
Jon Harris ⁽¹⁾	N/A	N/A	N/A
Ian Weatherdon ⁽²⁾	0%	60%	N/A
Non-Executive Directors			
Martin Angle	(11%)	0%	
Jaap Huijskes	(11%)	0%	
Garrett Soden	(14%)	0%	
David Thomas	(11%)	0%	
Kimberley Wood	(13%)	0%	
Group percentage change	7%	57%	97%

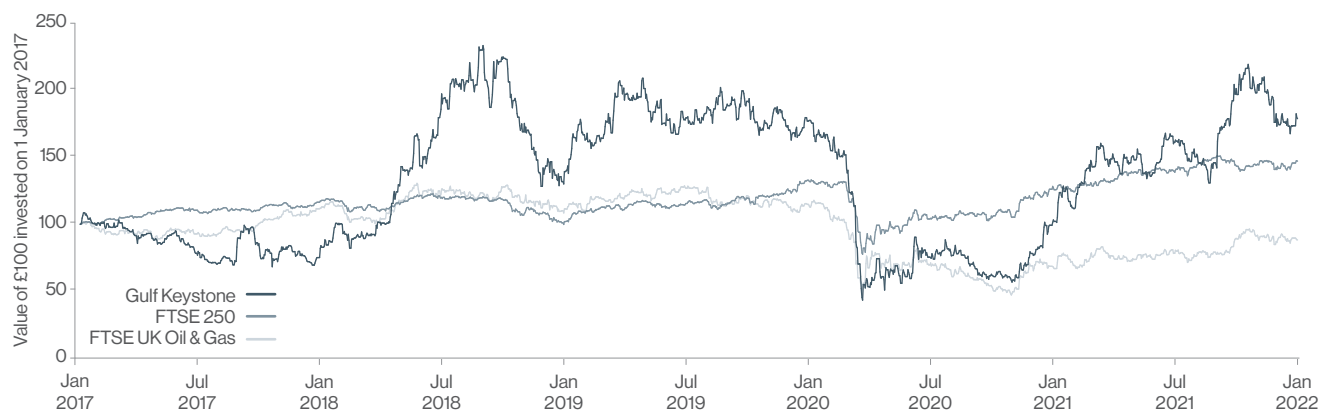
(1) Jon Harris joined the Company in January 2021.

(2) Ian Weatherdon did not receive a bonus for 2020.

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 2021.

Total shareholder return ("TSR") from 1 January 2017 to 31 December 2021



Relative importance of spend on pay

	2021 \$'000	2020 \$'000	Percentage change
Total employee pay	41,724	35,724	17%
Profit/(loss) after tax	164,597	(47,342)	448%
Gross operating costs ⁽¹⁾	42,965	34,251	25%
Shareholder distributions ⁽²⁾	100,000	20,164	396%

(1) The Company reported oil production costs in previous years. Gross operating costs are deemed to be a better measure of the Company's operational expenditure and are also reported as part of the non-IFRS measure of gross operating costs per barrel in the Company's financial statements.

(2) Shareholder distributions comprise payment of dividends in 2021 and share buybacks in 2020.

Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

Implementation of the Directors' Remuneration Policy in 2021

Executive Directors' base salary provision

There were no salary increases for Executive Directors during the financial year ending 31 December 2021.

Annual bonus plan (audited)

During 2021, 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 CFO, with performance assessed against a combination of corporate metrics (weighted 80% of total) and individual objectives (weighted 20%).

2021 performance elements

Corporate performance elements (80% of bonus)	Individual performance 20%
---	----------------------------

Corporate performance elements (80% of bonus)

Safety and sustainability 25%	Value creation 30%	Financial 20%	Production 25%
-------------------------------	--------------------	---------------	----------------

The following table describes the corporate KPIs set for 2021.

Metric	KPIs	Results		Weighted score
		Weighting	Score	
Safety and sustainability	Zero harm in operations and delivery	7.5%	100%	7.5%
	ESG	3.75%	90%	3.4%
	Human capital	3.75%	90%	3.4%
	HSE improvement plan	5%	90%	4.5%
	Safety performance (TRIFR)	5%	75%	3.8%
Value creation	Shareholder value and project delivery	15%	20%	3%
	Recommence 55k expansion project	15%	100%	15%
Financial	Financial and distributions strategy	10%	100%	10%
	Direct Capex	2.5%	12%	0.4%
	Direct Opex	2.5%	84%	2.1%
	Direct G&A	2.5%	70%	1.8%
	Staff costs	2.5%	90%	2.3%
Production	Gross production (bopd) – annual average	20%	88.8%	17.8%
	Maintenance	5%	100%	5%
Total		100%		80%

The executives are commended for the good performance achieved against the HSE, Financial and Production KPIs together with successfully recommencing the 55k expansion project. The Remuneration Committee approved the executive bonus on 80% for corporate performance objectives.

Individual performance objectives (20% of bonus)

With respect to the personal element of the annual bonus for both the CEO and the CFO, the Committee considered that the successes of 2021, including the early commencement of drilling activities, the payment of \$100 million in dividends, material progress on the FDP and the GMP, as well as the development of an ESG strategy, were substantively driven by the leadership and efforts of both executives and, as such, a payment above the target level but below the maximum possible was warranted.

Overall outcome

Reflecting performance, Executive Directors received the following bonus awards for 2021:

Executive	Bonus award	% of base salary
CEO	£408,442	101%
CFO	£294,840	81%

Pension provision for Executive Directors (audited)

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

Benefits (audited)

Benefits received by the CEO included private medical insurance totalling £8,000. The CFO received private medical insurance, death in service and income protection insurance totalling £25,000.

Value Creation Plan (“VCP”) awards granted/vested in 2021 (audited)

Following measurement dates in May 2018 and April 2019, the number of nil-cost options received by the former CEO and former CFO is 3,769,595 and 3,247,656 respectively. No further nil-cost options can be awarded under the plan rules. Following assessment of TSR performance at the fourth measurement date in May 2021, 50% of the nil-cost options vested. Sustained TSR performance will be tested again in 2022. This will be subject to disclosure at that time and in the next Annual Report on Remuneration.

LTIP awards granted/vested in 2021 (audited)

The CEO and CFO received awards of 470,325 and 305,711 shares respectively, equivalent to 200% and 150% of salary each, on 1 April 2021. The awards are subject to both absolute and relative total shareholder return (“TSR”) targets being met over a period of three years, each measure having a 50% weighting.

No awards vested or were exercised by Executive Directors.

Leaver arrangements for Jón Ferrier (audited)

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

- Mr Ferrier was paid in full until his departure date on 31 January 2021. He received £417,692 in lieu of notice and £33,385 in lieu of vacation due but not taken in line with the Company’s accumulated leave policy. Pension and other benefits ceased on his departure date.
- Mr Ferrier will not receive a pro-rated annual bonus in respect of the year ending 31 December 2021.
- As a good leaver, Mr Ferrier retained 3,769,595 unvested nil-cost performance-based share awards, granted under the VCP, 50% of which vested in May 2021. The final measurement date will occur at the end of April 2022.

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

VCP awards vested for former CEO Jón Ferrier of £3,593,000 and former CFO Sami Zouari of £2,976,000.

Statement of Directors’ shareholdings and share interests (audited)

Executive Directors are required to build and maintain a shareholding in the Company of at least 200% of salary within five years of appointment. The net value of vested but unexercised share awards are included for this purpose and individuals have five years in which to acquire the required levels. Participation in long-term incentive schemes may be scaled back or withheld if the requirements are not met or maintained. The new Remuneration Policy set out on pages 87 to 92 includes post-exit guidelines.

Directors’ shareholdings and share interests as at 31 December 2021 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						
Jon Harris	200%	30,000	—	470,325	—	500,325
Ian Weatherdon	200%	50,112	—	1,039,582	—	1,089,694
Non-Executive Directors						
David Thomas	—	—	—	—	—	—
Jaap Huijskes	—	—	—	—	—	—
Martin Angle	—	—	—	—	—	—
Kimberley Wood	—	—	—	—	—	—
Garrett Soden	—	70,000	—	—	—	70,000
	—	150,112	—	1,509,907	—	1,660,019

Remuneration Committee report continued

Part three: Annual Report on Remuneration continued

Implementation of the Directors' Remuneration Policy in 2022

Base salaries and benefits

In light of the current business context and the detailed remuneration benchmarking review, the Remuneration Committee decided to award the CEO an increase in salary of 4.8%; no increase in salary was awarded to the CFO for 2022. The salary review budget for all other employees, including senior managers, was 4-6% of payroll for 2022.

Annual bonus

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

Historically, the same Company KPIs have been used for both the executive and employee bonus plans for which all Company employees are eligible. For 2022, we will again run the plans consistently and operate on the principle that Executive Directors will be treated no more favourably than other employees.

The scorecard that will be used is as follows. Targets are commercially sensitive and will be disclosed in the 2022 annual report and accounts.

Category	KPI	Weighting
Safety and sustainability	Zero harm, HSE improvement and safety performance measures (TRIFR) ESG roadmap implementation	20%
Value creation	Shareholder value Project approval and delivery	20%
Production	Annual average production (bopd) Maintenance	25%
Financial	Financial and distributions strategy Project implementation and delivery	25%
People, culture, values	Build workforce capability to include localisation Advance diversity, equity and inclusion Drive employee engagement and well-being	10%

LTIP

Jon Harris and Ian Weatherdon will be eligible to receive an LTIP grant of 200% and 150% of base salary, respectively, which is expected to be granted after the announcement of the 2021 results. The following three-year TSR performance conditions will be attached to the vesting of the award.

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

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

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

Subject to shareholder approval, any awards under the LTIP made after the 2022 AGM will be based on the new Remuneration Policy set out on pages 87 to 92.

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

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

This Directors' remuneration report was approved by the Board on 29 March 2022 and signed on its behalf by:

Kimberley Wood

Chair of the Remuneration Committee

29 March 2022

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 2021. A review of the business is set out in the preceding sections of this annual report and accounts, including the Chairman's statement, Chief Executive Officer's review, Financial review and Operational review, which are incorporated into this report by reference. The Corporate governance report also forms part of this report.

Results and dividends

The Group's financial results for the year ended 31 December 2021 are set out in the consolidated financial statements.

The Group made a profit after taxation for the year of \$164.6 million (2020: loss of \$47.3 million). The Directors resumed the dividend programme of at least \$25 million per year. During 2021, an ordinary dividend of \$25 million was paid, followed by a special dividend of \$25 million and an interim dividend of \$50 million (2020: no dividends were paid). To date in 2022, an interim dividend of \$50 million has been paid. A further \$65 million interim dividend is expected to be paid on 13 May 2022, based on a record date of 29 April 2022 and ex-dividend date of 28 April 2022. The final \$25 million 2021 ordinary dividend will be paid subject to approval at the AGM on 24 June 2022.

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 20 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 24 to the consolidated financial statements and details of the Directors' awards are included in the Remuneration Committee report.

Voting rights and Byelaw amendments

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

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

Directors

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

Directors' indemnities

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

Directors' interests in shares

As at 31 December 2021, the following Directors who held office had interest in the common shares of the Company⁽¹⁾:

- Jon Harris (Chief Executive Officer) – 30,000 common shares;
- Ian Weatherdon (Chief Financial Officer) – 50,112 common shares; and
- Garrett Soden (non-independent Non-Executive Director) – 70,000 common shares.

At the date of this report, the Employee Benefit Trust ("EBT") and Exit Event Trustee held 0.2 million (2020: 0.1 million) common shares of the Company.

(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 28 February 2022, being the date of the most recent analysis of the Company's share register, the Company discloses the following significant shareholdings:

Shareholder	Number of common shares	Percentage of issued share capital
Lansdowne Partners Austria GmbH	32,500,000	15.21
Van Lanschot Kempen NV	23,950,695	11.21
Mr Gertjan Koomen	10,068,552	4.71
BlackRock Investment Management (UK) Ltd.	9,290,778	4.35
Hargreaves Lansdown Stockbrokers Ltd.	8,969,330	4.20
Interactive Investor	8,408,999	3.93
Dimensional Fund Advisors LP	8,361,221	3.91
InsingerGilissen Bankiers NV	8,307,232	3.89
Acadian Asset Management LLC	7,490,897	3.50
Société Générale	5,999,762	2.81

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's statement, the Chief Executive Officer's review, the Operational review and the Management of principal risks and uncertainties. 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 29 March 2022, the Group had \$182.7 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, change in commodity prices, different production rates from the Shaikan block, cost contingencies, disruptions to revenue receipts, impact of climate change and geopolitical risks on the Group's operations, etc. In the current year, these have included both the Iraqi Supreme Court ruling on 15 February 2022 and export route availability as a result of the evolving sanctions situation due to the Russian invasion of Ukraine, as further described in note 29. The Group's forecasts, taking into account the applicable risks, stress test scenarios and potential mitigating actions, show that it has sufficient financial resources for the twelve months from the date of approval of the 2021 annual reports 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.

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 and accounts confirms that:

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

On behalf of the Board

Jon Harris

Chief Executive Officer

29 March 2022

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 United Kingdom adopted International Financial Reporting Standards ("IFRSs") and Article 4 of the International Accounting Standards ("IAS") Regulation. Under IAS 1 the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981. 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.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom adopted International Financial Reporting Standards, 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 29 March 2022 and is signed on its behalf by:

Jon Harris

Chief Executive Officer

29 March 2022

Ian Weatherdon

Chief Financial Officer

29 March 2022

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 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- 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 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.





2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • revenue recognition; and • carrying value of oil and gas assets. <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was \$8 million which was determined on the basis of 1.5% of net assets.
Scoping	The Group's business is 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	There were no significant changes in our audit approach, including the identified key audit matters, compared to the prior year.

4. Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- assessing the Group's cash flow forecasts by comparison to actual cash flow performance in 2021;
- assessing the impact of COVID-19 and climate change on the Group;
- benchmarking the oil price assumption against external data and historical levels;
- evaluating the Group's financing facility and assessing its committed nature, repayment terms and covenants;
- assessing the liquidity and covenant headroom within the model based on the cash flow forecasts and reviewing the model's mechanical accuracy;
- assessing the sensitivities run by the Directors;
- assessing the mitigating actions that could be taken by the Directors to maximise liquidity headroom including not paying dividends and a reduction in uncommitted capital expenditure; and
- assessing the appropriateness of the going concern disclosure.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. Key audit matters

5.1. Revenue recognition



Key audit matter description

Revenue totalling \$301.4 million (2020: \$108.5 million) has been recognised during the year, relating to oil sales and related hedging activities.

The Group has continued to estimate revenue on a "cash assured" basis, in accordance with the terms of the Crude Oil Export Sales Agreement which has been governing Shaikan crude oil sales since 1 October 2017. Receipt of outstanding amounts in relation to November 2019 to February 2020 revenue commenced in March 2021 and continued in line with the mechanism proposed by the Ministry of Natural Resources ("MNR"), the outstanding balance as at 31 December 2021 amounted to \$43.1 million (2020: \$77.3 million).

The key judgements in relation to revenue are:

- whether any circumstances occurred during the period that would trigger the Group to change its revenue accounting policy from "cash assured" to an accruals basis;
- the mechanical accuracy of the complex invoice calculations, and whether these are in line with the Shaikan Production Sharing Contract ("PSC") and the Crude Oil Export Sales Agreement; and
- the extent of the risk in relation to unpaid revenue amounts, in particular the accuracy of the expected credit loss ("ECL") calculation and the appropriateness of the assumptions used, notably the timing of payments, probability of default and loss given default.

In assessing whether the cash assured accounting policy basis remains appropriate, with the continued non-recognition of certain historical revenues, the Directors note the Crude Oil Export Sales Agreement was only effective from 1 October 2017 and does not apply to sales earlier than that date and the proposed amendments to the Shaikan PSC are still under discussion between the parties and subject to change.

Further details of the key judgements are disclosed in the Audit and Risk Committee report on page 75 and in the Critical accounting estimates and judgements disclosure on page 120. Revenue is disclosed in note 2 to the financial statements.

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

5. Key audit matters continued

5.1. Revenue recognition

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 for the year. In particular we have performed the following:

- obtained an understanding of relevant controls over the revenue recognition process, including management review controls;
- challenged management on its assessment of the accounting implications with reference to the relevant accounting standard, being IFRS 15 Revenue from Contracts with Customers;
- recalculated the expected monthly entitlement revenue for the oil sales based on production in the year per the approved delivery reports and average Brent prices, less quality and transportation discounts, in line with the PSC and the Crude Oil Export Sales Agreement;
- vouched all cash receipts in 2021 and reviewed post year-end bank statements to confirm the extent to which the outstanding receivable as at 31 December 2021 has subsequently been received; and
- challenged the ECL assumptions used, through benchmarking with external sources, and recalculating the provision.

Key observations

Based on our analysis, recognising revenue on a "cash assured" basis is still appropriate under the Crude Oil Export Sales Agreement. We concur with management's treatment of sales for the year ended 31 December 2021 and that it is appropriate to recognise \$301.4 million of revenue. We concur with the appropriateness of the ECL calculation and the carrying value of receivables.

5.2. 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 (being the 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.

As part of its impairment indicators evaluation management considered key developments that occurred during 2021 including the impact of climate change, oil prices, field productivity, ongoing negotiations for a new Field Development Plan ("FDP") and impacts of local and global geopolitical factors. Management concluded that no impairment indicators were present as at 31 December 2021.

In order to further support this conclusion, an updated valuation model was prepared, based on the latest estimate of future production and expenditure levels as shown in the draft FDP submitted to the MNR in November 2021 and also including sensitivities, which supported the carrying value of oil and gas properties.

The calculation of the recoverable amount requires judgement in estimating future oil prices, the applicable asset-specific 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, including the estimated cost of installing a gas reinjection system to reduce carbon emissions. As a result of this, the assessment of the recoverable amount of Shaikan remains a key judgement. We also considered there to be a potential fraud risk that the assumptions, such as the oil price and discount rate, applied to the impairment assessment could be subject to conscious or unconscious bias. In addition, as disclosed in the Critical accounting estimates and judgements on page 120 and note 29 to the financial statements, management considered the Iraqi Supreme Court ruling on 15 February 2022 and concluded that it is not possible to determine the potential future implications on headroom at present, although to date it has not had any adverse impact on the Group's operations.

Further details of the key judgements are disclosed in the Audit and Risk Committee report on page 75 and in the Critical accounting estimates and judgements disclosure on page 120. Property, plant and equipment is disclosed in note 11 to the financial statements.

How the scope of our audit responded to the key audit matter	<p>Our audit work assessed the reasonableness of management's key assumptions in determining that no impairment indicators were present as at 31 December 2021 for the Shaikan asset.</p> <p>Specifically our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> • obtaining an understanding of relevant controls over the impairment process, including management review controls; • performing an independent assessment of impairment indicators; • holding meetings with key operational and finance staff to understand the current status and future intentions for the Shaikan Field, including the current status of FDP negotiations; • benchmarking and analysis of oil price assumptions against forward curves and other market data; • recalculating and benchmarking of discount rates applied, with involvement from our fair value specialists; • comparing forecasted production and expenditure levels per the valuation model with actual historical production and the estimates set out in the draft FDP submitted to the MNR in November 2021; • assessing the sensitivity analysis performed on the key assumptions in the valuation model to determine whether there was headroom to support Shaikan's book value under certain downside scenarios, including those relating to a reduced oil price; • considering the potential impact of climate change including the impact on headroom of a reduced oil price, the potential impact of the introduction of a carbon tax in Kurdistan and increasing expenditure requirements; • considering the potential consequences of non-adjusting post balance sheet events, including the Iraqi Supreme Court ruling on 15 February 2022 and export route availability as a result of the evolving sanctions situation due to the Russian invasion of Ukraine; and • assessing the relevant disclosures in relation to the carrying value of oil and gas assets.
Key observations	<p>Overall, we are satisfied that the conclusion that no indicators of impairment were present has been determined in accordance with the requirements of IAS 36 Impairment of Assets and that the related disclosures are appropriate.</p>

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements
Materiality	\$8.0 million (2020: \$6.7 million)
Basis for determining materiality	1.5% of net assets (2020: 1.5% of net assets)
Rationale for the benchmark applied	We consider that net assets is of particular relevance to users of the financial statements and is a key measure of performance used by the Group. The chosen materiality figure represents 5% of profit before tax.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements
Performance materiality	70% (2020: 60%) of Group materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> • the quality of the control environment and conclusions from our testing of Group-wide controls; • the low level of historical uncorrected misstatements within the consolidated financial statements; • the lack of significant changes in the business in the year which would impact on our ability to forecast the expected level of misstatement; and • the reduced impact of COVID-19 on the control environment during the year.

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

6. Our application of materiality continued

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of \$400k (2020: \$335k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement. Our audit planning identified the Group's business to be a single component, and therefore all of the operations of the Group were subject to a full scope audit by the UK audit team. 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.

7.2. Our consideration of climate-related risks

Management has considered climate change as part of their risk assessment process when considering the principal risks and uncertainties facing the Group. This is set out in the Strategic report, Management of principal risks and uncertainties and Summary of significant accounting policies. From the financial statements' perspective, these risks have been focused on the carrying value of producing oil and gas assets. This is consistent with our evaluation of the climate-related risks facing the Group and is linked to the key audit matter as highlighted in section 5.2 above, where we have described both the risks related to these assumptions and our audit procedures in relation to the challenge of these assumptions. Our climate change procedures also included:

- assessing the impact, with the involvement of our environmental, social and governance ("ESG") specialists, on our risk assessment and planned audit procedures, for example how physical and transition risks translate to financial implications and the potential impact of these on the underlying account balances and disclosures;
- assessing whether the impacts of climate on the range of estimates and assumptions made by management are reasonable; and
- reading the climate-related disclosures, with the involvement of our ESG specialists, in the Strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

As described above, we have considered the potential impacts of climate change as part of our key audit matter relating to the carrying value of oil and gas assets. We also considered the potential impact of climate change on the going concern assumption, by including the impact on liquidity headroom of a reduced oil price.

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's 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 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. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including fair value, ESG and financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and the carrying value of oil and gas assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Bermuda Companies Act and the UK Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and environmental regulations, as well as relevant legal regulations in both Kurdistan and Iraq.

Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition and the carrying value of oil and gas assets as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the Company.

13. Corporate governance statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 114;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 56;
- the Directors' statement on fair, balanced and understandable set out on page 101;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 46 to 55;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 46 to 55; and
- the section describing the work of the Audit and Risk Committee set out on pages 73 to 76.

14. 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/or those matters we have expressly agreed to report to them on in our engagement letter 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.

As required by the Financial Conduct Authority ("FCA") Disclosure Guidance and Transparency Rule ("DTR") 4.1.14R, these financial statements form part of the European Single Electronic Format ("ESEF") prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Paterson ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

29 March 2022

Consolidated income statement

For the year ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	2	301,389	108,449
Cost of sales	3	(111,721)	(121,507)
Decrease/(increase) of impairment provision on trade receivables	14	7,065	(6,776)
Gross profit/(loss)		196,733	(19,834)
Other general and administrative expenses	4	(13,643)	(12,312)
Share option related expenses	5	(8,490)	(1,235)
Profit/(loss) from operations		174,600	(33,381)
Finance revenue	7	419	1,278
Finance costs	7	(11,353)	(14,087)
Foreign exchange gains/(losses)		57	(841)
Profit/(loss) before tax		163,723	(47,031)
Tax credit/(expense)	8	874	(311)
Profit/(loss) after tax for the year		164,597	(47,342)
Profit/(loss) per share (cents)			
Basic	9	77.14	(22.45)
Diluted	9	73.04	(22.45)

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Profit/(loss) after tax for the year	164,597	(47,342)
Items that may be reclassified to the income statement in subsequent periods:		
Fair value losses arising in the period	(2,021)	(1,732)
Cumulative losses arising on hedging instruments reclassified to revenue	3,753	—
Exchange differences on translation of foreign operations	(254)	707
Total comprehensive income/(expense) for the year	166,075	(48,367)

Consolidated balance sheet

As at 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 Restated ⁽¹⁾ \$'000	1 January 2020 Restated ⁽¹⁾ \$'000
Non-current assets				
Intangible assets	10	3,583	933	454
Property, plant and equipment	11	404,205	405,469 ⁽¹⁾	432,507 ⁽¹⁾
Trade receivables	14	—	59,096	—
Deferred tax asset	18	1,385	617	849
		409,173	466,115	433,810
Current assets				
Inventories	13	6,018	5,760 ⁽¹⁾	6,135 ⁽¹⁾
Trade and other receivables	14	179,200	37,832	103,181
Derivative financial instruments	19	—	977	—
Cash and cash equivalents		169,866	147,826	190,762
		355,084	192,395	300,078
Total assets		764,257	658,510	733,888
Current liabilities				
Trade and other payables	15	(98,800)	(69,123)	(83,981)
Non-current liabilities				
Trade and other payables	15	(789)	(1,058)	(1,989)
Borrowings	16	(99,123)	(98,633)	(98,192)
Provisions	17	(43,841)	(35,671)	(29,807)
		(143,753)	(135,362)	(129,988)
Total liabilities		(242,553)	(204,485)	(213,969)
Net assets		521,704	454,025	519,919
Equity				
Share capital	20	213,731	211,371	229,430
Share premium	20	742,914	842,914	871,675
Treasury shares	20	—	(2,592)	(29,749)
Cost of hedging reserve		—	(1,732)	—
Exchange translation reserve		(2,768)	(2,514)	(3,221)
Accumulated losses		(432,173)	(593,422)	(548,216)
Total equity		521,704	454,025	519,919

(1) The comparative consolidated balance sheet has been restated to reflect a reclassification of inventory items that are to be used in the development of the Shaikan Field to property, plant and equipment. See note 28 for details regarding the restatement.

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2022 and signed on its behalf by:

Jon Harris
Chief Executive Officer

Ian Weatherdon
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Notes	Attributable to equity holders of the Company						Total equity \$'000
		Share capital \$'000	Share premium \$'000	Treasury shares \$'000	Cost of hedging reserve \$'000	Exchange translation reserve \$'000	Accumulated losses \$'000	
Balance at 1 January 2020		229,430	871,675	(29,749)	—	(3,221)	(548,216)	519,919
Net loss for the year		—	—	—	—	—	(47,342)	(47,342)
Cash flow hedge – fair value movements		—	—	—	(1,732)	—	—	(1,732)
Exchange difference on translation of foreign operations		—	—	—	—	707	—	707
Total comprehensive (expense)/ income for the year		—	—	—	(1,732)	707	(47,342)	(48,367)
Employee share schemes	24	—	—	—	—	—	2,637	2,637
Share buyback	20	—	—	(20,164)	—	—	—	(20,164)
Share options exercised		—	—	501	—	—	(501)	—
Share cancellation	20	(18,059)	(28,761)	46,820	—	—	—	—
Balance at 31 December 2020		211,371	842,914	(2,592)	(1,732)	(2,514)	(593,422)	454,025
Net profit for the year		—	—	—	—	—	164,597	164,597
Cash flow hedge – fair value movements		—	—	—	1,732	—	—	1,732
Exchange difference on translation of foreign operations		—	—	—	—	(254)	—	(254)
Total comprehensive income/ (expense) for the year		—	—	—	1,732	(254)	164,597	166,075
Dividends paid	25	—	(100,000)	—	—	—	—	(100,000)
Employee share schemes	24	—	—	—	—	—	1,604	1,604
Share options exercised		—	—	2,592	—	—	(2,592)	—
Share issues	20	2,360	—	—	—	—	(2,360)	—
Balance at 31 December 2021		213,731	742,914	—	—	(2,768)	(432,173)	521,704

Consolidated cash flow statement

For the year ended 31 December 2021

	Notes	2021 \$'000	2020 Restated \$'000
Operating activities			
Cash generated from operations	21	189,155	56,734
Interest received	7	419	1,278
Interest paid	7	(10,000)	(10,000)
Payment of put option premium		(1,043)	(5,371)
Net cash generated from operating activities		178,531	42,641
Investing activities			
Purchase of intangible assets		(2,725)	(458)
Purchase of property, plant and equipment	21	(52,959)	(63,760)
Net cash used in investing activities		(55,684)	(64,218)
Financing activities			
Payment of dividends	25	(100,000)	—
Share buyback		—	(20,164)
Payment of leases		(688)	(1,317)
Net cash used in financing activities		(100,688)	(21,481)
Net increase/(decrease) in cash and cash equivalents		22,159	(43,058)
Cash and cash equivalents at beginning of year		147,826	190,762
Effect of foreign exchange rate changes		(119)	122
Cash and cash equivalents at end of the year being bank balances and cash on hand		169,866	147,826

Summary of significant accounting policies

General information

The Company is incorporated in Bermuda (registered address: Cedar House, 3rd Floor, 41 Cedar Avenue, Hamilton, HM12, Bermuda). On 25 March 2014, the Company's common shares were admitted, with a standard listing, to the Official List of the United Kingdom Listing Authority ("UKLA") and to trading on the London Stock Exchange's Main Market for listed securities. Previously, the Company was quoted on Alternative Investment Market, 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.

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 2021.

The following new accounting standards, amendments to existing standards and interpretations are effective on 1 January 2021: Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 16 Leases: Covid-19-related rent concessions beyond 30 June 2021. These standards do not and are not expected to have a material impact on the Company's results or financial statement disclosures in the current or future reporting periods.

New and revised IFRSs issued but not yet effective

At the date of approval of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective by United Kingdom adopted International Accounting Standards:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements Standards 2018-20	Amendments to IFRS 1 First Time Adoption of IFRS, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 United Kingdom adopted International Accounting Standards.

Basis of accounting

The financial statements have been prepared under the historical cost basis, except for the valuation of hydrocarbon inventory and the valuation of certain financial instruments, which have been measured at fair value, and on the going concern basis. Equity-settled share-based payments are recognised at fair value at the date of grant, but are not subsequently revalued. The principal accounting policies adopted are set out below.

Summary of significant accounting policies continued

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, the Operational review and the Management of principal risks and uncertainties. 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 29 March 2022, the Group had \$182.7 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, change in commodity prices, different production rates from the Shaikan block, cost contingencies, disruptions to revenue receipts, impact of climate change and geopolitical risks on the Group's operations, etc. In the current year, these have included both the Iraqi Supreme Court ruling on 15 February 2022 and export route availability as a result of the evolving sanctions situation due to the Russian invasion of Ukraine, as further described in note 29. The Group's forecasts, taking into account the applicable risks, stress test scenarios and potential mitigating actions, show that it has sufficient financial resources for the twelve months from the date of approval of the 2021 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.

Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. Where the Group acts as Operator of the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

Sales revenue

The recognition of revenue, particularly the recognition of revenue from export sales of crude oil, is considered to be a key accounting judgement.

All oil is sold by the Shaikan Contractor (the Company and Kalegran BV, a subsidiary of MOL Hungarian Oil & Gas Plc ("MOL")) to the Kurdistan Regional Government ("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 average monthly Dated Brent crude price less a quality discount and a pipeline tariff. The sales agreement also specifies the delivery point and the payment terms relating to export sales of crude oil. The Crude Oil Sales Agreement has been governing Shaikan crude oil sales from 1 October 2017 onwards.

As the payment mechanism for sales is developing within the Kurdistan Region of Iraq, the Group currently considers that revenue can best be reliably measured when the cash receipt is assured. The assessment of whether cash receipt is 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:

- all crude oil sales were made via the Kurdistan Export Pipeline. The point of sale is the point that the crude oil is injected into the Kurdistan Export Pipeline; and
- 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.

During past PSC negotiations with the Ministry of Natural Resources ("MNR"), it was tentatively agreed that the Shaikan Contractor would provide the KRG a 20% carried working interest in the PSC. This would result in a reduction of GKP's working interest from 80% to 61.5%. To compensate for such decrease, capacity building payments expense would be reduced from 40% to 20% of profit petroleum. While the PSC has not been formally amended, it was agreed that GKP would invoice the KRG for oil sales based on the proposed revised terms from October 2017. Since revenue is recognised on a cash-assured basis, the financial statements reflect the proposed revised working interest of 61.5%. Relative to the PSC terms, the proposed revised invoicing terms result in a decrease in both revenue and cost of sales and on a net basis are slightly positive for the Company.

As part of earlier PSC negotiations, on 16 March 2016, GKP signed a bilateral agreement with the MNR (the "Bilateral Agreement"). The Bilateral Agreement included a reduction in the Group's capacity building payment from 40% to 30% of profit petroleum. Subsequent to signing the Bilateral Agreement, further negotiations resulted in the capacity building payment rate being reduced from 30% to 20%, which has formed the basis for all oil sales invoices to date as noted above. Since PSC negotiations have not been finalised, GKP has included a non-cash payable for the difference between the capacity building rate of 20% and 30%, which is recognised in cost of sales and other payables.

The Company is in constructive dialogue with the MNR to confirm whether to proceed with a formal amendment to the PSC to reflect current invoice terms or to revert to the original PSC terms.

Income tax arising from the Company's activities under its PSC is settled by the KRG on behalf of the Company. However, the Company is not able to measure the amount of income tax that has been paid on its behalf and, therefore, the notional income tax amounts have not been included in revenue or in the tax charge.

Finance revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective rate of interest applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Intangible assets

Intangible assets include computer software and are measured at cost and amortised over their expected useful economic lives of three years.

Property, plant and equipment ("PPE")

Oil and gas assets

Development and production assets

Development and production assets are accumulated on a field-by-field basis and represent the costs of acquisition and developing the commercial reserves discovered and bringing them into production, together with the exploration and evaluation expenditure incurred in finding commercial reserves, directly attributable overheads and costs for future restoration and decommissioning. These costs are capitalised as part of PPE and depreciated based on the Group's depreciation of oil and gas assets policy.

The net book values of producing assets are depreciated generally on a field-by-field basis using the unit of production ("UOP") basis which uses the ratio of oil and gas production in the period to the remaining commercial reserves plus the production in the period. Production associated with unrecognised export sales revenue is included in the depreciation, depletion and amortisation ("DD&A") calculation. Costs used in the calculation comprise the net book value of the field, and any anticipated costs to develop such reserves.

Commercial reserves are proven and probable ("2P") reserves together with, where considered appropriate, a risked portion of 2C contingent resources, which are estimated using standard recognised evaluation techniques.

The reserves estimate used in 2021 is based on values as at 31 December 2020 included in the Competent Person's Reports ("CPRs") prepared by ERC Equipoise.

Other property, plant and equipment

Other property, plant and equipment are principally equipment used in the field which are separately identifiable to development and production assets, and typically have a shorter useful economic life. Assets are carried at cost, less any accumulated depreciation and accumulated impairment losses. Costs include purchase price, construction and installation costs.

These assets are expensed on a straight-line basis over their estimated useful lives of three years from the date they are put in use.

Fixtures and equipment

Fixtures and equipment assets are stated at cost less accumulated depreciation and any accumulated impairment losses. These assets are expensed on a straight-line basis over their estimated useful lives of five years from the date they are available for use.

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.

Summary of significant accounting policies continued

Borrowing costs

Borrowing costs directly relating to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised and added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

Tax expense or credit represents the sum of tax currently payable or recoverable and deferred tax.

Tax currently payable or recoverable is based on taxable profit or loss 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 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 presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the year.

On consolidation, the assets and liabilities of the Group's foreign operations which use functional currencies other than US dollars are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the Group's translation reserve. On the disposal of a foreign operation, such translation differences are reclassified to profit or loss.

Inventories

Inventories, except for hydrocarbon inventories, are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Hydrocarbon inventories are recorded at net realisable value with changes in the value of hydrocarbon inventories being adjusted through cost of sales.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at amortised cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets at fair value through profit and loss

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 as FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line in the income statement.

Derivative financial instruments

The Group may utilise derivative financial instruments to manage its exposure to oil price risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group uses hedge accounting for certain derivative instruments. The Group uses cash flow hedge accounting when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of the hedge relationship, the Group formally designates and documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transaction. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the profit or loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Summary of significant accounting policies continued

Financial instruments continued

Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the revenue line item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated based on observed market data and convention, existing market conditions and forward-looking estimates at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, which are charged to share premium.

Borrowings

Interest-bearing loans and overdrafts are recorded at the fair value of proceeds received, net of transaction costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise. The liability is carried at amortised cost using the effective interest rate method until maturity.

Trade payables

Trade payables are stated at amortised cost. The average maturity for trade and other payables is one to three months.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Decommissioning provision

Provision for decommissioning is recognised in full when there is an obligation to restore the site to its original condition. The amount recognised is the present value of the estimated future expenditure for restoring the sites of drilled wells and related facilities to their original status. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas asset. The amount recognised is reassessed each year in accordance with local conditions and requirements. Any change in the present value of the estimated expenditure is dealt with prospectively. The unwinding of the discount is included as a finance cost.

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 24. 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 24.

Leases

The Group assesses whether a contract contains a lease at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability in the consolidated balance sheet for all lease arrangements longer than twelve months, where it is the lessee and has control of the asset. For all other leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the future lease payments from the commencement date of the lease.

The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the Company-specific incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is recognised in creditors as current or non-current liabilities depending on underlying lease terms.

The right-of-use assets are initially recognised on the balance sheet at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease and any lease incentive received.

For short-term leases (periods less than twelve months) and leases of low value, the Group has opted to recognise lease expense on a straight-line basis.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue

The recognition of revenue, particularly the recognition of revenue from exports, is considered to be a key accounting judgement. The Group began commercial production from the Shaikan Field in July 2013 and historically made sales to both the domestic and export markets. The Group considers that revenue can be only reliably measured when the cash receipt is assured. The assessment of whether cash receipts are assured is based on management's evaluation of the reliability of the MNR's payments to the international oil companies operating in the Kurdistan Region of Iraq.

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.

Summary of significant accounting policies continued

Key sources of estimation uncertainty

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

Carrying value of producing assets

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

The Group's sole CGU at 31 December 2021 was the Shaikan Field with a carrying value of \$402.1 million. The Group performed a full impairment indicator evaluation considering the impact of climate change, oil prices, field productivity, potential changes to future development plans, impacts of local and global geopolitical factors, including the potential inability to access export pipeline due to sanctions (see note 29), and liquidity. The potential impact of such factors together with other possible changes to key assumptions and available mitigating actions, showed that no impairment indicators arose.

The key areas of estimation in the impairment assessment are as follows:

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

Scenario	2022 \$/bbl – Real	2023 onwards \$/bbl – Real
31 December 2021 – base case	\$81	\$55
31 December 2021 – stress case	\$80	\$50
31 December 2020 – base case	\$55	\$55
31 December 2020 – stress case	\$40	\$40

- the Group continues to develop its assessment of the potential impacts of climate change and the associated risks, the transition to a low-carbon future and our ambition to reduce scope 1 and 2 per barrel CO₂ emissions by at least 50% by 2025. The potential effects of climate change and the Paris Agreement were considered. It was concluded, based on benchmarking, that the stress case price deck used in the impairment assessment is reasonable to reflect the potential impact of meeting the Paris Agreement targets. The stress case also includes an estimated cost of the introduction of a carbon tax in Kurdistan;
- discount rates that are adjusted to reflect risks specific to the Shaikan Field and the Kurdistan Region of Iraq. The impairment analysis was based on a post-tax nominal 15% discount rate (2020: 15%). The impact of an increase in the discount rate to 20% was considered to reflect potential increased geopolitical risks and no impairment was identified;
- operating costs and capital expenditure are based on financial budgets and internal management forecasts. Costs assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Base case costs assumptions used in the assessment are consistent with the November 2021 draft FDP submitted to the MNR, which includes the estimated cost of implementing a Gas Management Plan, as part of our ambition to reduce scope 1 and 2 emissions as outlined above;
- commercial reserves and production profiles used in the assessment are consistent with the November 2021 draft FDP submitted to the MNR; and
- timing of revenue receipts.

In February 2022, a majority decision of the Iraqi Supreme Court ruled that the Kurdistan Region of Iraq Oil and Gas Law ("KROGL") was unconstitutional and provides that the Iraqi Ministry of Oil may pursue annulment of Production Sharing Contracts issued by the Kurdish Regional Government ("KRG"). The KRG responded that "it will take all constitutional, legal, and judicial measures to protect and preserve all contracts made in the oil and gas sector". While the Iraqi government has disputed the validity of the PSCs and the ruling has not to date impacted our business, it is not possible to determine potential future implications. The Group will continue to engage with Ministry officials on this matter and will react as any implications of the ruling become clearer.

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:

	2021 \$'000	2020 Restated \$'000
Kurdistan	402,787	404,492
United Kingdom	5,001	1,910
	407,788	406,402

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

Information about major customers

Included in revenues are \$305.1 million, which arose from sales to the KRG (2020: \$108.4 million).

2 Revenue

	2021 \$'000	2020 \$'000
Oil sales	305,142	108,449
Hedging losses reclassified to revenue	(3,753)	—
	301,389	108,449

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

During 2021, the cash-assured values recognised as oil sales were the invoiced revenue for the year amounting to \$305.1 million (2020: \$108.4 million). The oil sales price was calculated using the monthly average Dated Brent price, which was \$70.8/bbl on average during the year (2020: \$42.0/bbl) less an average discount of \$21.20/bbl (2020: \$21.10/bbl) for quality and pipeline tariff costs.

Hedging losses were incurred on put options which were purchased to protect against a decline in Dated Brent prices below certain levels. Put options were purchased for H1 2021 and Q3 2021, effectively establishing a floor price of \$35/bbl and \$40/bbl, respectively, over approximately 60% of net entitlement production. The put options were designated as cash flow hedges. All the put options expired during the year and the associated hedging losses that had previously been deferred within the hedging reserve were reclassified to revenue.

3 Cost of sales

	2021 \$'000	2020 \$'000
Operating costs	34,372	27,401
Capacity building payments	23,529	8,362
Changes in inventory valuation	(348)	2,923
Depreciation of oil and gas assets	54,120	82,797
Depreciation of operational assets	48	24
	111,721	121,507

Further details on the depreciation of oil and gas assets and operational assets is set out in the Summary of significant accounting policies section.

During the year, the Group received a Competent Person's Report from ERC Equipoise Limited regarding the Shaikan Field's reserves and resources as at 31 December 2020. The use of the future capital expenditure and 2P reserves estimates from the report resulted in a lower depreciation, depletion and amortisation ("DD&A") per barrel rate. The new DD&A rate constitutes a change in accounting estimate and is reflected in the financial statements effective 1 January 2021.

Notes to the consolidated financial statements

continued

4 Other general and administrative expenses

	2021 \$'000	2020 \$'000
Depreciation and amortisation	940	1,325
Auditor's remuneration (see below)	583	574
Other general and administrative costs	12,120	10,413
	13,643	12,312

Of the \$13.6 million of general and administrative expenses, \$4.1 million (2020: \$5.0 million) were incurred in relation to the Shaikan Field.

	2021 \$'000	2020 \$'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	318	350 ⁽¹⁾
Fees payable to the Company's auditor for other services to the Group		
– audit of the Company's subsidiaries pursuant to legislation	28	28
Total audit fees	346	378
Advisory services	107	45
Other assurance services (including a half-year review)	130	151
Total fees	583	574

(1) The fees payable to the Company's auditor in 2020 included \$43,000 in respect of the 2019 audit.

5 Share option related expense

	2021 \$'000	2020 \$'000
Share-based payment expense	2,255	2,440
Payments related to share options exercised	4,142	–
Share-based payment related provision for taxes	2,093	(1,205)
	8,490	1,235

On the exercise of the Value Creation Plan ("VCP") share options by former Directors, tax settlements were made in cash instead of using the proceeds from selling additional shares. This and the payment of dividends accumulated during the VCP vesting period are the main components of the payments related to share options exercised. As applicable, the future exercise of outstanding VCP share options is expected to be equity settled although the Company may consider settling any related tax in cash.

6 Staff costs

The average number of employees and contractors (including Executive Directors) employed by the Group was 349 (2020: 354). The headcount numbers are not adjusted for part-time, shift-work and rotational working arrangements.

Staff costs were as follows:

	2021 \$'000	2020 \$'000
Wages and salaries	36,835	31,753
Social security costs	1,880	1,334
Share-based payment (see note 24)	3,009	2,637
	41,724	35,724

Staff costs include costs relating to contractors who are long-term workers in key positions, and are included in PPE additions, cost of sales and other general and administrative expenditure depending on the nature of such costs.

7 Finance costs and finance revenue

	2021 \$'000	2020 \$'000
Notes interest paid during the year (see note 16)	(10,000)	(10,000)
Unwinding of finance and arrangement fees (see note 16)	(489)	(440)
Finance lease interest	(123)	(221)
Put option premium	—	(2,662)
Unwinding of discount on provisions (see note 17)	(741)	(764)
Total finance costs	(11,353)	(14,087)
Finance revenue	419	1,278
Net finance costs	(10,934)	(12,809)

8 Income tax

	2021 \$'000	2020 \$'000
Current year credit/(expense)	75	(90)
Prior year adjustment	28	—
Deferred UK corporation tax credit/(expense) (see note 18)	771	(221)
Tax credit/(expense) attributable to the Company and its subsidiaries	874	(311)

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 at least until the year 2035.

In the Kurdistan Region of Iraq, the Group is subject to corporate income tax on its income from petroleum operations under the Kurdistan PSC. Under the Shaikan PSC, any corporate income tax arising from petroleum operations will be paid from the KRG's share of petroleum profits. Due to the uncertainty over the payment mechanism for oil sales in Kurdistan, it has not been possible to measure reliably the taxation due that has been paid on behalf of the Group by the KRG and therefore the notional tax amounts have not been included in revenue or in the tax charge. This is an accounting presentational issue and there is no taxation to be paid.

The annual UK corporation tax rate for the year ended 31 December 2021 was 19.0% (2020: 19.0%).

At the Budget 2021 on 3 March 2021, the UK Government announced that the corporation tax rate in the UK will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to allowances and treatment of losses. These changes were substantively enacted as at 31 December 2021. Deferred tax is provided for due to the temporary differences, which give rise to such a balance in jurisdictions subject to income tax. All deferred tax arises in the UK.

9 Profit/(loss) per share

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

	2021 \$'000	2020 \$'000
Profit/(loss) after tax for basic and diluted per share calculations	164,597	(47,342)
Number of shares ('000s):		
Basic weighted average number of ordinary shares	213,384	210,893
Basic EPS (cents)	77.14	(22.45)

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

Notes to the consolidated financial statements

continued

9 Profit/(loss) per share continued

Reconciliation of dilutive shares:

	2021 \$'000	2020 \$'000
Number of shares ('000s):		
Basic weighted average number of ordinary shares outstanding	213,384	210,893
Effect of dilutive potential ordinary shares	11,962	—
Diluted number of ordinary shares outstanding	225,346	210,893
Diluted EPS (cents)	73.04	(22.45)

The weighted average number of ordinary shares in issue excludes shares held by the Employee Benefit Trustee ("EBT") and the Exit Event Trustee.

The diluted number of ordinary shares outstanding including share options is calculated on the assumption of conversion of all potentially dilutive ordinary shares.

As the Company reported a loss for the year ended 2020, the exercise of the outstanding share options would have reduced the reported loss per share and, therefore, the share options were anti-dilutive.

10 Intangible assets

	Computer software \$'000
Year ended 31 December 2020	
Opening net book value	454
Additions	458
Amortisation charge	(3)
Foreign currency translation differences	24
Closing net book value	933
At 31 December 2020	
Cost	1,980
Accumulated amortisation	(1,047)
Net book value	933
Year ended 31 December 2021	
Opening net book value	933
Additions	2,742
Amortisation charge	(25)
Foreign currency translation differences	(67)
Closing net book value	3,583
At 31 December 2021	
Cost	4,722
Accumulated amortisation	(1,139)
Net book value	3,583

The amortisation charge of \$25,000 (2020: \$3,000) for computer software has been included in other general and administrative expenses (see note 4).

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 2020				
Opening net book value – restated	428,601	1,310	2,596	432,507
Additions	51,716	155	1,721	53,592
Lease modification	–	–	(1,623)	(1,623)
Revision to decommissioning asset	5,100	–	–	5,100
Depreciation charge	(82,797)	(278)	(1,044)	(84,119)
Foreign currency translation differences	–	–	12	12
Closing net book value – restated	402,620	1,187	1,662	405,469
At 31 December 2020				
Cost	778,329	7,160	3,602	789,091
Accumulated depreciation	(375,709)	(5,973)	(1,940)	(383,622)
Net book value – restated	402,620	1,187	1,662	405,469
Year ended 31 December 2021				
Opening net book value	402,620	1,187	1,662	405,469
Additions	46,165	203	76	46,444
Disposals	–	–	(1,432)	(1,432)
Revision to decommissioning asset	7,429	–	–	7,429
Depreciation charge	(54,120)	(351)	(612)	(55,083)
Accumulated depreciation eliminated on disposal	–	–	1,405	1,405
Foreign currency translation differences	(1)	(6)	(21)	(28)
Closing net book value	402,094	1,033	1,078	404,205
At 31 December 2021				
Cost	831,924	7,363	2,246	841,533
Accumulated depreciation	(429,830)	(6,330)	(1,168)	(437,328)
Net book value	402,094	1,033	1,078	404,205

The net book value of oil and gas assets at 31 December 2021 is comprised of property, plant and equipment relating to the Shaikan block with a carrying value of \$402.1 million (2020 restated: \$402.6 million).

The additions to the Shaikan asset during the year include the costs relating to the drilling and completion of SH-14 and SH-13, well flowlines construction, PF-1 and PF-2 debottlenecking activities and subsurface studies. The increase in the decommissioning asset represents further decommissioning obligations that arose on capital projects completed during the year and revisions to decommissioning cost estimates.

The DD&A charge of \$54.1 million (2020: \$82.8 million) on oil and gas assets has been included within cost of sales (note 3). The depreciation charge of \$0.4 million (2020: \$0.3 million) on fixtures and equipment and \$0.6 million (2020: \$1.0 million) on right-of-use assets has been included in general and administrative expenses (note 4).

Right-of-use assets at 31 December 2021 of \$1.1 million (2020: \$1.7 million) consisted principally of buildings.

For details of the key assumptions and judgements underlying the impairment assessment, refer to the “Critical accounting estimates and judgements” section of the Summary of significant accounting policies.

See note 28 for further information on restated balances.

Notes to the consolidated financial statements

continued

12 Group companies

Details of the Company's subsidiaries and joint operations at 31 December 2021 is as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
Gulf Keystone Petroleum (UK) Limited 6th Floor New Fetter Place 8-10 New Fetter Lane London EC4A 1AZ	United Kingdom	100%	Management, support, geological, geophysical and engineering services
Gulf Keystone Petroleum International Limited Cedar House, 3rd Floor 41 Cedar Avenue Hamilton HM12 Bermuda	Bermuda	100%	Exploration, evaluation, development and production activities in Kurdistan

Name of joint operation	Location	Proportion of ownership interest	Principal activity
Shaikan	Kurdistan	80%	Production and development activities

13 Inventories

	31 December 2021 \$'000	31 December 2020 Restated \$'000	1 January 2020 Restated \$'000
Warehouse stocks and materials	5,318	5,405	5,230
Crude oil	700	355	905
	6,018	5,760	6,135

Warehouse stock and materials at 31 December 2021 contain write downs to net realisable value of nil (2020: \$2.5 million) included in cost of sales.

The comparative inventory balances have been restated as items of inventory have been reclassified to property, plant and equipment. See note 28 for further information.

14 Trade and other receivables

Non-current receivables

	2021 \$'000	2020 \$'000
Trade receivables	—	59,096

Current receivables

	2021 \$'000	2020 \$'000
Trade receivables	174,634	34,021
Other receivables	3,622	2,963
Prepayments and accrued income	944	848
	179,200	37,832

Reconciliation of trade receivables

	2021 \$'000	2020 \$'000
Gross carrying amount	175,754	101,302
Less: impairment allowance	(1,120)	(8,185)
Carrying value at 31 December	174,634	93,117

Gross trade receivables of \$175.8 million (2020: \$101.3 million) are comprised of invoiced amounts due from the KRG for crude oil sales totalling \$163.6 million (2020: \$92.2 million) and a share of Shaikan revenue arrears the Group purchased from MOL amounting to \$12.2 million (2020: \$9.1 million). The amount due for crude oil sales includes past due trade receivables of \$43.1 million⁽¹⁾ (2020: \$77.3 million) related to November 2019 to February 2020 invoices.

While the Group expects to recover the full value of the outstanding invoices and purchased revenue arrears, the ECL on the overdue receivable balance of \$1.1 million (2020: \$8.2 million) was provided against the receivables balance in line with the requirements of IFRS 9. During the year, a \$7.1 million gain was recognised due to the reduction of the ECL provision (2020: a loss of \$6.8 million due to the increase of the ECL provision), driven by a lower arrears balance.

The Group continues to receive payments in relation to the arrears from the outstanding invoices in line with the KRG's proposal to pay 20% of the difference between the monthly average Dated Brent price and \$50/bbl multiplied by the gross Shaikan crude oil volumes sold in the month.

(1) The past due invoiced trade receivables amount excludes the associated capacity building payments due to the KRG which reduce the amount due to GKP to \$41.0 million (2020: \$73.3 million).

ECL sensitivities

The Group's profit before tax was not sensitive to movements of +/-10% in production level, Brent price, loss given default or probability of default.

Other receivables

Included within Other receivables is an amount of \$0.4 million (2020: \$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 2021 (2020: nil). No impairments of other receivables have been recognised during the year (2020: nil).

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

	2021 \$'000	2020 \$'000
Trade payables	6,494	2,212
Accrued expenditures	25,961	14,481
Other payables	65,927	51,612
Current lease liabilities (see note 22)	419	718
Tax liabilities	—	100
	98,800	69,123

Accrued expenditures include \$4.4 million interest payable as at 31 December 2021 (2020: \$4.4 million); see note 16.

Other payables include \$56.4 million (2020: \$46.5 million) of amounts payable to the KRG that are not expected to be paid, but rather offset against revenue due from the KRG related to pre-October 2017 oil sales, which have not yet been recognised in the financial statements. Within this amount, \$22.6 million (2020: \$14.8 million) relates to a non-cash payable for the difference between the capacity building rate of 20% and 30% (see Summary of significant accounting policies, Sales revenue).

Non-current liabilities

	2021 \$'000	2020 \$'000
Non-current lease liability (see note 22)	789	1,058

Notes to the consolidated financial statements

continued

16 Long-term borrowings

	2021 \$'000	2020 \$'000
Liability component at 1 January	102,993	102,553
Interest expense, including unwinding of finance and arrangement fees	10,489	10,440
Interest paid during the year	(10,000)	(10,000)
Liability component at 31 December	103,482	102,993
Liability component reported in:		
	2021 \$'000	2020 \$'000
Current liabilities (see note 15)	4,359	4,360
Non-current liabilities	99,123	98,633
	103,482	102,993

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

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

During the year, the Group was not in breach of any terms of the Notes.

The Notes are traded on the Norwegian Stock Exchange and the fair value at the prevailing market price as at the balance sheet date was:

	Market price	2021 \$'000	2020 \$'000
Notes	\$103.75	103,750	102,500

As at 31 December 2021, the Group's remaining contractual liability comprising principal and interest based on undiscounted cash flows is as follows:

	2021 \$'000	2020 \$'000
Within one year	10,000	10,000
Within two years	105,639	115,639
	115,639	125,639

17 Provisions

	2021 \$'000	2020 \$'000
Decommissioning provision		
At 1 January	35,671	29,807
New provisions and changes in estimates	7,429	5,100
Unwinding of discount	741	764
At 31 December	43,841	35,671

The provision for decommissioning is based on the net present value of the Group's estimated share of expenditure, inflated at 2.0% (2020: 2.0%) and discounted at 2.0% (2020: 2.0%), which may be incurred for the removal and decommissioning of the wells and facilities currently in place and restoration of the sites to their original state. Most expenditures are expected to take place towards the end of the PSC term in 2043.

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 2020	(27)	801	75	849
(Charge)/credit to income statement	(85)	(66)	(70)	(221)
Exchange differences	(3)	(3)	(5)	(11)
At 31 December 2020	(115)	732	—	617
(Charge)/credit to income statement	(381)	321	831	771
Exchange differences	1	(4)	—	(3)
At 31 December 2021	(495)	1,049	831	1,385

19 Financial instruments

	2021 \$'000	2020 \$'000
Financial assets		
Cash and cash equivalents	169,866	147,826
Receivables	178,258	97,776
	348,124	245,602
Derivative financial instruments		
Put options used for hedging	—	977
	348,124	246,579
Financial liabilities		
Trade and other payables	99,589	70,081
Borrowings	99,123	98,633
	198,712	168,714

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

The maturity profile and fair values of the 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".

Fair values of financial assets and liabilities

With the exception of the Notes, and the receivables from the KRG which the Group expects to recover in full (see note 14), the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Notes, as determined using market values at 31 December 2021, was \$103.8 million (2020: \$102.5 million) compared to the carrying value of \$99.1 million (2020: \$98.6 million).

In making the above assessment, consideration has been given to the fair value hierarchy set out in IFRS 13. Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Notes disclosed above is based on Level 1 in the hierarchy.

The financial assets balance includes an \$1.1 million provision against trade receivables (2020: \$8.2 million) (see note 14). All financial assets, except derivatives designated as a hedge, are measured at amortised cost.

Notes to the consolidated financial statements

continued

19 Financial instruments continued

Capital risk management

The Group manages its capital to ensure that the entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity structure. The capital structure of the Group consists of cash, cash equivalents, Notes and equity attributable to equity holders of the parent. Equity comprises issued capital, reserves and accumulated losses as disclosed in note 20 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.

As at year end, the Group did not hold any derivative assets to hedge against commodity price declines or any other financial risks. The Group does not use derivative financial instruments for speculative purposes.

The risks are closely reviewed by the Board on a regular basis and, where appropriate, steps are taken to ensure these risks are minimised.

Market risk

The Group's activities expose it primarily to the financial risks of changes in oil prices, foreign currency exchange rates and changes in interest rates in relation to the Group's cash balances.

There have been no changes to the Group's exposure to other market risks. The risks are monitored by the Board on a regular basis.

The Group conducts and manages its business predominantly in US dollars, the operating currency of the industry in which it operates. The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

At 31 December 2021, 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 assets or profit before tax.

Interest rate risk management

The Group's policy on interest rate management is agreed at the Board level and is reviewed on an ongoing basis. The current policy is to maintain a certain amount of funds in the form of cash for short-term liabilities and have the rest on relatively short-term deposits, usually between one and three months, to maximise returns and accessibility. The Group must pay interest on its Notes semi-annually in cash at 10% per annum.

Based on the exposure to the interest rates for cash and cash equivalents at the balance sheet date, a 0.5% increase or decrease in interest rates would not have a material impact on the Group's profit for the year or the previous year. A rate of 0.5% is used as it represents management's assessment of a reasonable change in interest rates.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2021, the maximum exposure to credit risk from a trade receivable outstanding from one customer is \$175.8 million (2020: \$101.3 million). Although the Group is confident in the recovery of the trade receivables balance, a provision of \$1.1 million (2020: \$8.2 million) was recognised against the trade receivables balance.

The credit risk on liquid funds is limited because the counterparties for a significant portion of the cash and cash equivalents at the balance sheet date are banks with investment grade credit ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. It is the Group's policy to finance its business by means of internally generated funds, external share capital and debt. The Group seeks to raise further funding as and when required.

Fair value of derivative instruments

All derivatives are used to hedge against commodity price risk and are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions or using standard calculation techniques for the applicable instruments and commodities involved.

For derivatives designated as a cash flow hedge, the movements in the fair value of the derivatives are recognised in other comprehensive income. Derivatives' maturity and the timing of their recycling into income or expense coincide.

The Group's derivative instruments' value was as follows:

	2021 \$'000	2020 \$'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Put option	—	977
	—	977

To manage the Group's oil price risk, put options were entered into during the year. The first tranche related to H1 2021 and was entered into at a cost of \$2.7 million hedging 1.6 MMbbl with a floor price of \$35/bbl. A second tranche related to Q3 2021 was entered into at a cost of \$1.0 million hedging 0.8 MMbbl with a floor price of \$40/bbl. Costs relating to the put options have been recognised in revenue (see note 2).

20 Share capital

	2021 \$'000	2020 \$'000
Authorised		
Common shares of \$1 each (2020: \$1 each)	231,605	231,605
Non-voting shares of \$0.01 each	500	500
Preferred shares of \$1,000 each	20,000	20,000
Series A Preferred shares of \$1,000 each	40,000	40,000
	292,105	292,105

	Common shares			
	No. of shares '000	Amount \$'000	Share capital \$'000	Share premium \$'000
Balance 1 January 2020	229,430	1,101,105	229,430	871,675
Shares cancelled	(18,059)	(46,820)	(18,059)	(28,761)
Balance 31 December 2020	211,371	1,054,285	211,371	842,914
Dividends paid	—	(100,000)	—	(100,000)
Shares issued	2,360	2,360	2,360	—
Balance 31 December 2021	213,731	956,645	213,731	742,914

At 31 December 2021, a total of nil (2020: 1,000,000) common shares were held in treasury with a value of nil (2020: \$2.6 million).

At 31 December 2021, a total of 0.1 million common shares at \$1 each were held by the EBT and Exit Event Trustee (2020: 0.1 million at \$1 each). These common shares were included within reserves.

In 2019 and 2020, the Company carried out two buyback programmes. Following the buyback programmes' completion, the Company held 19,059,064 shares in treasury, of which 18,059,064 were cancelled in late 2020.

Rights attached to share capital

The holders of the common shares have the following rights (subject to the other provisions of the Byelaws):

- (i) entitled to one vote per common share;
- (ii) entitled to receive notice of, and attend and vote at, general meetings of the Company;
- (iii) entitled to dividends or other distributions; and
- (iv) 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.

Notes to the consolidated financial statements

continued

21 Cash flow reconciliation

	Notes	2021 \$'000	2020 Restated ⁽¹⁾ \$'000
Cash flows from operating activities			
Profit/(loss) from operations		174,600	(33,381)
Adjustments for:			
Depreciation, depletion and amortisation of property, plant and equipment (including right-of-use assets)		55,111	84,119
Amortisation of intangible assets		25	3
(Decrease)/increase of provision for impairment of trade receivables	14	(7,065)	6,776
Put option hedging losses reclassified to revenue		3,752	—
Share-based payment expense	24	1,197	2,440
Lease modification		—	(97)
Operating cash flows before movements in working capital		227,620	59,860
Increase in inventories		(258)	374 ⁽¹⁾
Increase in trade and other receivables		(75,259)	(523)
Increase/(decrease) in trade and other payables		36,977	(2,977)
Income taxes received		75	—
Cash generated from operations		189,155	56,734⁽¹⁾

Reconciliation of property, plant and equipment additions to cash flows from purchase of property, plant and equipment:

	2021 \$'000	2020 Restated \$'000
Associated cash flows		
Additions to property, plant and equipment	46,417	53,592 ⁽¹⁾
Movement in working capital	6,927	12,087
Non-cash movements		
Finance lease additions	—	(1,721)
Capitalised share option charges	(409)	(197)
Foreign exchange differences	24	(1) ⁽¹⁾
Purchase of property, plant and equipment	52,959	63,760

(1) The comparative cash flow reconciliation has been restated. For further details, see the statement of cash flows.

Movement in financing-related liabilities

The Group's financing-related liabilities are comprised of borrowings and lease liabilities. The movements in borrowings are shown in note 16 and the movements in lease liabilities in the year were primarily cash payments of \$0.7 million.

22 Lease liabilities

	2021 \$'000	2020 \$'000
Analysed as:		
Current liabilities (note 15)	419	718
Non-current liabilities (note 15)	789	1,058
	1,208	1,776
Lease liability maturity analysis		
Year 1	419	209
Year 2	789	48
Year 3	—	—
Year 4	—	1,519
Amounts payable under leases		
Within one year	509	720
In the second to fifth year inclusive	868	1,396
	1,377	2,116
Less future interest charges	(169)	(340)
Net present value of lease obligations	1,208	1,776

23 Commitments

Exploration and development commitments

Additions to property, plant and equipment are generally funded with the cash flow generated from the Shaikan Field. As at 31 December 2021, gross capital commitments in relation to the Shaikan Field were estimated to be \$20.6 million (2020: \$0.6 million).

24 Share-based payments

	2021 \$'000	2020 \$'000
Total share options charge	2,664	2,637
Capitalised share options charge	(409)	(197)
Share options charge in income statement	2,255	2,440

Value Creation Plan (“VCP”)

The VCP was approved by shareholders in December 2016. As at 31 December 2021, 3.5 million nil-cost share options were outstanding under the VCP. There will be no further awards under the plan.

Outstanding awards will vest subject to the Company achieving a total shareholder return (“TSR”) of at least 8% compound annual growth, in accordance with the VCP rules. Subject to achieving the requisite TSR, all the outstanding share options will vest following the measurement date for the financial year ending on 31 December 2021.

The requisite TSR was achieved following the measurement date for the financial year ended 31 December 2020. The measurement date for the financial year ended 31 December 2021 has not yet passed as at the date of this report.

	2021 Number of share options '000	2020 Number of share options '000
Outstanding at 1 January	7,017	7,017
Exercised during the year	(3,509)	—
Outstanding at 31 December	3,508	7,017
Exercisable at 31 December	3,508	—

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of less than one year.

A charge of \$0.1 million (2020: \$0.8 million) in relation to the VCP is included in the total share options charge.

Notes to the consolidated financial statements

continued

24 Share-based payments continued

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 nil-cost 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.

	2021 Number of share options '000	2020 Number of share options '000
Outstanding at 1 January	973	1,129
Exercised during the year	(908)	(156)
Outstanding at 31 December	65	973
Exercisable at 31 December	65	973

The weighted average share price at the date of exercise for share options exercised during the year was £1.70 (2020: £1.43).

During the year no options (2020: nil) were granted to employees under the Group's SRP.

A charge of nil (2020: \$0.1 million) in relation to the SRP is included in the total share options charge.

Share options outstanding at the end of the year have the exercise price of nil and the following expiry dates:

Expiry date	Options ('000)	
	2021	2020
11 December 2026	12	516
9 January 2027	—	250
30 June 2027	53	207
	65	973

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of five years.

Long-Term Incentive Plan

The Gulf Keystone Petroleum 2014 Long-Term Incentive Plan (“LTIP”) is designed to reward members of staff through the grant of share options at a zero exercise price, that vest three years after grant, subject to the fulfilment of specified performance conditions. These performance conditions are 50% TSR over the vesting period and 50% the Group's TSR relative to a bespoke group of comparators.

	2021 Number of share options '000	2020 Number of share options '000
Outstanding at 1 January	7,254	2,629
Granted during the year	2,747	4,752
Exercised during the year	(1,014)	—
Forfeited during the year	(712)	(127)
Outstanding at 31 December	8,275	7,254
Exercisable at 31 December	—	—

The weighted average share price at the date of exercise for share options exercised during the year was £1.69 (2020: n/a).

The inputs into the calculation of fair values of the shares granted during the year are as follows:

	2021	2020
Weighted average share price	£2.26	£0.88
Weighted average exercise price	Nil	Nil
Expected volatility	58.7%	54.6%
Expected life	3 years	3 years
Risk-free rate	0.14%	0.08%
Expected dividend yield (on the basis dividends equivalents received)	Nil	Nil

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of two years.

The aggregate of the estimated fair value of options granted in 2021 is \$4.3 million (2020: \$2.6 million).

A charge of \$2.5 million (2020: \$1.7 million) in relation to the LTIP is included in the total share options charge.

25 Dividend

During 2021, an ordinary dividend of \$25 million (11.697 US cents per common share) was paid, followed by a special dividend of \$25 million (11.697 US cents per common share) and an interim dividend for 2021 of \$50 million (23.394 US cents per common share) (2020: no dividends were paid). To date in 2022, an interim dividend of \$50 million has been paid. A further \$65 million interim dividend is expected to be paid on 13 May 2022, based on a record date of 29 April 2022 and ex-dividend date of 28 April 2022. An ordinary dividend of \$25 million is subject to approval at the AGM on 24 June 2022 and will be paid to shareholders on 15 July 2022 based on a record date of 1 July 2022.

26 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 Directors and Officers

The remuneration of the Directors and Officers who are considered to be key management personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. The Directors and Officers who served during the year ended 31 December 2021 were as follows:

- J Huijskes – Non-Executive Chairman
- M Angle – Deputy Chairman
- G Soden – Non-Executive Director
- D Thomas – Non-Executive Director
- K Wood – Non-Executive Director
- J Harris – Chief Executive Officer (appointed 4 January 2021)
- I Weatherdon – Chief Financial Officer
- S Catterall – Chief Operations Officer (resigned 18 February 2022)
- G Papineau-Legris – Chief Commercial Officer
- J Barker – HR Director (resigned 10 September 2021)
- C Kinahan – Chief Human Resources Officer (appointed 2 August 2021)
- A Robinson – Chief Legal Officer and Company Secretary

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

	2021 \$'000	2020 \$'000
Short-term employee benefits	5,809	4,822
Share-based payment – options	1,012	1,273
	6,821	6,095

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

Notes to the consolidated financial statements

continued

27 Contingent liabilities

The Group has a contingent liability of \$27.3 million (2020: \$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 off-takers which were approved by the KRG. The Group believes that the receipts from these sales of pre-FDP petroleum are for the account of the Contractor, rather than the KRG, and accordingly recorded them as test revenue in prior years. However, the KRG has requested a repayment of these amounts and the Group is currently involved in negotiations to resolve this matter. The Group has received external legal advice and continues to maintain that pre-FDP petroleum receipts are for the account of the Contractor. This contingent liability forms part of the ongoing Shaikan PSC amendment negotiations and it is likely that it will be settled as part of those negotiations.

28 Prior year restatement

The Group has identified that prior year inventory balances contained certain equipment to be used in the development of the Shaikan Field, which will be consumed over a period in excess of one year. The Group determined that this equipment met the definition of property, plant and equipment as defined by IAS 16 Property, Plant and Equipment and has restated the prior year financial statements to reflect this reclassification.

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

Consolidated balance sheet

	1 January 2020 As previously reported \$'000	Reclassification of inventory \$'000	1 January 2020 Restated \$'000
Property, plant and equipment	407,602	24,905	432,507
Inventories	31,040	(24,905)	6,135

	31 December 2020 As previously reported \$'000	Reclassification of inventory \$'000	31 December 2020 Restated \$'000
Property, plant and equipment	374,702	30,767	405,469
Inventories	36,527	(30,767)	5,760

Statement of cash flows

	31 December 2020 As previously reported \$'000	Reclassification of inventory \$'000	31 December 2020 Restated \$'000
Cash generated from operations	50,873	5,862	56,734
Purchase of property, plant and equipment	(57,899)	(5,862)	(63,760)

29 Subsequent events

Iraqi Supreme Court ruling

In February 2022, the Iraqi Supreme Court ruled that the Kurdistan Region of Iraq Oil and Gas Law is unconstitutional. The ruling also provides that the Iraqi Ministry of Oil may pursue annulment of Production Sharing Contracts issued by the KRG. The KRG responded that "it will take all constitutional, legal, and judicial measures to protect and preserve all contracts made in the oil and gas sector". The ruling has not impacted the Company's operations and the Company is continuing to monitor the situation closely.

Export route availability

The Company currently exports all of its crude oil through the Kurdistan Export Pipeline, which is 60% owned by Rosneft. As a result of Russia's invasion of Ukraine on 24 February 2022, the Company is monitoring the evolving sanctions situation as certain specific sanctions on Rosneft could impact the Company's ability to access this pipeline.

Non-IFRS measures

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

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

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

Gross operating costs per barrel

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

	2021	2020
Gross production (MMbbls)	15.9	13.4
Gross operating costs (\$ million) ⁽¹⁾	43.0	34.2
Gross operating costs per barrel (\$ per bbl)	2.7	2.6

(1) Gross operating costs equate to operating costs (see note 3) adjusted for the Group’s 80% working interest in the Shaikan Field.

Adjusted EBITDA

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

	2021 \$ million	2020 \$ million
Profit/(loss) after tax	164.6	(47.3)
Finance costs	11.4	14.1
Finance revenue	(0.4)	(1.3)
Tax (credit)/expense	(0.9)	0.3
Depreciation of oil and gas assets	54.1	82.8
Depreciation of other PPE assets and amortisation of intangibles	1.0	1.3
Impairment of receivables	(7.1)	6.8
Adjusted EBITDA	222.7	56.7

Non-IFRS measures continued

Net capital expenditure

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

	2021 \$ million	2020 Restated \$ million
Additions to oil and gas assets (note 11)	46.2	51.7
(Increase)/decrease of drilling and other equipment classified as oil and gas assets	4.6	(5.9)
Net capital expenditure	50.8	45.8

Net cash

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

	2021 \$ million	2020 Restated \$ million
Outstanding Notes	(99.1)	(98.6)
Unamortised issue costs (note 16)	(0.9)	(1.4)
Cash and cash equivalents	169.9	147.8
Net cash	69.9	47.8

Free cash flow

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

	2021 \$ million	2020 Restated \$ million
Net cash generated from operating activities	178.6	42.6
Net cash used in investing activities	(55.7)	(64.2)
Payment of leases	(0.7)	(1.3)
Free cash flow	122.2	(22.9)

Report on Payments to Governments for 2021

Introduction

This report sets out details of the payments made to governments by Gulf Keystone Petroleum Ltd and its subsidiary undertakings ("Gulf Keystone") for the year ended 31 December 2021 as required under Disclosure and Transparency Rule 4.3A issued by the UK's Financial Conduct Authority ("DTR 4.3A") and in accordance with The Reports on Payments to Governments Regulations 2014 (as amended in 2015) ("the UK Regulations") and our interpretation of the Industry Guidance on the UK Regulations issued by the International Association of Oil & Gas Producers. DTR 4.3A requires companies listed on a stock exchange in the UK and operating in the extractive industry to publicly disclose payments to governments in the countries where they undertake exploration, prospecting, discovery, development and extraction of minerals, oil, natural gas deposits or other materials.

Basis for preparation

Total payments below £86,000 made to a government are excluded from this report, as permitted under the UK Regulations.

All of the payments made in relation to the Shaikan Production Sharing Contract ("Shaikan PSC") in the Kurdistan Region of Iraq have been made to the Ministry of Natural Resources ("MNR") of the Kurdistan Regional Government ("KRG").

Production entitlements

Production entitlements are the host government's share of production during the reporting period from the Shaikan Field operated by Gulf Keystone. The figures reported have been produced on an entitlement basis, rather than on a liftings basis. Production entitlements are paid in-kind and the monetary value disclosed is derived from management's calculation based on the monthly oil sales invoices.

Royalties

Royalties represent royalties paid in-kind to governments during the year for the extraction of oil. The terms of the royalties are described within the Shaikan PSC. Royalties have been calculated on the same basis as production entitlements.

Licence fees and capacity building payments

These include licence fees, rental fees, entry fees, capacity building payments, security fees and other considerations for licences or concessions.

Infrastructure improvement payments

These include payments for infrastructure improvements, whether contractual or otherwise, such as roads, other than in circumstances where the infrastructure is expected to be primarily dedicated to operational activities throughout its useful life.

Summary of payments

	KRG
Production entitlements in-kind ⁽¹⁾ (mboe ⁽²⁾)	5,151
Production entitlements in-kind ⁽¹⁾ (\$'000)	255,763
Royalties in-kind ⁽¹⁾ (mboe ⁽²⁾)	1,255
Royalties in-kind ⁽¹⁾⁽²⁾ (\$'000)	62,320
Licence fees and capacity building payments in-kind ⁽³⁾ (\$'000)	17,385
Infrastructure improvement payments ⁽⁴⁾	342
Total (mboe⁽²⁾)	6,406
Total (\$'000)	335,811

(1) All of the crude oil produced by Gulf Keystone was sold by the KRG. All proceeds of sale were received by or on behalf of the KRG, out of which the KRG then made payment for cost oil and profit oil in accordance with the Shaikan PSC to Gulf Keystone, in exchange for the crude oil delivered to the KRG. Under these arrangements, payments were made by or on behalf of the KRG to Gulf Keystone, rather than by Gulf Keystone to the KRG. However, for the purposes of the reporting requirements under the UK Regulations, we are required to characterise the value of the KRG's production entitlements under the Shaikan PSC (for which the KRG receives payment directly from the market) as a payment to the KRG.

(2) Thousand barrels of oil.

(3) Capacity building payments are deducted from the monthly crude oil sales invoice, no direct payment is made to the KRG.

The value of licence, rental and security fees has been accrued and is not expected to be paid, but rather offset against revenue due from the KRG related to pre-October 2017 oil sales, which have not yet been recognised in the financial statements.

(4) Drilling of water well, construction of water supply network and purchase of generators.

Glossary

1P	proved reserves	KRG	Kurdistan Regional Government
2C	best estimate of contingent resources	LTi	lost time incident
2P	proved plus probable reserves	LTIP	Long-Term Incentive Plan
AGM	Annual General Meeting	LTIR	lost time incident rate
bbl	barrel	MMbbls	million barrels
bopd	barrels of oil per day	MMstb	million stock tank barrels
Capex	capital expenditure	MNR	Ministry of Natural Resources of the Kurdistan Regional Government
CGU	cash-generating unit	MOL	Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc)
COVID-19	Coronavirus	OBM	oil-based mud
CPR	Competent Person's Report	OPEC	Organization of the Petroleum Exporting Countries
CSR	corporate social responsibility	Opex	operating costs
DD&A	depreciation, depletion and amortisation	PDMR	Persons Discharging Managerial Responsibilities
E&P	exploration and production	PF-1	Shaikan Production Facility 1
EBITDA	earnings before interest, tax, depreciation and amortisation	PF-2	Shaikan Production Facility 2
EBT	employee benefit trust	PID	photo-ionisation detector
ECL	expected credit losses	PPE	property, plant and equipment
ERCE	ERC Equipoise Ltd	PSC	Production Sharing Contract
ESG	environmental, social and governance	SASB	Sustainability Accounting Standards Board
ESIA	environmental and social impact assessment	SDGs	The UN's Sustainable Development Goals
ERP	Enterprise Resource Planning	SECR	Streamlined Energy and Carbon Reporting
ESP	electric submersible pump	SH	Shaikan
FDP	Field Development Plan	Shaikan PSC	PSC for the Shaikan block between the KRG, Gulf Keystone Petroleum International Limited, Texas Keystone, Inc and MOL signed on 6 November 2007 as amended by subsequent agreement
FVTPL	fair value through profit and loss	SID	Senior Independent Director
G&A	general and administrative	SRP	Staff Retention Plan
GHG	greenhouse gas	TCFD	Task Force on Climate-related Financial Disclosures
GKP	Gulf Keystone Petroleum Limited	TRIR	total recordable incident rate
GKPI	Gulf Keystone Petroleum International	TSR	total shareholder return
GMP	Gas Management Plan	UKLA	United Kingdom Listing Authority
GRI	Global Reporting Initiative	VCP	Value Creation Plan
HSE	health, safety and environment	WEF	Water Environment Federation
IA	Investment Association	WHO	World Health Organization
IAS	International Accounting Standards	WI	working interest
IFRS	International Financial Reporting Standards	\$	US dollars
IOC	International Oil Companies		
IOGP	International Association of Oil & Gas Producers		
IPIECA	International Petroleum Industry Environmental Conservation Association		
ISAs (UK)	International Standards on Auditing (UK)		
KPI	key performance indicator		

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

Jon Harris

Chief Executive Officer

Ian Weatherdon

Chief Financial Officer

Martin Angle

Deputy Chairman and Senior Independent Director

Garrett Soden

Non-Executive Director

David Thomas

Non-Executive Director

Kimberley Wood

Non-Executive Director

Bermudan Company Secretary

Coson Corporate Services Limited

Cedar House
3rd Floor
41 Cedar Avenue
Hamilton HM12
Bermuda

Bermudan legal adviser

Cox Hallett Wilkinson

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

Legal advisers – dispute resolution

Three Crowns LLP

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

Auditor

Deloitte LLP

2 New Street Square
London EC4A 3BZ
United Kingdom

Registrars

Computershare Investor Services (Jersey) Limited

13 Castle 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

100 Liverpool Street
London EC2M 2AT
United Kingdom

Banks

Barclays Bank PLC

Level 27

1 Churchill Place
London E14 5HP
United Kingdom

CitiBank, N.A. London Branch

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

The Royal Bank of Scotland Group plc

43 Curzon Street
London W1J 7UF
United Kingdom

Kurdistan International Bank for Investment and Development

Golan Street
Erbil
Kurdistan Region of Iraq

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

Bank of N.T. Butterfield & Son Limited

65 Front Street
Hamilton HM 12
Bermuda

Media relations

Celicourt Communications

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

Key shareholder engagements

28 February 2022

ABG Sundal Collier E&P High Yield Conference, Video conference, Oslo

3 March 2022

SpareBank 1 Markets 2022 Energy Conference, Oslo

30 March 2022

2021 full-year results announcement

26 April 2022

Pareto Securities' 17th Annual E&P Independents Conference, London

24 June 2022

AGM, by videoconference from Computershare, Dublin, Ireland

14-15 September 2022

Pareto Securities' Energy Conference, Oslo

Note: Throughout this report, the imagery used has been captured both before, and during, the onset of the COVID-19 pandemic and is reflective of the changing health and safety recommendations, which have been followed throughout.



Designed and produced by

lyonsbennett

www.lyonsbennett.com

This report has been printed on Munken Kristall Smooth True White, an FSC® certified material. This document was printed by Pureprint Group using its environmental print technology, with 100% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.





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