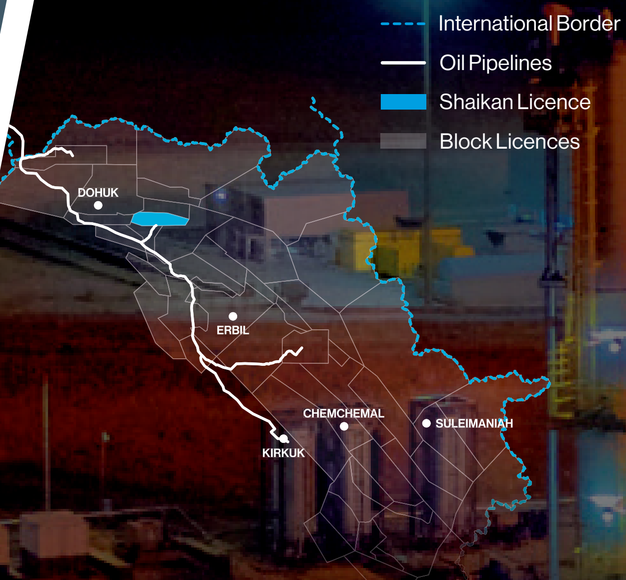



GULF KEYSTONE PETROLEUM

# Annual report and accounts 2022

# About us

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




## 2022 timeline

**February:**
Payment of $50 million interim dividend

**April:**
SH-15 brought online after drilling in record time
Payment of $65 million interim dividend

**May:**
Outstanding KRG arrears balance fully repaid

**July:**
Payment of ordinary and special dividends totalling $75 million

**August:**
SH-16 spud
$100 million bond redeemed, leaving GKP debt free

**October:**
Payment of $25 million interim dividend

**November:**
SH-17 spud

**December:**
SH-16 brought online on schedule and on budget

## 2022 full-year highlights

**44,202 bopd**
record gross annual average production, up from 43,440 bopd in 2021

**817 MMstb**
gross 2P reserves and 2C resources confirmed by 2022 CPR

**$359 million**
Adjusted EBITDA, a 61% increase vs 2021

**$266 million**
profit after tax

**$215 million**
dividends distributed to shareholders

**$100 million**
outstanding bond repaid

**$515 million**
revenues (net) generated for the Kurdistan Regional Government

**$119 million**
cash at year end(1)

**74%**
of GKP's Kurdistan workforce are local nationals(1)

(1) As at 31 December 2022.

# 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.

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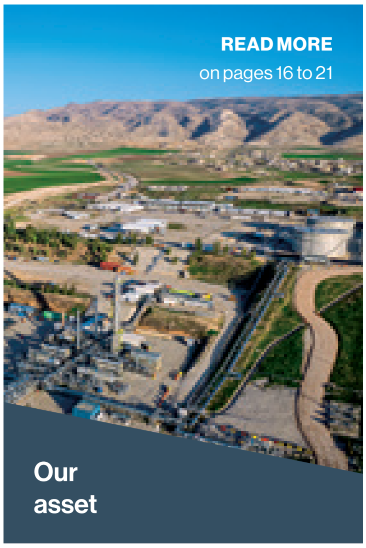
**CEO review**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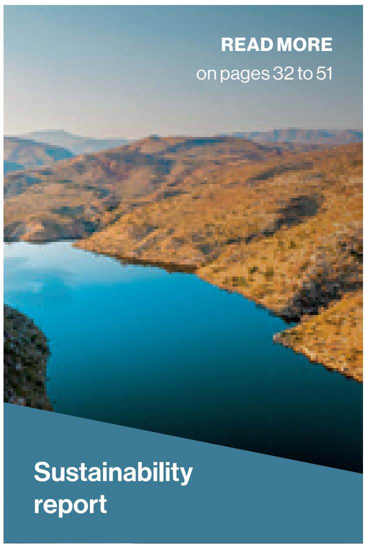
**Our asset**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**Sustainability report**

# Our investment case

## Long life asset with proven production track record

- Operator of the Shaikan Field, one of the largest oil fields in Kurdistan;
- >117 million stock tank barrels ("MMstb") produced to date(1);
- 2022 Competent Person's Report ("CPR") confirmed 2P reserves and 2C resources of 817 MMstb(2), 52 MMstb higher than previous 2020 CPR after adjusting for production; and
- Significant growth potential, with 2P reserves-to-production ratio of 31 years(3).

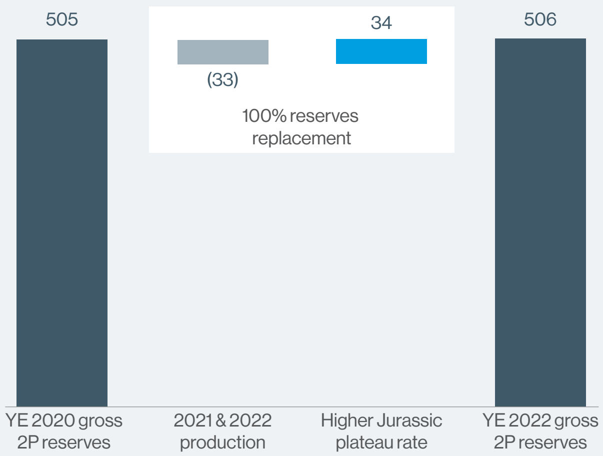
### >117 MMstb

**oil produced from the Shaikan Field since first commercial production in 2013**

### 31 years

**2P gross reserves-to-production ratio**

**Shaikan gross 2P reserves reconciliation (2022 CPR vs 2020 CPR)**




## Robust financial position

- Low-cost operator, with top quartile operating and G&A costs(4) underpinning cash flow generation;
- Capital discipline and flexibility, with profitable investment in Shaikan Field predicated on timeliness of oil sales payments and continued robust oil prices; and
- Debt-free balance sheet.

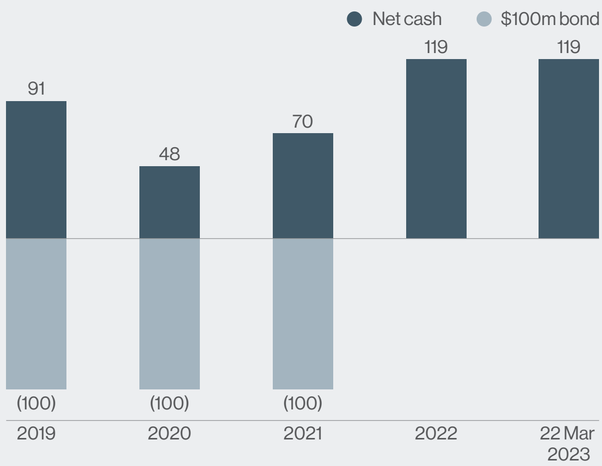
### $3.2/bbl

**gross Opex in 2022**

### $119 million

**cash balance as at 22 March 2023**

**Net cash balance (2019-2023)(5)**




(1) As at 21 March 2023.
(2) ERCE Competent Person's Report as at 31 December 2022.
(3) Gross 2P reserves of 506 MMstb as at 31 December 2022 / 2022 gross average production of 44,202 bopd.
(4) Benchmarked against international and Kurdistan peer group for 2019-2021 period.
(5) As at 31 December of each year, unless otherwise stated.

## Balancing investment in profitable growth with sustainable shareholder returns

- Delivered 34% production growth from 2019 to 2022, while distributing $415 million to shareholders;
- Targeting 2023 double-digit annual production growth at mid-point of 46,000-52,000 bopd gross guidance;
- Declared ordinary and interim dividend in 2023 year to date, totalling $50 million and representing a 11% dividend yield(6); and
- Subject to timely KRG payments and oil prices, targeting step up in production levels through execution of the Jurassic scope of the FDP while continuing to advance towards key FDP sanction milestones.

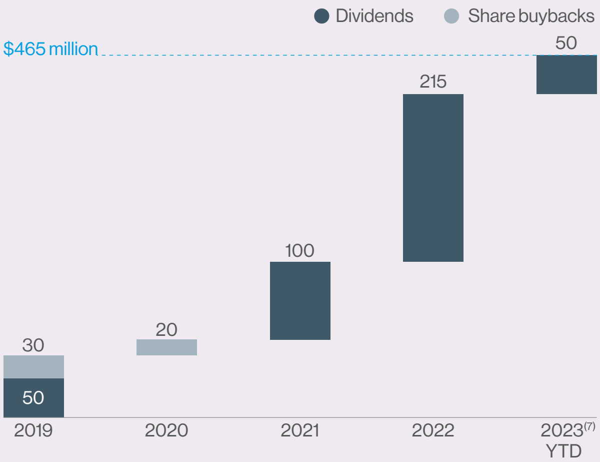
**$50 million**

**2023 dividends declared**

**11%**

**2023 gross average production growth targeted at mid-point of 46,000-52,000 bopd guidance**

**Shareholder distributions (2019-2022)**




## Safety and sustainability underpin our business

- Focused on enhancing the safety and sustainability of our business;
- Priorities for our sustainability strategy include workforce health and safety, addressing climate-related risks and opportunities, minimising environmental impact, enhancing diversity and inclusion, generating local economic value, and strong governance and compliance;
- The Gas Management Plan will enable us to eliminate almost all routine flaring and significantly reduce our carbon intensity per barrel by 2025, subject to timely sanction and implementation; and
- Disclosures fully consistent with TCFD(8) recommendations for fiscal year 2022.

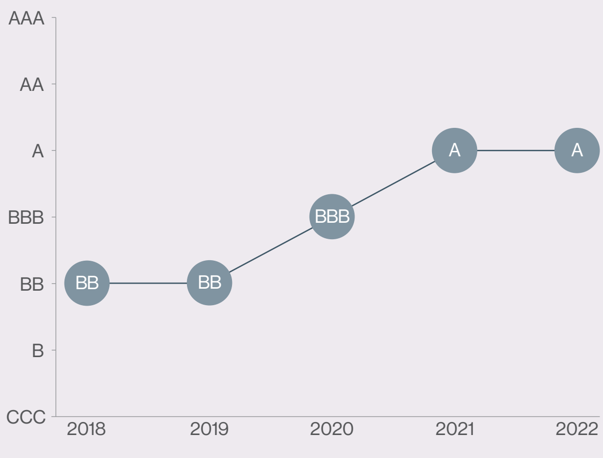
**>50%**

**reduction in scope 1 emissions per barrel by 2025(9)**

**"A"**

**MSCI ESG Research rating(10)**

**MSCI ESG rating history (2019-2022)**




(6) Based on GKP's closing share price on 22 March 2023.
(7) Includes declaration of the final 2022 ordinary annual dividend of $25 million.
(8) Task Force on Climate-related Financial Disclosures.
(9) Against an original baseline scope 1 emissions intensity of 38 kg$CO_2$e/bbl in 2020.
(10) MSCI ESG Research as at 25 October 2022. 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.

# Chairman's statement

> GKP's disciplined investment has enabled the recent increase in production to over 55,000 bopd.

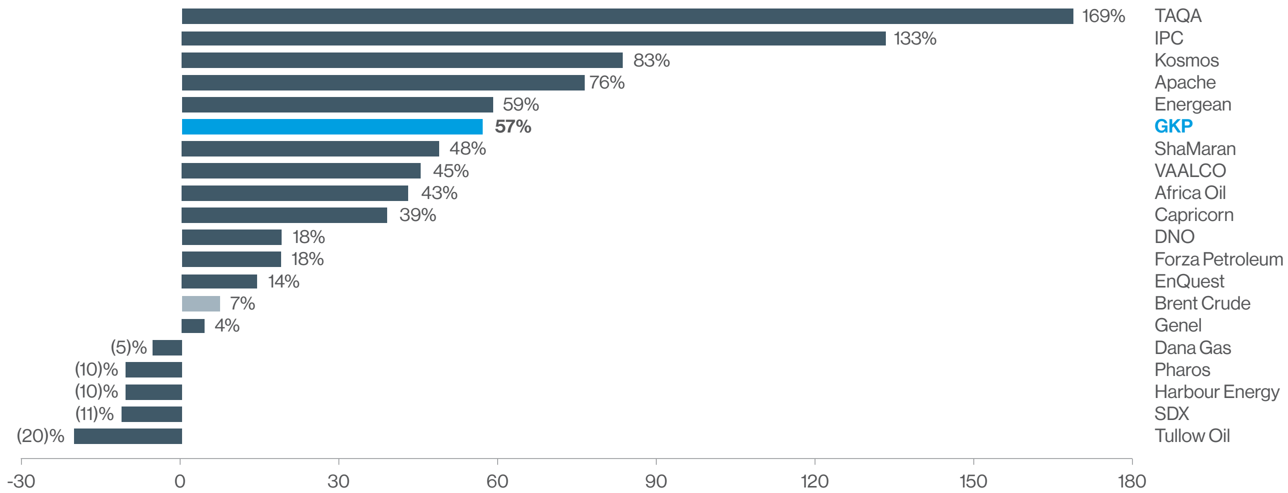
**Jaap Huijskes**
**Non-Executive Chairman**

Gulf Keystone benefitted from strong oil prices in 2022, with Dated Brent averaging $101/bbl in the year, up $30/bbl from 2021. However, volatility was high, with peaks of around $130/bbl in the first half of the year declining in the second half to around $80/bbl in December, as concerns around energy security and supply deficits, driven primarily by the tragic conflict in Ukraine and recovery in global economic demand, transitioned to market fears of inflationary pressures, fiscal tightening and recession.

From an operational perspective, working patterns in the Shaikan Field and our offices returned to normal following the disruption caused by the COVID-19 pandemic. Safety was a major focus for the team as activity ramped up, and the Board and I are pleased with the Company's performance in 2022. The Company is continuing to manage tightness in regional and global supply chains, with ongoing pressure on equipment lead times and cost pressures.

Looking at the geopolitical environment, while security in Kurdistan was relatively stable in the year, the Iraqi Federal Supreme Court ruling in February 2022 led to heightened tensions in the long-standing dispute between Federal Iraq and the KRG regarding oil and gas assets in Kurdistan. The situation has improved since the formation of a new Federal Iraqi government in October 2022, with an active dialogue taking place between both sides. Nonetheless, it remains difficult to predict outcomes and the Board continues to monitor the situation closely. We also continue to closely monitor and engage with the KRG regarding the delays to recent oil sales payments and the negotiation of a new lifting agreement. While historically payments have been made, the recent delays have been disappointing. We are experienced operating in Kurdistan and look to maintain a prudent level of liquidity and flexible capital programme to manage through periods of uncertainty.

## GKP 2022 total shareholder return vs peers and Brent Crude



Against this backdrop, GKP delivered strong operational and financial results in 2022 and continued execution of its strategy of balancing investment in growth with sustainable shareholder returns, while maintaining a robust balance sheet and prudent liquidity levels.

From an operational perspective, the Company achieved its 2022 production guidance and completed a significant work programme, paving the way for expected future increases in production. The Company also advanced towards approval of the Shaikan Field Development Plan ("FDP"). From a financial perspective, strong oil prices and continued cost control and capital discipline supported significant cash flow generation, enabling the Company to fund its investment programme, pay record dividends to shareholders of $215 million and strengthen its balance sheet through the early redemption of the outstanding $100 million bond. The Company delivered top quartile total shareholder returns of 57% in the year, assuming dividends reinvested.

The Company has seen a material increase in production in 2023, with production recently exceeding 55,000 bopd. The achievement of this important milestone has been supported by the Company's 2022 investments and decision to proceed with the execution of the FDP's Jurassic scope.

Looking ahead to 2023, the Company is currently reviewing its forward capital programme in light of continued delays to KRG payments. Subject to timely payments and oil prices, the Company will continue to transition to increased investment in profitable production growth while advancing towards key project sanction milestones of the full FDP, which the Board expects to maximise long-term value for shareholders and Kurdistan. The Board and I are pleased the 2022 Competent Person's Report reaffirms the significant growth potential of the Shaikan Field, with 817 MMstb 2P reserves and 2C resources, 100% reserves replacement since the 2020 CPR and a 2P reserves-to-production ratio of 31 years.

As the Company progresses, the Board will manage the balance between investment in growth, shareholder returns and balance sheet strength according to a disciplined financial framework.

The Board is committed to paying an ordinary dividend of at least $25 million per annum and distributing excess cash to shareholders by way of dividends and/or share buybacks. In determining the level of distributions, the Board regularly reviews the Company's expected liquidity, cash flow generation and investment needs. We are pleased to have declared total dividends in 2023 to date of $50 million, including the declaration of a $25 million 2022 ordinary annual dividend for shareholder approval at the Company's AGM on 16 June 2023.

Sustainability continues to be a strategic priority for GKP and the Board has direct oversight and responsibility for the Company's strategy. The strategy has a number of objectives, of which addressing climate-related risks and opportunities is key. For fiscal year 2022, the Company's disclosures are fully consistent with all of the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, reflecting how a focus on climate-related risks and opportunities is embedded into the Company's strategy and governance, including risk management. The Company also continued to make significant progress in the year in supporting the development of its workforce, increasing gender diversity, generating material economic and social value for Kurdistan and the Company's local communities, as well as continuing to maintain strong corporate governance, ethical business conduct and compliance.

The Board continued to engage with the Company's shareholders in 2022 and welcomes ongoing interaction and feedback with all investors. We encourage GKP shareholders to participate in our Annual General Meetings, which are accessible virtually to all investors. While we saw voting turnout improve at the 2022 AGM, it remained low relative to prior years and we continue to look at ways to improve shareholder participation and voting at future general meetings.

We were delighted in July 2022 to welcome Wanda Mwaura to the Board as a new Non-Executive Director and member of the Audit and Risk Committee. Wanda brings over 25 years of expertise and experience in accounting, external and internal audit, consulting, regulatory and corporate governance to GKP. She is highly respected and complements the Board with her extensive skill set.

GKP's 2022 Full Year Results and Annual Report will be my last as Non-Executive Chairman, as I prepare to hand over the role following the 2023 AGM. It has been a distinct privilege to serve as Chairman of GKP and I am proud of the significant achievements and progress the Company has made during my tenure to create value for its shareholders, Kurdistan and broader stakeholder base.

Since my appointment in 2018, GKP has increased gross average production from an average of 31,563 bopd in 2018 to over 55,000 bopd recently. In the same period, GKP has distributed $440 million in dividends and share buybacks to shareholders, generated more than $1.8 billion in gross revenues for the KRG from the Shaikan Field and maintained a strong balance sheet throughout, against a backdrop of commodity price volatility and the COVID-19 pandemic. This performance has been underpinned by a rigorous focus on safety and sustainability and strong leadership from the Board, with regular Director visits to the Company's operations in Kurdistan.

I am delighted to be succeeded by Martin Angle, my esteemed fellow Director and current Deputy Chairman and Senior Independent Director ("SID"), and that Martin's Deputy Chair and SID roles will be taken on by Kimberley Wood, currently independent Non-Executive Director. I have worked with both Martin and Kimberley since 2018 and they have both made an enormous contribution to the Company and to the Board. Their experience and expertise will be invaluable to GKP's future success.

On behalf of the Board, I would like to thank GKP's leadership team and all of the Company's employees for their continued commitment to safety, delivery of the Company's strategy and relentless focus on creating value for GKP's shareholders and stakeholder base. We are excited about the future and the year of significant activity ahead.

**Jaap Huijskes**
**Non-Executive Chairman**
22 March 2023

# Chief Executive Officer's review

"

As we increase investment in profitable growth, we remain focused on delivering our strategy.

"

**Jon Harris**
**Chief Executive Officer**

In 2022, we delivered strong operational and financial performance as we continued to execute our clear strategy of balancing investment in profitable growth with shareholder returns while maintaining a robust balance sheet.

We commenced the execution of the Phase 1 Shaikan Field Development Plan ("FDP") Jurassic scope with the agreement of the MNR, comprising additional wells (with SH-15 and SH-16 completed in 2022 and SH-17 and SH-18 completed or currently underway in 2023) and early works related to the expansion of our production facilities. We also delivered another year of record production and made good progress towards key FDP sanction milestones.

We generated record Adjusted EBITDA in 2022, driven by higher production, strong oil prices and a continued focus on cost management and efficiency, resulting in a more than doubling of free cash flow to $266 million. Strong cash flow generation enabled us to fund our capital programme and pay sector-leading dividends to our shareholders of $215 million, bringing total shareholder distributions to $415 million since 2019, while at the same time strengthening our balance sheet through the redemption of our $100 million bond. We are now debt free.

Our performance, as always, was underpinned by a rigorous focus on safety, with zero Lost Time Incidents ("LTIs") in the year and only one recordable incident.

Gross average production in 2022 was 44,202 bopd, within our annual guidance range. Despite the small increase versus 2021, our 2022 work programme has laid the foundations for a material increase in future production. Our drilling performance is improving and we are delivering wells on or below budget. The latest well, SH-18, is progressing well and we expect start up in Q2 2023, in line with our previous guidance. Continuous drilling has been facilitated by our investment in well pad preparation, flowlines and long lead items. In addition, completion of early work for the production facility expansion in 2022 has positioned us to increase total field processing capacity to 85,000 bopd and install water handling capacity in H2 2024.

As we enter 2023, it is clear that our investments in 2022 and decision to progress the Jurassic scope of the FDP are beginning to pay off. Gross average production in 2023 year to date has been c.48,900 bopd, while gross average production in March to date has been c.53,500 bopd, including the achievement of a new production record of over 55,000 bopd in the last few days, an important milestone for the Company.

We continue to see significant growth potential from the Shaikan Field, with the 2022 Competent Person's Report ("CPR") confirming gross 2P reserves and 2C resources of 817 MMstb, 52 MMstb higher than the previous CPR from 2020 after adjusting for production. The 2022 CPR shows 100% reserves replacement, driven by a higher plateau rate of 85,000 bopd from the Jurassic reservoir and accelerating post licence production.

In addition, we see an excellent opportunity to create value for our shareholders. Returns on capital from incremental investment in the Shaikan Field are attractive, as the payback of investment under the Shaikan Production Sharing Contract accelerates as we recover our historic costs. By increasing profitable production, we also expect to enhance the sustainability and longevity of the Company's capacity for shareholder distributions.

Looking ahead, our intention is to continue our transition towards increased investment in profitable production growth, expanding the Jurassic reservoir while advancing towards key project sanction milestones of the FDP. However, given continued delays to KRG payments, we are currently reviewing our forward capital programme and 2023 net capital expenditure guidance of $160-$175 million. With further clarity around KRG payments, we would consider continued drilling following SH-18. However, we will also review potential reductions to our capital programme should payment delays continue.

As we increase investment in profitable production growth through a flexible capital programme, we remain focused on delivering against our strategy of balancing growth with sustainable shareholder returns, while maintaining a robust balance sheet and prudent liquidity levels. We are pleased to declare a final 2022 ordinary annual dividend of $25 million subject to shareholder approval at the AGM on 16 June 2023, increasing total dividends declared in 2023 to $50 million and equating to an 11% yield for 2023, based on the closing share price on 22 March 2023. The Board remains committed to distributing excess cash to shareholders by way of dividends and/or share buybacks and will continue to review distribution decisions based on a disciplined financial framework.

We have an exciting year ahead of us at Gulf Keystone and a number of opportunities to create significant value for our shareholders and broader stakeholder base. I want to provide my heartfelt thanks to GKP's teams in Kurdistan and the UK, whose continued hard work and innovation are enabling the Company to deliver against its strategy. I would also like to thank Jaap Huijskes, who will be stepping down following the 2023 AGM, for all his help and stewardship in my first two years as CEO. I wish him well for the future.

**Jon Harris**
**Chief Executive Officer**

22 March 2023

# Operational review

“ ”

We delivered strong operational performance in 2022, laying the foundation for future growth.

**John Hulme**
**Chief Operating Officer**

We delivered strong operational performance in 2022, safely achieving higher production while investing in future growth and further advancing towards approval of the Shaikan Field Development Plan (“FDP”). We also continued to execute our sustainability strategy with progress in several areas.

Throughout the year, the health and safety of our workforce and local communities remained our priority. We were pleased to record zero Lost Time Incidents (“LTIs”) in 2022, despite a more than 50% increase in working hours to 2.2 million hours. Unfortunately, we experienced an LTI in January 2023 during drilling operations and we are implementing remedial actions. As at 22 March 2023, we have been operating for over 60 days without an LTI.

We achieved gross average production of 44,202 bopd in 2022, a 2% increase versus 2021 and in line with our revised annual guidance range of 44,000-47,000 bopd. Production was supported by incremental volumes from SH-13 and SH-14, brought on stream in December 2021, and from SH-15 and SH-16, which started up in April and December 2022 respectively. Increases were mostly offset by the continued prudent management of well production rates to avoid trace amounts of water production ahead of installation of water handling capacity, including the shut-in of SH-12 for most of H1 2022, as well as the temporary shut-in of one well during Q4 2022 due to an isolated electrical submersible pump (“ESP”) electrical failure.

We delivered a significant work programme in 2022 as we commenced execution of the FDP Jurassic scope that positions us to drive profitable future production growth. Drilling activities in 2022 included the start-up of SH-15 and SH-16 and spud of SH-17 which was completed in early 2023 and started producing in February 2023. We have seen the benefit of a continuous drilling programme with a general decline in drilling costs and times, while investments in the year in well pad preparation, flowline installation and long lead items have enabled us to maintain momentum.

In addition, we advanced the expansion of the production facilities in the year, carrying out early engineering and construction work and progressing the procurement of long lead items, despite ongoing equipment lead time and cost pressures, positioning us to increase total field processing capacity to 85,000 bopd and install water handling capacity in H2 2024. Water handling capacity will potentially enable us to increase production rates from constrained wells which we are currently prudently managing to avoid traces of water.

## Shaikan Field Development Plan

We are continuing to progress towards approval of the FDP. Since the initial draft was submitted in November 2021, we have engaged extensively with the MNR and have substantially finalised the technical scope and future work programme. We continue to progress key project milestones, including optimising the work programme to phase activity and facilitate accelerated cost recovery, negotiating commercial terms including a potential update to the Shaikan Production Sharing Contract (“PSC”) with the target of ensuring changes are at least value neutral, and concluding the Gas Management Plan tendering process and, as appropriate, financing arrangements.

As we progress, we have agreed with the MNR to execute the Jurassic scope of the FDP before approval, to date drilling or in the process of drilling a total of four FDP wells – SH-15, SH-16, SH-17 and SH-18 – and advancing the expansion of the production facilities. We remain focused on testing the Triassic reservoir, targeting initial pilot production of up to 10,000 bopd, and implementing the Gas Management Plan, which, depending on timely sanction and implementation, will enable us to eliminate almost all routine flaring, a requirement of the PSC, and more than halve our scope 1 emissions intensity by 2025 versus the original 2020 baseline.

## 2022 Competent Person's Report

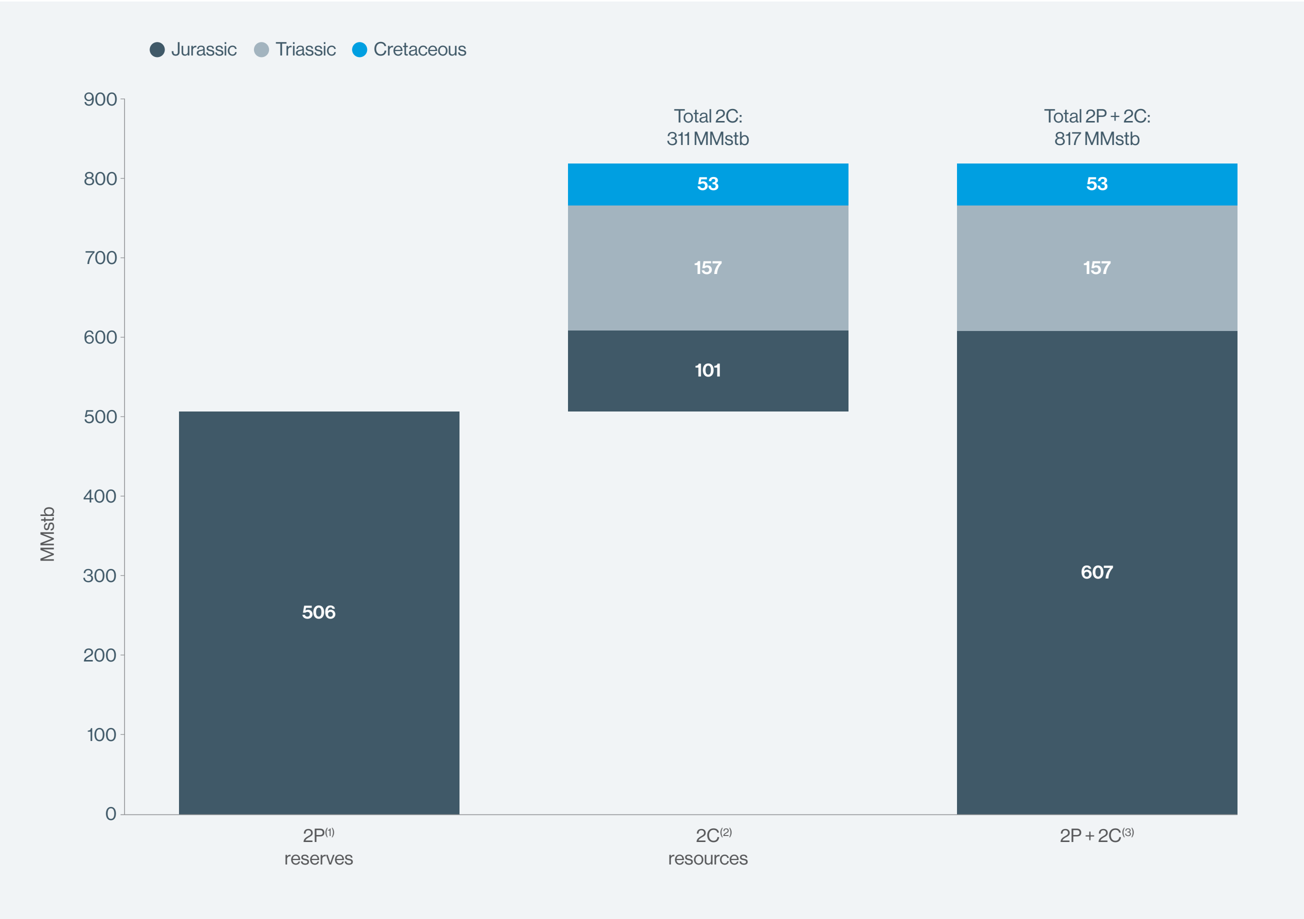
We are pleased to announce the 2022 Competent Person's Report, an updated independent third-party evaluation of the Company's reserves and resources prepared by ERC Equipoise ("ERCE"). The 2022 CPR incorporates significant incremental information, including an updated field development plan, new wells, production data and further technical analysis, since the previous CPR dated 31 December 2020 also prepared by ERCE.

The 2022 CPR confirms the Shaikan Field's significant gross 2P reserves and 2C resources of 817 MMstb, 52 MMstb higher than the previous 2020 CPR after adjusting for production during the period. It underlines the significant growth potential of the asset, with a gross 2P reserves-to-production ratio of 31 years, based on 2022 gross production. It also reaffirms our deep understanding of the reservoir, which has produced over 117 MMstb to date.

Gross 2P reserves have increased 7% to 506 MMstb relative to 2020 CPR volumes adjusted for production, with 100% reserves replacement during the period. The increase is driven by the higher plateau rate of 85,000 bopd from the Jurassic reservoir, bringing more reserves volumes into the licence period. Gross 1P reserves of 199 MMstb are 4% lower relative to 2020 CPR volumes adjusted for production due to prudent management of production rates to avoid traces of water ahead of water handling installation.

Gross 2C resources of 311 MMstb have increased 6% relative to 2020 CPR volumes due to higher planned production processing capacity.

### 2022 CPR: Shaikan gross reserves and resources




(1) Including estimated 1P reserves of 199 MMstb.

(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. All Contingent resource volumes quoted in this document are volumes which could be extracted prior to licence expiry.

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

# Operational review continued

## Current operational activity and 2023 outlook

We have seen a step up in production in 2023, with gross average year-to-date production of c.48,900 bopd and gross average production in March to date of c.53,500 bopd. In the last few days, we are delighted that production has exceeded 55,000 bopd.

Production growth has been supported by the continued ramp up of SH-16, production from SH-17, which we are gradually ramping up, and our well workover programme. Production increases have more than offset the minor impact of the temporary suspension of pipeline exports in February following the tragic earthquakes in Turkey and Syria.

Looking ahead to the rest of the year, we are currently reviewing our forward capital programme and 2023 net capital expenditure guidance of $160-$175 million, given continued delays to KRG payments. Our current guidance includes the completion of SH-17 and the drilling and completion of SH-18, further investment in well pad preparation and long lead items for continuous drilling and the continued progression of the production facility expansion. With further clarity around KRG payments, we would consider continued drilling following SH-18. However, we will also moderate investment levels should payment delays continue.

We remain focused on delivering our production guidance of 46,000-52,000 bopd, representing 11% growth at the mid-point versus 2022, as we continue to target start-up of SH-18 in Q2 2023. While we have seen strong recent production, we continue to manage well production rates ahead of water handling installation and are optimising production from a single well near the gas cap due to higher gas production, in line with our reservoir modelling. Estimated base natural declines of 6-10% per annum across the Shaikan Field remain low relative to the industry and are in line with our expectations and development plan, even following production of over 117 million barrels to date.

## Sustainability strategy

We continued to deliver against our sustainability strategy in 2022, which is critical to the creation of long-term value for all our stakeholders and our licence to operate. Our strategic priorities include working safely, minimising our impact on the environment, addressing climate change, enhancing diversity and inclusion, generating local economic value and strong governance and compliance.

There were a number of highlights to note, which we will publish as part of our 2022 Annual Report and Sustainability Report, but I am particularly pleased that this year our disclosures are fully consistent with all of the TCFD recommendations as the Company continues to address climate-related risks and opportunities, in particular through progression of the Gas Management Plan tendering process and development of a number of other decarbonisation opportunities.

As we progress, we expect to see increases in our emissions principally due to higher oil production and higher gas production from a single well near the gas cap. Subject to timely sanction and implementation, the Gas Management Plan will enable us to eliminate almost all our routine flaring and more than halve our scope 1 emissions intensity by 2025. We are also targeting further emissions reductions through other decarbonisation projects and are proceeding in the near term to eliminate methane venting from our production facility storage tanks, which we expect to complete in 2024.

We also continued to make a significant contribution to Kurdistan and our local communities, generating $515 million net from the Shaikan Field for the KRG, employing almost 350 Kurdistan nationals, representing three-quarters of our workforce in country, increasing our purchasing and contracting with local suppliers by 31% to $64 million and spending over $1 million gross on impactful projects for our local communities focused on agriculture, education and infrastructure. In addition, we remain focused on investing in the development of our people and improving the diversity of our teams. The proportion of women in our workforce increased to 14% in 2022 from 9% in 2021, a figure which we hope to build momentum on into 2023 and beyond.

**John Hulme**
Chief Operating Officer
22 March 2023

# Q&A
with John Hulme, COO

## Q.
### What attracted you to GKP?

## A.
The Shaikan Field is a world-class asset, with a long track record of low-cost, cash generative production and huge future growth potential. It was clear to me from speaking to the Board and management team that there is an ambitious vision to capitalise on this opportunity, as well as a strong focus on health and safety, sustainability and collaboration. GKP is a company that I knew I would be proud to work for.

## Q.
### What role does GKP and the oil and gas industry play in Kurdistan?

## A.
The oil and gas industry is one of the key drivers of financial health and social and economic development in Kurdistan. As the operator of the Shaikan Field, one of the largest oil fields in Kurdistan and accounting for around 10% of the region's production in 2022, we play a critical role in the future of the region. We have plans to double our level of production, which will significantly increase our footprint. That means more investment, more revenue for the government, more jobs and more development for local communities in the Shaikan area.

## Q.
### What have been the key highlights and learnings after almost one year in the role?

## A.
The main highlight for me has been witnessing the dedication and commitment from our teams in Kurdistan and the UK. It is clear that they have immense pride in their work and that feeds into the quality of our operations. I've quickly learnt that the potential I saw when I first joined the Company only scratched the surface compared to the opportunity I see now. The Field Development Plan will eventually result in a material step up in production for GKP and it has the potential to completely transform the Company, creating significant value for all stakeholders.

## Q.
### How important is sustainability to GKP's strategy and business model?

## A.
Sustainability is central to our strategic focus. It is not only critical for our mandate to operate as a listed company, but it is fundamentally linked to long-term value creation for our stakeholders. We have made excellent progress on our sustainability strategy in 2022, including upgrading our disclosures to be fully consistent with the Task Force on Climate-related Financial Disclosures recommendations, and we continue to look at ways to further embed sustainable practices across our entire organisation.

# Financial review

"Strategically, we are committed to balancing investment in profitable production growth with returns to shareholders."

**Ian Weatherdon**
**Chief Financial Officer**

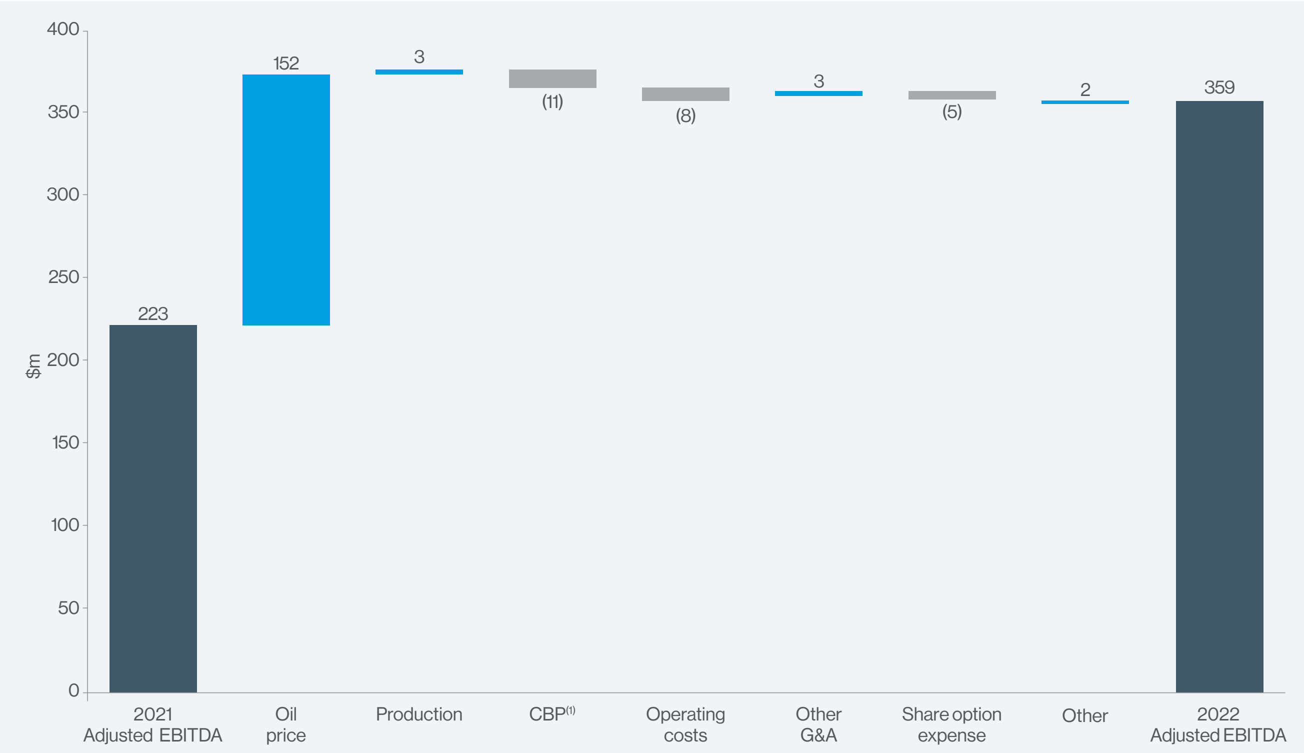
## Key financial highlights

| | | **Year ended 31 December 2022** | Year ended 31 December 2021 |
|---|---|---|---|
| Gross average production[(1)] | bopd | **44,202** | 43,440 |
| Dated Brent[(2)] | $/bbl | **101.4** | 70.8 |
| Realised price[(1)] | $/bbl | **74.1** | 49.7 |
| Discount to Dated Brent | $/bbl | **27.2** | 21.1 |
| Revenue | $m | **460.1** | 301.4 |
| Operating costs | $m | **41.9** | 34.4 |
| Gross operating costs per barrel[(1)] | $/bbl | **3.2** | 2.7 |
| Other general and administrative expenses | $m | **12.2** | 13.6 |
| Incurred in relation to Shaikan Field | $m | **5.2** | 4.1 |
| Corporate G&A | $m | **7.0** | 9.5 |
| Share option expense | $m | **13.8** | 8.5 |
| Adjusted EBITDA[(1)] | $m | **358.5** | 222.7 |
| Profit after tax | $m | **266.1** | 164.6 |
| Basic earnings/(loss) per share | cents | **123.5** | 77.1 |
| Revenue and arrears receipts[(1)] | $m | **450.4** | 221.7 |
| Net capital expenditure[(1,3)] | $m | **114.9** | 46.2 |
| Free cash flow[(1)] | $m | **266.5** | 122.2 |
| Dividends | $m | **215** | 100 |
| Cash and cash equivalents | $m | **119.5** | 169.9 |
| Face amount of the Notes | $m | **0.0** | 100.0 |
| Net cash[(1)] | $m | **119.5** | 69.9 |

(1) Gross average production, realised price, gross operating costs per barrel, Adjusted EBITDA, revenue and arrears receipts, net capital expenditure, free cash flow and net cash are either non-financial or non-IFRS measures and, where necessary, are explained in the summary of non-IFRS measures.
(2) Weighted average GKP sales volume price.
(3) 2021 restated as the definition of net capital expenditure was amended to no longer exclude the increase/decrease of drilling and other equipment.

Record profitability and cash flow generation in 2022 were driven by an increase in the oil price, higher production and a continued focus on cost control. The Company increased net capital expenditure while maintaining capital discipline to drive future production growth and paid oil and gas sector leading dividends, while maintaining a robust balance sheet and prudent liquidity levels to manage potential risks, including KRG payment delays.

## Adjusted EBITDA




Adjusted EBITDA increased by 61% in 2022 to $358.5 million (2021: $222.7 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 44,202 bopd in 2022, up 2% from 43,440 bopd in 2021 and within the Company's 2022 guidance range. Revenue increased by 53% to $460.1 million (2021: $301.4 million), driven by our leverage to the 43% increase in Dated Brent price from an average of $70.8/bbl in 2021 to $101.4/bbl in 2022. The increase was partially offset by a corresponding $11.4 million increase in capacity building payments to $34.9 million (2021: $23.5 million), which is a component of the KRG's entitlement from the Shaikan Field.

The average realised price per barrel increased by 49% in the year to $74.1/bbl (2021: $49.7/bbl), including the impact of an increase in the discount to Dated Brent to $27.2/bbl (2021: $21.1/bbl). The increase in the discount reflected a new pricing mechanism proposed by the KRG for Shaikan oil sales changing the reference price from Dated Brent to KBT, effective 1 September 2022, and increased pipeline tariffs.

While the Company has not accepted the proposed pricing mechanism, revenue from September 2022 to December 2022 has been recognised on this basis, resulting in an average reduction in the realised sales price versus the previous pricing mechanism over the four-month period of approximately $12/bbl or $23.4 million.

If the new pricing mechanism had been in place throughout 2022, the reduction in monthly Shaikan realised prices would have ranged from $4/bbl to $13/bbl versus the previous pricing mechanism, assuming KBT crude specs during Q3 2022 were representative of those during H1 2022. While it is difficult to predict how pricing will evolve going forward given the historic fluctuation of KBT prices, the KBT discount to Dated Brent has tightened since November 2022, with the impact on Shaikan realised prices versus the previous pricing mechanism decreasing to $6/bbl in February 2023.

Gulf Keystone continues to maintain a rigorous focus on cost control. Gross operating costs per barrel increased to $3.2/bbl in 2022 (2021: $2.7/bbl), in line with the Company's 2022 guidance range of $2.9-$3.3/bbl. The increase in operating costs in 2022 to $41.9 million (2021: $34.4 million) was primarily driven by an increase in staff costs reflecting increased activity, as well as incremental maintenance activity.

Other general and administrative expenses ("G&A"), comprising Shaikan Field and corporate G&A, were 10% lower in 2022 at $12.2 million (2021: $13.6 million), reflecting increased capitalisation due to accelerating capital activity resulting in a more than doubling of net capital expenditure. Share option expense in the period increased by $5.3 million to $13.8 million (2021: $8.5 million), principally due to the final contractual exercise of share option entitlements by former Directors under the 2016 Value Creation Plan ("VCP").

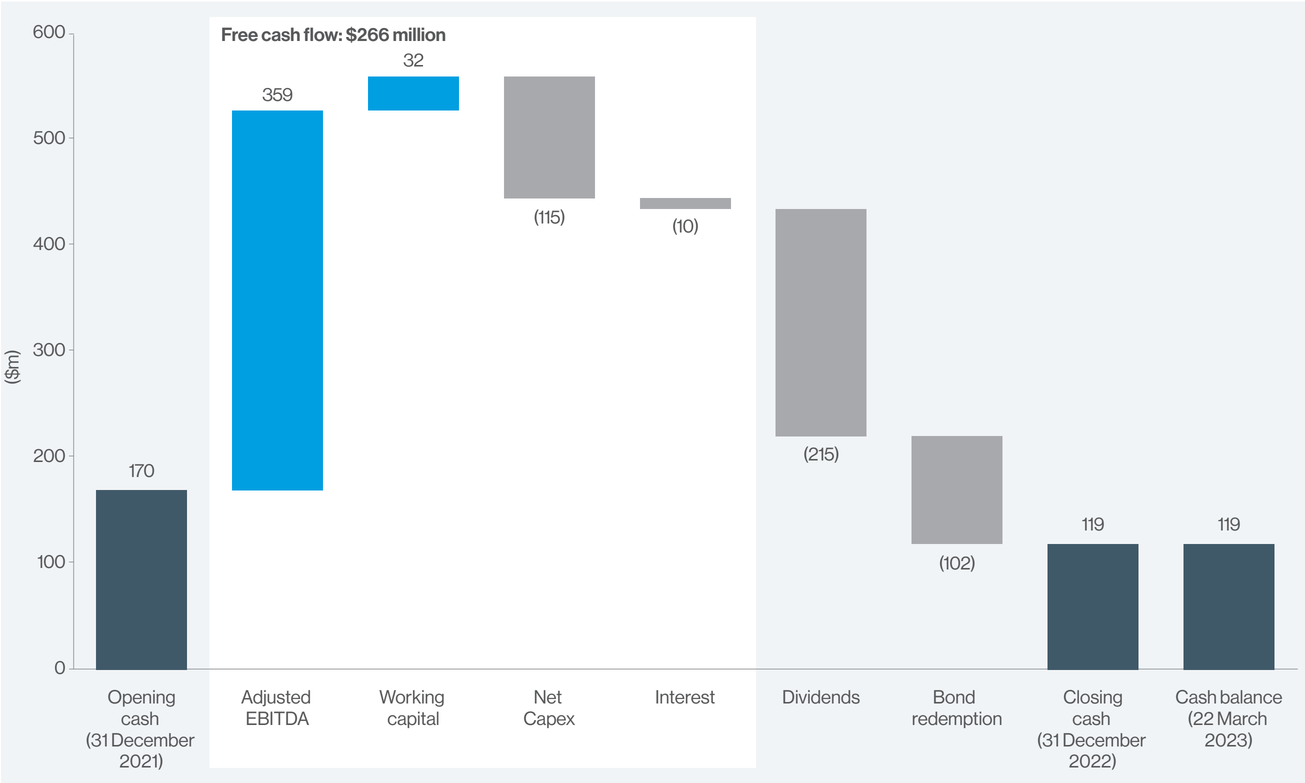
(1) Capacity building payments.

# Financial review continued

## Profit after tax

Profit after tax increased to $266.1 million (2021: $164.6 million) driven by the increase in Adjusted EBITDA, partly offset by higher depreciation, depletion and amortisation ("DD&A") expense of $80.2 million (2021: $54.1 million) due to increased production, accelerated cost recovery as result of recent high oil prices, and updated future capital cost estimates.

## Cash flows




The Company more than doubled cash from operating activities to $374.3 million (2021: $178.5 million) primarily due to the increase in Adjusted EBITDA.

In 2022, Gulf Keystone received revenue receipts from the KRG of $450.4 million net to GKP for crude oil sales related to the September 2021 to July 2022 invoices and repayment of arrears outstanding from November 2019 to February 2020 invoices, which were fully recovered with payment of the March 2022 invoice.

Since the beginning of 2023, the Company has received a further $65.7 million net to GKP for crude oil sales related to the August and September 2022 invoices. Discussions are ongoing with the KRG regarding payments for October to December 2022 crude oil sales, which are overdue and amount to $76.0 million net on the basis of the KBT pricing mechanism.

During the year, the Company invested net capital expenditure of $114.9 million (2021 restated: $46.2 million), in line with final 2022 guidance of $110-$120 million, to drive future profitable production growth. $63.4 million was spent on the drilling of SH-15, SH-16 and SH-17 that was completed in early 2023. $35.8 million was invested in early work for the expansion of the production facilities with water handling capacity, as well as future well pad preparation costs. $15.7 million was invested in well workover and interventions to optimise production.

Free cash flow generation was $266.5 million in 2022, more than double the prior year (2021: $122.2 million), enabling the Company to continue to deliver against its strategic commitment of balancing investment in growth with returns to shareholders, while maintaining a robust balance sheet.

In 2022, GKP paid record dividends of $215 million, representing a sector-leading dividend yield of 41% based on the closing share price on 31 December 2022.

In early August 2022, the Company redeemed the $100 million of notes outstanding, leaving the Company debt free with significant financial capacity. Net cash increased from $69.9 million at 31 December 2021 to $119.5 million at 31 December 2022. The Company continues to maintain a robust balance sheet with cash and cash equivalents of $118.8 million at 22 March 2023.

As at 31 December 2022, there were $213 million gross of unrecovered costs, subject to potential cost audit by the KRG. The R-factor, calculated as cumulative gross revenue receipts of $2,078 million divided by cumulative gross costs of $1,760 million, was 1.18. The unrecovered cost pool and R-factor are used to calculate monthly cost oil and profit oil entitlements, respectively, owed to the Company from crude oil sales.

The Group performed a cash flow and liquidity analysis, including the impact on the Group's working capital position due to delays in revenue receipts from the KRG and the proposed revision to the lifting agreement, 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.

## Outlook

Given continued delays to KRG payments, we are currently reviewing our forward capital programme and 2023 net capital expenditure guidance of $160-$175 million. Our guidance includes $30-$35 million related to drilling costs and well workovers, $45-$50 million related to long lead items and well pad preparation and $85-$90 million related to the expansion of the production facilities and installation of water handling. With further clarity around KRG payments, we would consider continued drilling following SH-18. However, with continued payment delays we would review reductions to our capital programme.

We remain focused on delivering 2023 gross average production of 46,000-52,000 bopd, representing an 11% increase from 2022 at the mid-point. We also continue to target gross Opex of $3.0-$3.4/bbl in 2023, implying no change from 2022 gross Opex per barrel at the mid-point of guidance.

## Financial framework and shareholder distributions

As we continue to transition towards increased investment in profitable production growth from the Jurassic reservoir through a flexible capital programme, we remain focused on balancing investment in growth with sustainable shareholder returns, while looking to maintain a robust balance sheet and prudent liquidity levels.

Given our oil price outlook and flexible capital 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 the Company's dividend policy and financial framework, we paid an interim dividend of $25 million to shareholders on 3 March 2023 and we are pleased to declare a $25 million final 2022 ordinary dividend for shareholder approval at the Company's AGM on 16 June 2023. Total dividends declared in 2023 of $50 million equate to an 11% yield based on the closing share price on 22 March 2023.

The Board remains committed to distributing excess cash to shareholders by way of dividends and/or share buybacks and will continue to review further distributions based on a rigorous framework that includes an assessment of the outlook for oil prices, timeliness of payments from the KRG, expected liquidity, cash flow generation and future PSC and capital commitments.

**Ian Weatherdon**
Chief Financial Officer

22 March 2023

# Our asset

## The Shaikan Field is a long-life asset, with a proven track record of low-cost production and significant growth potential.

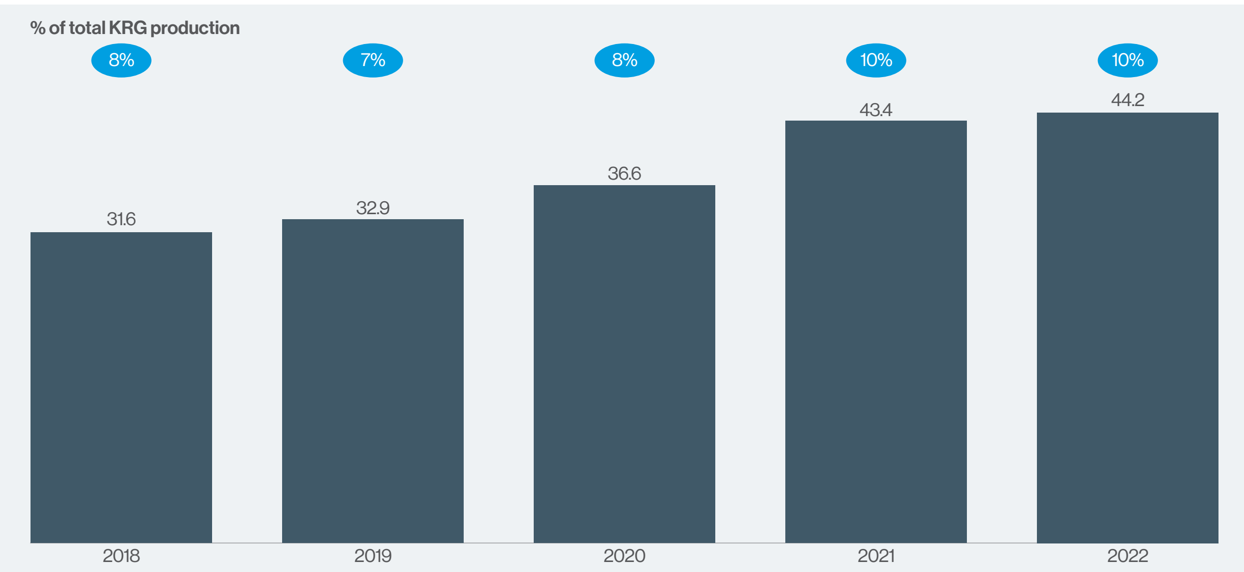
### Overview

The Shaikan Field is one of the largest oil fields in the Kurdistan Region of Iraq by reserves and production, with 817 MMstb of gross reserves and resources and accounting for around 10% of total crude production from the region in 2022. 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.

The Shaikan Field Production Sharing Contract ("PSC") was awarded in 2007 by the KRG, with oil discovered in 2009 through the SH-1 well and first commercial production achieved in July 2013. Since then, over 117 MMstb of oil has been produced, with gross average production increasing by 40% between 2018 and 2022.

Gulf Keystone is operator of the Shaikan Field with an 80% working interest. The remaining 20% is held by our partner MOL. We share the revenues generated by the Field with the KRG, based on the terms of the Shaikan PSC. GKP's entitlement includes the recovery of our investment in the Field through cost oil and a share in the profits through profit oil. In 2022, our entitlement(1) was around 37% of total Shaikan Field revenues, based on the current mechanics of the PSC.

**Shaikan Field production as % of KRG production ('000 bopd)(2)**

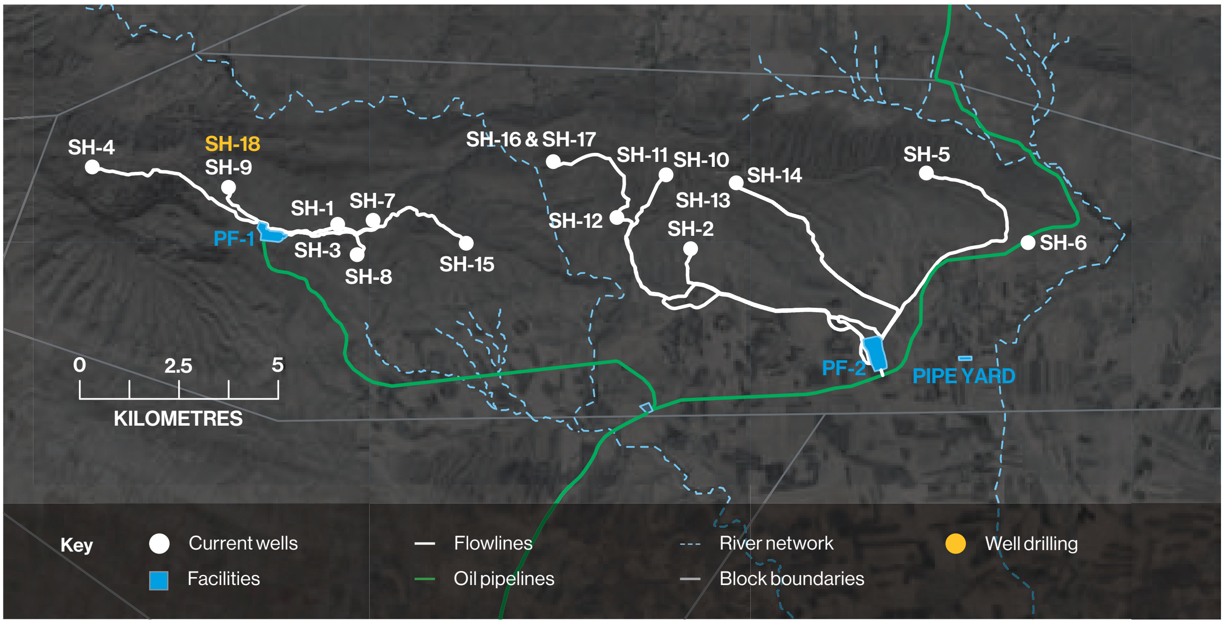



(1) Net revenue to GKP after capacity building payments.

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

## Infrastructure

The Shaikan Field consists of 16 production wells connected to two production facilities, PF-1 and PF-2. Since the beginning of 2022, three new wells have been drilled and brought online – SH-15 and SH-16 in 2022 and SH-17 in February 2023. A fourth production well, SH-18, was spudded in Q1 2023 and is expected to start up in Q2 2023. Total facilities processing capacity is currently around 60,000 bopd and the production facilities are being expanded with the objective of increasing capacity to 85,000 bopd in H2 2024 (see Shaikan Field Development Plan on page 19).

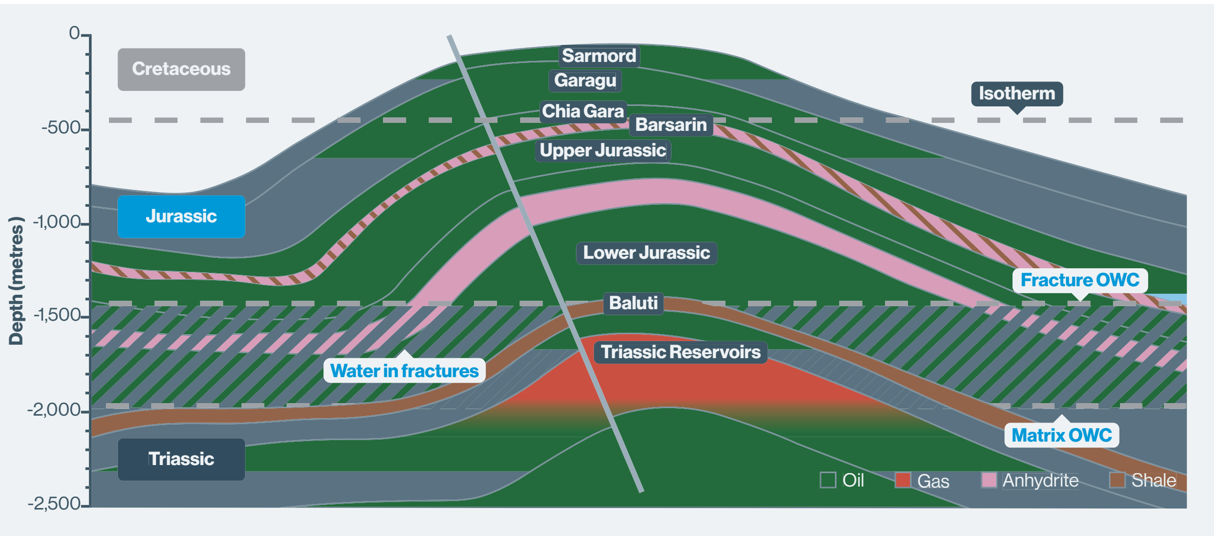



The Shaikan Field consists of three fractured carbonate reservoirs, the Cretaceous, the Jurassic and the Triassic, with the Cretaceous being the shallowest and the Triassic the deepest. Crude oil contained in the Cretaceous and Jurassic reservoirs is relatively heavy, with the Cretaceous containing bituminous 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.

Shaikan Field production to date has been entirely from the Jurassic reservoir. Looking forward, our focus in the near term is driving production growth from the Jurassic with a flexible capital programme and, over time, introducing lighter oil from the Triassic reservoir as part of the Shaikan Field Development Plan.

## Shaikan Field reservoir geology



# Our asset continued

## Reserves and resources

### 2022 Competent Person's Report

In March 2023, the Company announced the 2022 Competent Person's Report ("2022 CPR"), an updated independent third-party evaluation of the Company's reserves and resources prepared by ERC Equipoise ("ERCE"). The 2022 CPR incorporates significant incremental information, including an updated field development plan, new wells, production data and further technical analysis, since the previous CPR dated 31 December 2020 also prepared by ERCE.

The 2022 CPR confirms the Shaikan Field's significant gross 2P reserves and 2C resources of 817 MMstb, 52 MMstb higher than the previous 2020 CPR after adjusting for production during the period:

- gross 2P reserves have increased 7% to 506 MMstb relative to 2020 CPR volumes adjusted for production, with 100% reserves replacement during the period. The increase is driven by the higher plateau rate of 85,000 bopd from the Jurassic reservoir, bringing more reserves volumes into the licence period;
- gross 1P reserves of 199 MMstb are 4% lower relative to 2020 CPR volumes adjusted for production due to prudent management of production rates to avoid traces of water ahead of water handling installation; and
- gross 2C resources of 311 MMstb have increased 6% due to higher planned production processing capacity.

Gross reserves and resources[1] based on the 2022 CPR compared to the 2020 CPR are as follows:

| | Reserves | | Resources | |
|---|---|---|---|---|
| Formation (MMstb) | 1P | 2P | 2C[2] | 2P+2C[2,3] |
| **31 December 2022** | | | | |
| Jurassic | 199 | 506 | 101 | 607 |
| Triassic | — | — | 157 | 157 |
| Cretaceous | — | — | 53 | 53 |
| **Total – gross** | **199** | **506** | **311** | **817** |
| **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 2020 CPR and the 2022 CPR is as follows:

| | Reserves | | Resources | |
|---|---|---|---|---|
| Gross (MMstb) | 1P | 2P | 2C[2] | 2P+2C[2,3] |
| **31 December 2020** | **240** | **505** | **293** | **798** |
| 2021 and 2022 production | (33) | (33) | — | (33) |
| **31 December 2020 (adjusted for production)** | **207** | **472** | **293** | **765** |
| Revisions | (8) | 34 | 18 | 52 |
| **31 December 2022** | **199** | **506** | **311** | **817** |

GKP's 80% net working interest ("WI")[4] share of reserves and resources at 31 December 2022 are:

| | Reserves | | Resources | |
|---|---|---|---|---|
| Formation (80% WI) (MMstb) | 1P | 2P | 2C[2] | 2P+2C[2,3] |
| Jurassic | 159 | 405 | 81 | 486 |
| Triassic | — | — | 126 | 126 |
| Cretaceous | — | — | 42 | 42 |
| **Total – net WI** | **159** | **405** | **249** | **654** |

(1) Reserves and resources have been calculated in accordance with the June 2018 SPE/WPC/AAPG/SPEE/SEG/SPWLA/EAGE Petroleum Resources Management System.

(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. All contingent resource volumes quoted in this document are volumes which could be extracted prior to licence expiry.

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

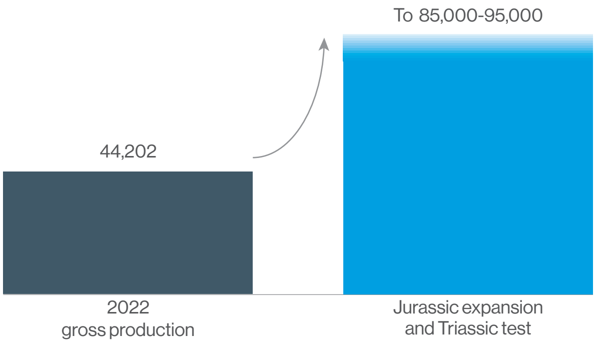
(4) Net working interest reserves and resources do not represent the net entitlement resources under the terms of the Production Sharing Contract ("PSC").

## Shaikan Field Development Plan

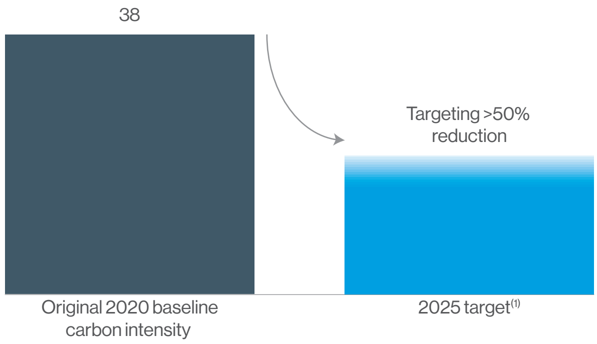
### Overview

The Shaikan Field Development Plan ("FDP") is our vision to capitalise on the Shaikan Field's significant growth potential, increasing gross production up to 85,000-95,000 bopd, while enhancing the sustainability and longevity of the Company's capacity for shareholder distributions, generating material economic value for Kurdistan and eliminating almost all routine flaring, a requirement of the Shaikan Production Sharing Contract ("PSC"), enabling a >50% reduction in scope 1 emissions intensity versus an original 2020 baseline by 2025, subject to timely sanction and implementation. While the timing of FDP approval remains uncertain, we are making good progress towards key project sanction milestones.

**Phase 1 gross production ramp up (bopd)**




**Gas Management Plan carbon intensity reduction ($kgCO_2e/bbl$)**




The FDP has three key components: expansion of the Jurassic reservoir, test of the Triassic reservoir and the Gas Management Plan.

### Jurassic expansion

Comprises a plan to drill new wells and expand the existing production facilities, PF-1 and PF-2, to increase Jurassic gross production plateau up to 85,000 bopd. As part of the production facility expansion, we will install water handling capacity, potentially enabling the increase in production rates from constrained wells which we are currently prudently managing to avoid traces of water.

To increase profitable production and cash flow generation and to capitalise on the attractive returns resulting from the accelerated payback of investment under the PSC as historic costs are recovered, we have agreed with the Ministry of Natural Resources ("MNR") to proceed with execution of the Jurassic reservoir expansion as we move towards FDP approval. However, given continued delays to KRG payments, we are currently reviewing our forward capital programme and 2023 net capital expenditure guidance of $160-$175 million. Further information on our progress and current approach can be found in the Operational review on pages 8 to 11.

### Triassic appraisal

In addition to the Jurassic expansion, we plan to drill pilot wells to test the Triassic reservoir, where gross 2C resources are estimated at 157 million barrels as at 31 December 2022. We are targeting initial pilot production of up to 10,000 bopd.

### Gas Management Plan

The Gas Management Plan ("GMP") will eliminate almost all routine flaring at our production facilities by processing and reinjecting associated gas produced with our oil. Some of the processed gas will also be used for power generation at the production facilities, displacing the use of diesel. The project is expected to enable a transformation of GKP's carbon footprint, underpinning our target of more than halving scope 1 emissions intensity by 2025 (relative to an original 2020 baseline of 38 $kgCO_2e/bbl$), assuming timely sanction and implementation. Further information on the Gas Management Plan and our focus on addressing climate-related risks and opportunities can be found in our TCFD report on pages 52 to 65.

(1) Dependent on timely sanction and implementation of Gas Management Plan.

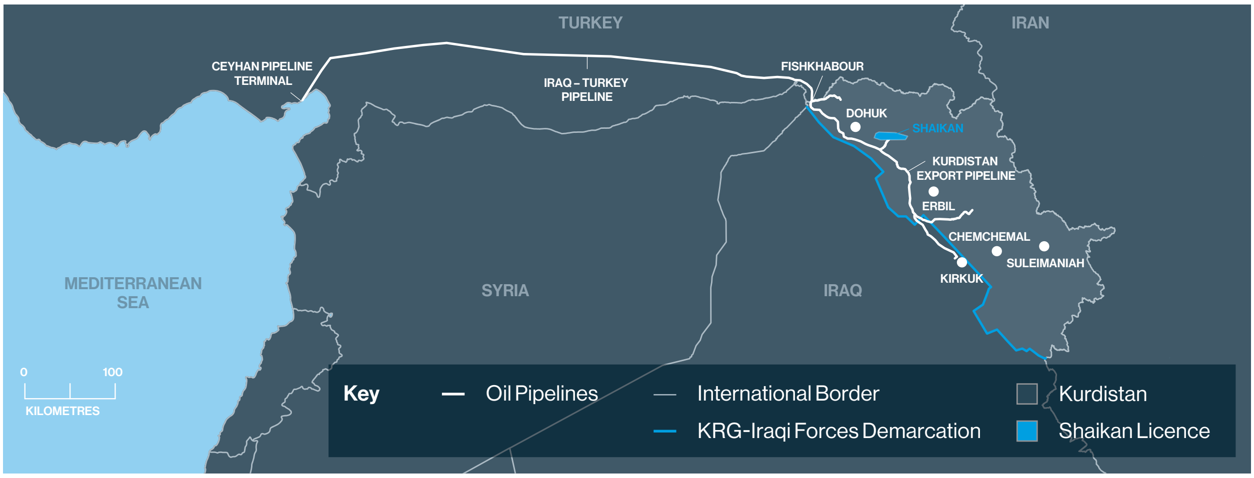
# Our asset continued

## Crude export and marketing

The KRG is responsible for marketing and exporting all crude from the Shaikan Field, which is exported via pipeline to the Ceyhan oil terminal in Turkey where it is sold as part of the Kurdistan Blend ("KBT"), a mix of crude exports from the various oil fields in Kurdistan. In 2022, pipeline uptime was in excess of 99%.

In 2022, GKP received 11 payments from the KRG totalling $450.4 million net to GKP for September 2021 to July 2022 crude oil sales. In addition, arrears related to the November 2019 to February 2020 invoices were fully recovered.

### Pipeline export map

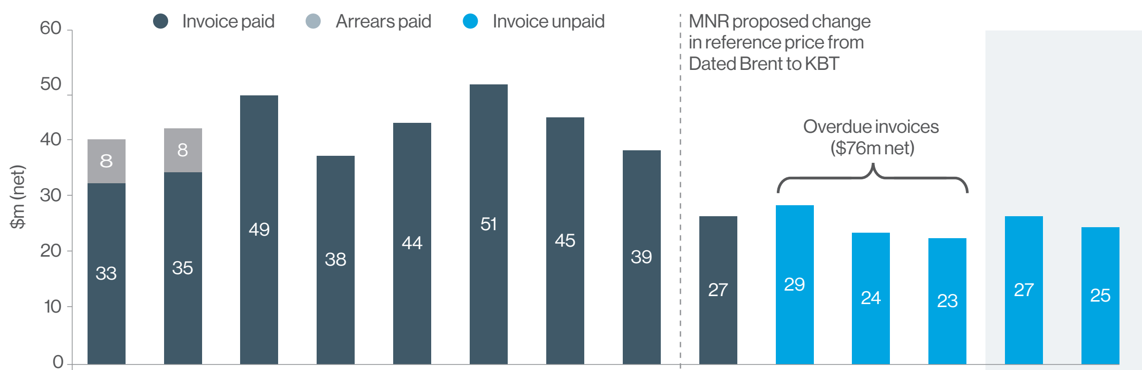



Since the beginning of 2023, GKP has received payments for August 2022 and September 2022 crude oil sales, totalling $65.7 million net to GKP. Discussions are ongoing with the KRG regarding payments for October to December 2022 crude oil sales, which are overdue as at 22 March 2023.

As highlighted in the Financial review on pages 12 to 15, in 2022 the MNR proposed a new pricing mechanism for Shaikan oil sales, including a change in reference price from Dated Brent to KBT, effective 1 September 2022. While the Company has not accepted the proposed pricing mechanism, revenue from September 2022 to December 2022 has been recognised on this basis, resulting in an average reduction in the realised sales price versus the previous pricing mechanism over the four-month period of approximately $12/bbl or $23.4 million.

If the new pricing mechanism had been in place throughout 2022, the reduction in monthly Shaikan realised prices would have ranged from $4/bbl to $13/bbl versus the previous pricing mechanism, assuming KBT crude specs during Q3 2022 were representative of those during H1 2022. While it is difficult to predict how pricing will evolve going forward given the historic fluctuation of KBT prices, the KBT discount to Dated Brent has tightened in February 2023, with the impact on Shaikan realised prices versus the previous pricing mechanism decreasing to $6/bbl.

### Net crude oil sales and payments (January 2022 to February 2023)




| Month of production | Jan 2022[1] | Feb 2022 | Mar 2022 | Apr 2022 | May 2022[1] | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 | Nov 2022 | Dec 2022 | Jan 2023 | Feb 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross prod. (kbopd) | 46.1 | 45.4 | 44.8 | 42.6 | 44.7 | 46 | 45.2 | 44.9 | 44.2 | 43.7 | 39.1 | 43.7 | 48.0 | 46.6 |
| Dated Brent | $87 | $98 | $119 | $104 | $113 | $124 | $113 | $100 | $90 | $93 | $92 | $81 | $83 | $82 |
| Shaikan discount to Brent | $23 | $23 | $24 | $23 | $24 | $24 | $24 | $23 | $34 | $35 | $36 | $34 | $32 | $29 |
| Impact on Shaikan discount to Brent | $4-$11 increase if proposed pricing mechanism had been in effect[2] | | | | | | | | $11 | $12 | $13 | $12 | $10 | $6 |

(1) January 2022 and May 2022 invoices include a net adjustment to GKP of $0.8 million and $1.6 million respectively related to a backdated pipeline tariff increase in 2021.

(2) Assuming KBT crude specs during Q3 2022 were representative of those during H1 2022.

# 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 and sustainable operations

**Zero LTIs**
recorded in 2022

**2.2 million**
total working hours in 2022

**>50%**
targeted reduction in scope 1 emissions per barrel by 2025(1)

### Long life asset

**817 MMstb**
gross 2P reserves + 2C contingent resources(2)

**>31 years**
gross 2P reserves-to-production ratio(3)

### Local and empowered workforce

**74%**
of GKP's Kurdish workforce are local nationals

**>600**
local workers employed through GKP contractors

### Financial strength

**$3.2/bbl**
gross Opex in 2022

**$119m**
cash as at 31 December 2022

**Debt free**
following bond redemption in August 2022

(1) >50% reduction measured against an original baseline carbon intensity of 38 kg$CO_2$e/bbl in 2020; dependent on timely sanction and implementation of Gas Management Plan.
(2) ERC Equipoise 2022 Competent Person's Report as at 31 December 2022.
(3) Gross 2P reserves of 506 MMstb as at 31 December 2022 / 2022 gross average production of 44,202 bopd.

## What we do and how we create value

### Our experience and expertise

We bring together a unique combination of above and below ground expertise developed over more than 15 years of operations in Kurdistan:

- **Kurdistan and emerging market expertise:** We have been present in Kurdistan since 2007. Over that time, we have built up a deep understanding of the geopolitical, commercial and security environment and a passion for furthering the region's social and economic development. The majority of our workforce are local nationals while our Board and management team bring together decades of experience of working in emerging markets around the world; and
- **Technical expertise:** We have a strong understanding of the Shaikan Field and its fractured carbonate reservoirs. Over time, we have refined our understanding of how to get the most out of our wells and optimise all aspects of drilling and development to profitably exploit the Field's significant reserves and resources base.

### Our core activities

#### Develop

The Shaikan Field is one of the largest oil fields in Kurdistan by reserves and production, with significant growth potential. As part of the Shaikan Field Development Plan, GKP has a vision to generate value for all stakeholders by increasing gross production plateau up to 85,000-95,000 bopd while eliminating almost all routine flaring and transforming the Company's carbon footprint. As we move towards project sanction, we are progressing the expansion of the Jurassic reservoir with a flexible capital programme, subject to timely KRG payments and oil prices.

**Read more** on pages 18 to 21.

## Underpinned by our values and culture

1. Safety
2. Social responsibility
3. Trust through open communication

## Outputs

### Investors

Gulf Keystone is committed to balancing investment in profitable growth with sustainable shareholder returns, while maintaining a robust balance sheet and prudent liquidity levels. The Board is committed to paying an ordinary dividend of at least $25 million per annum and distributing excess cash to shareholders by way of dividends and/or share buybacks. Since 2019, the Company has successfully delivered against its strategy by growing gross average annual production by 34%, distributing $415 million to shareholders through dividends and share buybacks and maintaining a strong balance sheet.

### 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 contributions through the Shaikan Field Development Plan.

### Communities

Gulf Keystone takes pride in its engagement with local communities and through regular engagement and investment, has a strong relationship with the areas local to Shaikan. The Company is a significant employer 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. In 2022, GKP spent over $1 million gross on impactful projects for our local communities focused on agriculture, education and infrastructure.

### Workforce

Gulf Keystone's workforce is integral to the Company's ability to deliver its strategy. To support our staff, we foster a safe, diverse and inclusive working environment that enables our people to thrive and develop.

### 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 2022, $515 million net was generated for the government, primarily from production entitlements, royalties and capacity building payments.

## Our strategic objectives

- **Safety and sustainability**
- **Value creation**
- **Capital discipline and cost focus**
- **Robust financial position**

## ESG focus

**Safety and sustainability underpin our business model**

- Sustainability report: pages 32 to 51
- TCFD report: pages 52 to 65

**Strong governance framework**

- Governance report: pages 80 to 89

# Produce

Gulf Keystone has a proven track record of delivering production growth from the Shaikan Field. Since first commercial production in 2013, GKP has produced over 117 MMstb, with production growth of 40% between 2018 and 2022. In 2022, Gulf Keystone delivered record gross average production of 44,202 bopd, in line with annual guidance.

**Read more** on pages 8 to 10.

4. Innovation and excellence

5. Integrity and respect

6. Teamwork

# Strategy and objectives

## Our strategy is to create value for all stakeholders by balancing investment in profitable production growth with sustainable shareholder returns, while maintaining a robust balance sheet and prudent liquidity levels.

**Our strategic objectives are as follows:**

## Safety and sustainability

### Strategic objective

- The Group is committed to high ESG standards with a focus on safety, our environmental impact, our people and generating economic and social value for Kurdistan and our local communities, underpinned by strong corporate governance.

### 2022 progress

- Zero Lost Time Incidents ("LTIs") and one recordable incident in 2022, resulting in a Total Recordable Incident Rate ("TRIR") of 0.45, well below the Kurdistan benchmark of 1.3;
- 2022 Annual Report disclosures fully consistent with TCFD[1] recommendations;
- Continued to advance the tendering process for the Gas Management Plan;
- Further developed climate-related opportunity register of additional decarbonisation initiatives, including progression of plans to eliminate methane emissions from oil storage tank venting;
- Substantial completion of 2022 Health, Safety and Environment ("HSE") improvement programme;
- December 2022 Kurdistan staff localisation rate of 74%. 2022 voluntary turnover rate of 3%; and
- Developed Code of Business Conduct and accompanying workforce training, launched in early 2023.

### 2023 focus

- Continue to target zero harm across our operations, increasing vigilance to prevent any further incidents following the LTI during drilling operations in January 2023;
- Advance tendering process for Gas Management Plan and progress discussions with MNR to secure approval of the FDP;
- Progress plans to eliminate methane emissions from oil storage tank venting, with commissioning currently expected in 2024, and quantify fugitive emissions and accompanying reduction plan;
- Deliver 2023 Health, Safety, Environment and Quality ("HSEQ") improvement programme;
- Deliver local community engagement programme and projects;
- Maintain high level of staff localisation and retention; and
- Further build capability of workforce, drive engagement and wellbeing and advance diversity and inclusion.

### Link to key performance measures

- Safety performance (TRIR).

## Value creation

### Strategic objective

- Balance investment in profitable production growth with sustainable distributions to shareholders.

### 2022 progress

- Annual gross average production of 44,202 bopd, in line with annual guidance of 44,000-47,000 bopd;
- Drilled SH-15 and SH-16, spudded SH-17;
- Laid groundwork for material increase in future production levels through drilling programme, well pad preparation and facilities expansion activities;
- Continued to make good progress towards key FDP project sanction milestones, including substantial finalisation of technical scope and future work programme;
- $358.5 million Adjusted EBITDA, primarily driven by a strong increase in the oil price and higher production; and
- Paid record annual dividends to shareholders of $215 million, representing a sector-leading dividend yield of 41%[2].

### 2023 focus

- Deliver annual gross average production guidance range of 46,000-52,000 bopd through continued progression of the Jurassic expansion programme with a flexible capital programme;
- Progress discussions with MNR to secure approval of the FDP, including the Gas Management Plan;
- Continue to engage with the KRG and MNR to seek clarity on oil sales payment timing and the negotiation of a new lifting agreement; and
- Maintain dividend policy of paying at least $25 million per year while distributing excess cash to shareholders by way of dividends and/or share buybacks, according to the Company's disciplined financial framework.

### Link to key performance measures

- Gross production (bopd); and
- Adjusted EBITDA ($m).

(1) Task Force on Climate-related Financial Disclosures.
(2) Based on GKP's closing price on 30 December 2022.

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

# Our focus on safety and sustainability and strong corporate governance underpin our strategy.

## Capital discipline and cost focus

### Strategic objective

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

### 2022 progress

- Net capital expenditure of $114.9 million, in line with final 2022 guidance of $110-$120 million;
- Gross Opex per barrel of $3.2/bbl, in line with 2022 guidance of $2.9-$3.3/bbl; and
- Other G&A expenses of $12.2 million, 10% lower versus 2021 reflecting increased capitalisation due to accelerating capital activity resulting in a more than doubling of net capital expenditure.

### 2023 focus

- Deliver 2023 work programme and current net capital expenditure guidance of $160-$175 million, predicating investment levels on the timeliness of KRG payments and oil prices. The Company will consider potential adjustments to the capital programme based on how the business environment evolves; and
- Deliver annual gross Opex per barrel guidance range of $3.0-$3.4/bbl, maintaining position as top quartile 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); and
- Net capital expenditure ($m).

## Robust financial position

### Strategic objective

- Maintain a robust balance sheet and prudent liquidity levels to fund and execute strategy and to manage commodity cycle and operating in Kurdistan.

### 2022 progress

- $358.5 million of Adjusted EBITDA and $266.5 million of free cash flow generated in 2022;
- Redeemed $100 million bond in August 2022, leaving the Company debt free; and
- Cash balance of $119.5 million as at 31 December 2022.

### 2023 focus

- Maintain robust balance sheet and prudent liquidity levels to fund 2023 and forward work programme.

### Link to key performance measures

- Adjusted EBITDA ($m); and
- Net cash ($m).

# Key performance indicators

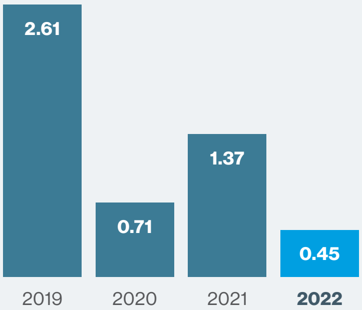
## Gulf Keystone sets performance measures and assesses progress against these targets on a regular basis.

**Strategic priorities key:**

- Safety and sustainability
- Value creation
- Capital discipline and cost focus
- Robust financial position

## Safety performance

(TRIR)(1)




### Why we measure this

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

### Strategic priorities

Safety and sustainability

### Link to remuneration

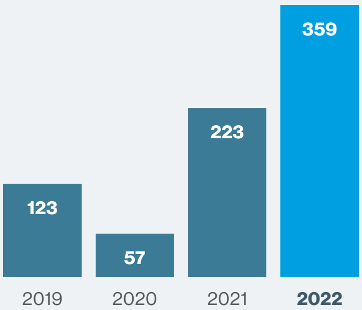
Yes(2)

### Performance

- TRIR decreased in 2022 due to zero Lost Time Incidents in the year and only one recordable incident; and
- Our performance was supported by a rigorous focus on safety as operational activity increased.

## Adjusted EBITDA

($m)




### Why we measure this

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

### Strategic priorities

Value creation; Capital discipline and cost focus; Robust financial position

### Link to remuneration

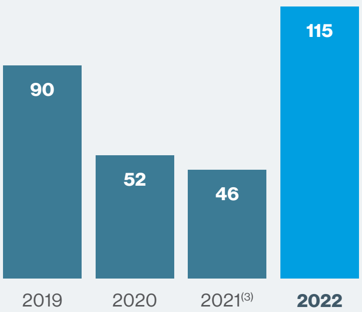
No

### Performance

- Increased by 61% versus 2021 driven by an increase in the oil price and higher production;
- Partly offset by higher operating costs, share option expense and capacity building payments; and
- Increase in share option expense principally due to the final contractual exercise of share option entitlements by former Directors under the 2016 Value Creation Plan ("VCP").

## Net capital expenditure

($m)




### Why we measure this

- Net capital expenditure includes the Company's net expenditure on oil asset investments; and
- Net capital expenditure is incurred with a focus on capital discipline and flexibility to drive profitable production growth and to meet the requirements of the Shaikan Production Sharing Contract.

### Strategic priorities

Capital discipline and cost focus; Robust financial position

### Link to remuneration

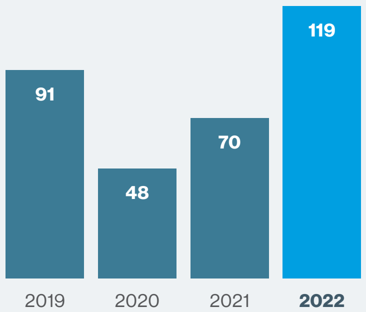
Yes(2)

### Performance

- Increase versus 2021, in line with final guidance, to drive future profitable production growth;
- Majority of expenditure ($63 million) spent on drilling of SH-15, SH-16 and the initial stages of SH-17;
- $36 million invested in completing early work for the expansion of the production facilities and installation of water handling, as well as future well pad preparation costs; and
- $16 million invested in well workover and interventions to help optimise production.

(1) Total Recordable Incident Rate.
(2) See 2022 corporate KPIs table on page 115 of the Remuneration Committee report.
(3) 2021 restated after the definition of net capital expenditure was amended to no longer exclude the increase/decrease of drilling and other equipment.

## Net cash
($m)




### Why we measure this
- Maintaining a robust balance sheet and prudent liquidity management provides the flexibility to fund our strategy of balancing investment in profitable growth and shareholder returns, while providing a cushion to manage through declines in oil price and risks associated with operating in Kurdistan.

### Strategic priorities

### Link to remuneration
No

### Performance
- Increase in 2022 driven by higher Adjusted EBITDA, more than offsetting the increase in net capital expenditure and payment of $215 million of dividends; and
- In early August 2022, the Company redeemed the $100 million of notes outstanding, leaving the Company debt free with significant financial capacity.

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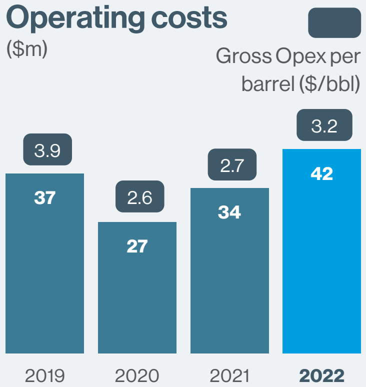
## Operating costs
($m)




### Why we measure this
- The Company monitors operating costs to ensure they remain in line with the budget; and
- Costs are carefully controlled with a focus on remaining a low-cost operator.

### Strategic priorities

### Link to remuneration
Yes[2]

### Performance
- Increase primarily driven by an increase in staff costs reflecting increased activity, as well as incremental maintenance activity; and
- Gross operating costs of $3.2 per barrel within 2022 guidance range of $2.9-$3.2 per barrel.

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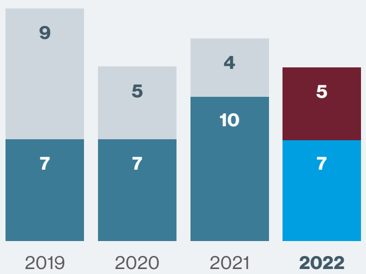
## Other G&A expenses
($m)




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

### Strategic priorities

### Link to remuneration
Yes[2]

### Performance
- 2022 costs decreased 10% versus 2021; and
- Reflects increased capitalisation of G&A costs due to accelerating capital activity resulting in a more than doubling of net capital expenditure.

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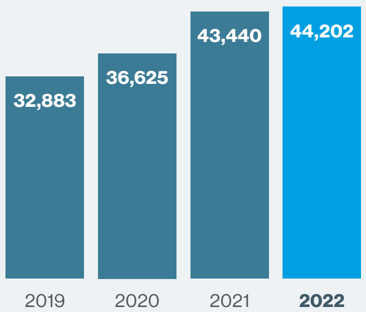
## Gross production
(bopd)




### Why we measure this
- Indicator of our revenue generation potential; and
- Measure of progress towards achieving our annual production guidance and driving profitable production growth.

### Strategic priorities

### Link to remuneration
Yes[2]

### Performance
- 2022 gross average production of 44,202 bopd, 2% increase versus 2021 and in line with annual guidance of 44,000-47,000 bopd;
- Supported by incremental volumes from new wells; and
- Mostly offset by continued prudent management of well production rates to avoid trace amounts of water production ahead of installation of water handling capacity and the temporary shut-in of one well during Q4 2022 due to an isolated ESP electrical failure.

# Stakeholder engagement

## 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 a 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 its stakeholders and matters set out in s172 of the Companies Act 2006 ("section 172")) in the decisions taken during the year ended 31 December 2022.

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 its local communities 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 ethics, 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 sustainability strategy.

As part of GKP's commitment to effective stakeholder engagement, and in accordance with section 172, the Company sets out on pages 28 to 31 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; and
- Sustainability strategy and addressing climate-related risks and opportunities.

### How we engaged in 2022

- 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;
- Virtual AGM held with open invitation to all shareholders with the ability to submit questions electronically via the Company's website;
- Engagement with shareholders prior to AGM to encourage voting turnout; and
- Consultation with major shareholders in response to voting on certain resolutions at the AGM.

### Why we engage

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

## Host government

### Key engagement topics

- Shaikan Field performance;
- Shaikan Field Development Plan;
- Commercial arrangements;
- Crude oil sales payments and pricing;
- Iraqi Federal Supreme Court ruling and related implications;
- Health and safety;
- Community investment strategy and plans; and
- Environmental matters.

### How we engaged in 2022

- Regular meetings and correspondence with senior KRG and MNR officials;
- Meetings with MNR advisers on specific topics such as the Iraqi Federal Supreme Court ruling;
- Engagement regarding delays to payments and overdue invoices;
- Engagement regarding proposed amendments by the MNR to pipeline fees and the Shaikan Lifting Agreement; and
- Generated 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; commercial terms regarding the sale of Shaikan crude oil; and our licence to operate under the Shaikan PSC; and
- The KRG is responsible for managing Kurdistan's oil and gas industry, including marketing and exporting all crude from the Shaikan Field.

## Local communities

### Key engagement topics

- Health, safety and security;
- Local employment;
- Development of local staff and contractors;
- Major incident prevention;
- Local community projects; and
- Protection of the environment.

### How we engaged in 2022

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

### Why we engage

- The support of local communities is essential for the mutually beneficial development and operation of the Shaikan Field; and
- GKP is an important employer in the local communities.

# Stakeholder engagement continued

## Workforce

### Key engagement topics
- Health, safety and security;
- Gulf Keystone's purpose, values and culture;
- Gulf Keystone's Code of Business Conduct;
- Learning and development;
- Diversity and inclusion;
- Remuneration and benefits;
- Company strategy and operational progress; and
- Sustainability and climate-related risks and opportunities.

### How we engaged in 2022
- Regular health and safety briefings across the Company;
- Ongoing initiatives to support mental and physical wellbeing;
- Regular digital and in-person communications through emails, intranet, social media, team meetings, town halls and teach-ins;
- Clear communication of targets and attainment of incentive schemes;
- Clear communication of policies and procedures, including "working from home" and vaccination protocols;
- Formulation and preparation for the rollout in Q1 2023 of Code of Business Conduct, training and mandatory compliance certificate;
- Engagement and initiatives to improve diversity and inclusion;
- Learning and development programmes; and
- Initiatives to deepen workforce understanding of and involvement in sustainability strategy and addressing climate-related risks and opportunities.

### Why we engage
- The health and safety, development, diversity and retention of GKP's workforce is essential to the Company's success and execution of its strategy.

## Joint venture partner

### Key engagement topics
- Health, safety and security;
- Local community engagement;
- Shaikan Field performance;
- Shaikan Field Development Plan;
- Work programme and budget;
- Commercial arrangements;
- Crude oil sales payments; and
- Sustainability strategy and addressing climate-related risks and opportunities.

### How we engaged in 2022
- Regular multi-disciplinary meetings and dialogue; and
- 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

- Health, safety and security;
- Fair and transparent contracting processes;
- Long-term partnerships;
- Collaborative approach;
- Fair payment terms;
- Consistency of application of business ethics practices; and
- Development of a Human Rights and Modern Slavery Policy as part of the Code of Business Conduct.

### How we engaged in 2022

- Regular engagement on health, safety and security to ensure compliance with GKP policies and procedures;
- 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; and
- 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.

## Environment

### Key engagement topics

- Protection of air quality to conform to Kurdish and, with implementation of the Gas Management Plan, international standards;
- Addressing climate-related risks and opportunities, with the Company's disclosure fully consistent with all of the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations; and
- Gas Management Plan and other decarbonisation projects underpinning GKP's focus on significantly reducing routine flaring and scope 1 emissions intensity.

### How we engaged in 2022

- GKP's disclosures for fiscal year 2022 are fully consistent with all 11 recommendations of the TCFD framework as well as the additional disclosure recommendations specific to oil and gas companies;
- Improved accuracy and scope of GHG emissions reporting, recalculating our scope 1 and scope 2 emissions, measuring and reporting our scope 3 emissions for the first time and obtaining independent verification of our 2022 emissions;
- Continued to advance the tendering process for the Gas Management Plan, which will enable us to eliminate almost all routine flaring and achieve our target of a >50% reduction in scope 1 emissions intensity by 2025, assuming timely sanction and implementation;
- Further developed climate-related opportunity register of additional decarbonisation initiatives, including advancement of plans to eliminate methane emissions from oil storage tank venting; and
- 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

- In order to maintain our licence to operate, we are focused on emissions reduction, addressing climate-related risks and opportunities, and minimising our impact on the environment, while ensuring our disclosures are fully consistent with the TCFD recommendations.

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

# Sustainability report

> Sustainability underpins our ability to create value for all stakeholders and our licence to operate.

**Jon Harris**
**Chief Executive Officer**

## CEO's introduction

At Gulf Keystone, we are committed to embedding sustainable business practices in all that we do and improving our sustainability performance. As a responsible energy company and an employer of over 500 people in Kurdistan and the UK, we view sustainability as critical to our licence to operate and ability to create value for all GKP stakeholders.

We continued to make progress against our sustainability strategy in 2022, with a number of highlights to note.

First, we are pleased to report that for the first time, our annual disclosures are fully consistent with all the recommendations set out by the Task Force on Climate-related Financial Disclosures ("TCFD"). Our full TCFD report can be found on pages 52 to 65. This is the result of a significant effort since our initial TCFD disclosure in 2020 and demonstrates our commitment to addressing climate-related risks and opportunities at all levels of the organisation.

As part of this effort, in 2022 we undertook to improve the accuracy and scope of our greenhouse gas emissions disclosures. This included extending our emissions reporting to include scope 3 emissions (categories 1-12) for the first time, providing more detailed and accurate reporting of our scope 1 emissions, including the addition of methane emissions, obtaining independent external verification of our GHG emissions data and developing a new digital system to increase the integrity of our environmental data management.

These changes have led us to revise and increase our scope 1 emissions for 2020 and 2021. We have also seen an increase in scope 1 emissions in 2022, driven by higher oil production and higher gas production principally from a single well near the gas cap, in line with our reservoir modelling. Looking ahead, we are focused on transforming our emissions footprint. We are continuing to progress the tendering process for the Gas Management Plan, which will enable us to eliminate almost all of our routine gas flaring and, depending on timely sanction and implementation, more than halve our emissions intensity versus the original 2020 baseline of 38 kg$CO_2$e/bbl by 2025.

We are also working on progressing a number of other decarbonisation initiatives to further reduce our emissions, including in the near term a project to eliminate methane venting from our oil storage tanks, which we are targeting to complete in 2024. Ahead of implementation of the Gas Management Plan and other decarbonisation projects, we expect our scope 1 emissions to continue to rise as production increases. Further information on our emissions and decarbonisation projects are on page 33 of the Sustainability report and on pages 52 to 65 of our TCFD report.

Looking to our people, we continued to progress initiatives focused on strengthening the skills and wellbeing of our workforce. We are proud of our diversity, which includes our large contingent of almost 350 local Kurdish employees, making up 74% of our total workforce at the end of 2022. The year also marked the launch of our Global Women's Network ("GWN") which is committed to the professional development and advocacy of women across the organisation. The GWN aims to create growth opportunities for women and serve as a trusted partner to help drive inclusivity through greater female participation and representation at GKP. While we were pleased to see female representation in our workforce increase significantly to 14% in 2022, there is still further to go.

I am particularly proud of our ongoing efforts to support local community projects that improve the lives of those in areas surrounding our operations. Thanks to the ingenuity of our people, our community support extends beyond financial aid to deliver practical solutions that support agriculture, education and vital community infrastructure. Whether that's providing innovative agricultural technologies and training to improve farmer yields, offering vocational training or connecting local villages to power and clean water supplies, our community outreach spending exceeded $1 million gross in 2022, a 20% increase from 2021.

In addition to our community support, we continued to maintain a strong working relationship with our host government, the KRG. The Shaikan Field accounts for around 10% of Kurdistan's oil production and in 2022, we generated $515 million net in production entitlements, royalties and capacity building payments for the KRG from the Field, a 53% increase versus 2021.

## Our sustainability strategy:

| | Environment | Social | Governance |
|---|---|---|---|
| **Strategic priorities** | • Address climate-related risks and opportunities;<br>• Reduce our scope 1 emissions intensity;<br>• Protect air quality; and<br>• Minimise our environmental impact. | • Workforce health and safety;<br>• Recruit, nurture, develop and retain talent;<br>• Enhance diversity and inclusion;<br>• Support our local communities; and<br>• Generate economic value for Kurdistan. | • Robust corporate governance and compliance; and<br>• Highest standards of business ethics. |
| **Material factors** | • GHG and other emissions;<br>• Air quality;<br>• Facility impact management;<br>• Water management and withdrawal;<br>• Waste management; and<br>• Soil and land remediation. | • Health, safety and wellbeing;<br>• Learning and development;<br>• Diversity and inclusion;<br>• Local employment;<br>• Local supply chain purchasing and contracting;<br>• Community engagement and investment; and<br>• Shaikan Field revenues generated for the KRG. | • Board oversight;<br>• Internal controls and policies;<br>• Risk management;<br>• Anti-bribery and corruption; and<br>• Code of Business Conduct compliance. |
| **Key current targets** | • Reduce scope 1 emissions intensity per barrel by >50% and eliminate almost all routine flaring by 2025[(1)];<br>• Eliminate methane venting from storage tanks by 2024; and<br>• Zero harm to the environment. | • Zero harm to staff, contractors and local communities. | • Outstanding governance and compliance; and<br>• Annual workforce compliance with Code of Business Conduct. |
| **SDG alignment** | 11 Sustainable cities and communities; 13 Climate action; 15 Life on land | 4 Quality education; 5 Gender equality; 8 Decent work and economic growth | 8 Decent work and economic growth |

(1) >50% reduction measured against the original baseline carbon intensity of 38 kg$CO_2$e/bbl in 2020; dependent on timely sanction and implementation of Gas Management Plan; reference to scope 2 eliminated following recalculation of emissions.

We also generated significant economic value for the Kurdistan region via local employment and our support of regional suppliers. In 2022, our total purchasing and contracting with local suppliers increased 31% to $64 million versus 2021.

We have also taken meaningful steps to further embed sustainability in our corporate governance structure. In 2022, we launched the GKP Sustainability Panel to facilitate the delivery of our sustainability strategy and to ensure ESG oversight across the organisation. The Panel's permanent members include myself and the Executive Committee, as well as the Safety and Sustainability team and other senior leaders. The Panel's work will be bolstered by our now 44 strong "Sustainability Champions" brought together from across the organisation, who will help us to identify sustainability-related opportunities they see in their roles.

Finally, a personal highlight was the launch of our Code of Business Conduct ("COBC") – our guidelines for how we conduct business, safeguard our assets and work together to create a positive work environment. Available in both English and Kurdish, the Code outlines the shared behaviours we expect of our people. It also includes our newly developed Human Rights and Modern Slavery policy, which reinforces our zero tolerance stance to any forms of child labour, forced labour, modern slavery or human trafficking within our business and wider supply chain. In early 2023, training on the COBC was rolled out to all members of our staff to ensure Company-wide understanding and compliance.

Looking ahead, we are excited about making further progress against our strategy, with a number of priorities identified in 2023. I look forward to updating you on our progress.

**Jon Harris**
**Chief Executive Officer**
22 March 2023

# Sustainability report continued

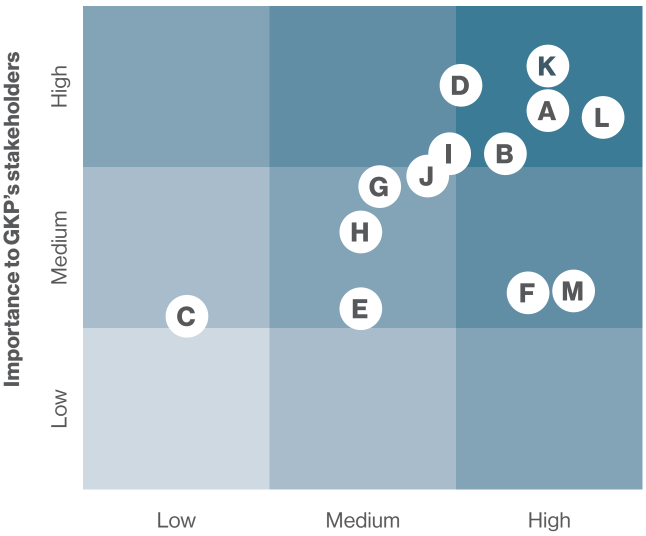
## Material ESG factors

We conducted our first materiality assessment in 2020 to identify the ESG factors that are most relevant to Gulf Keystone and its stakeholders. The process involved direct engagement with internal and external stakeholders to identify the ESG factors they consider to be most important, as well as a review of the sustainability landscape, which included a review of relevant external standards (including SASB, GRI, UNGC, UN SDGs, etc), a detailed peer benchmark and review of internal activities.

The outcomes of this process and the key material ESG factors identified can be found in the materiality matrix below. We have recently reviewed the material factors and their importance to the Company and have updated the matrix accordingly.

The material factors and metrics in our 2022 Sustainability report draw on current standards and frameworks for sustainability information disclosure, including the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, Streamlined Energy and Carbon Reporting ("SECR"), Sustainability Accounting Standards Board ("SASB"), International Petroleum Industry Environmental Conservation Association ("IPIECA") and GHG Protocol.

Material ESG factors




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

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

# Environment

## Our focus

Energy security and affordability are fundamental for our future. At the same time, we recognise the urgent need to deliver the world's energy requirements in a way that addresses climate-related risks and opportunities and minimises our impact on the environment. For GKP, this means taking ambitious steps to reduce the carbon intensity of our operational activities, align our disclosures with TCFD recommendations, monitor our emissions footprint across scopes 1, 2 and 3, protect air quality around our operations and manage the impact of our facilities on the local environment.

## Targets:

**Reduce scope 1 carbon emissions intensity per barrel by >50% by 2025[1]**

**Eliminate methane venting from storage tanks by 2024**

## SDG alignment

### SDG 11: Sustainable cities and communities

By targeting emissions reduction, protecting air quality and managing our water and waste, we are focused on minimising the impact of our activities on the communities that surround our operations.

### SDG 13: Climate action

Our commitments to more than halving our carbon intensity per barrel by 2025, eliminating methane venting from our storage tanks and progress other decarbonisation opportunities means we are taking effective climate action for a sustainable future.

### SDG 15: Life on land

Through our robust facilities impact management programme, we ensure that any land we operate on is carefully assessed via detailed environmental and social impact assessments to protect and preserve life on land.

## Key performance highlights

| Material factor | Indicator | Unit | 2020[2] | 2021[2] | **2022[3]** |
|---|---|---|---|---|---|
| **GHG emissions[4]** | Total scope 1 emissions | $ktCO_2e$ | 504 | 640 | **739** |
| | Scope 1 emissions – Flaring | $ktCO_2e$ | 429 | 557 | **654** |
| | Scope 1 emissions – Venting | $ktCO_2e$ | 17 | 20 | **21** |
| | Scope 1 – Fugitive | $ktCO_2e$ | 5 | 5 | **5** |
| | Scope 1 – Combustion of petrol and diesel | $ktCO_2e$ | 6 | 9 | **9** |
| | Scope 1 – Combustion of fuel gas | $ktCO_2e$ | 47 | 49 | **50** |
| | Total $CH_4$ emissions[5] | $ktCO_2e$ | 42 | 51 | **57** |
| | Total scope 1 emissions intensity | $kgCO_2e$ per barrel | 47.0 | 50.5 | **57.2** |
| | Total scope 2 emissions | $ktCO_2e$ | 0 | 0 | **0** |
| | Total scope 3 emissions | $ktCO_2e$ | – | – | **6,654** |
| **Other emissions[4]** | Total $SO_2$ emissions | $ktSO_2$ | 71 | 82 | **87** |
| **Water management[4]** | Total water withdrawn[6] | $m^3$ | 11,467 | 88,432 | **80,628** |
| **Waste management** | Recycled solid non-hazardous waste | % of total waste | 92 | 86 | **92** |
| | Recycled solid hazardous waste | % of total waste | 6 | 28 | **86** |
| | Recycled liquid non-hazardous waste | % of total waste | 100 | 100 | **100** |
| | Recycled liquid hazardous waste | % of total waste | 100 | 100 | **100** |

### References

(1) 50% reduction measured against an original baseline scope 1 emissions intensity of 38 $kgCO_2e$/bbl in 2020; dependent on timely sanction and implementation of Gas Management Plan.

(2) 2020 and 2021 scope 1 and scope 2 emissions revised following recalculation; 2020 and 2021 scope 3 emissions will be reported in the 2023 Sustainability report; see "Emissions reporting" section on page 36.

(3) Scope 1, 2 and 3 emissions for 2022 have been independently verified by EcoAct, aligned with the ISO 14064-3:2019 standard with specification and guidance for the verification and validation of greenhouse gas statements.

(4) All GHG emissions, other emissions and water management metrics based on GKP's 80% working interest in the Shaikan Production Sharing Contract.

(5) Methane emissions also included in scope 1 – Flaring, Venting and Fugitive.

(6) 2020 data are estimates; installation of water metering devices from 2021 improved accuracy of data.

# Sustainability report continued

# Environment continued

## Addressing climate-related risks and opportunities

### Consistency with Task Force on Climate-related Financial Disclosures recommendations

We started applying the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations in 2020 and, as of 2022, GKP's disclosures are now fully consistent with all 11 recommendations of the TCFD framework, as well as the additional disclosure recommendations specific to oil and gas companies. Our full disclosure can be found in our TCFD report on pages 52 to 65.

### Environmental and emissions data collection

In 2022, we conducted a review of our environmental data collection process to implement improvements that will strengthen the accuracy of our emissions data. To achieve this, a digital solution for more effective and efficient data capture, recording and monitoring of our emissions footprint is being developed for implementation in 2023. Over time, this new system will improve our data integrity and help us to identify additional opportunities to reduce our emissions.

### Updates to GHG emissions reporting

To align with the TCFD recommendations and to provide a more comprehensive and accurate picture of our GHG emissions footprint, we have amended and updated our emissions reporting. As part of this exercise, we have commissioned a third-party organisation EcoAct to independently verify our scope 1, 2 and 3 emissions disclosures for 2022 according to the ISO 14064-3:2019 standard. We use the equity share approach to report our emissions.

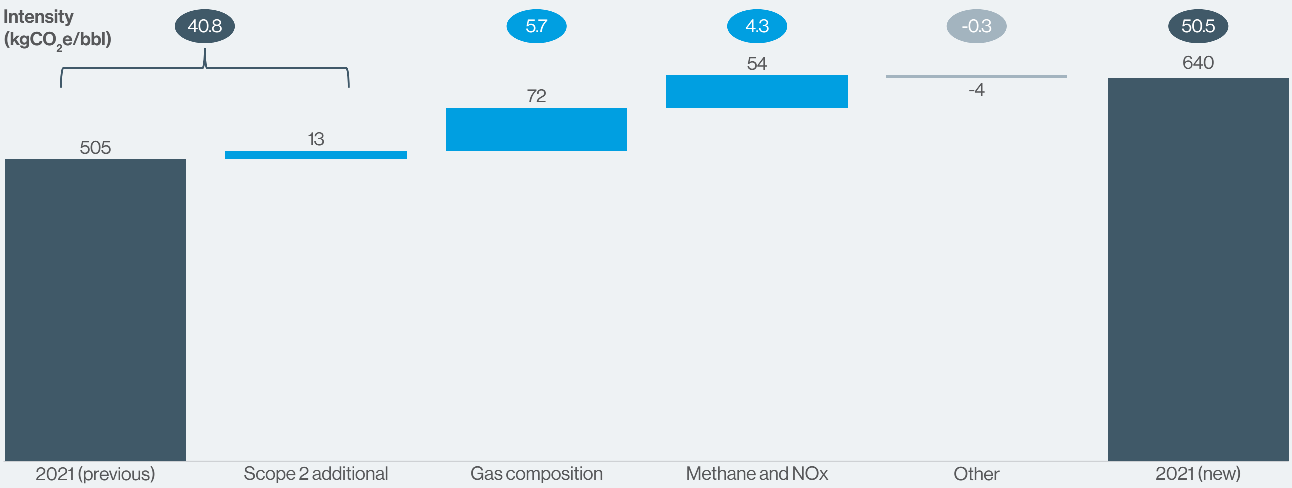
First, we have broadened our emissions reporting to measure for the first time our scope 3 emissions in 2022. This disclosure is aligned to all 12 relevant sources of scope 3 emissions set out by TCFD, a breakdown of which can be found in our TCFD report on page 52. As an energy company, categories 10 and 11 are the most material for us, as most oil and gas emissions are generated from the processing or use of sold products. We are planning to report our scope 3 emissions (categories 1-12) for 2020 and 2021 as part of the 2023 Sustainability report.

Second, we have reviewed our reporting of scope 1 and 2 emissions to improve the accuracy of our disclosures and to align with the TCFD recommendations, as well as a number of other industry guidelines, such as the "GHG Protocol: a corporate reporting and accounting standard" (Revised edition, 30 March 2004, updated 2015) and the "IPIECA Petroleum industry guidelines for reporting greenhouse gas emissions" (2nd edition, 2011). This review resulted in the following material changes to our calculation of emissions in 2022, which we have used to recalculate and revise our scope 1 and 2 emissions for 2020 and 2021:

- emissions from our own power generators has been reclassified to scope 1, resulting in zero emissions being reported under scope 2;
- the composition of our associated gas, which is currently flared or used as fuel gas, has been recalculated for greater accuracy and to align with IPIECA Petroleum industry guidelines following a recent systematic review of all gas sampling results;
- our scope 1 emissions have been broken down for the first time by source, including flaring, venting, fugitive, and fuel, petrol and diesel combustion; and
- as part of this change, methane and nitrous oxide emissions from our flaring activities, as well as carbon and methane emissions resulting from venting and fugitive emissions, have been added as scope 1 emissions.

For our 2021 emissions, these changes resulted in total scope 1 emissions increasing by 27% from 505 kt$CO_2$e under the previous methodology to 640 kt$CO_2$e (with scope 1 emissions intensity increasing from 40.8 kg$CO_2$e/bbl under the previous methodology to 50.5 kg$CO_2$e/bbl). Almost all of the increase between the two methodologies was driven by the recalculation of our associated gas composition, resulting in a higher estimated proportion of more carbon intensive gases in the composition, and the addition of methane and nitrous oxide emissions from flaring, venting and fugitive leaks.

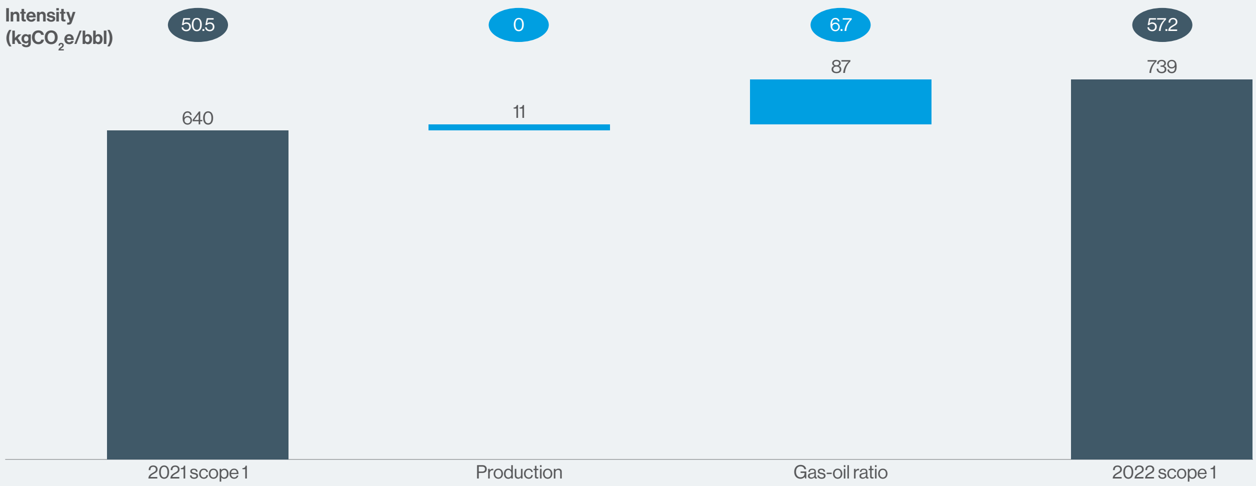
### 2021 scope 1 emissions recalculation (total and intensity)



### Emissions performance and focus on decarbonisation

Total scope 1 emissions in 2022 were 739 kt$CO_2$e, a 15% increase versus the previous year (2021 revised: 640 kt$CO_2$e). A small proportion of the increase was driven by higher gross production, with the majority due to a higher gas-oil ratio principally from a single well near the gas cap, in line with our reservoir modelling. Scope 2 emissions in 2022 were 0 kt$CO_2$e, following recalculation as described above (2021 revised: 0 kt$CO_2$e).

Our scope 1 emissions intensity in 2022 was 57.2 kg$CO_2$e/bbl, with the increase versus the previous year (2021 revised: 50.5 kg$CO_2$e/bbl) driven entirely by the change in gas-oil ratio.




### 2022 vs 2021 scope 1 emissions (total and intensity)

As part of our focus on addressing climate-related risks and opportunities, we are committed to reducing the carbon footprint of our operations.

Our primary objective is to reduce our scope 1 emissions intensity by >50% by 2025, compared to our original 2020 baseline of 38 kg$CO_2$e/bbl (with the reference to scope 2 emissions eliminated following recalculation). This is dependent on the timely sanction and implementation of the Gas Management Plan and subsequent elimination of almost all of our routine flaring. The Gas Management Plan will also significantly reduce our sulphur dioxide emissions.

In addition to the GMP, we are also exploring the viability of a number of other decarbonisation projects. In 2022, we carried out a detailed assessment of these opportunities, including scenario analysis. Following this exercise, we have decided to progress as a priority the elimination of methane emissions from the venting of our storage tanks. We are targeting to complete the engineering and procurement for the project in 2023, which is a key component of the 2023 bonus plan safety and sustainability KPIs. The project is currently expected to be commissioned in 2024.

Further information regarding our focus on emissions reduction, the Gas Management Plan and our other decarbonisation opportunities can be found in the TCFD report, in particular in the Strategy section on pages 56 to 61 and the Metrics and targets section on pages 64 and 65.

### Protecting air quality

The Shaikan Field is located approximately 60km to the north-west of Erbil, sitting within close proximity to surrounding villages. As a result, it is imperative we adopt a robust air quality monitoring programme to avoid any negative impacts on our local communities. In 2022, our air quality performance continued to be within Kurdish regulatory limits.

We monitor air quality in a variety of ways, including stationary field monitoring, handheld Photo-ionisation Detectors ("PIDs"), gas surveys and, for the first time in 2022, satellite monitoring. See the boxes on page 38 for more information.

In 2023, we are planning to extend our air quality monitoring programme to detect and monitor methane and other fugitive emissions across our production facilities and wells, with the goal to reduce or eliminate emissions at source. Fugitive emissions are a very small proportion of existing scope 1 emissions, as disclosed on page 64, and we would expect this to remain similar following implementation of the programme. We will also be contracting a qualified external party to audit our air quality monitoring programme to ensure it aligns with local and international stipulations, standards and best practice.

# Sustainability report continued

# Environment continued

## Protecting air quality continued

### 1. Stationary field monitoring

As of 2022, GKP operates four Scentinal SL-50 air quality monitoring stations which measure a broad range of air quality parameters, including $H_2S$, methane, VOC, NOx, PM2.5 and PM10 levels. Data is captured and reported to the Ministry of Natural Resources each month to ensure ongoing compliance. Additional stationary monitors will be installed in 2023 to enhance our data capture.

In addition, we deploy passive diffusion tubes at ten locations near the Shaikan Field and neighbouring villages to ensure the levels of $H_2S$, $O_3$, VOC, $SO_2$ and $NO_2$ remain below Kurdistan stipulations. These tubes are deployed and recovered each month for detailed analysis.

As our operations continued to expand during 2022, we installed additional stationary air quality monitors across the block. In 2023, we will be installing further additional diffusion tubes around our well pads and other key locations where emissions occur. Furthermore, based on findings from the detailed studies conducted in 2019 and 2021, we will implement continuous monitoring at all of our natural seepages via our Gas Management Plan to ensure no leakages take place.

The combination of fixed monitoring stations, diffusion tubes and manual monitoring provides adequate and reliable monitoring across the block.

### 2. Handheld Photo-ionisation Detector ("PID")

GKP uses handheld PIDs to monitor photo-ionisation which can detect more than 400 gaseous pollutants in the air. This enables us to put in place actions to identify, prioritise and target specific pollutants where they occur.

### 3. Gas surveys

We conduct gas surveys of the Shaikan block, the last of which was conducted in 2021. The purpose of gas surveys is to identify any natural gas seeps at surface level and to provide insights into the underlying geology. The studies were conducted using sensitive hydrogen sulphide ($H_2S$), methane ($CH_4$) and sulphur dioxide ($SO_2$) detectors deployed from a vehicle, together with sensors deployed from a drone to cover inaccessible areas.

The results from our 2019 survey confirmed the presence of three known seepages, together with the discovery of a fourth seepage in the area. The findings identified low parts per billion ("ppb") levels of $H_2S$ and $SO_2$ and low ppm background levels of $CH_4$, indicating overall low levels of seepage. The results from the study in 2019 were verified in the second survey in 2021.

### 4. Satellite monitoring

In 2022, Gulf Keystone used satellite imagery for the first time to determine if any fugitive emissions from our facilities and emissions from natural seepage could be monitored and quantified via this innovative technology. Currently, we are analysing data from the first three datasets collected in March, September and December of 2022.

In addition to emissions monitoring, the technology also provides valuable data on biodiversity, land use, hydrology and topography which can be used for a wide range of analyses in the field of sustainability and will be made accessible to other departments, such as to conduct sustainable pipeline surveys.

## Minimising our impact on the environment

### Facility impact management

We undertake detailed facility impact management studies prior to commencing any site work. Before facilities or access roads are built, flowlines installed or wells drilled, GKP conducts a thorough environmental and social impact assessment ("ESIA") as part of our project design phase.

In 2022, two ESIAs for the expansion of our two production facilities and one ESIA for the Gas Management Plan were initiated. All three ESIAs have been submitted for approval by the Ministry of Natural Resources.

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

1. effective site selection: including safe location of well pads, clear 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 conducts detailed studies for site selection;
2. adequate waste management: with a strong focus on waste reduction, reuse and recycling;
3. implementing civil engineering designs that prevent or minimise any impacts on 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 (including drainage systems that capture contaminated run-off from accidental spills and leaks) and enhancing future site restoration plans;
4. efficient equipment specification, maintenance and operational control: to prioritise equipment that is fuel efficient, well maintained, and controlling operations to mitigate environmental impacts;
5. clear operational management control: to ensure the right documentation is in place to deliver operational activity in line with a given project's 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; and
6. preparedness for unplanned events: to embed effective emergency response and contingency plans, that are resourced and rehearsed to mitigate any unforeseen events that could have a significant environmental or social impact.

### Soil remediation

We aim to avoid any instances of contaminated soil, surface water and groundwater resulting from our operations to prevent any risks to public health and safety or our impact on the environment. As part of our standard procedure, all waste drilling cuttings and fluids are managed in line with Kurdistan legislation and international standards. We also ensure that any pits that are excavated next to well pads to hold drilling fluid are remediated after any drilling operations are completed. In 2022, one water pit was remediated at the SH-13 and SH-14 well pad by using the quality-tested and clean water for irrigation of the adjacent fields, handing over the liner to the neighbourhood communities for their own purposes and backfilling the pit with fresh soil.

### Waste management

Gulf Keystone maintains high standards of waste management in the Shaikan Field and our offices. We sort our waste into four categories:

- liquid hazardous waste: includes waste crude oil, contaminated water and drilling fluids;
- liquid non-hazardous waste: includes uncontaminated water;
- solid hazardous waste: includes drilling cuttings, chemicals and medical waste; and
- solid non-hazardous waste: includes food waste, packaging, glass and metals.

In 2022, we recycled 100% of our liquid hazardous waste, 100% of our liquid non-hazardous waste, 86% of our solid hazardous waste and 92% of our solid non-hazardous waste. The increase in the recycling rate of our solid hazardous waste from 28% in 2021 to 86% in 2022 was primarily driven by the increased recycling of our drilling cuttings.

To ensure that our third-party partners comply with our requirements and local legislation, we use tools such as GPS vehicle tracking, waste transfer documentation and quarterly contractor auditing to track compliance. We also ensure that all recycled waste has cradle-to-grave traceability for effective management, end-use and recycling.

All waste generated at GKP operational sites is transported to a centralised Waste Management Area, where it is separated by our in-house Waste Management Team. Waste that can be recycled or reused is then transported to specialist recycling companies (see "Partnering to repurpose operational waste"). All our waste management suppliers are approved by the Ministry of Natural Resources and audited by our HSE & Sustainability team.

# Sustainability report continued

## Environment continued

Case study

### Partnering to repurpose operational waste


Gulf Keystone continually seeks to find innovative ways to divert waste from landfill by partnering with local suppliers in Kurdistan to transforming waste into useful products.

In previous years, we sent our oil-based drilling cuttings to a local asphalt company where the asphalt produced was used for road construction in the wider Erbil area. However, with this option no longer available in 2022, we looked for alternatives. After some research, we identified a company that was able to use the drill-cutting waste to produce roadside concrete jersey barriers.

Since the start of this project in November 2022, 80 concrete jersey barriers have been produced from 89.4 tonnes of our drilling cuttings from the drilling of SH-16 and SH-17 that would otherwise have gone to landfill. Once produced, the barriers are used to protect sensitive infrastructure such as flowlines and well heads.

### Water management

With our operations situated in a region that is prone to drought, having a strong water and wastewater management process in place is a key consideration – not only for our own business but for our land and local communities.

The majority of our water use, measured as water withdrawn, is associated with our drilling activities. The remainder is used for operational requirements and as drinking water in our production facility camps. Water at the camps is supplied via water wells, which are analysed monthly and chlorinated weekly to ensure they meet World Health Organization ("WHO") guidelines.

In 2022, Gulf Keystone used around 9% less water than in 2021. This was mainly achieved by closely monitoring the consumption and storage of fresh water during our drilling activities to ensure efficient usage. The significant increase in water withdrawn in 2021 relative to 2020 was primarily driven by the resumption of drilling activities and more accurate data measurement following the installation of metering devices at our production facilities.

### Wastewater management

Our sewage wastewater is continuously treated in sewage treatment units, with samples taken from the inlet and outlet streams to ensure the units are operating efficiently and that the quality of the effluent meets WHO guidelines. In 2022, an additional sewage treatment unit was installed at our construction camp, and looking ahead, we are planning to reuse treated sewage water from our operations for the irrigation of our facilities.

Any wastewater from drilling activities with oil traces is collected and transported via vacuum trucks to an MNR-approved refinery that specialises in recycling oil and lubricants of different grades from waste containing oil and/or hydrocarbons.

# Social

## Our focus

Our contribution to Kurdistan's social and economic development is critical to our licence to operate and our long-term future success. Our people are what make our business unique and we are proud to be an employer of over 500 people in Kurdistan and the UK. We work together as one team and we are focused on continuous improvement to enhance the safety, wellbeing, skills and diversity of our workforce. We are also committed to creating significant local economic value by employing local people, supporting local suppliers and generating revenues for our host government from the Shaikan Field. We 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 to staff, contractors and local communities**

## SDG alignment

### SDG 4: Quality education

Projects focused on education and skills development are a key strategic focus of our local community engagement programme (see page 49).

### SDG 5: Gender equality

We are focused on increasing the number of women who work for GKP and empowering female leaders through our Global Women's Network, launched in 2022 (see page 46).

### SDG 8: Decent work and economic growth

We are passionate about generating economic value for Kurdistan, creating local jobs, supporting regional suppliers and generating revenues for the region through production from the Shaikan Field (see page 47).

## Key performance highlights

| Material factor | Indicator | Unit | 2020 | 2021 | **2022** |
|---|---|---|---|---|---|
| **Health, safety and wellbeing** | Total recordable incident rate ("TRIR") | Incidents per million man-hours | 0.71 | 1.37 | **0.45** |
| | Lost time incident Rate ("LTIR") | Incidents per million man-hours | 0.00 | 0.68 | **0** |
| **Gender diversity** | Proportion of female staff in workforce (as at 31 December) | % | 12 | 9 | **14** |
| | Proportion of female staff in Kurdistan (as at 31 December) | % | 9 | 7 | **12** |
| | Proportion of female staff in UK (as at 31 December) | % | 36 | 30 | **38** |
| **Generating economic value in Kurdistan** | Proportion of local staff in workforce (as at 31 December) | % | 84 | 74 | **74** |
| | Local supplier purchasing and contracting (80% WI) | $m | 21 | 49 | **64** |
| | Proportion of total purchasing and contracting with local suppliers | % | 42 | 58 | **35** |
| | Payments to host government[1] (80% WI) | $m | 120.6 | 335.8 | **514.9** |
| **Local community projects** | Total value of contributions to local communities (80% WI) | $ | 209,000 | 640,000 | **833,500** |

### References

(1) See the Report on Payments to Governments for 2022 on page 161 for full disclosure.

# Sustainability report continued

## Social continued

### Health, safety and wellbeing

The ongoing health, safety and wellbeing of our workforce and local communities is a critical priority. It is one of GKP's six core values and integrated across all organisational levels and operational activities. We believe that no job is so urgent or important that it cannot be done safely, which is why we are committed to zero harm across all our business activities. By regularly engaging with our workforce through ongoing training, learning and development activities we seek to prevent incidents before they occur..

### Health, safety, environment and quality governance

Health, safety, environment and quality ("HSEQ") governance is a core responsibility for our executive team. Led by our Chief Executive Officer ("CEO"), the Board oversees our HSEQ strategy and receives regular updates on our performance via the Safety and Sustainability Committee. The Executive Committee addresses health and safety via ongoing operational meetings which include senior management meetings.

Our Chief Operating Officer ("COO") holds weekly health, safety and sustainability meetings with GKP's Head of Safety and Sustainability to ensure that our HSEQ Action Plan, HSEQ-related metrics and daily actions are appropriately addressed. This includes upholding the principles and expectations outlined in Gulf Keystone's Health, Safety, Security, Environment and Community Policy and our Code of Business Conduct.

### HSEQ Management System

Working with the MNR, our local communities and third-party consultants, Gulf Keystone has developed and implemented a comprehensive HSEQ Management System and Health, Safety, Security, Environment and Community Policy.

Our HSEQ Management System, which was updated in 2022 to integrate Quality, follows the "plan – do – check – act" process, consistent with ISO 14001 and ISO 9001 standards on environmental management, occupational health and safety management and quality. Our system is driven through internal commitment, leadership, planning assessment and risk mitigation, as well as through the employment of skilled and competent personnel to carry out the work. Our performance is monitored on a rolling basis to identify any shortfalls, and to introduce improvements as and when required.

To support this system, a "maturity index" was developed to monitor the relative strength of our progress. This is reviewed on an annual basis and agreed improvements are included in the following year's HSEQ plan.

A vital element of GKP's HSEQ Management System is the formal Competency Based Framework which seeks to train and develop local staff on required health, safety and environmental-related expectations. This programme includes mentoring, online training programmes, internal/external training, and a formal assessment process to demonstrate competence. The HSEQ Management System is fundamental for supporting a strong culture of health and safety within the business.

### Our 2022 HSEQ Plan

Our HSEQ Plan outlines GKP's roadmap for improving HSEQ performance and measuring HSEQ metrics throughout the year. The annual HSEQ Plan is put forward by our COO to the Executive Committee at the start of the year for approval and is endorsed by the Safety and Sustainability Committee before being rolled out.

In 2022, the HSEQ Plan included actions to embed further improvements to the HSEQ Management System, to continue to enhance process safety, provide ongoing training, and embed improvements to our air quality monitoring programme. As of 31 December 2022, we achieved a 98% completion rate of the actions we set out at the beginning of the year.

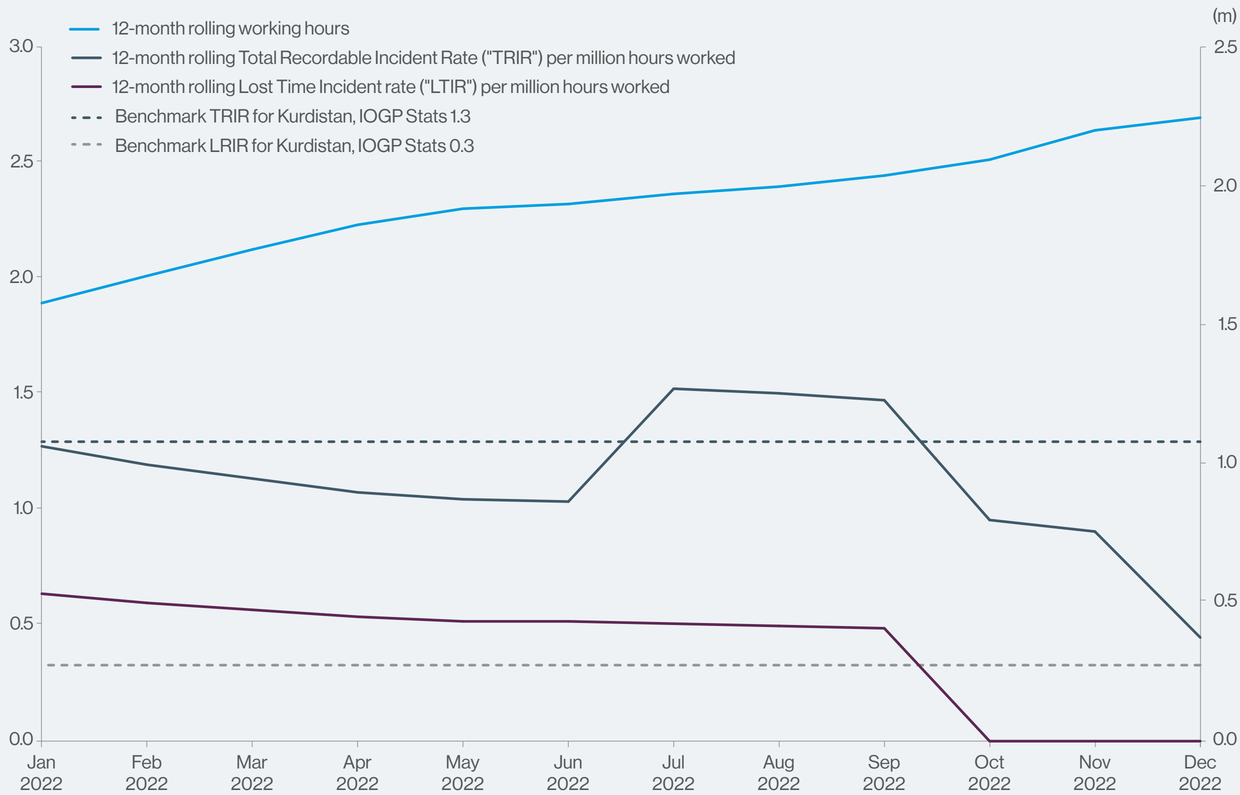
### Life Saving Rules

Gulf Keystone's Life Saving Rules are based on the International Association of Oil & Gas Producers' Life Saving Rules and provide all our people and contractors with practical lifesaving guidance required in the field. The Life Saving Rules, comprising nine Core Rules and 11 Supplementary Rules, are regularly discussed and reinforced at safety briefings, highlighted in various places around our facilities and are reviewed on an ongoing basis to ensure they remain front-of-mind for all our staff.

In 2022, the Life Saving Rules were reviewed and extended to include coverage of hydrogen sulphide ($H_2S$), which we consider to be the most dangerous risk in our business. Two separate icons were also introduced for the prohibition of drugs and alcohol on site.

### GKP Life Saving Rules

## 2022 LTIR and TRIR versus working hours




### 2022 health and safety performance

We are pleased to report a continuation of our strong health and safety performance in 2022. We recorded zero Lost Time Incidents ("LTIs") in the year, despite increasing levels of activity and recording over 2.2 million working hours. One recordable incident was recorded relating to a snakebite, with the member of staff affected receiving rapid treatment and making a full recovery. As a result, our Total Recordable Incident Rate ("TRIR") decreased from 1.37 incidents per million working hours in 2021 to 0.45 in 2022.

Following our strong performance in 2022 and over 440 days without an LTI, we were disappointed to record an incident during drilling operations in January 2023. The incident occurred as our drilling team was preparing to move the drilling rig from the SH-17 well pad to the SH-18 well pad. We are pleased the member of the team is making a full recovery and we have put in place a series of remedial actions to prevent future incidents. As we continue our drilling campaign in the Shaikan Field, it is more important than ever we maintain a rigorous focus on health and safety.

### Emergency response planning

We have long-standing tiered emergency response plans in place on our sites, which are regularly tested through a combination of drills and response exercises covering different operational and security-related scenarios. In 2022, two emergency response exercises were held which involved the incident and emergency management teams within the Shaikan Field, the Erbil office and our London office.

### Land clearance activity

Whenever our operations expand into a new area, we ensure the land is safe by surveying it for unexploded ordinance and clearing it prior to any work commencement. This is a vital activity that not only helps to protect our staff and contractors, but also helps to reclaim the safety of the land for local communities.

In 2022, we surveyed 2,142,328m$^2$ of land in preparation for our future development activity and new well locations. Through this process, we identified two pieces of ordinance that were safely disposed of by a government agency.

# Sustainability report continued

## Social continued

Case study

### Health and safety training

In 2022, we developed an HSEQ Excellence Training course for members of our Executive Committee and senior leadership team. The training was undertaken by 25 leaders from across the business and included updates on topics such as legal health and safety stipulations, roles and responsibilities and advice for how leaders can embed HSEQ across the organisation.

For the wider organisation, a Behavioural Based Safety Campaign was rolled out in October 2022. The campaign was supported by an external organisation and consists of a general HSEQ audit, an HSEQ culture audit, interviews with employees and ongoing training and workshops relating to health, safety and wellbeing.

Furthermore, an incident response training module was provided to managers to encourage the regular reporting of near-misses and incident investigations. The training included modules specific to each manager's role as well as an overview of our standard organisational procedures. We apply the Based Systematic Cause Analysis Technique ("BSCAT") approach for incident investigations and investigation reports. This includes ensuring that all investigations are conducted by unbiased and impartial actors who are not directly involved in the incident.

### Wellbeing initiatives

In addition to upholding high levels of operational health and safety on site, we recognise the importance of helping our people live healthy and active lives in which their physical and mental health are prioritised.

In 2023 we introduced a wellbeing allowance paid monthly through payroll to all employees to encourage participation in wellbeing activities. We rolled out a new Employee Assistance Programme in the UK and promoted healthy lifestyles by encouraging staff to join online webinars and take part in fitness challenges. We also introduced on-site neck and shoulder massages in our London office, as well as weekly fruit deliveries in all our facilities and offices.

## Our people

Our team of over 500 staff and contractors in Kurdistan and the UK are the lifeblood of our organisation. Their dedication and expertise help us to deliver, improve and grow our business every day. To support them, we are focused on fostering a safe, diverse and inclusive working environment that enables our people to thrive and develop their careers. We are also deeply committed to enhancing employment opportunities for local people in Kurdistan and we place a strong emphasis on hiring directly from our local communities in the Shaikan Field.

### Our purpose and values

As a purpose-driven business, GKP exists to develop natural resources for the benefit of all stakeholders by delivering social and economic benefits by working safely and sustainably with integrity and respect.

Our culture is underpinned by six core values which provide the building blocks for how we operate and get things done as a team. It is by embodying these values that we can deliver our purpose and meet our strategic objectives.

To ensure we live these values every day, we hold regular meetings, briefing sessions, town hall sessions, as well as "coffee chats" and surveys, to give our people the opportunity to share their views, listen to our progress and understand our shared direction.

Our employee retention rate remains excellent, and our voluntary turnover level in 2022 was 3%. We are also proud that close to 50% of our local workforce has been with the Company for over five years in 2022. This is a strong endorsement of our positive culture and workplace values.

## GKP's values

| | |
|---|---|
| **Safety** | Safety comes first. No job is so urgent or important that it cannot be done safely. |
| **Social responsibility** | We are committed to meeting high standards of corporate citizenship by protecting the wellbeing of our employees, by safeguarding the environment and by creating a long-standing, positive impact on the communities where we do business. |
| **Trust through open communication** | We understand the importance of listening and open communication with employees, our business partners, stakeholders and shareholders – our success depends on everyone. We encourage an environment of open and continuous communication and build our relationships on trust. |
| **Innovation and excellence** | We are committed to a high-performance culture and to ensure sustained long-term value for not only our external stakeholders but also our employees through learning, mentoring and career development. |
| **Integrity and respect** | Doing the right thing. We are always guided by the highest standards of ethical conduct, integrity and fairness. Respect is: ensuring diversity and equal opportunities in the business with our partners, stakeholders and contractors, and seeking to conduct our business openly and to mutual benefit of all. |
| **Teamwork** | Positive and constructive collaboration and relationships between all employees is vital to deliver outstanding performance in everything we do. |

### Diversity and inclusion

At Gulf Keystone, we seek to create a strong culture in which the principles of diversity and inclusion are promoted across the business. As detailed in our Diversity and Equal Opportunities Policy, we treat all people fairly, equally and without prejudice irrespective of their gender, sex, age, race, disability, sexual orientation or any other attributes.

We work hard to build an inclusive culture that creates a strong sense of belonging and purpose. We believe our individual differences and unique cultural perspectives add value to our expertise and enable us to find innovative solutions to solve challenges. As at 31 December 2022, we are proud to report that our workforce is made up of 25 different nationalities.

We also recognise we operate in an industry with low rates of female participation. As a result, we make a concerted effort to attract and retain female talent, improve the balance of our workforce and to create opportunities for the development and promotion of women into senior leadership roles. In 2022, we increased the proportion of women in our workforce to 14%, a figure which we hope to build momentum on into 2023 and beyond.

# Sustainability report continued

## Social continued

### Our people continued

#### Employee testimonial: **Asuda Tahir**

**"My name is Asuda Tahir and I started working at GKP in late 2019. I am extremely grateful to be working in a company that promotes both equal opportunities and clear career progression for all genders. Since joining the organisation, I have held several roles and I am now a Junior Drilling Engineer.**

**Currently I'm working at the SH-18 rig site, assisting the Drilling Supervisor and Well Engineers with all aspects of Well Engineering and daily drilling operations. Safety is a key focus of a successful operation, that is why our priority each morning is to conduct pre-job safety meetings. The thing I enjoy most about my role on the rig is that each day differs to the day before and there are always new challenges."**

### Learning and development

We are committed to attracting, retaining and developing talented individuals. To achieve this, we provide ongoing training and development opportunities for all our employees to help build the skills we need for today while also supporting them with their long-term career ambitions.

Among our training opportunities, we provide a bespoke Gulf Keystone Management Development Programme together with a Coaching and Mentoring Programme for our managers and supervisors. We also offer a mini-MBA programme to our employees to learn more about our business and the oil and gas industry in general. In 2022, we introduced Situational Leadership training, as well as English and Kurdish language training to build further cohesion among our teams. We also offer local classroom training to our Kurdish employees in courses such as Excel and report writing.

For more specialised areas of focus, we provide structured technical training programmes for our employees working in areas such as subsurface or HSEQ positions. We also have strong commitments in place to develop our local workforce by providing them with the technical and non-technical management training programmes required to support their development.

Case study

## Global Women's Network

In a milestone step for gender diversity and inclusion at GKP, we established our Global Women's Network ("GWN") in 2022. The purpose of the GWN is to create additional growth opportunities for women within the business and to help us drive inclusivity and representation. The network is sponsored by our Chief Executive Officer and will focus on:

- delivering opportunities to enhance and upskill leadership skills;
- fostering an inclusive environment where women can support one another through a strong network;
- achieving a positive impact and contributing to GKP's gender diversity and inclusion efforts; and
- demonstrating our core values of safety, social responsibility, trust through open communication, innovation and excellence, integrity and respect, and teamwork.

Case study

# Generating economic value for Kurdistan

## 2022 highlights

**>600**
local workers employed through GKP contractors

**$64m**
spent with local suppliers

**$514.9m**
generated for the KRG

Kurdistan is part of Gulf Keystone's DNA. Since our entry into the region in 2007, we have continued to generate significant economic value in partnership with our host government, the KRG. Our focus on creating local jobs, investing in local suppliers, generating revenues from the Shaikan Field and supporting our local communities means the benefits of our operations continue to be shared with the people of Kurdistan.

### Commitment to local employment

We are committed to creating a skilled and localised Kurdistan workforce to ensure the safe, effective and ongoing development of the Shaikan Field. We have several strategies in place to help deliver, including a localisation programme aligned to our business objectives and commitment to developing our Kurdistan workforce both technically and professionally.

As of 31 December 2022, we employed 349 local employees in Kurdistan, or 74% of our total workforce in the region. In addition to direct employment, our operations are also responsible for significant economic activity and indirect employment through the engagement of local contractors. In 2022, major Gulf Keystone contracts supported over 600 jobs among local communities. We also collaborate with local stakeholders on an ongoing basis to ensure that direct and indirect employment is shared across the villages surrounding our Shaikan operations.

### Supporting regional businesses

In 2022, $64 million of our purchasing and contracting was spent with local suppliers, a 20% increase versus 2021. Nine new contracts were signed with local Shaikan companies during the year. While the proportion of local purchasing and contracting as a percentage of total spending decreased from 58% in 2021 to 35% in 2022, due to increased spending with international suppliers on development and drilling activity, we see material levels of expenditure with local suppliers in future years.

### Creating economic value for Kurdistan

Since commercial production began in 2013, the Shaikan Field has generated significant revenues for our host government, the KRG, and the Kurdistan region, through ongoing production entitlements, royalties and capacity building payments. In 2022, we generated a total of $514.9 million net for the KRG, a 53% increase versus 2021 as both realised prices and production increased. For additional information, please refer to the Report on Payments to Governments for 2022 on page 161.

# Sustainability report continued

## Social continued

### Local community engagement

Our relationships with the communities located in the Shaikan area are critical to our licence to operate. By listening and responding to their needs and by supporting valuable community initiatives, we are making a lasting impact (see "Sustainable community initiatives").

As part of the initial phases of development and drilling activity, we identify and assess any possible impact our operations and projects may have on the local community, and we communicate these with regional stakeholders and local authorities to mitigate any issues or 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.

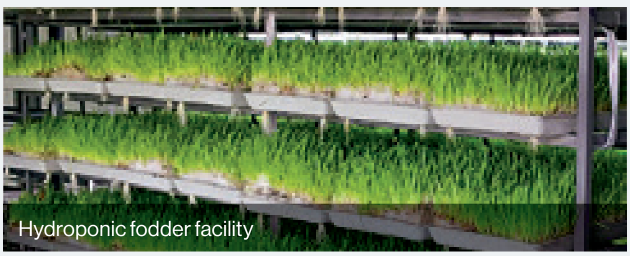
We have a formal procedure in place for our local communities to provide all types of feedback regarding our operations. The procedure is connected to our corporate values and incorporates guidance on best practice from the International Finance Corporation ("IFC") Standards. Grievances and the resulting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

### Sustainable community initiatives

We work in close collaboration with our local communities to identify programmes that promote economic growth, social development and shared prosperity. Our community focus is split into three core areas: Firstly, we support regional agriculture – the second largest sector of Kurdistan's economy after oil and gas. Secondly, we support local education and enterprise projects. And thirdly, we support Good Neighbour projects that provide vital community infrastructure, such as power and water.

In 2022, we supported 18 villages within the Shaikan area via sustainable community projects across the areas of agriculture, education, water, electricity and healthcare. In total, over $1 million gross in community support was provided by Gulf Keystone and our partner MOL to fund these projects, representing a 20% increase from 2021 and underlining our continued commitment to providing meaningful support.


Olive oil extractor


Hydroponic fodder facility

Some of the key project highlights from 2022 are as follows:

### 1. Agriculture initiatives

Gulf Keystone continued its support of local farmers and livestock breeders in 2022 by providing valuable tools, resources and training to support regional agricultural development.

- **Olive tree donations:** We delivered 5,600 olive trees to local farmers to provide a productive method of sequestration for the area outside our production facility and to support farmer livelihoods. As well as providing year-round greenery, the olives can be converted into olive oil via an extractor donated by GKP in 2021. Of the 5,600 trees, 1,500 were planted close to our production facility and the olive oil extractor produced 70 tonnes of olive oil. Training sessions and site visits were held to teach farmers how to maintain the trees and we will hire a cohort of workers to manage the unit for the harvesting season;
- **Beekeeper support:** We continued to support 60 local beekeepers within the Shaikan block by distributing 180 boxes of live bees, 120 wooden beehives, honey extractors, other beekeeper materials, as well as hands-on training and site visits during the year. As a result, honey production increased from 5kg/beehive to 8kg. The project is inspiring a new generation of beekeepers, with many of the local participants newcomers to bee husbandry;
- **Sustainable fodder for livestock:** We opened an innovative hydroponic fodder facility at Kani Falla, close to the Shaikan Field. Hydroponic farming enables plants and crops to be grown without soil, which is very valuable in an area that is often impacted by drought. With a little water and power that is part generated by solar panels, the facility can produce up to one tonne of fodder per day, which is enough to feed around 500 sheep, goats and other local livestock;
- **Milk machine donations:** We donated milking machines and stainless-steel containers to 62 local livestock breeders to enable quicker and more hygienic milking of their sheep and goats. The machines will process milk for collection and transportation to local dairy factories and ice cream shops, with any extra milk used for home consumption to make yogurt and cheese; and
- **Wheat seed and fertiliser donations:** We distributed 265 metric tonnes of certified wheat seeds, DAP, and urea fertilisers to over 500 local farmers in the Shaikan area to support them through the poor crop yields of recent years. The event, which took place in September, was attended by the Shaikan Mayor, as well as officials from the Shaikan area and agriculture departments, local village mukhtars and farmers.

## 2. Educational projects

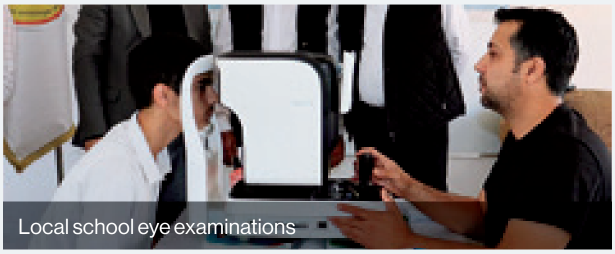
We provide education provisions to children and young people in the surrounding area, including skills development programmes, healthcare initiatives and school supplies.

- **Plumbing and sewing courses:** Working in partnership with local NGO Armand, we delivered skills-based training to local people who have had a difficult start in life. By providing skills-based training in areas such as plumbing and sewing, we have been able to support several young people in starting their own ventures or finding employment. As of 2022, 30 young people have used the plumbing skills learned to find subsequent employment opportunities, and 15 girls from local villages have started their own home-based sewing businesses;
- **School donations:** We distributed 20 water tanks, 40 whiteboards and other visual educational materials to 14 schools within the Shaikan block during the year; and
- **Eye tests for local pupils:** We hired a mobile team of ophthalmologists and optometrists to perform eye examinations for more than 1,700 students across 16 schools in the area. Following the tests, we distributed 230 eyeglasses to students.

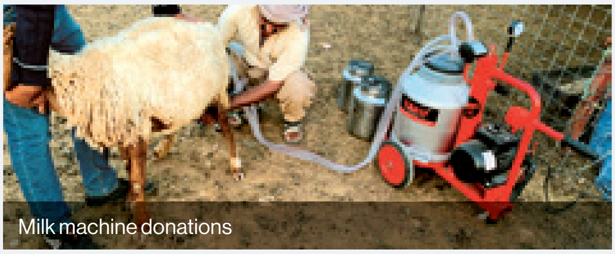
## 3. Good Neighbour projects

We provided extensive infrastructure support to local communities in 2022 via our Good Neighbour projects programme. Through the actions implemented, over 3,000 residents in the Shaikan block have benefited from improved access to water and electricity.

- **Water pipes:** We built over 14,000m of water pipes across nine villages to improve access to clean water;
- **Water tanks and wells:** We constructed five water tanks in five villages with a total volume of 340m³. We also drilled a 200m water well to enable members from a local village to access a new fresh water supply; and
- **Electricity support:** We ran and installed more than 15,000m of power lines across two villages to get them on the grid.

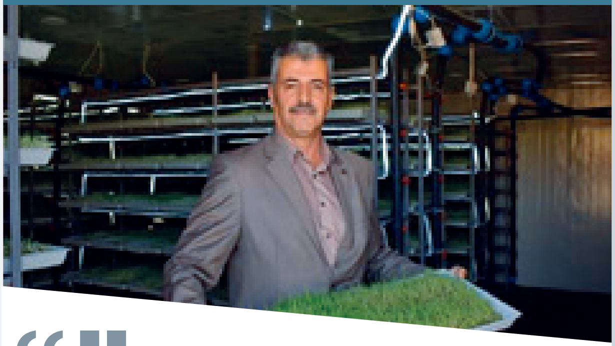


Local school eye examinations



Milk machine donations

### Local testimonial: **Adnan Mirza**



"My name is Adnan Mirza. I am a farmer and livestock breeder living in the village of Kani Fala. Thanks to GKP's support, I have been able to improve my livelihood. Before GKP's contribution, I was struggling to cultivate my land due to the scarcity of seeds, drought, and lack of support. Today, all of that has changed, thanks to the tools and training offered by GKP. Throughout the years, what seemed impossible to achieve is now a reality."

### Local testimonial: **Ghariba Salih**

"My name is Ghariba Salih and I am a villager from Musaka. I have a physical disability in my legs which has made finding employment hard. As a person with special needs, I was extremely happy to have been selected to participate in the sewing training programme. After completing the training, I now have my own sewing machine and can sew different types of Kurdish clothes for women and girls. The training has benefited me financially, socially and psychologically. Words can't express my joy and gratitude for your support."

# Sustainability report continued

# Governance

## Our focus

Outstanding governance, ethical conduct and compliance are the foundation of GKP's business and underpin our purpose as a responsible energy company. We have taken significant steps to establish robust oversight and management of our sustainability strategy and climate-related risks and opportunities. We also continue to embed a focus on ethical conduct and compliance at all levels of the organisation, including the launch in 2023 of GKP's Code of Business Conduct and training programme.

**Target:**

**Outstanding governance and compliance**

**Annual workforce compliance with Code of Business Conduct**

## SDG alignment

**SDG 8: Decent work and economic growth**

We are passionate about generating economic value for Kurdistan, creating local jobs, supporting regional suppliers and generating revenues for the region through production from the Shaikan Field (see page 47).

## Key performance highlights

| Material factor | Indicator | Unit | 2020 | 2021 | **2022** |
|---|---|---|---|---|---|
| **Board oversight** | Proportion of independent Directors on Board(1) | % | 57% | 57% | **63%** |
| | Proportion of independent Directors on Nomination Committee | % | 100% | 100% | **100%** |
| | Proportion of independent Directors on Audit and Risk Committee | % | 67% | 100% | **100%** |
| | Proportion of independent Directors on Remuneration Committee | % | 100% | 100% | **100%** |
| | Proportion of female Directors on Board | % | 14% | 14% | **25%** |
| | Director Board meeting attendance | % | 98% | 100% | **100%** |

(1) Includes independent Non-Executive Chairman.

### Board and management oversight of GKP's sustainability strategy

GKP's Board meets regularly to consider and discuss the Company's strategy, policies, major capital expenditure and all aspects of the Company's activities and business operations. This includes active involvement and ultimate accountability for matters relating to safety, sustainability and climate change through oversight of GKP's sustainability strategy.

The Safety and Sustainability Committee has primary responsibility for ensuring appropriate systems are in place to manage health, safety, security and environmental risks, including climate-related risks and opportunities, as well as implementing and monitoring appropriate safety and sustainability-related governance processes across the Company. This includes the development of relevant KPIs and making recommendations of improvement where appropriate. The Safety and Sustainability Committee meets four times per year and reports all matters discussed into the Board.

All significant decisions affecting sustainability matters and climate-related risks and opportunities are considered by the Board upon the recommendations of the Safety and Sustainability Committee.

Gulf Keystone's Chief Operating Officer ("COO") is executive sponsor for sustainability and climate-related risks and opportunities 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 in turn supported by a dedicated Sustainability Manager. The COO, Safety and Sustainability team and other members of the Executive Committee and senior management team are part of the Sustainability Panel, a new body created in 2022 with a mandate of facilitating the execution of GKP's sustainability strategy.

Further information on the Board's role and responsibilities, as well as the oversight and management of climate-related risks and opportunities in the organisation, can be found in the Corporate governance report on pages 80 to 89 and in our TCFD report on pages 52 to 65.

## GKP Sustainability Champions

In 2022, 44 dedicated employees from across GKP, from operational staff through to IT, and from London to Erbil, volunteered to be Sustainability Champions. This unique role will provide departments from across the business with a dedicated sustainability representative who can identify, present and deliver new environmental, social and governance-related ideas to the Safety and Sustainability Committee.

Our Sustainability Champions come from a wide range of backgrounds with diverse skill sets, and each bring their own perspectives on GKP's sustainability needs. The initiative will also empower our Champions to develop their own careers by giving them the power to take on actions that have the potential to impact our future for the better.

Moving forward, our Sustainability Champions will hold regular meetings together, with the best ideas being voted on and taken to the Safety and Sustainability Committee for implementation on the ground.

## Ethics and compliance

We are committed to operating as a responsible business that upholds the highest standards of ethics and compliance wherever and however we operate. Failure to do so could endanger our licence to operate and result in significant legal and financial losses.

To reinforce our commitment to ethics, we recently launched GKP's Code of Business Conduct (see case study). The document contains an overview of our policies and procedures relating to anti-bribery and corruption, conflicts of interest, competition and anti-trust, data and information security, diversity, harassment, human rights, modern slavery and HSEQ.

We operate a zero-tolerance approach to bribery and corruption. It is essential that the Company maintains transparent relationships free from corruption with our 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. To monitor our activity, we operate an independent whistleblowing service in the event any employee wishes to raise a concern, either online or over the phone, anonymously and without fear of reprimand.

Case study

## Code of Business Conduct

We recently developed and launched the GKP Code of Business Conduct ("COBC" or "the Code") to act as a guide to doing the right thing for all our employees, as well as contractors, suppliers and other third parties. Our COBC lies at the heart of everything we do and underlines our absolute commitment to safety, compliance, ethics, caring for others and working together as one team. The Code is essential to maintaining our integrity, and our integrity is essential to maintaining our future success.

In early 2023, we rolled out mandatory training on the Code to all 500+ members of staff, ensuring that all our internal stakeholders are upholding the highest standards on matters of business ethics while safeguarding our assets. Following completion of the training, GKP staff are required to sign a certificate, confirming their compliance with the Code of Conduct in 2022 and commitment to complying in 2023.

The Code also includes a newly developed Human Rights and Modern Slavery Policy which outlines our commitment towards upholding, protecting and advancing human rights within our business and across the supply chain in line with the International Bill of Human Rights, UN Guiding Principles on Business and Human Rights and the International Labour Organisation Core Conventions, including those related to child and forced labour, human trafficking, non-discrimination, freedom of association and collective bargaining.

# TCFD report

## Task Force on Climate-related Financial Disclosures (“TCFD”) report

GKP’s business is inextricably linked to environmental considerations and the Company recognises climate change as one of the most important issues the world faces.

GKP has taken significant steps in recent years to develop a sustainability strategy, with a particular focus on minimising the Company’s environmental footprint, while addressing climate-related risks and opportunities. 2020 represented GKP’s first disclosure to address the TCFD recommendations and since then the Company has focused its efforts on enhancing its disclosures and working towards full consistency in fiscal year 2022.

Gulf Keystone’s climate-related financial disclosures made in the 2022 annual report are fully consistent with all 11 of the TCFD’s recommended disclosures described in “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” published in October 2021, in line with the Financial Conduct Authority’s LR9.8.6 requirement. The Company’s disclosures are also consistent with the TCFD’s additional recommendations for the oil and gas industry outlined in the same publication mentioned above, including reporting of scope 1 emissions by source, presented on page 35 of the Sustainability report. Full consistency with TCFD demonstrates GKP’s commitment to addressing climate-related risks and opportunities, with the four pillars of TCFD embedded into our business and strategy.

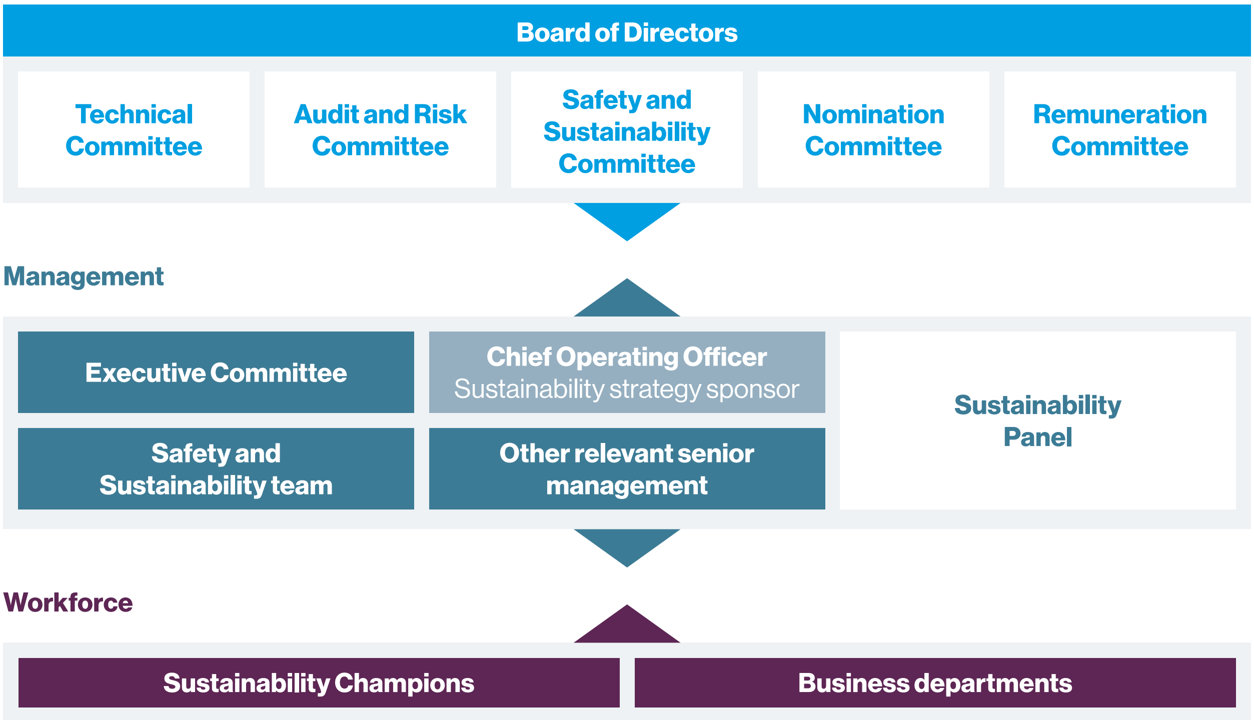
# TCFD Pillar 1 – Governance

GKP's Board is responsible for the Company's sustainability strategy and governance, and its focus on addressing climate-related risks and opportunities. The Board is supported, as appropriate, by its Board Committees. The sustainability strategy is integral to GKP's overall strategy and ability to create long-term value for its shareholders and other stakeholders.

Board members meet at least four times per year with members of GKP's Executive Committee and senior management to consider a wide range of climate-related risks and opportunities and to facilitate the sustainability strategy's success.

The broader workforce and organisation are empowered to support the sustainability strategy through regular communication and GKP's Sustainability Champions initiative, which brings together representatives from each of the Company's business departments to support GKP's sustainability strategy, including addressing climate-related risks and opportunities (see page 56-59 of the Sustainability report for further detail).

## Board and Board Committees




# TCFD report continued

# TCFD Pillar 1 – Governance continued

## a) Describe the Board's oversight of climate-related risks and opportunities

### The Board

The Board carries out robust assessments of GKP's principal and emerging risks, including those related to climate change, as maintained in the Company's Sustainability and Climate Risk Register. The Company's sustainability strategy, including climate-related risks and opportunities, is the responsibility of the Board, with specific issues and responsibilities related to the strategy delegated to the appropriate Board Committees. The Board has significant oil and gas industry experience and expertise and continues to develop its knowledge and expertise on climate-related matters through ongoing education and advice from specialist advisers.

In 2022, the Board met ten times and discussed climate-related risks and opportunities on five occasions. Meetings were attended by Board Directors, as well as other members of the Executive Committee.

Throughout the year, the Board considered climate-related risks and opportunities when reviewing GKP's strategy, capital allocation, budgeting and risk management. Specific Board discussions related to climate-related issues focused on:

- progress in scoping and implementing emissions reduction projects, primarily the Gas Management Plan but also other decarbonisation initiatives, as part of GKP's climate-related opportunities (see pages 54 and 55 for further detail);
- the creation of the Company's Sustainability and Climate Risk Register and subsequent updates;
- activity to fully comply with TCFD recommendations, including improving the accuracy and scope of our greenhouse gas emissions disclosures; and
- analysis of market trends related to climate change, including the development of voluntary carbon markets to offset carbon emissions and upcoming changes to global climate-related regulation.

As part of the discussions, the Board reviewed reports from relevant Board Committees on specific topics, in particular from the Safety and Sustainability Committee.

Further detail on the role and responsibilities of the Board is available in the Corporate governance report on pages 80 to 89.

### Safety and Sustainability Committee

The Safety and Sustainability Committee is responsible for ensuring that appropriate systems and resources are in place to manage the Company's commitment to safety and sustainability, including the management of climate-related risks and opportunities. The Committee, supported by the Technical Committee, monitors and oversees progress of climate-related goals and targets.

The Safety and Sustainability Committee is chaired by David Thomas, Non-Executive Director, and is comprised of the Chief Executive Officer, Chief Operating Officer and two other Non-Executive Directors, Kimberley Wood and Jaap Huijskes, GKP's Non-Executive Chairman. The Committee regularly invites the Company's Safety and Sustainability team, as well as other Board Directors, Executive Committee members and relevant senior management, to attend meetings and report to the Committee.

In 2022, the Safety and Sustainability Committee met four times and discussed climate-related risks and opportunities at all four meetings. The below topics were discussed:

- progress against GKP's target to achieve full consistency with TCFD recommendations in fiscal year 2022;
- progress in tendering the Gas Management Plan ("GMP") to achieve our target to reduce scope 1 emissions intensity by >50% by 2025 versus the original 2020 baseline, subject to the timely sanction and implementation of the GMP;
- GKP's other climate-related opportunities, including the development of other decarbonisation projects beyond the Gas Management Plan;
- review of Company GHG emissions data to improve the accuracy and scope of our reporting, including the publication of scope 3 emissions data and independent verification of the Company's 2022 GHG emissions;
- review of climate-related data reported by GKP international and Kurdistan peer companies;
- analysis of market trends related to climate change, including the development of voluntary carbon markets to offset carbon emissions and upcoming changes to global climate-related regulation; and
- development of climate-related corporate policies.

Further detail on the role and responsibilities of the Safety and Sustainability Committee is available in the Safety and Sustainability Committee report on pages 98 and 99.

### Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing GKP's financial reporting, internal risk management and control functions, internal audit requirements and the appointment and oversight of the Company's internal (as appropriate) and external auditor. This responsibility includes oversight of the identification and mitigation of climate-related risks, including physical and transition risks defined by TCFD, as maintained in the Company's Sustainability and Climate Risk Register, which was created in 2022. The Committee reviews key risks from the Company's risk registers, including the Company's Sustainability and Climate Risk Register, and it is expected that in the future the Sustainability and Climate Risk Register will be reviewed at least three times a year, following which a risk report will be provided to the Board.

The Committee also ensures that there is appropriate disclosure on climate-related risks and opportunities within the Company's financial reporting.

The Safety and Sustainability Committee is responsible for providing regular verbal and written updates on climate-related matters to the Audit and Risk Committee through the Board members who are present on both Committees.

Further detail on the role and responsibilities of the Audit and Risk Committee is available in the Audit and Risk Committee report on pages 94 to 97.

### Remuneration Committee

The Remuneration Committee determines GKP's remuneration policy for Executive Directors, Executive Committee members and employees, which includes sustainability and climate-related metrics. Further information on how the Board, upon the recommendation of the Remuneration Committee, embeds climate-related metrics and targets into its remuneration policy can be found on page 64 of the TCFD report.

Further detail on the role and responsibilities of the Remuneration Committee is available in the Remuneration Committee report on pages 102 to 118.

### Nomination Committee

The Nomination Committee is responsible for, among other things, the identification and nomination of Directors for vacancies on the Board and other Board Committees, as and when they arise.

The Board and Nomination Committee aim to ensure that for future appointments to the Board, there is an appropriate balance of skills and experience that continues to align with GKP's overall business objectives, which include a focus on addressing climate-related risks and opportunities.

Further detail on the role and responsibilities of the Nomination Committee is available in the Nomination Committee report on pages 90 to 93.

### Technical Committee

The Technical Committee provides support and guidance for the Shaikan Field development planning and project execution activities.

Within this, it oversees GKP's produced gas management strategy, including the Gas Management Plan as contained in the draft FDP.

Further detail on the role and responsibilities of the Technical Committee is available in the Technical Committee report on pages 100 and 101.

## b) Describe management's role in assessing and managing climate-related risks and opportunities

### Executive Committee and senior management

GKP's Executive Committee, comprised of the CEO, CFO, Chief Operating Officer, Chief Commercial Officer, Chief Legal Officer and Company Secretary and Chief HR Officer, is responsible for managing climate-related risks and opportunities on a day-to-day basis and for executing GKP's sustainability strategy. The CEO and CFO are Executive Directors.

The Chief Operating Officer ("COO"), John Hulme, is executive sponsor for the sustainability strategy and climate-related risks and opportunities. He reports directly to the Chief Executive Officer and is responsible for updating the Safety and Sustainability Committee and the Board on the sustainability strategy and climate-related risks and opportunities. The COO has weekly meetings with heads of departments, including the Head of Safety and Sustainability, to discuss climate-related issues and updates.

The Head of Safety and Sustainability shares updates and decisions with the wider Safety and Sustainability team and reports on a weekly basis to the Executive Committee and senior management team on sustainability and climate-related issues. He also reports to a monthly meeting, hosted by the Executive Committee, analysing progress against the Company's bonus plan KPIs, which includes Safety and Sustainability KPIs.

### The GKP Sustainability Panel

In 2022, the GKP Sustainability Panel was created, with the mandate to facilitate the execution of GKP's sustainability strategy, ensure that the Company has the necessary resources and systems in place to oversee, manage and monitor sustainability issues, including climate-related risks and opportunities, and to unite and coordinate all Company managers and employees whose responsibilities include sustainability and climate-related issues.

The Sustainability Panel meets on a quarterly basis. Meetings to date have reviewed, among other things, the creation of and subsequent updates to the Company's Sustainability and Climate Risk Register, progress in developing and advancing the Company's Climate Change Opportunities Register and progress towards full consistency with the TCFD recommendations. The panel also aims to ensure the Board is up to date on emerging climate change regulation, as well as the present regulatory landscape.

The permanent members of the Sustainability Panel include the Executive Committee, the Safety and Sustainability team, the Head of Investor Relations and Corporate Communications, the Group Financial Controller, and the Senior Economist. Other senior management members and employees are invited to attend and contribute, as appropriate.

# TCFD report continued

# TCFD Pillar 2 – Strategy

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

GKP assesses climate-related risks and opportunities for its business and strategy.

To do this, the Company has defined three distinct time periods. These are based on the time periods in which we would expect a potential financial impact on the Company to materialise. They also align with the potential development and implementation schedules of planned decarbonisation projects, defined as the Company's climate-related opportunities, and of the draft Shaikan Field Development Plan ("FDP"), as well as the duration of the Shaikan Field licence.

1) **Short term (2023 to 2025):** This period is focused on the development and delivery of projects to reduce the Company's scope 1 emissions intensity. Notably, 2023 to 2025 demarcates the current potential schedule for developing and commissioning the Gas Management Plan ("GMP"), based on timely sanction and implementation of the project. The GMP will enable the Company to eliminate almost all of its routine flaring and achieve its target of reducing scope 1 emissions intensity by >50%. During the period, the Company also plans to continue to develop its Climate Change Opportunities Register to further reduce emissions intensity. Further detail on the GMP and other climate-related opportunities can be found on page 59.
2) **Medium term (2026 to 2030):** In this period, subject to timely sanction and implementation, the GMP would be operational. Other decarbonisation projects could also be progressed and implemented.
3) **Long term (2031 to 2043):** During this period, production is expected to continue from the Shaikan Field up to the current expiry of the licence in 2043 (including extensions).

Given that 100% of GKP's revenues are generated from a single oil asset, the Shaikan Field, in a single geography, the Kurdistan Region of Iraq, and all of the Company's oil is sold to the KRG, all of GKP's climate-related risks and opportunities are deemed to be related to a single sector and geography.

## Climate-related risks

GKP's Board and management team have identified a number of transition and physical climate-related risks, which are maintained in the Company's Sustainability and Climate Risk Register and regularly reviewed and updated by the management team and Board.

For each risk, the Company determines the relevant time horizon(s), assesses the potential financial impact on the Company and describes the Company's strategic response and resilience. Risks are categorised as either transition or physical: transition risks relate to policy and legal, market conditions, reputation and technology; physical risks can be event driven (acute) or longer-term shifts (chronic) in climate patterns.

### Materiality of climate-related risks

To assess the potential financial impact and materiality of climate-related risks, the Company uses a risk matrix to determine expected probability and impact, considering the key financial and non-financial metrics that could be affected. Further detail on the Company's identification, assessment and management of climate-related risks is available on pages 62 and 63, Pillar 3 – Risk Management.

As the operator of a single oil-producing asset, the most material risk to the Company's strategy and valuation is the oil price. Carbon prices, which are not currently in place in Kurdistan, could also have a material impact, if implemented. As a result, GKP believes that climate-related risks connected to the transition to a lower carbon economy could have a material financial impact on the Company. The qualitative assessment of climate-related transition risks are summarised in the table on pages 57 and 58 and the Company has carried out scenario analysis on oil price and carbon price, described on page 59 to assess the potential impact on its strategy and valuation.

Regarding physical risks of climate change, the Company has identified potential chronic and acute risks, including extreme changes in weather patterns, extreme weather events and rising mean temperatures. However, these risks are not currently deemed to be material to our strategy and valuation, given the design of GKP's facilities, operational processes and focus on asset integrity to mitigate these risks. There has been no discernible financial impact from climate-related physical risks in recent years.

The impact of climate-related risks on our supply chain is currently not considered to be material.

## Climate-related transition risks

| Type of risk | Potential financial impacts | Our strategic response |
|---|---|---|
| **Transition**<br>Market<br>**Risk description**<br>Unable to secure financing due to increasing lender focus on emissions and climate change<br>**Time horizon**<br>● ● ● (Short, Medium, Long) | • Inability to fund development projects and other capital allocation priorities. | • Proactively communicate GKP's sustainability strategy and focus on addressing climate risk;<br>• Proactively engage with existing and potential shareholders and lenders;<br>• Monitor the Nordic Bond market, where GKP has previously secured debt financing; and<br>• Explore alternative sources of financing, in particular those linked to addressing climate change and emissions reduction. |
| **Transition**<br>Market<br>**Risk description**<br>Increased cost of raw materials, equipment and technology<br>**Time horizon**<br>● ● (Medium, Long) | • Increased operational expenditure due to changing input costs (e.g. fuel costs);<br>• Increased capital expenditure due to changing input costs (e.g. production and drilling equipment, decarbonisation technology); and<br>• Decreased profitability and cash generation. | • Monitor raw material costs;<br>• Actively engage with supply chain to secure the best possible prices and reduce price volatility through negotiation of multi-year contracts;<br>• Develop flexible work programmes that can be quickly adapted to changing market conditions; and<br>• Maintain robust balance sheet and prudent liquidity levels. |
| **Transition**<br>Market<br>**Risk description**<br>Decreased oil demand and oil prices<br>**Time horizon**<br>● ● ● (Short, Medium, Long) | • Decreased revenue from lower crude sales;<br>• Decreased profitability and cash generation from lower realised prices; and<br>• Impairment and early retirement of existing assets. | • Maintain low production costs to enable profitable production at lower realised prices;<br>• Develop flexible work programmes that can be quickly adapted to changing market conditions;<br>• Maintain robust balance sheet and prudent liquidity levels; and<br>• Consider use of oil price hedging. |

● Short ● Medium ● Long

# TCFD report continued

## TCFD Pillar 2 – Strategy continued

| Type of risk | Potential financial impacts | Our strategic response |
|---|---|---|
| **Transition**<br>Policy and Legal<br>**Risk description**<br>Introduction of carbon pricing/taxation<br>Introduction of new regulations<br>Exposure to litigation<br>**Time horizon**<br>● ● | • Decreased revenue from lower crude sales;<br>• Decreased profitability and cash generation from lower realised prices;<br>• Increased costs from complying with new regulation and from litigation/fines; and<br>• Impairment and early retirement of existing assets. | • Implement decarbonisation projects, principally the Gas Management Plan, to reduce carbon emissions;<br>• Maintain low production costs to enable profitable production at lower realised prices;<br>• Develop flexible capital programmes that can be quickly adapted to changing market conditions;<br>• Maintain robust balance sheet and prudent liquidity levels; and<br>• Monitor and comply with existing and emerging regulation, where applicable. |
| **Transition**<br>Technology<br>**Risk description**<br>Substitution of crude oil with lower emission products and technologies<br>**Time horizon**<br>● ● | • Decreased revenue and profitability;<br>• Impairment and early retirement of existing assets; and<br>• Increased expenditures. | • Implement decarbonisation projects, principally the Gas Management Plan;<br>• Maintain low production costs to enable profitable production at lower realised prices;<br>• Develop flexible capital programmes that can be quickly adapted to changing market conditions; and<br>• Maintain robust balance sheet and prudent liquidity levels. |
| **Transition**<br>Reputation<br>**Risk description**<br>Negative public perception of oil and gas industry<br>**Time horizon**<br>● ● | • Reduced access to talent;<br>• Increased hiring and employment costs; and<br>• Increased staff turnover rate. | • Proactively communicate GKP's sustainability strategy and focus on addressing climate risk;<br>• Implement initiatives to attract, retain and develop talent; and<br>• Monitor relevant data regarding employment trends in the UK and Kurdistan. |

● Short ● Medium ● Long

## Climate-related opportunities

GKP recognises climate-related opportunities to further its strategy, primarily through the scoping, development and implementation of a number of potential projects to reduce scope 1 emissions.

### The Gas Management Plan

GKP's primary climate-related opportunity is the Gas Management Plan ("GMP"), a component of the Shaikan Field Development Plan.

Based on timely sanction and implementation, the GMP will eliminate almost all routine flaring at the Company's production facilities by processing and reinjecting associated gas. Some of the processed gas will also be used for power generation at the production facilities, displacing the use of diesel.

Once the GMP is online, the project is expected to enable a transformation of GKP's carbon footprint, underpinning the Company's target of more than halving scope 1 emissions intensity by 2025, versus the original 2020 baseline of 38 kg$CO_2$e per barrel. The GMP is expected to save several million tonnes of scope 1 emissions over the life of the Shaikan Field, depending on future levels of production and the final technical specifications of the project. The Company plans to provide a full external update on the project and its expected emissions reduction capability following sanction.

### Additional decarbonisation projects

In 2022, GKP developed a list of other potential decarbonisation projects, with the objective of further reducing GKP's scope 1 emissions during the life of the Shaikan Field beyond the reduction targeted by the GMP. Current potential options include improving heat recovery in oil processing, replacing operational power demand with cleaner fuel sources and eliminating methane emissions from the venting of our production facility storage tanks.

In the near term, GKP has decided to progress as a priority the project to eliminate methane emissions from the venting of our storage tanks. We are targeting to complete the engineering and procurement for the project in 2023, which is a key component of the 2023 bonus plan safety and sustainability KPIs. The project is currently expected to be commissioned in 2024.

We will continue to develop and review the list of opportunities to assess feasibility, prioritising projects expected to achieve the highest reduction in scope 1 emissions for the lowest cost.

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

As an energy company, we recognise the importance of incorporating climate-related risks and opportunities into our strategy and financial planning.

This includes assessing the potential impact of climate-related risks and opportunities on our production of crude oil and broader operations, our use of global and regional supply chains and our access to and allocation of capital. We do not currently invest in research and development.

We do this by:

- maintaining registers for climate-related risks and opportunities, with both registers key inputs for our strategy and financial planning processes, as described in section 2a on pages 56 to 57; and
- using scenario analysis to assess the resilience of our strategy and business to material climate-related risks, described in section 2c on pages 60 to 61.

### Sustainability and Climate Risk Register

To be able to manage our climate-related risks more effectively, in 2022 the Company created the Sustainability and Climate Risk Register. A summary of GKP's climate-related risks and the impact on our strategy is available in sections 2a and 2c on pages 56 to 57 and 60 to 61 respectively. A more detailed description of the Sustainability and Climate Risk Register and the Company's approach to climate-related risk management is available in section 3a on page 62.

### Climate Change Opportunities Register

GKP maintains a register of climate change opportunities. The register currently includes the Gas Management Plan and the additional decarbonisation projects identified in section 2a on pages 56 to 57.

## c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

To assess the resilience of our strategy to a transition to a lower carbon economy and the climate-related transition risks identified in section 2a on pages 56 to 57, GKP has carried out a scenario analysis exploring the impact on the Company's net present value from two scenarios published by the International Energy Agency ("IEA"), both associated with a rise in global average temperatures of less than 2°C in 2100. The scenarios include:

1. announced Pledges Scenario ("APS"); and
2. net Zero Emissions by 2050 ("NZE").

The scenarios reflect different potential government, industry and consumer responses to rising global demand for energy, resulting in different trajectories for oil demand, oil prices and carbon prices, which, as the operator of a single oil-producing asset, are key determinants for the Company's future cash generation and value. We have applied these assumptions in our valuation models to test the resilience of our strategy.

Both scenarios cover the combined period identified by our short, medium and long-term time horizons on page 56 (from 2023 to 2043, the end of the Shaikan licence period).

# TCFD report continued

# TCFD Pillar 2 – Strategy continued

## c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario continued

### Announced Pledges Scenario ("APS")

The Announced Pledges Scenario assumes that governments will meet, in full and on time, all of the climate-related commitments that they have announced, including longer-term net zero emissions targets and pledges in Nationally Determined Contributions ("NDCs") to reduce national emissions and adapt to the impacts of climate change. This leads to a global temperature rise of 1.7°C in 2100.

Global oil demand in the scenario is assumed to be around 98 mb/d in the mid-2020s due to strong policy action, before dropping to 93 mb/d in 2030, followed by an almost 40% decline to 57 mb/d in 2050, with passenger cars, road freight and industry responsible for the largest reduction. This leads to oil prices (real 2021) declining to $64/bbl in 2030, with further small declines to $60/bbl by 2050.

No carbon prices are assumed to be in place in the scenario until 2031, in line with the IEA's assumptions for emerging market and developing economies without net zero emissions pledges (which currently includes Iraq). From 2031, the scenario assumes carbon prices are implemented, increasing to $26 t$CO_2$ (real 2021) by the end of the Shaikan licence period in 2043.

### Net Zero Emissions by 2050 ("NZE")

This scenario assumes the global energy sector achieves net zero $CO_2$ emissions by 2050, with non-energy emissions reducing in the same proportion as energy emissions. This leads to a global temperature rise of 1.5°C in 2100.

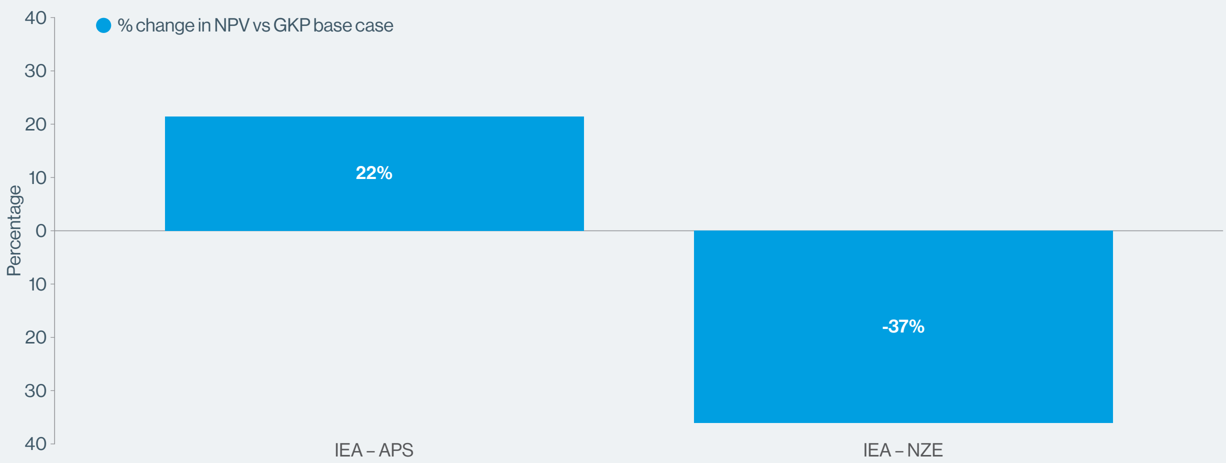
Global oil demand in the scenario is assumed to radically change, dropping by 2.5% each year on average between 2021 and 2030 to around 75 mb/d, and by just under 6% each year from 2030 to around 23 mb/d in 2050. The oil price (real 2021) is increasingly set by the operating cost of the marginal project, falling to around $35/bbl real in 2030 and to $24/bbl by 2050.

Carbon prices (real 2021) are assumed to be in place from 2024, even in emerging market and developing economies without net zero emissions pledges, with real prices rising to $25 t$CO_2$ in 2030 and to $114 t$CO_2$ by the end of the Shaikan licence period in 2043.

### Potential impact on GKP strategy and valuation

The findings of the scenario analysis show that GKP's strategy is resilient to a transition to a lower carbon economy, with no impairment required to the current carrying value of the Company's assets, even in the most aggressive carbon reduction scenario reflected and in the Net Zero Emissions by 2050 scenario.

### APS and NZE % change in NPV vs base case




| Real terms (2021)[1] | Unit | Base 2030 | Base 2050 | APS 2030 | APS 2050 | NZE 2030 | NZE 2050 |
|---|---|---|---|---|---|---|---|
| Oil price (Brent crude)[2] | $/bbl | 62 | 62 | 72 | 68 | 40 | 27 |

(1) Real 2023 prices have been calculated by adjusting the IEA real 2021 prices described in the scenarios for inflation (2021 inflation: 4.7%; 2022 inflation: 8.0%).

(2) Oil prices in APS and NZE scenarios consider carbon pricing, consistent with the IEA's assumption that carbon tax will be borne by the consumer.

In the APS scenario, net present value increases by 22% versus the Company's base case, primarily due to the more conservative oil price deck used in our internal financial planning assumptions. While the IEA oil price assumptions incorporate carbon prices, the Company has conservatively included IEA carbon pricing from 2031, resulting in an increase in carbon prices to $\$53/tCO_2$ (real 2023) by 2050, in its net present value sensitivity since it is not clear what carbon intensity per barrel the IEA has used in its oil price assumptions.

In the NZE scenario, net present value declines by around 37% versus our base case. Consistent with the above, while the IEA oil price assumptions incorporate carbon prices, the Company has conservatively included IEA carbon pricing, resulting in a carbon price in 2024 increasing to $\$28/tCO_2$ (real 2023) in 2030 and $\$204/tCO_2$ (real 2023) by 2050, in its net present value sensitivity since it is not clear what carbon intensity per barrel the IEA has used in its oil price assumptions. The Shaikan Field potentially becomes uneconomic in 2037, after which it is assumed there is no further production and only decommissioning and restoration costs. Nevertheless, even in this scenario, the Company would have headroom above the current carrying value of its assets.

The scenario analysis confirms the importance of our sustainability strategy and focus on addressing climate-related opportunities to reduce the emissions intensity of our operations, primarily through the Gas Management Plan.

In both scenarios, the GMP, which is assumed to be operational from 2025 based on timely sanction and implementation, acts as a material mitigant against the impact of carbon prices on net present value.

The implementation of additional decarbonisation projects would further reduce the impact of carbon prices.

Regarding our broader strategy, the oil and carbon prices embedded in the APS scenario would not lead us to change our focus on balancing investment in profitable production growth with shareholder returns while maintaining a robust balance sheet, given the base case oil price assumptions we use for financial planning and capital investment decisions are more conservative.

However, if the oil and carbon price assumptions in the NZE scenario were to materialise, which we believe is unlikely given the continued strong outlook for oil prices and demand and the current levels of investment in clean energy, we would review our current strategy and adapt our flexible capital programme, as we have done in the past during periods of depressed commodity prices and economic demand.

The short-term period as identified in our scenario analysis is captured under the assessment period covered by the going concern and viability statement. The base case oil price used in these assessments is lower than the NZE, the most conservative climate-related scenario, and therefore we believe that any further adverse oil price due to the impact of transition to a lower carbon economy is not material on going concern and viability.

# TCFD report continued

# TCFD Pillar 3 – Risk Management

## a) Describe the organisation's processes for identifying and assessing climate-related risks

### Risk identification

GKP's identification of climate-related risks combines a bottom-up approach, carried out by GKP's Safety and Sustainability team in collaboration with the Company's heads of departments, with top-down oversight from GKP's Executive Committee and Board, who hold ultimate responsibility for risk management.

Risks are identified initially by the Safety and Sustainability team with reference to existing and emerging regulatory requirements and guidelines, including those provided by TCFD, the International Energy Agency ("IEA"), the European Bank for Reconstruction and Development ("EBRD"), International Sustainability Standards Board ("ISSB") and International Petroleum Industry Environmental Conservation Association ("IPIECA").

The risks are then discussed with relevant heads of department to agree relevance to GKP. Once agreed, risks are added to the Sustainability and Climate Risk Register, as described below, and reviewed by the Executive Committee, before being submitted to the Audit and Risk Committee and the Board. At the end of 2022, the Company had identified over 20 climate-related risks.

### Risk assessment

A separate Sustainability and Climate Risk Register was created in 2022, acknowledging the increasing importance of climate change to the Company's stakeholders and the need to manage climate-related risks in a more structured and comprehensive way.

Each risk contained in the Sustainability and Climate Risk Register is assessed based on the Company's risk matrix, which is used to assess the materiality of the Company's risks across all risk registers.

The relevance of climate-related risks is described in the Management of principal risks and uncertainties section on page 66 of the annual report.

GKP's risk matrix defines a rating, from "Lowest" to "Critical", for each risk according to probability of occurrence and severity of impact. To define severity, the Company considers the impact of the risk according to a number of dimensions and both financial and non-financial metrics, such as safety, environmental damage, annual production loss, financial loss, market impact, social impact and reputation and regulatory action, among others. To determine probability, the Company considers the frequency of past occurrences and an assessment of future potential occurrences. The Company's Chief Financial Officer leads a process whereby the heads of department and senior managers complete an assessment of each risk, which are then reviewed in detail by the Executive Committee.

In addition to determining severity and probability, the Sustainability and Climate Risk Register categorises risks as either transition or physical and identifies the most applicable time horizon, in accordance with TCFD requirements. The register also determines appropriate prevention and mitigation actions and assigns a risk owner to manage the risk with oversight from the Company's Executive Committee.

As described in Pillar 2 – Strategy, the Company believes that climate-related risks connected to the transition to a lower carbon economy could have a material financial impact on the Company. Physical risks of climate change are not currently expected to be material to our strategy and valuation.

## b) Describe the organisation's processes for managing climate-related risks

The Company's Executive Committee is responsible for the overall management of the Sustainability and Climate Risk Register. The Risk Register is reviewed at least three times a year by the Audit and Risk Committee and the Board.

Each climate-related risk is allocated a risk owner and actions are identified to either prevent or mitigate the risk, as described in the climate-related risk tables on pages 66 to 75.

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

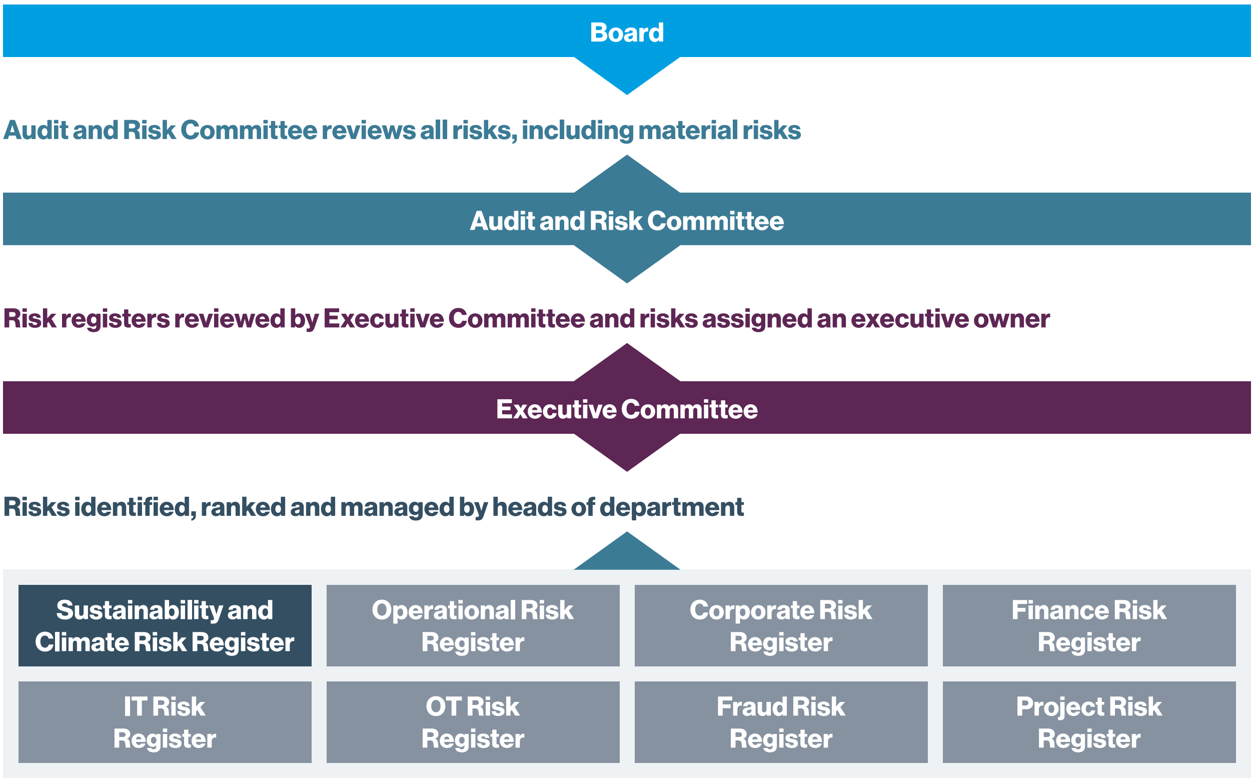
The approach implemented by GKP to identify, assess and manage climate-related risks is consistent with the Company's overall risk management framework and processes applied to other business risks:

- the Sustainability and Climate Risk Register is one of several detailed risk registers maintained by heads of department and other appropriate senior managers, who identify, manage and rank risks. The process is supported by the Safety and Sustainability team and led by the CFO;
- the Executive Committee has oversight of all risk registers. All risks, including climate-related risks, are assigned an executive risk owner;
- the Audit and Risk Committee reviews all risks that have been determined as material by GKP's risk matrix; and
- climate change has been identified as a principal risk.

Further information on the Company's management of principal and emerging risks can be found on pages 66 to 75.

### Integration of climate-related risk management into overall risk framework

**Board responsible for overall system of internal control and risk management**



# TCFD report continued

# TCFD Pillar 4 – Metrics and Targets

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

GKP assesses climate-related risks and opportunities using a number of metrics. These metrics, which encompass GHG and other emissions, water withdrawn and quantification of financial impact, are summarised as follows.

| Type | Metric | Unit | Page |
|---|---|---|---|
| GHG emissions | • Scope 1 GHG emissions, categorised by source according to the TCFD recommendations for oil and gas companies:<br>  • flaring;<br>  • venting;<br>  • fugitive; and<br>  • combustion of petrol, diesel and fuel gas.<br>• Methane emissions (also reported under scope 1 Flaring, Venting and Fugitive emissions);<br>• Scope 3 GHG emissions, categories 1-12. | $ktCO_2e$ | Page 35 Sustainability report<br>Page 35 Sustainability report<br>Page 35 TCFD Pillar 4 |
| | • Scope 1 GHG emissions intensity | $kgCO_2e$/bbl | Page 35 Sustainability report |
| Financial impact | • Dated Brent price | $/bbl | Page 60 Pillar 2 – Strategy |
| | • Change in net present value | $m | Page 60 Pillar 2 – Strategy |

GKP recognises the importance of accurate and comprehensive data to ensure the Company can make appropriate strategic and risk management decisions. In 2022, we conducted a review of our environmental data collection process to implement improvements that will strengthen the accuracy of our emissions data. As part of this process, we commissioned a third-party organisation, EcoAct, to independently verify our scope 1 and 3 emissions disclosures for 2022 according to the ISO14064-3:2019 standard.

The Group continues to embed metrics and targets related to climate change in its Executive Director and employee remuneration.

- In 2022, the bonus plan included a KPI of 20% related to safety and sustainability, of which 8% was related to climate-related risks and opportunities, including the continued development of GKP's decarbonisation initiatives beyond the Gas Management Plan and full compliance with the TCFD's recommendations. The Company achieved a 100% rating for this metric;
- In 2023, the bonus plan includes a KPI of 20%, of which 8% is related to climate-related risks and opportunities;
  - This includes objectives to complete the engineering and procurement for the project focused on the elimination of methane venting from our oil storage tanks in 2024, to quantify the Company's fugitive emissions and develop a reduction plan and to further define the Company's other climate-related opportunities and decarbonisation projects; and
  - An additional KPI of 10% is related to, amongst other things, achieving approval of the FDP, which includes the Gas Management Plan, the timely sanction and implementation of which is critical for achieving the Company's target to reduce scope 1 emissions intensity by >50% by 2025.
- For the 2023 LTIP award, the Remuneration Committee considered incorporating an ESG metric to make up no more than 20% of the total award. However, the Committee determined that prior to the sanction of the Gas Management Plan, and further progress on the Company's other decarbonisation opportunities, it was not possible at this stage to set sufficiently robust targets. The Committee agreed to consider the matter again for the 2024 LTIP award.

Further information is available in the Remuneration Committee report on pages 102 to 118.

### b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas ("GHG") emissions, and the related risks

GKP discloses scope 1 emissions in its Sustainability report on page 35. As described in the Sustainability report, in 2022 the Company reviewed its calculation of GHG emissions and their composition, resulting in a number of changes to improve the scope and accuracy of our reporting.

(1) https://www.frc.org.uk/getattachment/65fa8b6f-2bed-4a67-8471-ab91c9cd2e85/FRC-TCFD-disclosures-and-climate-in-the-financial-statements_July-2022.pdf. Page 11.

These changes included the reclassification of emissions previously reported as scope 2 to scope 1, the recalculation of the Company's gas composition and the addition of emissions not previously calculated, in particular methane and nitrous oxide emissions from flaring and methane emissions from venting and fugitive leaks. Furthermore, GKP commissioned independent verification of its 2022 scope 1 and scope 3 GHG emissions by EcoAct. Further information on the changes can be found on page 35 of the Sustainability report.

As part of this process, we are, for the first time, reporting scope 3 emissions for 2022 to ensure our emissions disclosures are fully aligned with TCFD recommendations. We plan to report our historic scope 3 emissions in future annual reports.

As an energy company, categories 10 and 11 are the most material for us, as most oil and gas emissions are generated from the processing or use of sold products. As TCFD encourages companies to report scope 3 categories irrespective of the amount, we are also initiating reporting of the remaining categories. Categories 13-15, related to downstream leased assets, franchises and financial investments, are not relevant to the Company and not reported. Total scope 3 emissions and categories 1-12 are outlined below.

In calculating scope 3 emissions, we used a number of internationally accepted methods and assumptions, including GHG Protocol, IPIECA, API and the UK Government emissions database. As per FRC recommendations[1], a summary of the methods and assumptions used for the calculations, as well as their references, are reported in a separate document available on our website.

**Scope 3 emissions, categories 1-12 (2022)**

| No | Category | Note | 2022 ($ktCO_2e$) |
|---|---|---|---|
| 1 | Purchased goods and services | Relevant, reported | 1 |
| 2 | Capital goods | Relevant, reported | 30 |
| 3 | Fuel and energy | Relevant, reported | 9 |
| 4 | Upstream transportation and distribution | Relevant, reported | 2 |
| 5 | Waste generated in operations | Relevant, reported | 1 |
| 6 | Business travel | Relevant, reported | 3 |
| 7 | Employee commuting | Relevant, reported | 0 |
| 8 | Upstream leased assets | Relevant, reported | 1 |
| 9 | Downstream transportation and distribution | Relevant, reported | 86 |
| 10 | Processing of sold products | Relevant, reported | 751 |
| 11 | Use of sold products | Relevant, reported | 5,613 |
| 12 | End-of-life treatment of sold products | Relevant, reported | 158 |
| | **Total scope 3** | | **6,654** |

## c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Our publicly announced target related to managing climate-related risks and opportunities is to more than halve our scope 1 emissions intensity per barrel by 2025, versus the original 2020 baseline of 38 $kgCO_2e$ per barrel, by eliminating the majority of our routine gas flaring from our operations. This target is dependent on the timely sanction and implementation of the Gas Management Plan, which is a component of the Shaikan Field Development Plan. While we are making progress towards sanction of the FDP with the Ministry of Natural Resources, timing of approval remains uncertain.

In addition to the Gas Management Plan, we are targeting to eliminate methane emissions from the venting of our storage tanks in 2024. We also continue to develop and review our broader list of potential decarbonisation opportunities to assess feasibility. Further information on the Gas Management Plan, the venting project and our other climate-related opportunities can be found in Pillar 2 – Strategy on pages 56 to 61.

As we move towards sanction and implementation of the Gas Management Plan and further define our other climate-related opportunities in collaboration with the MNR and our partner, MOL, it is our aspiration to define a net zero strategy.

# Management of principal risks and uncertainties

**BOARD**

Responsible for the overall system of internal control and risk management

**Audit and Risk Committee**

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

**Safety and Sustainability Committee**

Ensures appropriate systems are in place to manage health and safety, security, environment, climate and community risks

**Technical Committee**

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

**SENIOR MANAGEMENT**

Responsible for implementation and management of internal control and risk management systems

## 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, sustainability and climate, 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 potential further actions to further mitigate the impact or probability of the risk. Risks in the registers are included in the Company's risk matrix, which is used to assess the materiality of the Company's risks across all risk registers based on estimated impact and probability. 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 climate, 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, including climate-related risks, that is one of our principal 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, recognising the Company remains dependent on its interest in a single asset, the Shaikan Field, located in the Kurdistan Region of Iraq. 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** | | |
| **Political, social and economic instability**<br>**Risk owner:**<br>CEO<br>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.<br>Uncertainty may arise from changes in the KRG leadership or changes in the continued administration of the Shaikan licence by the KRG.<br>**Link to strategic priorities**<br>Safety and sustainability; Value creation; Capital discipline and cost focus; Robust financial position<br>**Change in year**<br>Similar level of risk | There has been a history of tension between the political parties in the Kurdistan Region of Iraq and with the central government of Iraq.<br>Any changes in the government could generate uncertainty and may cause a material adverse impact to the Group, including changes in PSC terms.<br>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. | The Group engages in continuous dialogue with advisers and the KRG.<br>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. While timing of FDP approval remains uncertain, we continue to engage with the Ministry of Natural Resources ("MNR") towards project sanction and are progressing the tendering process for the Gas Management Plan. The MNR has agreed to continued progression of the Jurassic FDP programme.<br>The Board closely monitors future spending plans, maintaining flexibility and phasing expenditures to ensure that an adequate cash balance and other potential sources of liquidity are identified and maintained to enable the Company to manage potential future uncertainties.<br>The Group has a corporate social responsibility policy which has led to several local initiatives and promotes a strong relationship with the local communities. |
| **Business conduct and anti-corruption**<br>**Risk owner:**<br>Anti-Bribery Officer<br>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.<br>**Link to strategic priorities**<br>Value creation; Robust financial position<br>**Change in year**<br>Similar level of risk | 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 | The Chief Legal Officer and Company Secretary is the Anti-Bribery Officer for the Group and reports directly to the Audit and Risk Committee.<br>The Group has a Code of Business Conduct and various policies, including anti-bribery and corruption, whistleblowing and prevention of tax evasion, and has implemented training programmes to ensure understanding and promote ethical behaviours and compliance.<br>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 on an annual basis.<br>The Group has robust controls around contracting, payment approvals and the non-facilitation of tax evasion. |

### Key

| | | | | |
|---|---|---|---|---|
| Strategic priorities | **Safety and sustainability** | **Value creation** | **Capital discipline and cost focus** | **Robust financial position** |
| Change in year | **Increased level of risk** | **Similar level of risk** | **Decreased level of risk** | |

# Management of principal risks and uncertainties continued

| Key risk factor | Potential impact | Mitigation |
|---|---|---|
| **Strategic** continued | | |
| **Disputes regarding title or exploration and production rights**<br>**Risk owner:**<br>CEO<br>The Iraqi government disputes the validity of the PSCs granted by the KRG.<br>**Link to strategic priorities**<br>Value creation; Robust financial position<br>**Change in year**<br>Increased level of risk | If the validity of the PSCs was successfully challenged, the Group could be required by the KRG or another administration to either accept terms that are materially less favourable than the current PSC or relinquish the PSC.<br>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".<br>The Company learned from media reports that in proceedings brought by the Iraqi Ministry of Oil against various IOCs, on 23 October 2022, the Baghdad Commercial Court issued decisions to nullify the Production Sharing Contracts in absentia against Gulf Keystone and two other IOCs. Gulf Keystone did not have legal representation in the Court. Media has also reported similar judgements issued against several other IOCs. The KRG continues to affirm that KROGL is validly constituted and the PSCs issued are valid and in full force and effect.<br>In addition to the potential validity of the PSC, the rulings may impact the KRG's ability to export crude oil or negotiate KBT selling prices, the Company's ability to contract service contractors that also do business in Federal Iraq and other parties. | This is an industry-wide risk faced by all international oil companies operating in the Kurdistan Region of Iraq.<br>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.<br>The Group cannot control or completely mitigate disputes between the KRG and other parties. To date, the rulings have not impacted the Company's operations but may have, since the September 2022 invoice, reduced revenue, which is dependent on the price that the KRG is able to sell KBT in the market. The Group closely monitors the situation. |

**Key**

| | | | | |
|---|---|---|---|---|
| Strategic priorities | **Safety and sustainability** | **Value creation** | **Capital discipline and cost focus** | **Robust financial position** |
| Change in year | **Increased level of risk** | **Similar level of risk** | **Decreased level of risk** | |

| Key risk factor | Potential impact | Mitigation |
|---|---|---|
| **Strategic** continued | | |
| **Export route availability**<br>**Risk owner:**<br>CCO<br>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.<br>**Link to strategic priorities**<br>**Change in year** ↑ | 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 (for example earthquake, military operations or terrorism), theft, smuggling, regional politics, arbitration ruling or sanctions.<br>There is an ongoing arbitration case between the Federal Government of Iraq and the Turkish Government on the legality of oil exports through Turkey in violation of an agreement between Iraq and Turkey dating from 1973. The outcome of this case could impact the oil export route from Kurdistan.<br>The Shaikan Lifting Agreement between the Group and MNR that provided access to the Kurdistan Export Pipeline expired on 31 August 2022 and has not yet been extended as negotiations are ongoing related to the MNR's proposal to change the reference price for Shaikan crude oil sales from Dated Brent to the local benchmark KBT ("Kurdistan Blend"). | While the Company is currently negotiating to amend and renew the Shaikan Lifting Agreement, effective 1 September 2022, it continues to produce and sell crude oil to the KRG. The timing to conclude such negotiations is currently unknown. The Company has received sales proceeds for the September 2022 invoice based on the KRG's new proposed pricing mechanism.<br>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.<br>Plans to recommission truck loading facilities have been prepared, however the cost of trucking is expected to be higher than pipeline export and the Group may not be able to maintain or grow production using this method. |
| **Risk of economic sanctions impacting the Group**<br>**Risk owner:**<br>Chief Legal Officer and Company Secretary<br>The imposition of foreign economic sanctions impacts the ability of the Group to operate, or to produce, transport or market crude oil.<br>**Link to strategic priorities**<br>**Change in year** ↓ | 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. | The Group continues to monitor the current economic sanctions imposed on a country, sectoral and specific basis and takes professional advice relating to this. The Group monitors the potential sanctions-related risks affecting all suppliers and stakeholders. |

# Management of principal risks and uncertainties continued

| Key risk factor | Potential impact | Mitigation |
|---|---|---|
| **Strategic** continued | | |
| **Stakeholder misalignment**<br>**Risk owner:**<br>CEO<br>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).<br>**Link to strategic priorities**<br>**Change in year** | 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.<br>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.<br>Delays in FDP approval may impact Shaikan Management Committee timely approval of budgets, increasing cost recovery risk.<br>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 could potentially negatively impact profitability and stakeholder value.<br>Amount of recoverable costs may be challenged and reduced, adversely impacting profit and cash generation from operating activities.<br>Local community opposition may lead to project delays, inability to gain land lease extensions, significant security risk to our employees and contractors or, in extreme cases, loss of licence to operate. | The Group employs an Investor Relations team which maintains regular dialogue with the Group's investor base and releases all key developments to the market through the London Stock Exchange's Regulatory News Service and, prior to the redemption of the outstanding notes in August 2022, the Nordic ABM of the Oslo Bors.<br>While timing of FDP approval remains uncertain, we continue to engage with the MNR towards project sanction and are progressing the tendering of the Gas Management Plan. The MNR has agreed to continued progression of the Jurassic FDP programme. The Company strictly adheres to MNR approved tendering processes and regularly updates the MNR on field operations and development progress mitigating the potential impact of budget approval delays.<br>The Company continues to progress commercial negotiations with the MNR to finalise PSC terms. Such negotiations are expected to take into account revenue and contractual arrangements, and various proposals. While the overarching objective is to at least maintain the value of the current contract, there is a risk that may not be achievable. 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.<br>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.<br>The Group continues to collaborate with local and government stakeholders and has a CSR strategy to complement its existing community welfare initiatives. |
| **Global pandemic**<br>**Risk owner:**<br>CEO<br>The effects of a global pandemic such as COVID-19 may be severe and far-reaching, affecting the global economy and supply chain, our business, our workforce and the local communities in which we operate.<br>**Link to strategic priorities**<br>**Change in year** | Over the long term, a pandemic and its effects on the global economy and supply chain 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.<br>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. | The Company monitors the environment for potential signs of new or emerging pandemics.<br>The Company has developed a series of protocols to manage a potential global pandemic.<br>The Company ensures that it maintains adequate liquidity and operational flexibility to protect itself from the effects of a pandemic. |

| Key risk factor | Potential impact | Mitigation |
|---|---|---|
| **Strategic** continued | | |
| **Climate change**<br>**Risk owner:**<br>CEO<br>Climate change is a material global issue and Group risk. Climate-related transition risks may have a significant effect on the long-term viability of the Group.<br>**Link to strategic priorities**<br>Safety and sustainability; Value creation; Capital discipline and cost focus; Robust financial position<br>**Change in year**<br>Increased level of risk | The transition to a low carbon economy may lead to a decline in oil demand resulting in lower oil prices, lower revenue, decreased profitability, increased capital and operational costs including costs relating to decarbonisation projects, impairment and early retirement of existing assets, flaring emissions or carbon taxes, reduced access to or increased cost of funding and insurance, disruptions to the supply chain, interruptions to production, increasing challenges and cost to attract and retain talent, increased exposure to litigation and climate activism, and increased compliance and monitoring costs related to new regulatory frameworks.<br>While currently considered immaterial, the Group may also be impacted by physical risks due to climate change, including increasing frequency and magnitude of extreme weather events impacting operations, production efficiency losses, disruptions to the supply chain and weakened international cooperation.<br>Additionally, conflicting stakeholder expectations and/or a lower oil price may lead to an inability of the Group to develop the asset. | Gulf Keystone's climate-related financial disclosures are consistent with the TCFD's recommendations, including the TCFD's additional recommendations for the oil and gas industry.<br>The Company has formulated its sustainability strategy and an ESG implementation roadmap has been approved by the Board.<br>In 2022, the bonus plan included KPIs related to climate-related risks and opportunities, including the continued maturation of decarbonisation initiatives beyond the Gas Management Plan and full compliance with the TCFD's recommendations.<br>A specific Sustainability and Climate Risk Register closely tracks and reviews existing and evolving risks more effectively.<br>The ability to achieve the Group's target of reducing emissions intensity and eliminating most of routine flaring is dependent on sanction of the FDP and implementation of the Gas Management Plan with our partner MOL and the MNR.<br>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.<br>Maintain low production costs and monitor raw material costs to enable profitable production at lower realised prices and a robust balance sheet and prudent liquidity levels to fund required technology and decarbonisation projects. Actively engage with supply chain to secure required technology at the best possible price. Develop flexible capital programmes that can be quickly adapted to changing market conditions.<br>Monitor relevant data regarding employment trends in the UK and Kurdistan. Implement initiatives to attract, retain and develop talent.<br>Monitor weather and regularly review and update health and safety procedures and working patterns to adapt to changes in weather patterns. Maintain and practise crisis management and business continuity protocols to protect workforce and assets from extreme weather events. |

**Key**

Strategic priorities: **Safety and sustainability** · **Value creation** · **Capital discipline and cost focus** · **Robust financial position**

Change in year: **Increased level of risk** · **Similar level of risk** · **Decreased level of risk**

# Management of principal risks and uncertainties continued

| Key risk factor | Potential impact | Mitigation |
|---|---|---|
| **Strategic** continued | | |
| **Cyber security**<br>**Risk owner:**<br>CFO<br>The Group is reliant on information technology systems, software and cloud computing, exposing it to the potential impacts of malicious cyber attacks.<br>**Link to strategic priorities**<br>**Change in year** | A cyber security breach could disrupt our operational and development activities, expose the Company to ransomware demands, put employees at risk, or 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.<br>As a result of current global events there could be an increase in the frequency and severity of cyber attacks. | The Group has developed focused information and operational technology cyber risk registers to facilitate identification, management and mitigation of potential risks.<br>The Group has implemented a cyber security strategy and roadmap to continuously identify and remediate system vulnerabilities.<br>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.<br>The Group continues to invest in staff and software to monitor, maintain and regularly upgrade its systems, processes and network.<br>The Group is enrolled on the Early Warning Service carried out by the UK National Cyber Security Centre. |
| **Operational** | | |
| **Health, safety and environment ("HSE") risks**<br>**Risk owner:**<br>COO<br>The Group, its staff and contractors and local communities may be exposed to specific risks in relation to HSE matters.<br>Identified risk areas include, but are not limited to, $H_2S$ leaks at the production facilities, loss of containment, road traffic accidents and other accidents at production facilities and well sites.<br>**Link to strategic priorities**<br>**Change in year** | Consequences may include accidents resulting in loss of life or injury, significant pollution of the local environment, destruction of facilities, disruption to business activities, risk of litigation and reputational damage with an associated financial loss. | The Board has established a Safety and Sustainability Committee to ensure that the Company has a robust HSSE strategy with clear lines of accountability and commitment throughout the organisation.<br>The Company has established a sustainability strategy and is implementing the Board-approved ESG roadmap. In addition, the Company has developed specific risk registers and action plans to proactively identify and manage risks.<br>The Group has comprehensive HSE and operations management procedures, including emergency and incident response plans. The Company establishes an annual HSE Plan to continuously improve its HSE performance (see "Key performance measures" section on pages 26 and 27). |
| **Reserves**<br>**Risk owner:**<br>COO<br>Recoverable reserves are below expectations, which will affect the revenue and economic viability of the field.<br>**Link to strategic priorities**<br>**Change in year** | Due to natural uncertainty in the volumes of hydrocarbons in place and the proportion of those hydrocarbons that might be recoverable, the actual reserves may be lower than our most likely forecast. | An updated, independent third-party evaluation of the Company's reserves as at 31 December 2022 was issued by ERCE. The report reaffirmed the reserves and resources estimates and ranges in the 2020 CPR.<br>The Group bases its forecasts and investment planning on a range of possible outcomes that include a low-side case.<br>Seismic, fracture and structural models continue to be updated as wells are drilled in order to better understand the subsurface and optimise future well locations. |

| Key risk factor | Potential impact | Mitigation |
|---|---|---|
| **Operational** continued | | |
| **Gas flaring**<br>**Risk owner:**<br>COO<br>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 $CO_2e$ emissions per barrel by more than 50% by 2025, which is subject to approval of the FDP and timely sanction and implementation of the Gas Management Plan.<br>**Link to strategic priorities**<br>Safety and sustainability; Value creation; Robust financial position<br>**Change in year**<br>Increased level of risk | 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. | The Group maintains active dialogue with the MNR to ensure that it complies with the existing emissions regulations.<br>Harmful gas emissions are closely monitored by the HSE department, with any variances outside normal levels investigated and reported to executive management and the MNR.<br>The Group uses a clean flare stack to improve the combustion of flared gas.<br>The ability to achieve a reduction of routine flaring is dependent on approval of the FDP, finalisation of tendering of the Gas Management Plan with our partner MOL and the MNR and its subsequent implementation, and potentially financing. |
| **Security**<br>**Risk owner:**<br>COO<br>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.<br>**Link to strategic priorities**<br>Safety and sustainability<br>**Change in year**<br>Similar level of risk | 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.<br>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. | The Board has established a Safety and Sustainability Committee to ensure that the Company has a robust HSSE strategy with clear lines of accountability and commitment throughout the organisation.<br>The Company periodically completes external security reviews. The most recent review was completed in Q4 2022.<br>The wells and facilities are protected by external security consultants and local government forces who work closely with the Group's internal security team.<br>The Company retains external security advisers who prepare detailed risk assessments, security procedures and contingency plans which can be activated when threats arise.<br>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. |

**Key**

| | | | | |
|---|---|---|---|---|
| Strategic priorities | **Safety and sustainability** | **Value creation** | **Capital discipline and cost focus** | **Robust financial position** |
| Change in year | **Increased level of risk** | **Similar level of risk** | **Decreased level of risk** | |

# Management of principal risks and uncertainties continued

| Key risk factor | Potential impact | Mitigation |
| --- | --- | --- |
| **Operational** continued | | |
| **Field delivery risk**<br>**Risk owner:**<br>COO<br>The Company does not achieve its stated investment case and economic and production returns do not match expectations.<br>The major identified risks within this area are the following:<br>• loss of a well due to water or gas breakthrough, pressure decline or mechanical failure;<br>• damage to wells during drilling and loss of drill fluids; and<br>• well locations are sub-optimal.<br>**Link to strategic priorities**<br>**Change in year** | 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.<br>Water breakthrough in advance of the installation of appropriate water-handling facilities may result in damage to the production facilities, and reduced well production and temporary well shut-ins resulting in failure to meet production targets.<br>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.<br>Drilling operations issues might result in cost overruns and project delays, and possibly even the termination of drilling operations. | Technical and financial approvals are required for all material projects and for all dedicated project teams.<br>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.<br>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.<br>Reservoir modelling, including data acquired from well production and pressure measurements and the results from new wells, is carried out to improve our understanding and forecasting of this event. Our current analysis does not show inclement water breakthrough in advance of the scheduled installation of water handling and desalting facilities.<br>Design of future development wells takes account of modelling to optimally locate the producing interval at a depth to minimise the risk of early gas and water breakthrough. |
| **Financial** | | |
| **Liquidity and funding capability**<br>**Risk owner:**<br>CFO<br>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.<br>**Link to strategic priorities**<br>**Change in year** | Lack of liquidity may result in the Group not being able to function as a going concern and being unable to meet its operational commitments.<br>Lack of funding may result in the Group's inability to fully achieve its strategy, failure to reach the stated field plateau, failure to service its debt, as appropriate, and inability to deliver a return to investors.<br>Lack of capital discipline and operational cost focus may result in significant unplanned cash outflows and inadequate liquidity. | The Group targets to maintain a minimum level of cash to manage potential downside risks.<br>The Company is currently debt free.<br>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 and timeliness of KRG payments.<br>The Group is proactively considering and reviewing potential financing options to execute the GMP.<br>The Board and management ensure that the 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.<br>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. |

**Key**

| | | | | |
| --- | --- | --- | --- | --- |
| Strategic priorities | **Safety and sustainability** | **Value creation** | **Capital discipline and cost focus** | **Robust financial position** |
| Change in year | **Increased level of risk** | **Similar level of risk** | **Decreased level of risk** | |

| Key risk factor | Potential impact | Mitigation |
|---|---|---|
| **Financial** continued | | |
| **Oil revenue payment mechanism**<br>**Risk owner:**<br>CFO<br>There is uncertainty relating to the revenue payment mechanism for oil in Kurdistan.<br>There can be no assurance that PSC operators will be paid on a timely basis or will receive their full contractual entitlement.<br>**Link to strategic priorities**<br>**Change in year** | 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.<br>Irregular receipts of revenue payments may damage investor confidence in the Group and the region and make any fundraising difficult.<br>Changes in the terms of the Shaikan Lifting Agreement, such as the recent proposal from the MNR to change the reference price for Shaikan crude oil sales from Dated Brent to the local benchmark KBT, may have an unfavourable effect on revenue.<br>Recently, payment terms have slipped from the contractual 60 days per the Shaikan Lifting Agreement that expired at the end of August 2022. The last payment was received almost 100 days past the due date. | The Group continues to monitor the political situation in the Kurdistan Region of Iraq and maintains dialogue and relations with the relevant regional authorities.<br>Export oil sales quantities are currently agreed by three parties (including an independent pipeline operator) to reduce uncertainty regarding delivery volumes.<br>The Company is currently negotiating with the MNR to amend the Shaikan Lifting Agreement, effective 1 September 2022. The Company is pursuing with the MNR a longer-term contractual arrangement. The timing to conclude such negotiations is currently unknown.<br>Discussions are ongoing with the KRG regarding overdue payments for October to December 2022 crude oil sales. As at 22 March 2023, the value of overdue invoices was $76.0 million net to GKP. |
| **Commodity prices**<br>**Risk owner:**<br>CFO<br>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.<br>Low oil prices may adversely impact the KRG's ability to meet its payment obligations towards the region's producers.<br>**Link to strategic priorities**<br>**Change in year** | The Group's revenues, profitability and future rate of growth will depend substantially on prevailing oil prices, which can be volatile and subject to fluctuation.<br>A sustained low oil price environment would have an adverse effect on the Group's liquidity and ability to develop the asset. In addition, it may lead to a reduction in the Group's commercial reserves and an impairment of its asset. | The Group monitors and, where possible, reduces costs while maintaining safe operations.<br>The Group's cash forecast is constantly monitored and it maintains surplus cash and a flexible capital programme to manage short-term uncertainty.<br>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.<br>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. |

# 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 12 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. 2023);
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 66 to 75 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 22 and 23, and to the risks, uncertainties and available mitigating action plans, as detailed on pages 66 to 75.

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 prices (nominal) of $83.4/bbl in 2023, $78.2/bbl in 2024, $74.5/bbl in 2025 and $71.7/bbl in 2026;
- incremental KBT discount of $10/bbl for H1 2023, $5/bbl for H2 2023 and nil thereafter;
- debt funding for the GMP;
- latest cost assumptions for the draft FDP;
- production profiles in line with the draft FDP;
- annual ordinary dividend of $25 million; and
- regular revenue receipts.

The assessment demonstrated that the Group is in a sound financial position, with an adequate 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) |
|---|---|---|---|
| 1. Low oil price environment<br>2. Oil revenue payment interruptions(2)<br>3. Delays to the development programme<br>4. Decreasing reservoir productivity<br>5. Inability to access debt market<br>6. Inability to access export pipeline<br>7. Continuing increased oil sales discount | • Brent price reduction to $55/bbl flat real from Q2 2023 onwards<br>• Revenue receipts interruptions<br>• Reduced production<br>• Cost increases<br>• Increased oil export costs<br>• Oil sales discount above historical trend<br>• No debt funding | • Deferrals and reductions in capital expenditure<br>• Further optimisation of the development programme<br>• Further rationalisation of the operational cost base<br>• Oil export via trucking | • Political, social and economic instability<br>• Disputes regarding title or exploration and production rights<br>• Export route availability<br>• Risk of economic sanctions impacting Group<br>• Oil revenue payment mechanism<br>• Stakeholder misalignment<br>• Climate change<br>• Commodity prices<br>• Field delivery risk<br>• Reserves<br>• 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.
(2) For further details of recent delays in revenue receipts from the KRG and related mitigating actions, see the going concern section on page 120.

The Company previously reported that the Iraqi Federal Supreme Court ("FSC") in February 2022 had ruled that the Kurdistan Oil and Gas Law ("KROGL") was unconstitutional and that the Iraqi Ministry of Oil had then commenced proceedings in the Baghdad Commercial Court against International Oil Companies ("IOCs"), including Gulf Keystone, operating in the Kurdistan Region of Iraq seeking to nullify the Production Sharing Contracts ("PSCs") issued under the KROGL. The Company understands that the Baghdad Commercial Court has issued adverse judgments against many of the IOCs, including Gulf Keystone, in absentia. The KRG continues to affirm that KROGL is validly constituted and the PSCs issued are valid and in full force and effect. While 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. Also, there is an ongoing arbitration case between the Federal Government of Iraq and the Turkish Government on the legality of oil exports through Turkey, the outcome of which could impact the oil export route from Kurdistan.

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 scenario assumptions are more severe than the Directors reasonably considered as severe but plausible, including potential adverse implications of the Iraqi Federal Supreme Court ruling, the Iraq-Turkey export pipeline arbitration case and further delays in revenue receipts from the KRG, 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. He will retire from the Board at the 2023 AGM.

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.

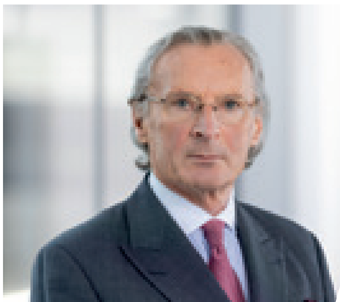
Jon received a Masters of Engineering from the University of Leeds, UK. He is a Non-Executive Director of PetroTal Corp.

**Ian Weatherdon**
Chief Financial Officer

**Appointed:** January 2020
**Skills and experience:** Ian Weatherdon joined Gulf Keystone in January 2020 as Chief Financial Officer.

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

Ian has a Bachelor of Commerce 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. Following the 2023 AGM, it is proposed that he be appointed Chairman.

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.

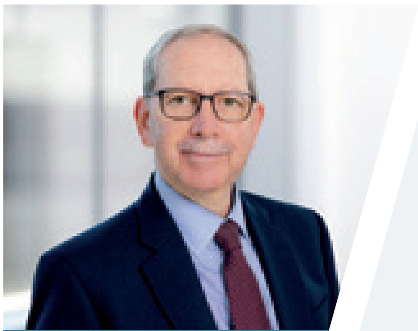
Martin is currently Deputy Chairman and Senior Independent Director of Spire Healthcare plc, a Non-Executive Director of Ocean Biomedical Inc. (USA) and is a Hon. Professor in the College of Social Sciences and International Studies, University of Exeter. He is a Chartered Accountant and holds a BSc (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 since 2007 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 an independent 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 an independent Non-Executive Director of Gulf Keystone in October 2018. Following the 2023 AGM, it is proposed that Kimberley is appointed Senior Independent Director and Deputy Chair.

Kimberley is a legal professional with over 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 an independent Non-Executive Director of Energean plc, Africa Oil Corp., and Valeura Energy Inc.

**Wanda Mwaura**
**Non-Executive Director**

**Appointed:** July 2022
**Skills and experience:** Wanda Mwaura was appointed as an independent Non-Executive Director of Gulf Keystone in July 2022.

Wanda has over 25 years' experience in the financial services sector with extensive experience in both executive and non-executive roles, including audit committee membership. She is a qualified accountant and was previously a partner in Ernst & Young (Bermuda) and the Chief Accounting Officer at PartnerRe. Wanda is now a Non-Executive Director of International General Insurance Holdings Limited and a number of private companies, including Clarien Bank Limited, as well as Executive Director for the Bermuda Public Accountability Board.

Wanda has a Bachelor of Commerce degree from Dalhousie University, Nova Scotia, and is a member of the Chartered Professional Accountants of Bermuda, where she resides.

# 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,

Governance is at the heart of the way we do our business. Only by ensuring that we have the appropriate culture, systems, policies, integrity and ethics in place will the Company be in a position to deliver sustainable success for our shareholders. 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 which are regularly communicated to all staff.

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 we continue to maintain and enhance this aspect of our culture as we interact with our staff and other stakeholders. In 2022, the Board undertook an externally facilitated evaluation of its performance and governance. This evaluation concluded that the Board as a whole considered the overall governance and associated processes of the Company to be strong, with only a small number of enhancements proposed to improve the overall effectiveness. Each matter raised was addressed and then brought back to the Board. A further Board evaluation was completed in early 2023, which was largely conducted as an internal evaluation process. These are more fully described in the report of the Nomination Committee.

The Company maintains an absolute zero-tolerance approach to bribery and corruption. Strong ethics are an integral part of the way we do business. We have recently launched an updated Code of Business Conduct which incorporates a wide range of policies and standards in respect of governance, ethics, workplace behaviours and integrity. All staff and contractors have to undertake compulsory training in this and certify that they have, and will, comply.

**Jaap Huijskes**
**Non-Executive Chairman**

22 March 2023

## 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 oversight of management who prepares the annual report and accounts and considers the annual report and accounts, taken as a whole, to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

## 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 oversight 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;
- shareholder value;
- 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 four 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 and the individual Directors have sufficient time and resources to carry out their duties effectively and anticipate that will continue to be the case in the coming year when Martin Angle is expected to become Non-Executive Chairman and Kimberley Wood is expected to become Deputy Chairman and Senior Independent Director following the 2023 AGM. The Company maintains an ongoing review of the external commitments of its Directors and there have been no significant changes to these over the past year, or likely to be in the coming year.

The Executive Committee comprises of 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.

## 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: Wanda Mwaura was appointed as an additional independent Non-Executive Director.

All Directors are subject to annual re-election by shareholders in accordance with the Company's Bye-Laws and the Code.

A formal, externally facilitated Board and Committee evaluation takes place at least every three years, the last one being in 2022 and further details of which are set out on page 85. A further evaluation, which was largely conducted as an internal process, was completed in early 2023.

## 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. Further details of this review in 2022 are set out on page 94.

# Corporate governance report continued

## 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 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 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 the Company has applied all of the principles and complied with all of the 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. The Company's existing remuneration arrangements have been reviewed by the Board in conjunction with its external remuneration 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. Such initiatives include regular "town hall" meetings, offsite strategy sessions by department, grade and location, and regular internal communications including through the Company's intranet. Taking these existing arrangements, 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 these arrangements under review, taking into account GKP's size and legal and regulatory requirements in its locations. With respect to the remuneration of the wider workforce, this is benchmarked and reported to the Remuneration Committee, although the determination of workforce remuneration is a matter for management. The Remuneration Committee, which has responsibility for the remuneration of the Executive Committee, will take into account the remuneration of the wider workforce to ensure alignment with the Executive Committee.

The information contained in this report, and elsewhere in this annual report and accounts, describes the manner in which Gulf Keystone has applied the 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 energy 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.

Following the conclusion of the 2023 AGM, at which the current Chair, Jaap Huijskes, will retire, it is proposed that Martin Angle be appointed Chair of the Board, and Kimberley Wood be appointed Senior Independent Director and Deputy Chair. The Board and the Nomination Committee considered this matter in significant detail and concluded that it was in the best interests of the Company and its stakeholders as a whole that these appointments be proposed. In addition, a search process is underway to recruit a further independent Non-Executive Director to replace Mr Huijskes.

The following Board changes were made during 2022: Wanda Mwaura was appointed as Non-Executive Director on 1 July 2022.

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 | 24 June 2022 |
| Jon Harris | CEO | 18 January 2021 | 24 June 2022 |
| Ian Weatherdon | CFO | 13 January 2020 | 24 June 2022 |
| David Thomas | Non-Executive Director | 13 October 2016 | 24 June 2022 |
| Martin Angle | Deputy Chairman and Senior Independent Director | 16 July 2018 | 24 June 2022 |
| Kimberley Wood | Non-Executive Director | 1 October 2018 | 24 June 2022 |
| Garrett Soden | Non-Executive Director | 14 July 2020 | 24 June 2022 |
| Wanda Mwaura | Non-Executive Director | 1 July 2022 | — |

## Board composition, independence and diversity

As at the date of this report, the Board is comprised of two Executive Directors and six 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 other 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, amongst other things, 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.

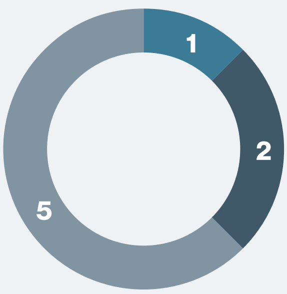
Board appointments are undertaken through a formal, rigorous and transparent procedure run by external search consultants.

Wanda Mwaura was appointed to the Board as a Non-Executive Director on 1 July 2022 following an external recruitment search managed by Henrietta High Consulting, further details of which can be found on page 90.

The Company has in place a Diversity Policy which applies across the Company, including at Board level, and 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. During 2022, the Company enhanced the diversity of its Board through the recruitment of an additional Non-Executive Director.

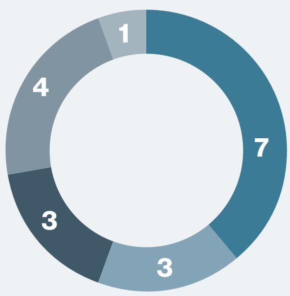
The operation of this policy is monitored on a continual basis and a report is prepared for each scheduled Board meeting which sets out the breakdown of staff according to various diversity metrics. This includes the gender balance of those considered to be senior management. The implementation of the 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 males and two females. Further information on diversity at Board and executive management level can be found on page 84.

### Board tenure




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

### Board experience




- Oil and gas
- Engineering
- Technical/commercial
- Finance
- Legal

# Corporate governance report continued

## Board and executive management diversity data

The Company is also voluntarily reporting its Board and executive management diversity data as at 31 December 2022 in accordance with the new UK Listing Rules disclosure requirements and our progress in meeting the new UK Listing Rules Board diversity targets.

As at 31 December 2022, the Board comprised 25% women. None of the four senior positions on the Board was held by a woman, and there were no Directors from an ethnic minority background. The Board recognises that it does not currently meet the UK Listing Rules targets, however the Board is committed to the continued enhancement of its gender balance and ethnic diversity as described in more detail above and as recognised by the Board evaluation undertaken in 2023. Following the retirement of Jaap Huijskes at the end of the Company's 2023 AGM, it is anticipated that 29% of the Board will be women and one of the four senior positions will be held by a woman once Kimberley Wood takes up the role of Senior Independent Director, although it should be noted that the Board is currently engaged in a recruitment process to search for a replacement Non-Executive Director for Mr Huijskes. The Board is committed to meet the UK Listing Rules targets and will continue to keep its progress under review.

| **Gender representation:** Board and executive management as at 31 December 2022 | Number of Board members | Percentage of the Board | Number of senior positions (CEO, CFO, Chairman and SID) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| Men | 6 | 75 | 4 | 5 | 83 |
| Women | 2 | 25 | 0 | 1 | 17 |
| Other categories / not specified / prefer not to say | – | – | – | – | – |
| **Ethnic background:** Board and executive management as at 31 December 2022 | | | | | |
| White British or other White (including minority-white groups) | 8 | 100 | 4 | 6 | 100 |
| Mixed / Multiple ethnic groups / Asian / Asian British / Black / African / Caribbean / Black British / Other ethnic group, including Arab / Not specified / prefer not to say | – | – | – | – | – |

Executive management for these purposes is the Executive Committee (the most senior executive body below the Board) and the Company Secretary, excluding administrative and support staff, as defined by the UK Listing Rules.

Gender and ethnicity data relating to the Board and senior management team was collected by the Company's Human Resources department.

## 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 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 Code of Business Conduct training on the same cycle as staff, with the latest such cycle having been completed in March 2023.

## 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. This is brought into the Company's training on the Code of Business Conduct to ensure they are appropriately embedded within the organisation.

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 required 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 and seek their feedback.

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.

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, its Chairman and the 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. Following the 2023 AGM, it is proposed that Kimberley Wood is appointed the SID, replacing Martin Angle who will be appointed Chairman following the retirement of Jaap Huijskes. Ms Wood is a long-standing member of the Board, having been appointed in 2018, and her diverse skills mean that she is well placed to provide a sounding board for Mr Angle in his new role as Chairman and to serve as an intermediary for her fellow Directors and shareholders.

## 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 ten scheduled Board meetings were held during the year ended 31 December 2022. In addition to those scheduled meetings, the Board held a further eight informal meetings to discuss strategic matters. These meetings were attended by all Directors and, if appropriate, senior management, with discussions being minuted. No formal decisions were made at these informal meetings.

The Directors' attendance record at the scheduled Board meetings and Board Committee meetings for the year ended 31 December 2022 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 | 10/10 | | | 3/3 | 4/4 | 3/3 |
| Martin Angle | 10/10 | 8/8 | 5/5 | 3/3 | | |
| Garrett Soden | 10/10 | | | | | |
| David Thomas | 10/10 | | 5/5 | | 4/4 | 3/3 |
| Kimberley Wood | 10/10 | 8/8 | 5/5 | 3/3 | 4/4 | |
| Jon Harris | 10/10 | | | | 4/4 | 3/3 |
| Ian Weatherdon | 10/10 | | | | | |
| Wanda Mwaura(1) | 4/4 | 4/4 | | | | |
| John Hulme(2,3) | | | | | 2/2 | 1/1 |
| Gabriel Papineau-Legris(3) | | | | | | 3/3 |

(1) Appointed to the Board on 1 July 2022.
(2) Appointed to the Safety and Sustainability Committee and Technical Committee on 23 June 2022.
(3) John Hulme and Gabriel Papineau-Legris are members of the Executive Committee but not the Board. The Board considers they offer valuable expertise to the Committees they are members of.

The composition of the Committees will be reconsidered following the 2023 AGM. It is recognised that, in the event Mr Angle is appointed Chair of the Board, he can no longer act as Chair of the Audit and Risk Committee. The Board will generally hold scheduled meetings over two days. In advance of the Board meeting, on the first day, meetings of the Audit and Risk, Nomination and Remuneration Committees may be held as appropriate. Meetings of the Technical Committee and Safety and Sustainability Committee will generally be held 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.

# Corporate governance report continued

| Current Board Committees | | |
|---|---|---|
| **Audit and Risk** | **Remuneration** | **Nomination** |
| Martin Angle (Chair)<br>Kimberley Wood<br>Wanda Mwaura | Kimberley Wood (Chair)<br>David Thomas<br>Martin Angle | Jaap Huijskes (Chair)<br>Kimberley Wood<br>Martin Angle |
| **Safety and Sustainability** | **Technical** | |
| David Thomas (Chair)<br>Jaap Huijskes<br>Kimberley Wood<br>Jon Harris<br>John Hulme | David Thomas (Chair)<br>Jaap Huijskes<br>Jon Harris<br>Gabriel Papineau-Legris<br>John Hulme | |

## 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 in the corporate governance section of the Company's website **www.gulfkeystone.com**.

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, the Company's Chief Legal Officer, acts as Company Secretary to each Committee.

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 2022, the Audit and Risk Committee comprised three Non-Executive Directors, all of whom are considered to be independent. The members were: Martin Angle (Chair), Kimberley Wood and Wanda Mwaura.

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 that the Committee has experience to be recent and relevant for the purposes of the Code and the members of the Committee as a whole have competence relevant to the sector in which the Company operates; in particular, both Martin Angle and Wanda Mwaura are qualified accountants. This Committee meets at least three times per year. During the year ended 31 December 2022, 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 94 to 97.

### Nomination Committee

As at 31 December 2022, 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 2022.

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 March 2023.

The Nomination Committee report is set out on pages 90 to 93.

### Remuneration Committee

As at 31 December 2022, 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 2022.

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 2023.

The Remuneration Committee report is set out on pages 102 to 118.

### Safety and Sustainability Committee

As at 31 December 2022, 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 John Hulme (COO).

The Committee was formed in June 2020 in succession to the HSE and CSR Committee. It aims to meet four times a year and met four times during 2022. 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. The next site visit is scheduled for May 2023.

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 98 and 99.

### Technical Committee

As at 31 December 2022, 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), John Hulme (COO) and Gabriel Papineau-Legris (CCO).

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 recommend to the Board approval of 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 three times in 2022. 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 100 and 101.

## 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.

# 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 2023 as part of the Code of Business Conduct training.

An external whistleblowing service, Navex Global, is maintained in order to provide a mechanism whereby staff and contractors 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 and Company culture

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. The workforce receive updates on recent developments relating to the Company and have the opportunity to ask questions of management through interactive sessions and meetings. 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 and the Board will keep this assessment under review.

The Company has embedded six fundamental principles in the organisation which cover its purpose, values and culture. These are:

### Safety

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

### Social responsibility

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

### Trust through open communication

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

### Teamwork

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

### Innovation and excellence

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

### Integrity and respect

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

The principles are referred to on an ongoing basis through internal communications and meetings, and are displayed prominently throughout all Company offices, and even on Company mouse mats and screensavers. In addition, the principles are incorporated into the annual training which staff and contractors take on the Code of Business Conduct. All staff and contractors are required to adhere to the principles.

## Risk management and internal control

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of risk management and 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 a high level of assurance that material emerging and principal risks are identified on a timely basis and dealt with appropriately. The Board annually reviews the effectiveness of the systems of risk management and internal control and considers the significant business risks and the control environment. This is carried out by management and reported to the Audit and Risk Committee which assesses and tests the conclusions, including the need for an internal audit function. The Audit and Risk Committee will then report on the matter to the Board. Having conducted its review in 2022, 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, fraud 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 2022:

- 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 2022 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 emerging and principal risks and procedures in place and to how these are managed and mitigated are contained on pages 66 to 75.

## 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 2022, the Group held a number of investor presentations which are available to view on the Group's website.

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 also seeks 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.

## Additional information

The Company has provided the additional information required by the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the 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 24 June 2022, all resolutions were successfully passed. However, resolutions 2 and 7, 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 7 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 7. External proxy agencies were also all in favour of all the resolutions proposed at the AGM. The Board has carefully considered the issues raised by the shareholder who voted against these two resolutions and has addressed them, to the extent possible or necessary. The Company reported on this matter on 19 December 2022 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. As previously stated, the Chairman will be stepping down with effect from the end of the Company's AGM in 2023. The Board is recommending the reappointment of all other Directors, including the Chief Financial Officer.

The 2023 AGM will be held on 16 June 2023. 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 2023 AGM will be hosted in Bermuda and shareholders are able to attend 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**

22 March 2023

# Nomination Committee report

**Jaap Huijskes**
**Non-Executive Chairman**

## Matters discussed

### March 2022

- Board evaluation
- Non-Executive Director recruitment

### June 2022

- Non-Executive Director recruitment
- Committee membership

### December 2022

- Board and Executive Committee composition and succession
- Board evaluation

## 2022 membership and meeting attendance

| | Member since | Nomination Committee |
|---|---|---|
| Jaap Huijskes | 6 Dec 2017 | 3/3 |
| Martin Angle | 16 Jul 2018 | 3/3 |
| Kimberley Wood | 3 Oct 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. This will be reviewed in June 2023 in the context of the retirement of Jaap Huijskes as Chairman.

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.

## Review of the Committee's activities

The Nomination Committee meets at least twice per year. During 2022, 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 2022 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 1 July 2022, Wanda Mwaura was appointed as a Non-Executive Director to the Board. Wanda was appointed following an extensive search process, externally led by Henrietta High Consulting. The search process was based on merit and objective criteria and Wanda's appointment reflected the Board's desire to enhance its financial expertise and diversity in line with the Diversity Policy. Henrietta High Consulting has no other connection with the Company or any of its Directors.

Further information on Wanda Mwaura is detailed in the section on the Board of Directors on pages 78 and 79.

# Q&A

## with Wanda Mwaura, Non-Executive Director

**Q.**

**What attracted you to joining the GKP Board?**

**A.**

I was attracted to this opportunity as GKP is a strong company, publicly listed on the London Stock Exchange, in a fascinating industry and region of the world. When I spoke to executive management and other Board Directors I quickly realised how professional, knowledgeable and dedicated each were and that it was a good fit for me.

**Q.**

**What experience and expertise do you bring to the Board?**

**A.**

I am a qualified accountant with extensive accounting, external and internal audit, consulting, regulatory and corporate governance knowledge and experience from a number of different industries. I feel I can bring this knowledge and experience to GKP to add a different perspective and insight. In doing so I aspire to add value.

**Q.**

**How have you found the induction process for new Directors?**

**A.**

So far GKP has done a fantastic job ensuring I am up to date on the Company's industry, business, practices, policies and other aspects of the environment it operates in. I have received one-on-one introductions and a training programme was arranged for me and tailored to my experience and expertise.

**Q.**

**What have been some of the highlights from your first few months in role?**

**A.**

During my first few months as a Director and Audit and Risk Committee member, I have observed the knowledge and professionalism demonstrated by executive management and the Board. It is clear that management and my fellow Directors are passionate about the business, its employees and are focused on acting with integrity and high ethical standards. The protection of shareholder interests and the safety of GKP's employees has also been clearly evident.

# Nomination Committee report continued

## 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 administrative, management and supervisory functions, including at Board level. 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 described in more detail on page 88.

For the purposes of the UK Corporate Governance Code, the gender balance of senior management (being the Executive Committee and including the Company Secretary) and their direct reports is described on page 84.

## Succession

During 2022, 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, which takes into account the Diversity Policy and the need to foster a diverse pipeline of candidates. The Company has a structured training programme for executives which is included as part of their annual performance review.

In January 2023, the Committee and the Board considered the appointment of a Company Chairman to succeed Jaap Huijskes following his retirement at the 2023 AGM. Following discussion, and taking into account the best interests of the Company and its stakeholders as a whole, it was agreed that Martin Angle would step up from Senior Independent Director and Deputy Chairman to become Chairman following the conclusion of the AGM. Kimberley Wood would be appointed Senior Independent Director and Deputy Chair at this time.

It was recognised that both Mr Angle and Ms Wood have extensive knowledge of the Company having been Directors since 2018, were well respected, and their appointments would ensure a smooth transition to a new Chair and Senior Independent Director. As a matter of process, the discussion was held primarily at Board level and Mr Huijskes, Mr Angle and Ms Wood were recused from these discussions as appropriate and did not participate in the decision-making process.

## 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 2022, Henrietta High Consulting was engaged to run the selection process for the appointment of a new Non-Executive Director, Wanda Mwaura.

## Board evaluation

The Company aims to undertake an externally facilitated Board evaluation process every 3 years. In early 2022, the Company undertook an externally facilitated evaluation with Evalu8 Limited ("Evalu8"). Evalua8 has no other connection with the Company or any individual Director and was selected following a review by the Committee of a number of potential suppliers taking into account the level of interaction by the external consultant, cost, and the experience of the Committee of such evaluations. The evaluation, which is questionnaire based rather than interview based, covered the following topics and covered the Board and all Board Committees, with all Board members participating through questionnaires and subsequent analysis and discussion of the results:

- 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 results of the review were considered by both the Committee and the Board. 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.

During the year, the Board welcomed Wanda Mwaura, which enhanced diversity at both Board and Committee level, and will look for further opportunities to increase Board diversity as appropriate. The Board has also addressed the other enhancements suggested by the review as detailed above.

In March 2023, a further Board evaluation was completed. This was largely internally driven, although Evalu8 was also used to provide a limited questionnaire of key governance questions. These were answered by each Board member, compiled and then used as a forum for discussion in a dedicated Board session. The key themes which emerged were:

- the need to enhance diversity in the composition of the Board and Committees;
- shareholder communications and relationships;
- remuneration process and assessment; and
- new UK governance requirements.

As at the date of this report, the Board and management are currently devising a plan to address each of these matters to ensure they are fully considered and addressed.

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, aside from the appointment of Garrett Soden as a shareholder representative of Lansdowne Partners Austria. There are no family relationships between the Directors.

**Jaap Huijskes**
**Chair of the Nomination Committee**
22 March 2023

# Audit and Risk Committee report

**Martin Angle**
**Chair of the Audit and Risk Committee**

## Matters discussed

### January 2022
- External audit
- Risk review
- Controls review
- ERP update
- ESEF update
- Insurance review
- Terms of reference review

### March 2022 (two meetings)
- 2021 annual report and financial statements
- Private session with external auditor without management present
- Climate change risk assessment
- Management representation letter

### June 2022
- Risk review including climate change risks
- CFO organisation update
- ERP update
- Audit tender plan
- Regulatory update
- Auditor fee review

### August 2022 (two meetings)
- 2022 half-year results
- Report from the external auditor on outcome of interim review including key judgements and management letter
- Management representation letter and engagement letter review
- ERP update
- Audit tender update

### October 2022
- Risk update
- DOA update
- Cyber security update
- Regulatory update
- Insurance review
- Audit tender update

### December 2022
- 2022 Deloitte audit planning report
- Insurance update
- Risk review
- 2022 year-end ESEF tagging update
- Internal audit
- Audit tender update
- Deloitte audit fee review
- Non-audit fee review

## 2022 membership and meeting attendance

| | Member since | Audit and Risk Committee |
|---|---|---|
| Martin Angle(1) | 16 Jul 2018 | 8/8 |
| Kimberley Wood | 12 Oct 2018 | 8/8 |
| Wanda Mwaura(2) | 1 Jul 2022 | 4/4 |

(1) Martin Angle will no longer be able to serve as Chair of the Committee following his proposed appointment as Company Chair in June 2023. The Committee formation will be considered at this time.
(2) Appointed to the Board on 1 July 2022.

## 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 external and 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 2022 and the date of this report, the Committee comprised three Non-Executive Directors, all of whom are considered to be independent. The members of the Committee are Martin Angle (Committee Chair), Kimberley Wood and Wanda Mwaura, who joined the Committee after her appointment to the Board on 1 July 2022. Following the 2023 AGM when it is anticipated Mr Angle will be appointed as Chairman, he will step down from the Committee in accordance with Provision 24 of the UK Corporate Governance Code. The composition of the Committees will be reconsidered following the 2023 AGM. It is recognised that, in the event Mr Angle is appointed Chairman of the Board, he can no longer act as Chair of the Audit and Risk Committee.

The meetings are also typically attended by other Non-Executive Directors, Jon Harris (CEO), Ian Weatherdon (CFO), Michael Cameron (Group Financial Controller), Alasdair Robinson (Chief Legal Officer and Company Secretary), Deloitte LLP (external auditor) and, as appropriate, representatives from finance management and representatives from operations.

## Review of the Committee's activities

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

## Matters discussed

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

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

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

## Significant issues considered by the Audit and Risk Committee in 2022

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.

# Audit and Risk Committee report continued

The significant issues considered in the year are detailed below:

<table>
<tr><th>Significant issue</th><th>How the issue was addressed by the Committee</th></tr>
<tr><td> Revenue recognition: In order to recognise revenue, management must be able to measure reliably the economic benefit to be received and the costs associated with the sale and it must be probable that the Group will receive the economic benefits. In 2022, the Group has continued to recognise revenue in line with IFRS 15 Revenue from Contracts with Customers. Since 1 September 2022, there has been no lifting agreement in place with the KRG and it is has been necessary to assess whether this impacts revenue recognition. The key judgement for the revenue recognition is considering whether the accounting policy remains appropriate and whether under this policy it is reasonable to recognise the invoices for the months where no lifting agreement is in place and remain unpaid. </td><td> 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. The Committee also had discussions with the external auditor in respect of the Group's accounting policy. Based on these reviews and discussions, for the period from 1 January to 31 August 2023, the Committee agreed that the Group should continue to invoice and recognise revenue in accordance with the terms set out in the lifting agreement and the draft Term Sheet. For the period from 1 September to 31 December 2023 for which no lifting agreement was in place and the amounts remained unpaid at year end, the Committee separately assessed and agreed the Group should recognise revenue in accordance with the terms set out in the MNR's proposed pricing mechanism for Shaikan oil sales, changing the reference price from Dated Brent to the Kurdistan Blend ("KBT") effective 1 September 2022. Subsequent to year end, the Group received payment from the KRG for September 2022 oil sales, which was consistent with the proposed new terms. The Committee also agreed that the expected credit loss provisions had been appropriately calculated. </td></tr>
<tr><td> 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. </td><td> The Committee considered reports from management and reviewed the impairment indicator assessment which included impacts of climate change and geopolitical factors. The Committee agreed that the Iraqi Supreme Court ruling in February 2022 and the change to the basis of calculating realised prices from 1 September 2022 were indicators of potential impairment and that a full evaluation should be completed. The Committee was satisfied that the base case and the range of scenarios, including a base case derived from the 31 December 2022 Brent oil price forward curve, a stress case price deck noted below and the expected cash flow approach applied to the Iraqi Supreme Court ruling on 15 February 2022 used for the impairment indicator assessment were reasonable. The Committee agreed with management's conclusion that no impairment write-down was required.
<table>
<tr><th>Brent $/bbl (Nominal)</th><th>2023</th><th>2024</th><th>2025</th><th>2026</th><th>2027</th><th>2028(1)</th></tr>
<tr><td>Base</td><td>83.4</td><td>78.2</td><td>74.5</td><td>71.7</td><td>69.6</td><td>68.1</td></tr>
<tr><td>Stress</td><td>60.0</td><td>56.1</td><td>57.2</td><td>58.4</td><td>59.5</td><td>60.7</td></tr>
</table></td></tr>
<tr><td> 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. </td><td> The Committee considered reports and analysis prepared by management, taking into account the external auditor's review of these papers and their observations. The analysis involved stress testing the assumptions and in particular reviewing the potential impact arising from there being no lifting agreement from 1 September 2022, and potential delays in revenue receipts. The Committee reviewed the mitigating actions available and concluded that management's recommendation to prepare the financial statements on a going concern basis was appropriate. The Committee reviewed the assessment of the principal risks facing the Group, the stress test scenarios and possible mitigating actions over the three-year viability statement period. Based on this review, the Committee approved the disclosure included under the long-term viability statement. </td></tr>
</table>

(1) Inflated at 2% thereafter.

## Internal audit

The Audit and Risk Committee has oversight responsibilities for the internal audit function. During the year, the Committee considered the appropriateness of the appointment of an internal auditor and recommended for Board approval the appointment of an internal auditor in 2023. The Board approved the recommendation.

The Committee 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 to ensure that internal assurance is achieved. 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 reviewing the effectiveness of the external audit process taking into consideration relevant professional and regulatory requirements and the Group's policy on external audit, including ensuring that the auditor remains objective and independent. To fulfil its responsibility regarding independence, the Committee considered:

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

## Audit tendering

In light of applicable law and regulation, the Group's external audit was tendered in 2022, resulting in a decision to appoint BDO LLP as the Group's auditor from 2023. BDO has shadowed Deloitte through the audit for the financial year ending 31 December 2022.

With respect to the existing auditor, Deloitte LLP, since their initial appointment in 2006, there have been four rotations of the senior statutory auditor in line with the required rotation timetable, the last rotation being after completion of the audit for the year ended 31 December 2020.

## 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 and was satisfied that the audit process was effective.

## 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 2022, Deloitte LLP provided the following non-audit services to the Group:

- interim review of the half-year results;
- advisory services relating to ESG and TCFD; and
- other assurance services, including in respect of ESEF tagging.

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 2022, 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 market developments and work in relation to TCFD and ESEF, where Deloitte's experience and credentials were felt to be of particular value to the Company. However, non-audit services fees were less than audit fees for the year and the Committee is satisfied that the non-audit services have not impacted the independence of Deloitte, who will be replaced by BDO in 2023. In making this assessment, the Committee considered the nature of the non-audit work involved and the compliance processes in place at Deloitte to ensure audit independence. Going forward, the Company aims to ensure that the 70% cap is not breached.

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 2023, an externally facilitated review of the Audit and Risk Committee's performance and effectiveness was completed which did not raise any substantive issues concerning the performance of the Committee. This was conducted alongside a full Board and Committee evaluation.

**Martin Angle**
**Chair of the Audit and Risk Committee**

22 March 2023

# Safety and Sustainability Committee report

**David Thomas**
**Chair of the Safety and Sustainability Committee**

## Committee activities during 2022

The Committee seeks to meet formally four times a year. During 2022 it met on four occasions (in March, June, October and November). 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 2022, 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 Health, Safety and Environmental ("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;
- progress against GKP's target to achieve full consistency with TCFD recommendations in fiscal year 2022;
- review of the Group's GHG emissions data to improve the accuracy and scope of reporting, including the publication of scope 3 emissions data and independent verification of the Group's 2022 GHG emissions;
- analysis of market and industry trends related to climate change; and
- HSE operational planning for key field activities (for example, rig operations).

## 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 includes 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.

### 2022 membership and meeting attendance

| | Member since | Safety and Sustainability Committee |
|---|---|---|
| David Thomas | 8 Dec 2016 | 4/4 |
| Jaap Huijskes | 6 Dec 2017 | 4/4 |
| Kimberley Wood | 11 Oct 2018 | 4/4 |
| Jon Harris | 26 Jan 2021 | 4/4 |
| John Hulme[1] | 23 Jun 2022 | 2/2 |

(1) John Hulme, COO, is a member of the Executive Committee but not a Board member.

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;
- 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 review 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 2022, 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, John Hulme. John Hulme was appointed to the Committee on 23 June 2022. 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 page 32 to 51.

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 2022, the Committee monitored and supported the Company's 2022 HSE Action Plan implementation and was pleased to see an overall achievement of 98% of plan objectives 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 in early 2023; a full review is being 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 2022, 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**

22 March 2023

# Technical Committee report

**David Thomas**
**Chair of the Technical Committee**

## Committee activities during 2022

The Committee met three times in 2022. 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 2023 production guidance);
- produced gas management strategy, including the 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; and
- Shaikan subsurface re-mapping and re-modelling project.

In March 2023, the Company announced that an updated Competent Person's Report ("CPR") had been completed by its independent reserves auditor, ERC Equipoise. The updated CPR confirmed that the gross 1P, 2P+2C reserves and resources volumes of the Shaikan Field were in line with the previous (2020) CPR, after adjusting for production over the period.

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

- gross 1P reserves of 199 MMstb;
- gross 2P reserves of 506 MMstb; and
- gross 2P reserves + 2C contingent resources of 817 MMstb.

Full details of the Shaikan Field reserves and resources are set out on page 16.

### 2022 membership and meeting attendance

| | Member since | Technical Committee |
|---|---|---|
| David Thomas | 8 Dec 2016 | 3/3 |
| Jaap Huijskes | 6 Dec 2017 | 3/3 |
| Jon Harris | 26 Jan 2021 | 3/3 |
| Gabriel Papineau-Legris[2] | 8 Dec 2016 | 3/3 |
| John Hulme[1,2] | 23 Jun 2022 | 1/1 |

(1) Appointed to the Committee on 23 June 2022.
(2) Gabriel Papineau-Legris (CCO) and John Hulme (COO) are both members of the Executive Committee but are not Board members.

## 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.

## 2022 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), John Hulme (COO) and Gabriel Papineau-Legris (CCO).

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

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

**David Thomas**
**Chair of the Technical Committee**

22 March 2023

# Remuneration Committee report

**Kimberley Wood**
**Chair of the Remuneration Committee**

## Matters discussed by the Remuneration Committee in 2022

The Committee held five Committee meetings in 2022 and met on an informal basis to discuss the following remuneration matters:

- reviewed and agreed 2021 bonus performance outcomes for executives and senior management and resulting bonus pay-outs;
- reviewed the Remuneration Policy and engaged with shareholders on areas of change ahead of the 2022 AGM;
- reviewed and approved executive and senior management remuneration changes ahead of the 2022 Remuneration Policy vote;
- approved bonus KPIs for 2022;
- approved 2022 LTIP awards to all eligible participants and associated performance targets;
- reviewed and approved the draft Directors' remuneration report; and
- reviewed and agreed salary and bonus review for the wider workforce, including how to help staff most impacted by cost of living increases.

## 2022 membership and meeting attendance

| | Member since | Remuneration Committee |
|---|---|---|
| Kimberley Wood (Chair) | 12 Oct 2018 | 5/5 |
| Martin Angle | 16 Jul 2018 | 5/5 |
| David Thomas | 8 Dec 2016 | 5/5 |

# 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 2022. The Remuneration Committee and I were delighted to receive support in excess of 99% for the Directors' Remuneration Policy and the Annual Report on Remuneration at the AGM in June 2022. During 2022 we were primarily focused on implementing the new policy.

The work of the Remuneration Committee in 2022 was conducted against a backdrop of continued strong recovery from the impact of the COVID-19 pandemic and an upturn in oil prices, whilst ensuring we supported our employees most impacted by cost of living pressures. 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.

## Performance and implementation of the Remuneration Policy in 2022

### Annual bonus

Based on the Remuneration Committee's assessment of GKP and individual performance in 2022, the bonus awarded to the CEO was 74.9% of maximum (93.6% of base salary) and the CFO was awarded 72.4% of maximum (72.4% of base salary). 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 by the corporate KPIs. Further details can be found on page 115 of the Directors' remuneration report.

### Long-term incentives

The final assessment and vesting of Gulf Keystone's 2020 LTIP award will take place in late April 2023. All employees participate in the plan. The award is currently expected to vest at 88.2% of maximum, which, assuming a share value of £2.0698, is estimated to deliver a value of £2,144,891 for the CFO, including dividend equivalents worth £804,557 which will be awarded in shares. The actual vesting amount will be disclosed via an RNS announcement and in the 2023 annual report. As the CEO joined GKP in 2021, he is not entitled to any awards from the 2020 LTIP.

The Committee is conscious that this is a significant sum and has carefully considered whether making adjustments would be appropriate and believes this is not warranted for the following reasons:

- the 2020 LTIP is an all-employee plan, and any adjustment would unfairly impact the wider workforce while adjusting only for certain employees would be inconsistent and unfair;
- GKP's market value is influenced by commodity prices. Prevailing commodity prices at the point LTIPs are granted therefore impact the number of shares awarded. This volatility means there will be years where a higher number of shares are awarded due to lower oil prices but other years when the number of shares will be lower due to elevated oil prices. This variability is inherent in the business model and will sometimes benefit and sometimes penalise participants; and
- Company performance has been strong since the award of the 2020 LTIP including significant share price growth, sector-leading dividends in 2022 and strong relative TSR performance (currently tracking to 67th percentile of peer group and well above index performance).

However, following a shareholder consultation or should there be any material change in performance and/or expected outcomes between now and the final vesting, the Committee may decide the exercise of discretion is necessary.

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 – for example, zero bonuses were awarded to Executive Directors for 2020 despite the achievement of important operational and financial targets and strong individual contributions.

The CEO and CFO received conditional awards of 339,768 and 210,811 options respectively over shares (equivalent to 200% and 150% of salary) on 1 April 2022. The awards are subject to both absolute and relative total shareholder return ("TSR") targets being met, each measure having a 50% weighting. Again, the Remuneration Committee will have the discretion to review vesting outcomes to ensure a fair reflection of performance.

The former CEO and former CFO participated in the VCP, for which they received an award in December 2016. In May 2022, they received final awards of 1,884,798 and 1,623,828 options respectively. The incumbent CEO and CFO are not entitled to participate in the VCP, which has now been terminated.

## 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 2022 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 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.

# Remuneration Committee report continued

### Summary of remuneration for Executive Directors in 2023

In light of the current business context and following a detailed remuneration benchmarking review, the Remuneration Committee decided to award the CEO and the CFO increases in salary of 6.8% and 6% respectively, effective January 2023. The salary review budget for all other employees, including senior managers, was 7% and a consistent process for determining increases applies across the workforce. No increases were made to their annual bonus and LTIP entitlements.

Both the CEO and CFO will be eligible for a 2023 bonus. The Committee will review the Company's achievements, KPIs and performance targets and publish these in the 2023 Directors' remuneration report. The 2023 bonus measures incorporate targets on safety and sustainability (including environment and emissions-related targets); value creation (covering shareholder value, project delivery and production targets); financial and operational achievements; and people, culture and values initiatives. Further information is set out on page 118 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 2023 LTIP award will have performance conditions based on absolute and relative TSR. The Committee is considering incorporating an ESG metric in 2024 that will make up no more than 20% of the total award. Further information is set out on page 118 of the Directors' remuneration report.

### Fees for the Chair and Non-Executive Directors in 2023

After a thorough review of Chair and Non-Executive Director fees, the Chair and Non-Executive Director fees have been increased from £160,000 to £175,000 and £60,000 to £64,000 respectively from January 2023. These fees are still below their pre-2021 levels.

## 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 28 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 UK workforce.

### 2023 AGM

At the 2023 AGM, our Directors' remuneration report (pages 105 to 110) will be the subject of an advisory vote, in accordance with the 2013 Regulations.

The Committee believes the remuneration outcomes for 2022 reflect an appropriate outcome taking into account the global context and the shareholder experience during this period. We hope and trust 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 all shareholders for their continued support and hope that you will vote in favour of the resolution contained within the report at the AGM on 16 June 2023.

Yours sincerely,

**Kimberley Wood**
Chair of the Remuneration Committee

22 March 2023

# 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 the Remuneration Policy, reviewing and having regard to remuneration and related policies across the Group and the wider workforce, aligning incentives and rewards with culture and the overall strategy of the Company. When conducting its last major review of the Remuneration Policy, the Committee took into account simplicity, clarity, risk management, predictability and 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 members of the Executive Committee and the performance targets to be used;
- agreeing pension arrangements, service agreements and termination payments for Executive Directors and members of the Executive Committee 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 the level of the Executive Committee but does not set individual remuneration levels for such individuals. This oversight role allows the Committee to consider 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 2023. They are available on the Company's website.

# Remuneration Committee report continued

## Remuneration Policy table

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

| Remuneration element | Link to strategy | Operation | Opportunity | Remuneration Committee discretion |
|---|---|---|---|---|
| **Base salary** | Essential to attract and retain key executives. | Reviewed annually based on:<br>• role, experience and individual performance;<br>• pay awards elsewhere in the Group;<br>• external market; and<br>• general economic environment. | Policy is to benchmark to the relevant market median.<br>Normally, salary increases for Executive Directors will be in line with the average employee increase. | The Committee retains discretion to:<br>• select the appropriate market comparator group; and<br>• 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).<br>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.<br>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.<br>Bonus awards are determined after the year end based on achievement of targets.<br>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.<br>Discretion may also be exercised if the Committee believes the bonus outcome is not a fair and accurate reflection of business performance.<br>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** | Incentivises executives to deliver key financial targets over the longer term, with particular focus on shareholder return.<br><br>Helps retain key executives. | Awards are usually granted annually to participants, but grants may be made at other times, such as on recruitment or promotion of an executive.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>Specific malus and clawback provisions apply (see page 108).<br><br>For LTIPs granted from 2023, 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). | 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.<br><br>At threshold performance up to 30% of the award vests. The threshold amount has been reduced to 25% for LTIPs granted from 2023. | 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.<br><br>Discretion may also be exercised if the Committee believes the LTIP outcome is not a fair and accurate reflection of business performance.<br><br>Safety is of central importance to the business and the Committee may reduce or eliminate LTIP awards if there is a serious safety event.<br><br>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. |
| **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 related to grants of LTIPs from 2023. | The Committee has discretion to change the shareholding requirements – in particular where compassionate circumstances apply. |

# Remuneration Committee report continued

## 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 2023 base salaries and pension opportunities. The annual bonus and LTIP are based on the maximum opportunities as set out under the Remuneration Policy. Please note 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).

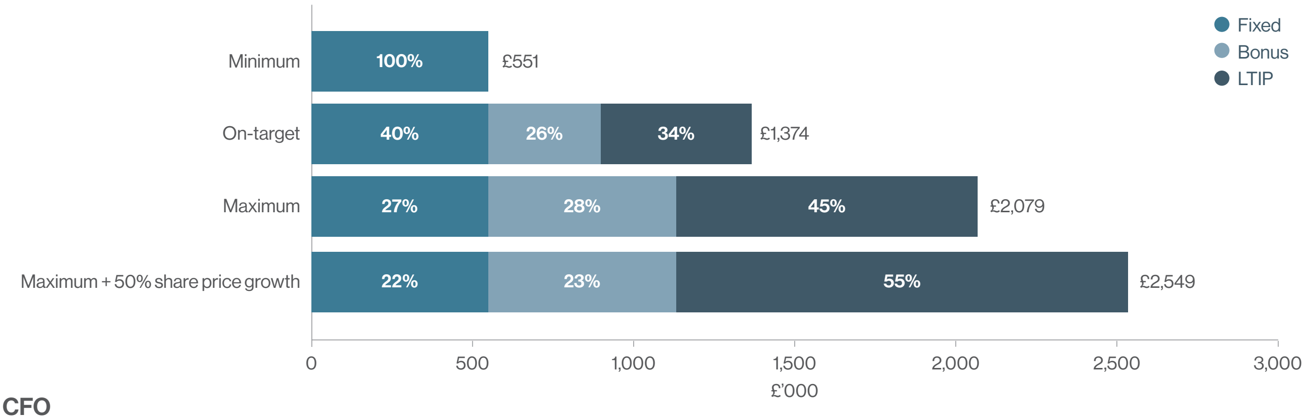
The exception to this is the final scenario which, in line with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, illustrates the maximum outcome assuming 50% share price appreciation for the purpose of LTIP value.

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.

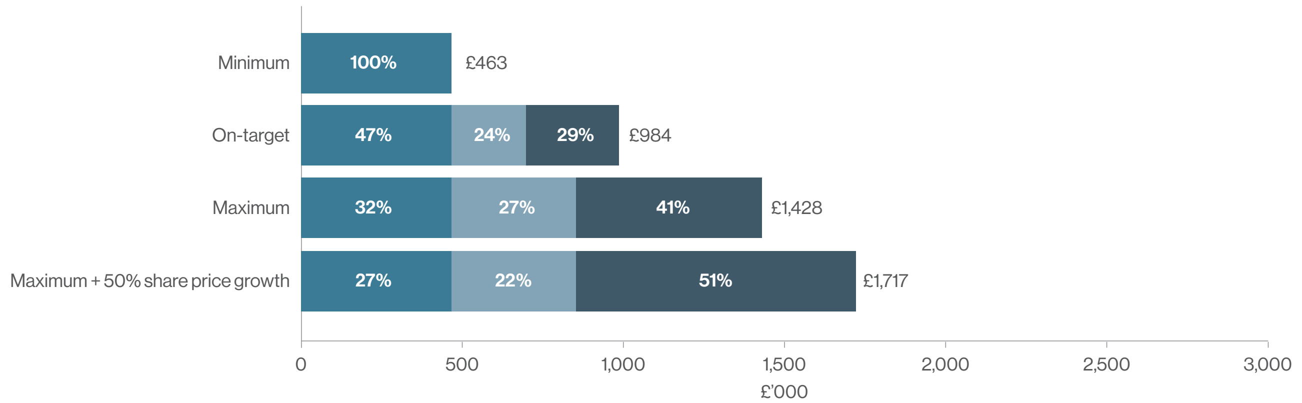
The "On-target" scenario reflects fixed remuneration as above, plus annual bonus pay-out of 60% of maximum (75% of salary for the CEO and 60% of salary for the CFO) and LTIP at 50% of maximum award (100% and 75% of salary for the CEO and CFO respectively).

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.

### CEO




### CFO



## 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, and there will be no retrospective application. Existing remuneration, including incentives, will continue, even if inconsistent with the above Policy, until such time as they expire or vest. Pension contributions from the date of promotion will be aligned with chat of the wider workforce.

## Terms of the Executive Directors' service contracts

Executive Directors are engaged on rolling service contracts, which provide for 12 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 12 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.

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 Chair (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 2023 AGM.

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

# Remuneration Committee report continued

## Termination payment policy

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

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 Remuneration Committee, on the date of the change of control. The amount paid will be pro-rata and based on performance to date. The deferred element of the bonus will become exercisable on a change of control and will vest; and
- the vesting of LTIP awards will be accelerated: the number of shares that vest will be determined by the Remuneration Committee taking account of the Company's performance since the grant date and the proportion of the normal vesting period which has elapsed.

The Remuneration 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 Remuneration Committee will seek to minimise the cost to the Company to the extent permitted by the circumstances of the particular case.

| 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.<br>The Committee will determine such mitigation as it considers fair and reasonable in the individual circumstances. |
| 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.<br>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 their 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.<br>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.<br>Awards granted to a "bad" leaver lapse on cessation of employment. |

## 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 Remuneration Committee takes into account the guidelines of representative investor bodies, 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.

# Part three: Annual Report on Remuneration

### Introduction

This part of the report is subject to an advisory vote at the AGM on 16 June 2023. GKP's auditor has reported on those sections (highlighted below) which the Regulations require to be audited.

## Remuneration Committee membership during 2022

The terms of reference of the Remuneration Committee, reviewed annually, are available on the Company's website. As of 31 December 2022, the Remuneration 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 Remuneration Committee. There were no conflicts of interest arising from cross-directorships and no involvement in the Company's day-to-day operations.

The Chair of the Committee may ask non-Committee members to attend meetings, including the Chair, 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 2022 and attendance of Committee members is included on page 85.

## Advisers

The Remuneration 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 Remuneration Committee by Mercer during 2022 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 £71,350. Mercer has no connections with the Company other than an agreement for the provision of market data for the wider workforce and no personal relationships with individual Directors.

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

## 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 2023: | Relevant incentive metrics: | | |
|---|---|---|---|
| Safety and sustainability | • ESG roadmap implementation<br>• HSE plan | • Safety performance[(1)]<br>• Loss of containment<br>• People, culture, values | **Read more on page 24** |
| Value creation | • Shareholder value<br>• Project delivery | • Production | **Read more on page 24** |
| Capital discipline and cost focus | • Financial and distribution strategy | • Operating efficiency | **Read more on page 25** |
| Robust financial position | • Budget discipline | | **Read more on page 25** |

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

# Remuneration Committee report continued

## Statement of shareholder voting

The following table shows the results of votes on the 2021 Directors' remuneration report at the 2022 AGM held on 24 June 2022.

| | Votes for | Votes against | Total votes cast (excluding withheld) | Votes withheld |
|---|---|---|---|---|
| Directors' remuneration report for year to 31 December 2021 | 110,847,974 (99.11%) | 993,865 (0.89%) | 111,841,839 | 96,552 |
| 2022 Remuneration Policy | 110,834,274 (99.11%) | 993,689 (0.89%) | 111,829,963 | 107,978 |

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

| 2022 | Salary/fees £'000 | Pension £'000 | Benefits £'000 | Annual bonus £'000 | Other £'000 | LTIP(1) £'000 | Total £'000 | Total fixed remuneration £'000 | Total variable remuneration £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | |
| Jon Harris | 440 | 44 | 34 | 412 | — | — | 930 | 518 | 412 |
| Ian Weatherdon(1) | 364 | 36 | 39 | 263 | — | 2,145 | 2,847 | 439 | 2,408 |
| **Non-Executive Directors** | | | | | | | | | |
| Martin Angle | 84 | — | — | — | — | — | 84 | 84 | — |
| Jaap Huijskes | 160 | — | — | — | — | — | 160 | 160 | — |
| Garrett Soden | 60 | — | — | — | — | — | 60 | 60 | — |
| David Thomas | 80 | — | — | — | — | — | 80 | 80 | — |
| Kimberley Wood | 70 | — | — | — | — | — | 70 | 70 | — |
| Wanda Mwaura(2) | 39 | — | — | — | — | — | 39 | 39 | — |
| **Total** | **1,297** | **80** | **73** | **675** | **—** | **2,145** | **4,270** | **1,450** | **2,820** |

(1) Ian Weatherdon's LTIP is based on an estimate of the 2020 LTIP using a share price of £2.0698 and includes estimated dividends of £0.8 million. Final vesting will be disclosed in the relevant RNS and updated in the 2023 annual report.

(2) Wanda Mwaura joined the Board on 1 July 2022 and her fee is denominated in USD.

| 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.

## Historical CEO pay

| | 2017 £'000 | 2018 £'000 | 2019 £'000 | 2020 £'000 | 2021 £'000 | **2022 £'000** |
|---|---|---|---|---|---|---|
| Single figure remuneration | 768 | 973 | 824 | 552 | 857 | **930** |
| Bonus percentage of maximum payable | 50% | 76% | 50% | 0% | 81% | **74.9%** |
| Vested LTIP awards as percentage of maximum | 0% | 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 2022 and the average percentage change for the remuneration in the Group as a whole excluding the CEO.

| | 2020 | | | 2021 | | | **2022** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary/fees | Benefits | Annual bonus | Salary/fees | Benefits | Annual bonus | **Salary/fees** | **Benefits** | **Annual bonus** |
| **Executive Directors** | | | | | | | | | |
| Jon Harris(1) | N/A | N/A | N/A | N/A | N/A | N/A | **0%** | **67%** | **5%** |
| Ian Weatherdon(2) | N/A | N/A | N/A | 0% | 60% | N/A | **0%** | **37%** | **(11%)** |
| **Non-Executive Directors** | | | | | | | | | |
| Martin Angle | 0% | 0% | | (11%) | 0% | | **(6%)** | **0%** | |
| Jaap Huijskes | 0% | 0% | | (11%) | 0% | | **0%** | **0%** | |
| Garrett Soden | (14%) | 0% | | (14%) | 0% | | **0%** | **0%** | |
| David Thomas | 0% | 0% | | (11%) | 0% | | **0%** | **0%** | |
| Kimberley Wood | 0% | 0% | | (13%) | 0% | | **0%** | **0%** | |
| Wanda Mwaura(3) | N/A | N/A | | N/A | N/A | | **0%** | **0%** | |
| **Group percentage change** | 6% | 0% | (23%) | 7% | 57% | 97% | **9%** | **5%** | **22%** |

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

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

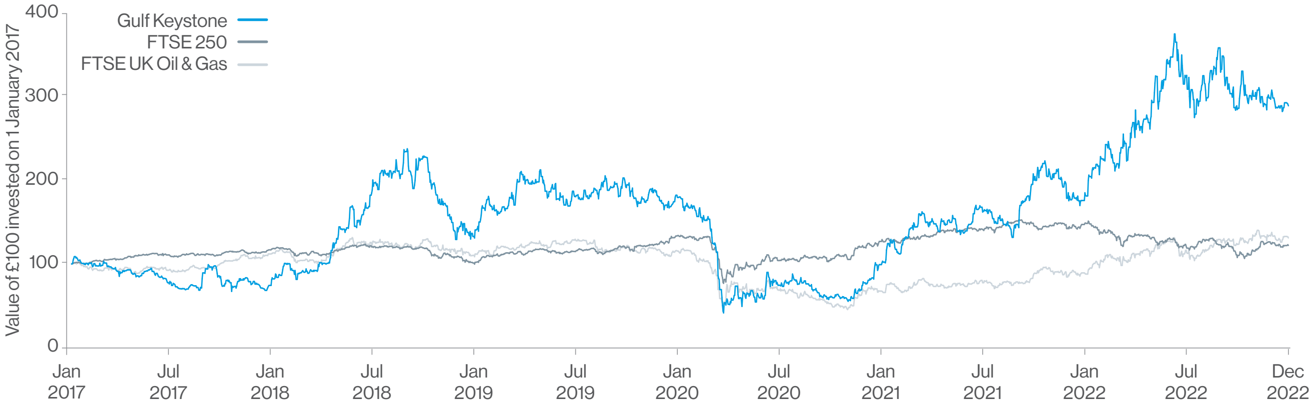
(3) Wanda Mwaura joined the Board effective 1 July 2022.

# Remuneration Committee report continued

## TSR performance

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

**Total shareholder return ("TSR") from 1 January 2017 to 31 December 2022**




## Relative importance of spend on pay

| | **2022 $'000** | 2021 $'000 | Percentage change |
|---|---|---|---|
| Total employee pay[(1)] | **53,642** | 41,724 | 29% |
| Profit after tax | **266,094** | 164,597 | 62% |
| Gross operating costs[(2)] | **52,344** | 42,965 | 22% |
| Shareholder distributions[(3)] | **214,789** | 100,000 | 115% |

(1) Staff costs are shown gross before amounts recharged to operations.

(2) Gross operating costs are deemed to be a fair 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.

(3) Shareholder distributions comprise payment of dividends.

## Implementation of the Directors' Remuneration Policy in 2022

### Executive Directors' base salary provision

The CEO received an increase in salary of 4.8% to £440,000. 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 plan (audited)

During 2022, 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%).

### 2022 performance elements

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

### Corporate performance elements (80% of bonus)

| Safety and sustainability 20% | Value creation 12% | Financial 26% | Production 30% | People, culture & values 12% |
|---|---|---|---|---|

The following table describes the corporate KPIs set for 2022.

| Metric | KPIs | Weighting | Results<br>Score | Results<br>Weighted score |
|---|---|---|---|---|
| **Safety and sustainability** | ESG | 8.3% | 100% | 8.3% |
| | HSE improvement plan | 5.8% | 93% | 5.4% |
| | Safety performance (TRIFR) | 5.9% | 90% | 5.3% |
| **Value creation** | Shareholder value and project delivery | 12% | 50% | 6% |
| **Financial** | Financial and distributions strategy | 14% | 79% | 11.1% |
| | Budget execution | 12% | 86% | 10.3% |
| **Production** | Gross production (bopd) – annual average | 24% | 32% | 7.7% |
| | Maintenance | 6% | 97% | 5.8% |
| **People, culture, values** | Build workforce capability, advance diversity, equity and inclusion and drive workforce engagement and wellbeing | 12% | 98% | 11.8% |
| **Total** | | **100%** | | 71.7% |

# Remuneration Committee report continued

## Implementation of the Directors' Remuneration Policy in 2022 continued

### 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 2022 were substantially driven by the leadership. These successes included a great safety record with only one recordable incident despite large increases in worked hours, progressing ESG reporting to TCFD requirements and further evaluating a number of carbon-reducing projects, paying industry-leading dividends to shareholders and repaying the $100 million bond a year early, substantial progress on the FDP while commencing the Phase 1 Jurassic scope with the MNR's agreement and advancing the Gas Management Plan, safe and reliable operational and drilling performance and, in addition, developing our Code of Business Conduct and improving our diversity. 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 2022:

| Executive | Bonus award | % of base salary | % of maximum |
|---|---|---|---|
| CEO | £411,840 | 93.60% | 74.88% |
| CFO | £263,390 | 72.36% | 72.36% |

## 2020 LTIP vesting (audited)

The 2020 awards under the 2014 LTIP are due to vest on 28 April 2023; performance has been estimated up to 17 February 2023 for the three-year performance. The 2020 award is based on relative TSR (50%) and absolute TSR (50%). A summary of the estimated performance outcome is detailed below:

| Performance measure | Weighting | Threshold performance (30% vesting) | Maximum performance (100% vesting) | Performance outcome | Vesting outcome |
|---|---|---|---|---|---|
| Absolute TSR | 50% | 8% p.a. compound | 12% p.a. compound | 75.1% p.a. | 100% |
| Relative TSR | 50% | Median vs. peer group | Upper quartile vs. peer group | Between median and upper quartile | 76.5% |

The overall estimated vesting of the 2020 award is 88.2%. Ian Weatherdon is estimated to receive 647,567 shares and a proportional amount in shares for the dividends due. The actual level of vesting and any gains from increases in the share price will be disclosed in next year's Directors' remuneration report. As well as Mr Weatherdon, all employees participated in the plan.

| | No. of shares granted in 2020 | Estimated vesting % | Estimated number of shares vesting | Estimated value of shares vesting £ | Estimated value of dividends at 124.2p per share £ | Estimated total award value £ | Estimated value attributable to share price growth £ |
|---|---|---|---|---|---|---|---|
| Ian Weatherdon | 733,871 | 88.2% | 647,567 | 1,340,334 | 804,557 | 2,144,891 | 858,544 |

The performance period of the 2020 award ends on 28 April 2023, when the award vests. Vesting has been estimated at 88.2% based on performance up to 17 February 2023 and values have been calculated using three month average share price of £2.0698 to 17 February 2023. Performance is assessed using one month average returns up to the start and end of the performance period.

## 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, which is in line with the workforce.

## Benefits (audited)

Benefits received by the CEO and CFO included car allowance, private medical insurance, death in service and income protection insurance totalling £34,258 and £39,036 respectively.

## Value Creation Plan ("VCP") awards granted/vested in 2022 (audited)

Legacy VCP awards vested for former CEO Jón Ferrier and former CFO Sami Zouari. They received awards of 1,884,798 and 1,623,828 shares respectively. No more awards will be made under the VCP and it is now terminated.

## LTIP awards granted/vested in 2022 (audited)

The CEO and CFO received awards of 339,768 and 210,811 shares respectively, equivalent to 200% and 150% of salary each, on 1 April 2022. 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.

The relative TSR peer group for the 2022 LTIP is:

| | | | |
|---|---|---|---|
| Africa Oil | DNO | International Petroleum | ShaMaran Petroleum |
| Apache Corporation | Energean Oil & Gas | Kosmos Energy | TAQA |
| Capricorn Energy (prev. Cairn) | EnQuest | Pharos Energy | Vaalco (prev. Transglobe Energy) |
| Canadian Natural Resources | Genel Energy | SDX Energy | Tullow Oil |
| DANA Gas | Harbour Energy | | |

No awards vested or were exercised by Executive Directors.

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

Legacy VCP awards vested during 2022 for former CEO Jón Ferrier and former CFO Sami Zouari. Jón Ferrier received 1,884,798 shares and cash in lieu of dividends earned during the vesting period of £1,415,454, with Sami Zouari receiving 1,623,828 shares and cash in lieu of dividends earned during the vesting period of £1,219,469. No more payments under the VCP will be made.

## 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 Remuneration Policy set out on pages 103 and 104 includes post-exit guidelines.

Directors' shareholdings and share interests as at 31 December 2022 were as follows:

| | Shareholding requirement as a % of salary | Beneficially owned shares | Vested but unexercised scheme interests | Unvested scheme interests subject to performance conditions[2] | Unvested scheme interests not subject to performance conditions | Total conditional and unconditional interest in shares |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Jon Harris | 200% | 30,000 | — | 810,093 | 60,962 | 901,055 |
| Ian Weatherdon | 200% | 50,112 | — | 1,250,393 | 44,006 | 1,344,511 |
| **Non-Executive Directors** | | | | | | |
| David Thomas | — | — | — | — | — | — |
| Jaap Huijskes | — | — | — | — | — | — |
| Martin Angle | — | — | — | — | — | — |
| Kimberley Wood | — | — | — | — | — | — |
| Garrett Soden | — | 70,000 | — | — | — | 70,000 |
| | **—** | **150,112** | **—** | **2,060,486** | **104,968[1]** | **2,315,566** |

(1) Shares equivalent to 30% of the 2022 bonus.
(2) Includes shares issued under the 2020, 2021 and 2022 LTIP awards.

## Implementation of the Directors' Remuneration Policy in 2023

### 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 and the CFO increases in salary of 6.8% and 6% respectively. The salary review budget for all other employees, including senior managers, was 7% – the level of budget was consistent across both the Company's geographies.

# Remuneration Committee report continued

## Implementation of the Directors' Remuneration Policy in 2023 continued

### 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 2023, 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 2023 annual report and accounts.

| Category | KPI | Weighting |
|---|---|---|
| **Safety and sustainability** | HSE improvement, safety performance measures (TRIFR), loss of containment<br>ESG roadmap implementation | 20% |
| **Value creation** | Shareholder value<br>Firm budget implementation | 30% |
| **Production** | Annual average production (bopd) | 20% |
| **Financial** | Financial and distributions strategy<br>Budget discipline<br>Operating efficiency | 20% |
| **People, culture, values** | Build workforce capability<br>Embed a culture that supports engagement, wellbeing, diversity, inclusion and ethical business conduct | 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 2022 results. The following three-year TSR performance conditions will be attached to the vesting of the award.

| Performance measure | Weighting | Threshold performance (25% 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 is detailed below:

| | | | |
|---|---|---|---|
| Africa Oil | DNO | International Petroleum | ShaMaran Petroleum |
| Apache Corporation | Energean Oil & Gas | Kosmos Energy | TAQA |
| Capricorn Energy | EnQuest | Pharos Energy | Vaalco |
| Canadian Natural Resources | Genel Energy | SDX Energy | Tullow Oil |
| DANA Gas | Harbour Energy | | |

Any awards under the LTIP made after the 2022 AGM will be based on the Remuneration Policy set out on pages 103 and 104.

The Remuneration 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.

### Non-Executive Directors

After a thorough review of the Chair and Non-Executive Director fees in 2020, the Chair and Non-Executive Director fees have been increased from January 2023 from £160,000 to £175,000 and £60,000 to £64,000 respectively. For Wanda Mwaura, whose fee is paid in US dollars, the fee was increased from $90,000 to $96,000.

This Directors' remuneration report was approved by the Board on 22 March 2023 and signed on its behalf by:

**Kimberley Wood**
Chair of the Remuneration Committee

22 March 2023

# Directors' report

The Directors are pleased to present their report on the affairs of the Company, together with the consolidated financial statements of the Company and auditor's report, for the year ended 31 December 2022. 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 Company's financial results for the year ended 31 December 2022 are set out in the consolidated financial statements.

The Company made a profit after taxation for the year of $266.1 million (2021: $164.6 million). During 2022, an ordinary dividend of $25 million was paid, in line with the Company's ordinary dividend policy of at least $25 million per year. The ordinary dividend was supplemented by the payment of three interim dividends, totalling $140 million, and a special dividend of $50 million. In total, $215 million of dividends were paid to shareholders in 2022 (2021: $100 million). In 2023 to date, an interim dividend of $25 million has been paid. A final $25 million ordinary dividend for 2022 will also be paid subject to approval at the AGM on 16 June 2023.

## 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 internally generated cash flow and, as appropriate, debt 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 2022, 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") held 0.4 million (2021: 0.2 million) common shares of the Company.

## Significant shareholdings

As at 28 February 2023, 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 | 32,549,217 | 15.05 |
| Stichting Value Partners Family Office | 22,301,570 | 10.31 |
| Hargreaves Lansdown Stockbrokers Ltd. | 13,747,823 | 6.36 |
| Interactive Investor | 13,152,902 | 6.08 |
| Ophorst Van Marwijk Kooy Vermogensbeheer N.V. | 10,075,320 | 4.66 |
| Mr Gertjan Koomen | 9,876,782 | 4.57 |
| Dimensional Fund Advisors LP | 9,463,637 | 4.38 |
| Acadian Asset Management LLC | 9,031,297 | 4.18 |
| Halifax Stockbrokers | 6,765,852 | 3.13 |
| Barclays Stockbrokers | 5,777,656 | 2.67 |

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

(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

## Political donations

No political donations were made and no political expenditure was incurred during the year.

## Employee and stakeholder engagement

Details of the Company's engagement with employees and external stakeholders are described in the Sustainability report on pages 32 to 51 and in our Stakeholder engagement report and Section 172 statement on pages 28 to 31.

## 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 22 March 2023, the Group had $118.8 million of cash and no debt. 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, climate change and delays to revenue receipts and geopolitical risks on the Group's operations, including the Iraqi Supreme Court ruling on 15 February 2022.

In the current year, further consideration has been given to the impact on the Group's working capital position due to delays in revenue receipts from the KRG and the proposed revision to the lifting agreement:

- **Revenue receipt:** The timing of revenue receipts over the last 12 months has increased from an average of 20-30 days past due to 100 days for the most recent September production month payment. At the date of this report, $76.0 million is overdue for October to December 2022 oil sales; and
- **Lifting agreement:** There has been no lifting agreement in place since 1 September 2022 and negotiations are ongoing around the pricing mechanism of oil sales. Instead of a Dated Brent based pricing mechanism, the KRG has proposed a Kurdistan Blend ("KBT") based pricing mechanism to recognise the value they receive for oil sales, as further described in note 2.

The Directors believe an agreement will ultimately be reached on the terms of a revised lifting agreement, and we reasonably expect that overdue balances will be paid and payments will return to a more regular basis. However, a deferral of revenue receipts from the KRG for an extended period of time could result in liquidity pressures within the 12 month going concern period.

The Directors have considered sensitivities to assess the impact on the Group's liquidity position if revenue receipts from the KRG are deferred for an extended period of time. While the payments of such amounts are outside of management's control, the Directors believe sufficient mitigating actions are available to withstand potential further delays in revenue receipts until such receipts return to more routine payment terms. Mitigating actions include deferring planned capital expenditures, reducing operating and general and administrative expenses and managing supplier payment timing.

Overall, 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 12 months from the date of approval of the 2022 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.

## 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.

In line with best practice, the Company has conducted a competitive tender process to appoint a new auditor as Deloitte LLP, the Company's current auditor, is approaching the 20-year maximum term. The Company intends to appoint BDO LLP as auditor for the financial year commencing 1 January 2023. The appointment is subject to shareholder approval at the 2023 Annual General Meeting.

On behalf of the Board

**Jon Harris**
Chief Executive Officer

22 March 2023

# 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 22 March 2023 and is signed on its behalf by:

**Jon Harris**
Chief Executive Officer
22 March 2023

**Ian Weatherdon**
Chief Financial Officer
22 March 2023

# 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 'Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2022 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 27.

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 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** | The key audit matters that we identified in the current year were:<br>• Carrying value of oil and gas assets; and<br>• Revenue recognition.<br>Within this report, key audit matters are identified as follows:<br>NEW Newly identified<br>↑ Increased level of risk<br>= Similar level of risk<br>↓ Decreased level of risk |
| **Materiality** | The materiality that we used for the Group financial statements was $10m which was determined on the basis of 3.8% of Group profit before tax. |
| **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** | We have determined materiality on the basis of Group profit before tax in the current year, whereas in the prior year it was determined on the basis of net assets. Current year materiality is representative of 1.7% of net assets (2021: 1.5%). We have also performed additional audit procedures in response to the assessed increased risk associated with revenue recognition. There were no other 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 historical accuracy of management's cash flow forecasts by comparison of actual versus budgeted cash flow performance for 2022;
- Assessing the impact of climate change on the Group;
- Benchmarking the oil price assumption against external data and historical levels;
- Evaluating the cash flow forecasts within the going concern assessment for appropriateness, which involved checking for consistency against the cash flows forecasts included within the impairment model (including the planned capital expenditures associated with the Field Development Plan ("FDP")), reviewing the mechanical accuracy of the calculations, and assessing the forecast liquidity position throughout the going concern period;
- Considering the impact on liquidity headroom of recent delays in revenue receipts and ongoing negotiations with the Kurdistan Regional Government ("KRG") in respect of the proposed pricing mechanism for oil sales, as explained further in the revenue recognition key audit matter section;
- 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, deferring planned capital expenditures in respect of the FDP, reducing operating and general and administrative expenses, and managing supplier payment timing; and
- Assessing the appropriateness of the going concern disclosures.

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 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.

# Independent auditor's report continued

## to the members of Gulf Keystone Petroleum Limited

### Report on the audit of the financial statements continued

**5. Key audit matters** continued

**5.1. 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 in Kurdistan) 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.<br><br>As part of its impairment indicators evaluation, management considered key developments which occurred during 2022 including the impact of climate change, oil prices, field productivity, on-going negotiations in respect of a new FDP and lifting agreement, in addition to the impacts of local and global geopolitical factors. Management concluded that the ruling by the Iraqi Federal Supreme Court as explained further on page 143 of the financial statements to be an impairment indicator because it could result in the Group losing its licence to operate the Shaikan field. Management also identified the KRG's proposed changes to the lifting agreement, and hence the oil price realised by the Group from September 2022 onwards, to be an impairment indicator.<br><br>To support their impairment conclusion, management have prepared a full impairment analysis, including an updated valuation model which is based on the best estimates of future cash flows based on the latest estimates for the FDP. Management also analysed various scenarios and ran sensitivities versus their base case assumptions. Management's impairment analysis is supportive of the carrying value of the oil and gas assets recognised in the financial statements as at 31 December 2022 and therefore no impairment charge was recorded.<br><br>The calculation of the recoverable amount requires judgement in estimating future oil prices, in particular the future oil price realised by the Group after discounts have been applied, an appropriate asset-specific discount rate, production profiles based on the latest reserves estimates, and the best estimate of future expenditure to be incurred in relation to the FDP. The reserve estimates used reflect management's latest internal estimates but were also compared to the results of a new independent reserves report recently completed by ERC Equipoise Limited ("ERCE") at 31 December 2022. The impact of climate change on the Shaikan asset was also considered, including the potential impact on future oil prices (including possible changes in demand), carbon taxes, and access to funding, which each have a potential impact on management's future investment decisions. Management have included the latest estimate of the cost to install a gas reinjection system under the gas management plan ("GMP") by the end of 2025, which will help mitigate the potential impact of future carbon taxes on the Shaikan asset and hence the Group. Management have also assumed that the Group will continue to retain control of the Shaikan asset for the remainder of the licence period to 2043.<br><br>As a result of the inherent estimation uncertainty in relation to the factors above, we consider the assessment of the recoverable amount of Shaikan to remain a key judgement. We also considered there to be a potential fraud risk that the assumptions, such as the realised oil price and discount rate, applied within the impairment assessment could be subject to conscious or unconscious bias.<br><br>Further details of the key considerations have been disclosed in the Audit and Risk Committee report on page 96 and in the 'Key sources of estimation uncertainty' disclosure on page 143. 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** | Our audit work assessed the reasonableness of management's key assumptions in determining that no impairment was required as at 31 December 2022 for the Shaikan asset.<br><br>Specifically our work included, but was not limited to, the following procedures:<br><br>• obtaining an understanding of relevant controls over the impairment process, including management review controls, and testing their operating effectiveness;<br>• obtaining management's latest risk registers, including their climate risk register, to inform our independent risk assessment around impairment;<br>• engaging our internal climate change specialists to aid the audit team's challenge of the appropriateness and completeness of management's climate-related assumptions and associated disclosures;<br>• engaging our internal valuation specialists to determine an independent range for the discount rate, assessing whether the independent range is reflective of the current risks associated with the Shaikan asset, and comparing that to the rate applied by management for the purpose of the impairment analysis;<br>• evaluating management's assumption that the Group will continue to operate the Shaikan field for the remainder of its licence; this included assessing the likelihood of a successful enforcement of the Iraqi Supreme Court ruling through inquiries of the Group's internal and external legal counsel;<br>• making inquiries of and holding meetings with various employees of the Group including key operational, commercial, and finance personnel, in order to understand the current status and future intentions for the Shaikan field, including the current status of FDP negotiations;<br>• 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;<br>• benchmarking and analysis of oil price assumptions against independent data points, including forward curves, economist forecasts, the IEA's World Energy Outlook 2022 publication, and other market data;<br>• comparing forecasted production and expenditure levels per the valuation model with actual historical production and the estimates set out in the latest draft of the FDP;<br>• engaging our internal reservoir engineering specialists to aid in our review and challenge of the latest independent ERCE report, and assess the significance of differences noted between management's latest reserves estimates employed in the impairment model and the ERCE report;<br>• assessing the inputs within the impairment valuation model for consistency with the base case assumptions per management's impairment analysis, and reviewing the mechanical accuracy of the valuation model;<br>• assessing the sensitivity analysis performed on the key assumptions in the valuation model to determine whether there was headroom to support Shaikan's book value under certain downside scenarios, including those relating to a reduced oil price; and<br>• assessing the relevant disclosures in relation to the carrying value of oil and gas assets. |
| **Key observations** | Based on our analysis, we are satisfied that management's impairment assessment including the assumptions employed has been appropriately prepared in accordance with the requirements of IAS 36 Impairment of Assets, that no impairment of the Shaikan asset is required, and that the related disclosures are appropriate. |

# Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

## Report on the audit of the financial statements continued

### 5. Key audit matters continued

### 5.2. Revenue recognition

| | |
|---|---|
| **Key audit matter description** | Revenue totalling $460.1 million (2021: $301.4 million) has been recognised during the year, being wholly comprised of oil sales for the year.<br><br>The Group has continued to recognise revenue in accordance with the terms of the Shaikan Production Sharing Contract ("PSC"), the draft Term Sheet and, up to 31 August 2022, a Crude Oil Sales Agreement (or "lifting agreement"). These documents have been used to govern the terms of Shaikan crude oil sales since 1 October 2017. The Group has not signed a new lifting agreement with the KRG since the previous agreement expired on 31 August 2022, meaning that there is an element of uncertainty in respect of revenue recognition for oil sales from 1 September 2022 to 31 December 2022. Production and export of oil has however continued whilst the negotiations around the terms of a revised lifting agreement are ongoing.<br><br>The KRG have proposed a new pricing mechanism based upon the average monthly Kurdistan blend ("KBT") sales price realised by the KRG at Ceyhan, Turkey, as advised by the KRG and published in their publicly available quarterly oil sales reports. The Company has not accepted the proposal and therefore continues to invoice the KRG for oil sales based on the previous pricing formula.<br><br>Due to the uncertainty in respect of the pricing mechanism which will be employed, the Directors have concluded it is appropriate to recognise revenue based on the mechanism proposed by the KRG from September to December 2022, and any difference between the proposed and final pricing mechanism will be reflected in future periods.<br><br>There has also been a delay in settlement of outstanding receivables with the KRG. At year end, no amounts had been received in respect of August to December oil deliveries, although those relating to August and September have been settled subsequent to year end, with the amount received for September being consistent with the KRG's proposed new pricing mechanism.<br><br>The key judgements in relation to revenue recognition are:<br>• whether revenue should be recognised for the oil sales from 1 September to 31 December 2022 in the absence of a signed lifting agreement in respect of those oil sales;<br>• the amount of revenue which should be recognised for the oil sales from 1 September to 31 December 2022 above, considering the uncertainty in respect of the pricing mechanism and the absence of a signed lifting agreement; and<br>• the extent of the risk in relation to unpaid revenue amounts at 31 December 2022, in particular the valuation of the expected credit loss ("ECL") and the appropriateness of the assumptions used notably the timing of payments, probability of default and loss given default.<br><br>Further details of the key considerations have been disclosed in the Audit and Risk Committee report on page 96 and in the 'Critical judgements in applying the Group's accounting policies' disclosure on page 142. Revenue is disclosed in note 2 to the financial statements. |
| **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. We have performed the following procedures:<br>• obtaining an understanding of relevant controls over the revenue recognition process, including management review controls;<br>• obtaining an understanding of the latest negotiations between the Group and the KRG in respect of the proposed updated pricing mechanism within the draft lifting agreement for oil sales from 1 September 2022 through enquiry of key management personnel;<br>• challenging the Directors on their assessment of the accounting implications by reference to the relevant accounting standard, being IFRS 15 Revenue from Contracts with Customers;<br>• recalculating the expected monthly entitlement revenue for the oil sales in line with the Shaikan PSC, the draft Term Sheet, and the latest lifting agreements. For oil sales from September 2022 onwards, the recalculation was performed by reference to the draft lifting agreement proposed by the KRG which is under negotiation between the Group and the KRG. Our calculations were based on production in the year per the approved delivery reports, the average Dated Brent price or (from 1 September onwards) the KBT price for the month, less quality and transportation discounts;<br>• vouching all cash receipts in 2022 and reviewed post year end bank statements to confirm the extent to which the receivables outstanding at 31 December 2022 have subsequently been received;<br>• challenging the ECL assumptions used, through benchmarking of the assumptions employed against external sources, and recalculating the provision; and<br>• assessing the relevant disclosures in relation to revenue recognition. |

| | |
|---|---|
| **Key observations** | Based on our analysis, management have continued to recognise revenue appropriately in accordance with IFRS 15. We concur with the recognition of $460.1m of oil sales for the year ended 31 December 2022. We also concur with the appropriateness of the carrying value of the associated receivables, including the ECL recognised against those receivables. |

## 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** | $10m (2021: $8m) |
| **Basis for determining materiality** | 3.8% of profit before tax (2021: 1.5% of net assets) |
| **Rationale for the benchmark applied** | We consider that profit before tax is of particular relevance to users of the financial statements, and is a key measure of performance used by the Group. The significant increase in profit before tax during the year has resulted in large distributions being made to shareholders; we consider a profit metric to be more reflective of the improved financial performance during the year. The determined materiality also represents 1.7% of net assets. |

### 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% (2021: 70%) of Group materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>• The quality of the control environment and conclusions from our testing of Group-wide internal controls;<br>• The low level of historical uncorrected misstatements within the consolidated financial statements; and<br>• The lack of significant changes in the underlying business during the year which would impact on our ability to forecast the expected level of misstatement. |

### 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 $500k (2021: $400k), 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.

## 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 internal 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 the control environment

The Group operates a single asset, being the Shaikan field, and all revenues associated with Shaikan are earned from the KRG. As discussed in the key audit matters section above, we tested controls over the impairment assessment for the Shaikan field; and we also obtained an understanding of relevant controls over revenue.

In addition, we have obtained an updated understanding of the IT environment in the current year. This included understanding the changes to the main accounting system, SUN, and performing audit procedures over the associated data migration from the previous system.

# Independent auditor's report continued

to the members of Gulf Keystone Petroleum Limited

## Report on the audit of the financial statements continued

### 7. An overview of the scope of our audit continued

#### 7.3. 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 on page 62, the principal risks set out on page 71 and accounting policies on page 143.

From the perspective of the impact on the FY22 financial statements, the climate-related risks have been identified to be most impactful on the carrying value of producing oil and gas assets and the associated impairment assessment. 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 5.1 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 on our risk assessment and planned audit procedures, aided by the involvement of our climate specialists, for example by understanding how certain physical and transition climate risks translate to potential implications specific to the Group, and then the potential financial impact of these on the underlying account balances and disclosures. This included consideration of the potential impact of climate change on the carrying value of oil and gas assets if the oil price was consistent with the price curve implied by the Net Zero Emissions by 2050 ("NZE") scenario presented within the IEA's World Energy Outlook 2022 publication;
- Assessing whether the impact of climate risks are material through considering specific estimates and assumptions, and determining whether those estimates and assumptions are reasonable; and
- Reading the climate related disclosures, aided by the involvement of our climate specialists, throughout the annual report and financial statements, including in the Group's TCFD disclosures within the Strategic Report, to consider whether the climate impacts and disclosures are materially consistent with the climate impacts and disclosures within the financial statements and with the knowledge the audit team have obtained during 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 elsewhere in the financial statements, including but not limited to the decommissioning provision and the going concern assumption in a reduced oil price environment.

### 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;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- the results of our enquiries of management and members of the Board and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those specific to the oil and gas industry;
- the results of our enquiries with the Group's internal and external legal counsel about potential and actual litigation and claims;
- 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, including consideration of the potential implications of the Iraqi Supreme Court ruling (as explained further on page 143 of the financial statements);
  - 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 valuations, IT, reservoir engineering, and climate 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 area: 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 1981 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.

#### 11.2. Audit response to risks identified

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

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, members of the Board and the Audit and Risk Committee, including those responsible for whistleblowing, and in-house legal counsel concerning any instances of fraud noted during the year, and 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.

# Independent auditor's report continued
to the members of Gulf Keystone Petroleum Limited

## Report on other legal and regulatory requirements

### 12. Opinions on other matters 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 UK Companies Act 2006 as if the 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 regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, as set out on page 136;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, as set out on pages 76 and 77;
- the Directors' statement on fair, balanced and understandable, as set out on page 121;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on page 67;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems, as set out on page 66; and
- the section describing the work of the Audit and Risk Committee, as set out on pages 94 to 97.

### 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

22 March 2023

# Consolidated income statement

## For the year ended 31 December 2022

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Revenue | 2 | 460,113 | 301,389 |
| Cost of sales | 3 | (158,651) | (111,721) |
| (Increase)/decrease of impairment provision on trade receivables | 14 | (1,960) | 7,065 |
| **Gross profit** | | 299,502 | 196,733 |
| Other general and administrative expenses | 4 | (12,202) | (13,643) |
| Share option related expenses | 5 | (13,756) | (8,490) |
| **Profit from operations** | | 273,544 | 174,600 |
| Finance revenue | 7 | 648 | 419 |
| Finance costs | 7 | (9,655) | (11,353) |
| Foreign exchange gains | | 1,232 | 57 |
| **Profit before tax** | | 265,769 | 163,723 |
| Tax credit | 8 | 325 | 874 |
| **Profit after tax for the year** | | 266,094 | 164,597 |
| **Profit per share (cents)** | | | |
| Basic | 9 | 123.52 | 77.14 |
| Diluted | 9 | 118.62 | 73.04 |

# Consolidated statement of comprehensive income

## For the year ended 31 December 2022

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Profit after tax for the year | 266,094 | 164,597 |
| Items that may be reclassified to the income statement in subsequent periods: | | |
| Fair value losses arising in the period | — | (2,021) |
| Cumulative losses arising on hedging instruments reclassified to revenue | — | 3,753 |
| Exchange differences on translation of foreign operations | (1,950) | (254) |
| **Total comprehensive income for the year** | 264,144 | 166,075 |

# Consolidated balance sheet

## As at 31 December 2022

| | Notes | 31 December 2022 $'000 | 31 December 2021 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10 | **4,307** | 3,583 |
| Property, plant and equipment | 11 | **436,443** | 404,205 |
| Deferred tax asset | 18 | **1,576** | 1,385 |
| | | **442,326** | 409,173 |
| **Current assets** | | | |
| Inventories | 13 | **6,372** | 6,018 |
| Trade and other receivables | 14 | **176,203** | 179,200 |
| Cash and cash equivalents | | **119,456** | 169,866 |
| | | **302,031** | 355,084 |
| **Total assets** | | **744,357** | 764,257 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **(128,561)** | (98,800) |
| **Non-current liabilities** | | | |
| Trade and other payables | 15 | **(325)** | (789) |
| Borrowings | 16 | **—** | (99,123) |
| Provisions | 17 | **(42,546)** | (43,841) |
| | | **(42,871)** | (143,753) |
| **Total liabilities** | | **(171,432)** | (242,553) |
| **Net assets** | | **572,925** | 521,704 |
| **Equity** | | | |
| Share capital | 20 | **216,247** | 213,731 |
| Share premium | 20 | **528,125** | 742,914 |
| Exchange translation reserve | | **(4,718)** | (2,768) |
| Accumulated losses | | **(166,729)** | (432,173) |
| **Total equity** | | **572,925** | 521,704 |

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2023 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 2022

| | | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital $'000 | Share premium $'000 | Treasury shares $'000 | Cost of hedging reserve $'000 | Exchange translation reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
| **Balance at 1 January 2021** | | **211,371** | **842,914** | **(2,592)** | **(1,732)** | **(2,514)** | **(593,422)** | **454,025** |
| Profit after tax 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** |
| Profit after tax for the year | | — | — | — | — | — | 266,094 | 266,094 |
| Exchange difference on translation of foreign operations | | — | — | — | — | (1,950) | — | (1,950) |
| **Total comprehensive income for the year** | | **—** | **—** | **—** | **—** | **(1,950)** | **266,094** | **264,144** |
| Dividends paid | 25 | — | (214,789) | — | — | — | — | (214,789) |
| Employee share schemes | 24 | — | — | — | — | — | 1,866 | 1,866 |
| Share issues | 20 | 2,516 | — | — | — | — | (2,516) | — |
| **Balance at 31 December 2022** | | **216,247** | **528,125** | **—** | **—** | **(4,718)** | **(166,729)** | **572,925** |

# Consolidated cash flow statement

For the year ended 31 December 2022

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 21 | **383,846** | 189,155 |
| Interest received | 7 | **648** | 419 |
| Interest paid | 16 | **(10,194)** | (10,000) |
| Payment of put option premium | | **—** | (1,043) |
| **Net cash generated from operating activities** | | **374,300** | 178,531 |
| **Investing activities** | | | |
| Purchase of intangible assets | 10 | **(2,074)** | (2,725) |
| Purchase of property, plant and equipment | 21 | **(105,291)** | (52,959) |
| **Net cash used in investing activities** | | **(107,365)** | (55,684) |
| **Financing activities** | | | |
| Payment of dividends | 25 | **(214,789)** | (100,000) |
| Payment of leases | 22 | **(458)** | (688) |
| Notes redemption | 16 | **(100,000)** | — |
| Notes repayment fee | 16 | **(2,000)** | — |
| **Net cash used in financing activities** | | **(317,247)** | (100,688) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(50,312)** | 22,159 |
| Cash and cash equivalents at beginning of year | | **169,866** | 147,826 |
| Effect of foreign exchange rate changes | | **(98)** | (119) |
| **Cash and cash equivalents at end of the year being bank balances and cash on hand** | | **119,456** | 169,866 |

# Summary of significant accounting policies

## General information

Gulf Keystone Petroleum Limited (the "Company") is domiciled and incorporated in Bermuda (registered address: Cedar House, 3rd Floor, 41 Cedar Avenue, Hamilton, HM12, Bermuda); together with its subsidiaries it forms the "Group". 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 ("IFRS") 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 2022.

The following new accounting standards, amendments to existing standards and interpretations are effective on 1 January 2022: Reference to the Conceptual Framework (Amendments to IFRS 3), Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16), Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), and Annual Improvements to IFRS Standards 2018-2020. 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 |
| Amendments to IFRS 4 | Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'; Extension of the Temporary Exemption from Applying IFRS 9 |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to IFRS 17 | Initial Application of IFRS 17 and IFRS 9 – Comparative Information; Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017 |
| 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, and 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 22 March 2023, the Group had $118.8 million of cash and no debt. 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 and delays to revenue receipts, impact of climate change and geopolitical risks on the Group's operations, including the Iraqi Supreme Court ruling on 15 February 2022, as further described in key sources of uncertainty below.

In the current year, further consideration has been given to the impact on the Group's working capital position due to delays in revenue receipts from the KRG and the proposed revision to the lifting agreement:

- Revenue receipts: The timing of revenue receipts over the last 12 months has increased from an average of 20-30 days past due to 100 days for the most recent September production month payment. At the date of this report, $76.0 million is overdue for October to December 2022 oil sales; and
- Lifting agreement: There has been no lifting agreement in place since 1 September 2022 and negotiations are ongoing around the pricing mechanism of oil sales. Instead of a Dated Brent based pricing mechanism, the KRG has proposed a Kurdistan Blend (KBT) based pricing mechanism to recognise the value they receive for oil sales, as further described in note 2.

The Directors believe an agreement will ultimately be reached on the terms of a revised lifting agreement, and we reasonably expect that overdue balances will be paid and payments will return to a more regular basis. However, a deferral of revenue receipts from the KRG for an extended period of time could result in liquidity pressures within the twelve-month going concern period.

The Directors have considered sensitivities to assess the impact on the Group's liquidity position if revenue receipts from the KRG are deferred for an extended period of time. While the payment of such amounts are outside of management's control, the Directors believe sufficient mitigating actions are available to withstand potential further delays in revenue receipts until such receipts return to more routine payment terms. Mitigating actions include deferring planned capital expenditures, reducing operating and general and administrative expenses and managing supplier payment timing.

Overall, 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 2022 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 is considered to be a key accounting judgement.

Revenue is earned based on the entitlement mechanism under the terms of the Shaikan Production Sharing Contract ("PSC"). Entitlement has two components: cost oil, which is the mechanism by which the Company recovers its costs incurred, and profit oil, which is the mechanism through which profits are shared between the Company, its partner and the Kurdistan Regional Government ("KRG"). The Company is liable for capacity building payments calculated as a proportion of profit oil entitlement. Entitlement from cost oil and profit oil are reported as revenue, and capacity building payments are included in cost of sales.

All oil is sold by the Shaikan Contractor (the Company and Kalegran BV, a subsidiary of MOL Hungarian Oil & Gas Plc, ("MOL")) to the KRG, who in turn resell the oil. The selling price is determined in accordance with the principles of the crude oil lifting agreement.

Under IFRS 15: Revenue from contracts with customers, GKP considers that control of crude oil is transferred from the Shaikan Contractor to the KRG at the delivery point as defined in the lifting agreement, this being the export pipeline; at this point the Shaikan Contractor is due economic benefits which can be reliably measured and are probable to be received. The consideration is variable and is dependent upon the monthly average oil market price with deductions for quality and transportation fees, with other fees and royalties due as determined by commercial agreements; revenue is reported net of these deductions.

Effective 1 September, 2022, the KRG proposed a new pricing mechanism for crude oil sales. Under the new pricing mechanism, the realised sales price for a month is based on the average market price realised by the KRG for the Kurdistan blend (KBT) sold at Ceyhan, Turkey, as advised by the KRG. The change in the benchmark market price from Brent to KBT has not yet been agreed and no lifting agreement has been in place since 1 September 2022. Nonetheless, the Shaikan Contractor continued to produce and the KRG continued to accept delivery of oil at the delivery points. GKP continues to consider that control of crude oil was transferred at the delivery points despite no commercial agreement being in place and as such has recognised revenue based on the proposed new pricing terms. A summary of the currently estimated financial impact of the proposed change in pricing mechanism is detailed in note 2.

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 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. 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 dialogue with the MNR to confirm whether to proceed with a formal amendment to the PSC to reflect current invoice terms.

Income tax arising from the Company's activities under its PSC is settled by the KRG on behalf of the Company. Since the Company is not able to measure the amount of income tax that has been paid on its behalf 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.

# Summary of significant accounting policies continued

## 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. Costs used in the calculation comprise the net book value of the field, and estimated future development expenditures required to produce those reserves.

Commercial reserves are proven and probable ("2P") reserves which are estimated using standard recognised evaluation techniques. The reserves estimate used in 2022 are based on the June 2022 draft FDP submitted to the MNR. The previous independent reserves report at 31 December 2020 did not reflect various known updates since completion of the report. A new Competent Person's Report reserves report has been completed by ERC Equipoise at 31 December 2022 and will be applied prospectively in the depreciation, depletion and amortisation ("DD&A") calculation from 1 January 2023.

#### 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 3 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 5 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 ("FVLCTS") and value in use. In assessing FVLCTS and 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. Conversely, any reversal of an impairment is immediately recognised as income.

## 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 future 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 future 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.

# Summary of significant accounting policies continued

## Financial instruments

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

### Trade receivables

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

### Cash and cash equivalents

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

### Financial assets at fair value through profit and loss

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, foreign exchange or interest rate 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.

### 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 12-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, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### Financial liabilities and equity

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

### Equity instruments

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

### Borrowings

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

### Trade payables

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

## Provisions

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

### Decommissioning provision

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

# Summary of significant accounting policies continued

## Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 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 12 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 accounting policies described above, the Group is 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 reliably measured as it passes the delivery point into the export pipeline. The critical accounting judgement applied in preparing the 2022 financial statements is that it is appropriate to recognise revenue for deliveries from 1 September 2022 based on the proposed new pricing mechanism, notwithstanding that there is no signed lifting agreement for that period and the pricing mechanism has not yet been agreed. Further details of this judgement are provided in the sales revenue accounting policy above. In making this judgement, consideration was given to the fact that, subsequent to the year end, the Group received payment for September 2022 deliveries at an amount that was consistent with the proposed new pricing terms.

A summary of the currently estimated financial impact of the proposed change in pricing mechanism is detailed in Note 2.

Any future agreements between the Company and the KRG might change the amounts of revenue recognised.

## Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty 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, potential climate change transition risk impacts, 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 2022 was the Shaikan Field with a carrying value of $391.0 million (2021: $358.3 million). The Group performed an impairment trigger assessment and concluded that the Iraqi Supreme Court ruling in February 2022 and the change in the proposed basis of calculating the realised oil price from September 2022 were potential impairment triggers. Accordingly a full impairment evaluation was completed and it was concluded that no impairment write-down was required.

The key areas of estimation in the impairment assessment are as follows:

- Commodity prices for the current year were based on the forward curve as at December 2022 for the period 2023 to 2028 with inflation of 2% per annum thereafter. Prices at 31 December 2021 were determined based on the latest internal estimates, benchmarked with external sources of information;
- All prices below are nominal and no impairment arose under either the base or stress case.

| Scenario ($/bbl – nominal) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|
| 31 December 2022 – base case | n/a | 83.4 | 78.2 | 74.5 | 71.7 | 69.6 | 68.1 |
| 31 December 2022 – stress case | n/a | 75.1 | 70.4 | 67.1 | 64.5 | 62.6 | 61.3 |
| 31 December 2021 – base case | 81 | 56.1 | 57.2 | 58.4 | 59.5 | 60.7 | 61.9 |
| 31 December 2021 – stress case | 80 | 51.0 | 52.0 | 53.1 | 54.1 | 55.2 | 56.3 |

- The Group continues to develop its assessment of the potential impacts of climate change and the associated risks, the transition to a low-carbon future and our ambition to reduce scope one per barrel $CO_2$ emissions by at least 50% by 2025 versus the original 2020 baseline of 38 $kgCO_2e$ per barrel dependent on the timely sanction and implementation of the Gas Management Plan. The International Energy Agency's ("IEA") Announced Pledges Scenario ("APS") and Net Zero Emissions ("NZE") climate scenario oil prices and carbon taxes were used to evaluate the potential impact of the principal climate change transition risks. The APS being that governments will meet, in full and on time, all of the climate-related commitments that they have announced, including longer term net zero emissions targets and pledges in Nationally Determined Contributions ("NDCs") to reduce national emissions and adapt to the impacts of climate change leading to a global temperature rise of 1.7°C in 2100. The NZE being the normative scenario pathway to the stabilisation of global average temperatures at 1.5°C above pre-industrial levels. Neither adoption of the APS price scenario nor NZE price scenario, both with and without the addition of an incremental carbon tax, resulted in an impairment arising.
- Discount rates that are adjusted to reflect risks specific to the Shaikan Field and the Kurdistan Region of Iraq ("KRI"). The impairment analysis was based on a pre-tax nominal 15% discount rate (2021: 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 that are based on financial budgets and internal management forecasts. Costs assumptions incorporate management experience and expectations, including the impact of forecast short term inflationary pressures, as well as the nature and location of the operation and the risks associated therewith. Base case costs assumptions used in the assessment reflect the latest cost estimates for the FDP, which includes the estimated cost of implementing a Gas Management Plan, as part of our ambition to reduce scopeone emissions as outlined above;
- Commercial reserves and production profiles used in the assessment are consistent with the latest draft FDP and materially consistent with the figures shown in the new independent reserves report recently completed by ERC Equipoise at 31 December 2022; and
- Timing of revenue receipts.

In February 2022, the Iraqi Federal Supreme Court ("FSC") had ruled that the Kurdistan Oil and Gas Law ("KROGL") was unconstitutional and subsequently the Iraqi Ministry of Oil commenced proceedings in the Baghdad Commercial Court against International Oil Companies ("IOCs"), including Gulf Keystone, operating in the KRI seeking to nullify the PSCs issued under the KROGL. The Company understands that the Baghdad Commercial Court has issued adverse judgements against many of the IOCs, including Gulf Keystone, in absentia. The KRG continues to affirm that KROGL is validly constituted and the PSCs issued are valid and in full force and effect. The Company's operations in the Shaikan Field are currently unaffected. However, the matter continues to be closely monitored, including any potential impact on the restrictions placed on the export of crude oil, service contractors or any other parties by the Iraqi Ministry of Oil.

# 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:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Kurdistan | **436,213** | 402,787 |
| United Kingdom | **4,537** | 5,001 |
| | **440,750** | 407,788 |

The Chief Operating Decision Maker, as per the definition in IFRS 8, is considered to be the Board of Directors. The Group operates in a single segment, that of oil and gas exploration, development and production, in a single geographical location, the Kurdistan Region of Iraq. As a result, the financial information of the single segment is the same as set out in the 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.

## 2 Revenue

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Oil sales | **460,113** | 305,142 |
| Hedging losses reclassified to revenue | **—** | (3,753) |
| | **460,113** | 301,389 |

The Group accounting policy for revenue recognition is set out in the 'Summary of significant accounting policies', with revenue recognised upon crude oil passing the delivery points into the export pipeline.

From 1 January 2022 to 31 August 2022 the realised sales price was based on the weighted monthly average Dated Brent price, which was $107.3/bbl during the period (2021: $70.8/bbl) less a weighted monthly average discount of $23.3 (2021: $21.2) per barrel for quality and pipeline tariff costs. Since 1 September 2022 there has been no lifting agreement in place between the Shaikan Contractor and the KRG; production and export has continued whilst negotiations are ongoing. The KRG proposal is for a new pricing mechanism based upon the average monthly Kurdistan blend ("KBT") sales price realised by the KRG at Ceyhan, as advised by the KRG. The Company has not accepted the proposal and continues to invoice the KRG for oil sales based on the pre-1 September 2022 pricing formula.

Oil sales during 2022 were impacted by $2.4 million of backdated pipeline tariff increases related to 2021 (2021: nil).

Considering the uncertainty in respect of the pricing mechanism, the Company has concluded that it is appropriate to recognise revenue based on the proposed mechanism from September to December 2022. The revenue impact of the proposed pricing mechanism for the period is estimated to be a reduction of $23.4 million. Taking into account the associated reduction in capacity building payments results in a total reduction of profit after tax for the year of $21.7 million. Any difference between the proposed and final pricing mechanism will be reflected in future periods.

### Information about major customers

All oil sales revenue relates to sales to the KRG.

## 3 Cost of sales

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Operating costs | **41,835** | 34,372 |
| Capacity building payments | **34,927** | 23,529 |
| Change in oil inventory value | **555** | (348) |
| Depreciation of oil and gas assets and operational assets | **80,225** | 54,168 |
| Impairment of surplus drilling stock | **1,109** | — |
| | **158,651** | 111,721 |

Capacity building payments have been recorded in line with the proposed pricing mechanism (see note 2); any difference between the proposed and final pricing mechanism will be reflected in future periods.

Further details on the depreciation of oil and gas assets and operational assets, as well as the recognition of capacity building payments, are set out in the Summary of significant accounting policies section.

The Company updated the depreciation calculation based on the June 2022 draft FDP submitted to the MNR including an internal reserves and cost update. This resulted in a higher 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 2022.

The impairment of surplus drilling stocks includes the carrying value of items not anticipated to be used in future drilling operations.

## 4 Other general and administrative expenses

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Depreciation and amortisation | **1,563** | 940 |
| Auditor's remuneration (see below) | **703** | 583 |
| Other general and administrative costs | **9,936** | 12,120 |
| | **12,202** | 13,643 |

Of the $12.2 million of general and administrative expenses, $5.2 million (2021: $4.1 million) were incurred in relation to the Shaikan Field.

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | **430** | 318 |
| Fees payable to the Company's auditor for other services to the Group | | |
| – audit of the Company's subsidiaries pursuant to legislation | **26** | 28 |
| Total audit fees | **456** | 346 |
| Advisory services | **112** | 107 |
| Other assurance services (including a half year review) | **135** | 130 |
| **Total fees** | **703** | 583 |

## 5 Share option related expense

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Share-based payment expense | **3,266** | 2,255 |
| Payments related to share options exercised | **8,690** | 4,142 |
| Share-based payment related provision for taxes | **1,800** | 2,093 |
| | **13,756** | 8,490 |

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

The legacy VCP scheme totalled $9.5 million of the $13.8 million expense (2021: $3.4 million). There are no further VCP share options outstanding and the plan has been terminated.

## 6 Staff costs

The average number of employees and contractors (including Executive directors) employed by the Group was 460 (2021: 349); the number of full-time equivalents of these workers was 317 (2021: 237).

| | Average number of employees | | Average number of full-time equivalents | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Kurdistan | **421** | 317 | **280** | 205 |
| United Kingdom | **39** | 32 | **37** | 32 |
| **Total** | **460** | 349 | **317** | 237 |

Staff costs were as follows:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Wages and salaries | **46,879** | 36,835 |
| Social security costs | **2,503** | 1,880 |
| Share-based payment (see note 24) | **4,260** | 3,009 |
| | **53,642** | 41,724 |

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. Staff costs are shown gross before amounts recharged to joint operations.

# Notes to the consolidated financial statements
continued

## 7 Finance costs and finance revenue

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Notes interest expense (see note 16) | **(5,833)** | (10,000) |
| Unwinding of finance and arrangement fees (see note 16) | **(879)** | (489) |
| Notes repayment fee (see note 16) | **(2,000)** | — |
| Finance lease interest | **(77)** | (123) |
| Unwinding of discount on provisions (see note 17) | **(866)** | (741) |
| **Total finance costs** | **(9,655)** | (11,353) |
| Finance revenue | **648** | 419 |
| **Net finance costs** | **(9,007)** | (10,934) |

On 2 August 2022 the Group redeemed the $100m notes and paid an early repayment fee (see note 16).

## 8 Income tax

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Current year credit | **216** | 75 |
| Prior year adjustment | **—** | 28 |
| Deferred UK corporation tax credit (see note 18) | **109** | 771 |
| Tax credit attributable to the Company and its subsidiaries | **325** | 874 |

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 2022 was 19.0% (2021: 19.0%).

On 3 March 2021, the UK Government announced that the corporation tax rate in the UK will increase to 25% for companies with taxable 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 per share

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

| | 2022 | 2021 |
|---|---|---|
| **Profit after tax for basic and diluted per share calculations ($'000)** | **266,094** | 164,597 |
| Number of shares ('000s): | | |
| Basic weighted average number of ordinary shares | **215,420** | 213,384 |
| Basic EPS (cents) | **123.52** | 77.14 |

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

### Reconciliation of dilutive shares:

| | 2022 | 2021 |
|---|---|---|
| Number of shares ('000s) | | |
| Basic weighted average number of ordinary shares outstanding | **215,420** | 213,384 |
| Effect of potential dilutive share options | **8,909** | 11,962 |
| Diluted number of ordinary shares outstanding | **224,329** | 225,346 |
| Diluted EPS (cents) | **118.62** | 73.04 |

The weighted average number of ordinary shares in issue excludes shares held by Employee Benefit Trust ("EBT").

The diluted number of ordinary shares outstanding is calculated on the assumption of the exercise of all potentially dilutive share options.

## 10 Intangible assets

| | Computer software $'000 |
|---|---|
| **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** |
| **Year ended 31 December 2022** | |
| Opening net book value | 3,583 |
| Additions | 2,074 |
| Amortisation charge | (859) |
| Foreign currency translation differences | (491) |
| **Closing net book value** | **4,307** |
| **At 31 December 2022** | |
| Cost | 6,305 |
| Accumulated amortisation | (1,998) |
| **Net book value** | **4,307** |

The amortisation charge of $859,000 (2021: $25,000) for computer software has been included in other general and administrative expenses (see note 4).

# Notes to the consolidated financial statements
continued

## 11 Property, plant and equipment

| | Oil and gas assets $'000 | Fixtures and equipment $'000 | Right of use assets $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 31 December 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** |
| **Year ended 31 December 2022** | | | | |
| Opening net book value | 402,094 | 1,033 | 1,078 | 404,205 |
| Additions | 114,909 | 1,595 | — | 116,504 |
| Impairment of surplus drilling stocks | (1,109) | — | — | (1,109) |
| Revision to decommissioning asset | (2,161) | — | — | (2,161) |
| Depreciation charge | (80,177) | (359) | (347) | (80,883) |
| Foreign currency translation differences | — | (12) | (101) | (113) |
| **Closing net book value** | **433,556** | **2,257** | **630** | **436,443** |
| **At 31 December 2022** | | | | |
| Cost | 943,563 | 8,946 | 2,145 | 954,654 |
| Accumulated depreciation | (510,007) | (6,689) | (1,515) | (518,211) |
| **Net book value** | **433,556** | **2,257** | **630** | **436,443** |

The net book value of oil and gas assets at 31 December 2022 is comprised of property, plant and equipment relating to the Shaikan block with a carrying value of $433.6 million (2021: $402.1 million).

The additions to the Shaikan asset during the year include costs relating to the drilling and completion of SH-15 and SH-16, and SH-17 that was completed early 2023, well pad preparation, PF-1 and PF-2 expansion and water handling activities, and subsurface studies.

The decrease in the decommissioning asset represents the change in accounting estimates as detailed in note 17 partially offset by additional decommissioning activities arising from capital projects completed during the year and revisions to decommissioning cost estimates.

The DD&A charge of $80.2 million (2021: $54.1 million) on oil and gas assets has been included within cost of sales (note 3). The depreciation charge of $0.4 million (2021: $0.4 million) on fixtures and equipment and $0.3 million (2021: $0.6 million) on right of use assets has been included in general and administrative expenses (note 4).

Right of use assets at 31 December 2022 of $0.6 million (2021: $1.1 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.

## 12 Group companies

Details of the Company's subsidiaries and joint operations at 31 December 2022 is as follows:

| Name of subsidiary | Place of incorporation | Proportion of ownership interest | Principal activity |
|---|---|---|---|
| Gulf Keystone Petroleum (UK) Limited<br>6th Floor<br>New Fetter Place<br>8-10 New Fetter Lane<br>London EC4A 1AZ | United Kingdom | 100% | Management, support, geological, geophysical and engineering services |
| Gulf Keystone Petroleum International Limited<br>Cedar House, 3rd Floor<br>41 Cedar Avenue<br>Hamilton HM12<br>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

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Warehouse stocks and materials | **6,074** | 5,318 |
| Crude oil | **298** | 700 |
| | **6,372** | 6,018 |

## 14 Trade and other receivables

### Current receivables

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Trade receivables | **158,032** | 174,634 |
| Other receivables | **16,828** | 3,622 |
| Prepayments and accrued income | **1,343** | 944 |
| | **176,203** | 179,200 |

### Reconciliation of Trade Receivables

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Gross carrying amount | **161,112** | 175,754 |
| Less: Impairment allowance | **(3,080)** | (1,120) |
| Carrying value at 31 December | **158,032** | 174,634 |

Gross trade receivables of $161.1 million (2021: $175.8 million) are comprised of invoiced amounts due from the KRG for crude oil sales totalling $148.9 million (2021: $163.6 million) related to August – December 2022 and a share of Shaikan amounts due from the KRG that the Group purchased from MOL amounting to $12.2 million (2021: $12.2 million).

As detailed in the Summary of significant accounting policies, sales revenue for September – December 2022 production and Note 2, the revenue and corresponding receivable have been recognised based on a proposed pricing mechanism. On 8 March 2023 GKP received payment for crude oil sales relating to September 2022 in line with the proposed pricing mechanism; this does not indicate that GKP has accepted the terms of this proposed pricing mechanism.

At 31 December 2022, overdue trade receivables relating to oil sales for August to October 2022 aggregated $99.1 million (2021: $60.4 million). Since year end, $69.0 million has been received; $40.8 million relating to August oil sales and $28.2 million relating to September oil sales, which reflects the proposed pricing mechanism based upon discounted KBT. 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 $3.1 million (2021: $1.1 million) was provided against the receivables balance in line with the requirements of IFRS 9. During the year, a $2.0 million charge was recognised due to the increase in the ECL provision (2021: credit of $7.1 million); driven by an estimated increase in the probability of counterparty default as well as an extension to the expected date of receipt of outstanding receivables.

# Notes to the consolidated financial statements
continued

## 14 Trade and other receivables continued

### Reconciliation of Trade Receivables continued

The Group received the final payments in relation to the arrears outstanding at 31 December 2021 in relation to November 2019 to February 2020 invoices totalling $41.0 million during 2022. This was settled in line with the KRG's proposal to pay 50% 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.

### ECL sensitivities

The Group's profit before tax was not materially sensitive to movements of +/-10% in production level, Brent price, loss given default or probability of default.

### Other receivables

Other receivables includes an amount relating to advances to suppliers of $11.5 million (2021: $0.4 million) related to property, plant and equipment that are included within investing activities in the consolidated cash flow statement.

Included within Other receivables is an amount of $0.4 million (2021: $0.4 million) being the deposits for leased assets which are receivable after more than one year. There are no receivables from related parties as at 31 December 2022 (2021: nil). No impairments of other receivables have been recognised during the year (2021: 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

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Trade payables | 3,499 | 6,494 |
| Accrued expenditures | 40,642 | 25,961 |
| Other payables | 84,035 | 65,927 |
| Current lease liabilities (see note 22) | 385 | 419 |
| | 128,561 | 98,800 |

Other payables include $70.7 million (2021: $56.4 million) of amounts payable to the KRG that are not expected to be paid in cash, but rather offset against historic revenue due from the KRG, which have not yet been recognised in the financial statements. Within this amount, $34.2 million (2021: $22.6 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

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Non-current lease liability (see note 22) | 325 | 789 |

## 16 Long term borrowings

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Liability component at 1 January | 103,482 | 102,993 |
| Interest expense, including unwinding of finance & arrangement fees, and notes early repayment fee | 8,712 | 10,489 |
| Interest paid during the year | (10,194) | (10,000) |
| Principal repaid in year | (100,000) | – |
| Settlement of notes early repayment fee | (2,000) | – |
| **Liability component at 31 December** | **–** | 103,482 |

Liability component reported in:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Current liabilities (see note 15) | – | 4,359 |
| Non-current liabilities | – | 99,123 |
| | – | 103,482 |

In July 2018, the Group completed the private placement of a 5-year senior unsecured $100 million bond issue (the "Notes"). The unsecured Notes were 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 was 25 July 2023;
- the Notes were redeemable in full with a prepayment penalty; and
- the interest rate was 10% per annum with semi-annual payment dates.

During the year, the Group was not in breach of any terms of the Notes.

On 2 August 2022 the Group redeemed the $100m bond and paid a 2% early repayment fee.

The Notes were traded on the Norwegian Stock Exchange and the fair value at the prevailing market price as at the balance sheet date was:

| | **2022 $'000** | 2021 $'000 |
|---|---|---|
| Notes | **—** | 103,750 |

As at year end, the Group's remaining contractual liability comprising principal and interest based on undiscounted cash flows is as follows:

| | **2022 $'000** | 2021 $'000 |
|---|---|---|
| Within one year | **—** | 10,000 |
| Within two years | **—** | 105,639 |
| | **—** | 115,639 |

## 17 Provisions

| Decommissioning provision | **2022 $'000** | 2021 $'000 |
|---|---|---|
| At 1 January | **43,841** | 35,671 |
| New provisions and changes in estimates | **(2,161)** | 7,429 |
| Unwinding of discount | **866** | 741 |
| **At 31 December** | **42,546** | 43,841 |

The $2.2m decrease in new provisions and changes in estimates comprises an increase relating to new drilling and facilities work of $7.6 million (2021: $10.5 million), offset by a reduction of $9.8 million (2021: $3.1 million) due to changes in inflation and discount rates. The provision for decommissioning is based on the net present value of the Group's estimated share of expenditure, inflated in line with the table below and discounted at 3.8% (2021: 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.

| Annual Inflation Assumption (%) | **2022** | 2021 |
|---|---|---|
| 2022 | **—** | 2.00% |
| 2023 | **5.00%** | 2.00% |
| 2024 | **3.00%** | 2.00% |
| 2025-2043 | **2.75%** | 2.00% |

# Notes to the consolidated financial statements
continued

## 18 Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods. The deferred tax assets arise in the United Kingdom.

| | Accelerated tax depreciation $'000 | Share-based payments $'000 | Tax losses carried forward $'000 | Total $'000 |
|---|---|---|---|---|
| **At 1 January 2021** | **(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** |
| (Charge)/credit to income statement | (139) | 241 | 223 | 325 |
| Exchange differences | 62 | (109) | (87) | (134) |
| **At 31 December 2022** | **(572)** | **1,181** | **967** | **1,576** |

## 19 Financial instruments

| | **2022 $'000** | 2021 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **119,456** | 169,866 |
| Receivables | **162,990** | 178,258 |
| | **282,446** | 348,124 |
| **Financial liabilities** | | |
| Trade and other payables | **128,886** | 99,589 |
| Borrowings | **—** | 99,123 |
| | **128,886** | 198,712 |

All financial liabilities, except for 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.

### 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. On 2 August 2022 the company redeemed the Notes, therefore no amount remained outstanding at 31 December 2022 (2021: fair value as determined using market values of $103.8 million; carrying value of $99.1 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 date (unobservable inputs).

The fair value of the Notes disclosed above is based on Level 1 in the hierarchy.

The financial assets balance includes a $3.1 million provision against trade receivables (2021: $1.1 million) (see note 14). All financial assets, except derivatives designated as a hedge, are measured at amortised cost.

### Capital Risk Management

The Group manages its capital to ensure that the entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity structure. The capital structure of the Group consists of cash, cash equivalents, Notes (in prior year) 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 Company'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 2022, 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.

### 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. Prior to redeeming the Notes in August 2022, the Company paid interest on its Notes semi-annually in cash at 10% per annum.

Based on the exposure to 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. 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 2022, the maximum exposure to credit risk from a trade receivable outstanding from one customer is $161.1 million (2021: $175.8 million). Although the Group is confident in the recovery of the trade receivables balance, a provision of $3.1 million (2021: $1.1 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.

# Notes to the consolidated financial statements
continued

## 20 Share capital

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Authorised** | | |
| Common shares of $1 each (2021: $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 | Share capital $'000 | Share premium $'000 | Total amount $'000 |
| **Balance at 1 January 2021** | **211,371** | **211,371** | **842,914** | **1,054,285** |
| Dividends paid | — | — | (100,000) | (100,000) |
| Shares issued | 2,360 | 2,360 | — | 2,360 |
| **Balance at 31 December 2021** | **213,731** | **213,731** | **742,914** | **956,645** |
| Dividends paid | — | — | (214,789) | (214,789) |
| Shares issued | 2,516 | 2,516 | — | 2,516 |
| **Balance at 31 December 2022** | **216,247** | **216,247** | **528,125** | **744,372** |

At 31 December 2022, a total of 0.4 million common shares at $1 each were held by the EBT (2021: 0.1 million at $1 each). These common shares were included within reserves.

### Rights attached to share capital

The holders of the common shares have the following rights (subject to the other provisions of the Byelaws):

(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.

## 21 Cash flow reconciliation

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit from operations | | **273,544** | 174,600 |
| Adjustments for: | | | |
| Depreciation, depletion and amortisation of property, plant and equipment (including the right of use assets) | | **80,883** | 55,111 |
| Amortisation of intangible assets | | **859** | 25 |
| Increase/(Decrease) of provision for impairment of trade receivables | 14 | **1,960** | (7,065) |
| Put option hedging losses reclassified to revenue | | **—** | 3,752 |
| Share-based payment expense | 24 | **1,866** | 1,197 |
| Impairment of PPE items | | **1,109** | — |
| **Operating cash flows before movements in working capital** | | **360,221** | 227,620 |
| Increase in inventories | | **(354)** | (258) |
| Decrease/(Increase) in trade and other receivables | | **11,640** | (75,259) |
| Increase in trade and other payables | | **12,339** | 36,977 |
| Income taxes received | | **—** | 75 |
| **Cash generated from operations** | | **383,846** | 189,155 |

Reconciliation of property, plant and equipment additions to cash flows from purchase of property, plant and equipment:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Associated cash flows** | | |
| Additions to property, plant and equipment | **116,617** | 46,417 |
| Movement in working capital | **(11,214)** | 6,927 |
| **Non-cash movements** | | |
| Capitalised share option charges | **—** | (409) |
| Foreign exchange differences | **(112)** | 24 |
| **Purchase of property, plant and equipment** | **105,291** | 52,959 |

### 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 (2021: $0.7 million).

# Notes to the consolidated financial statements

continued

## 22 Lease Liabilities

During 2022, the total cash outflows relating to leased assets was $0.5 million (2021: $0.7 million); this amount is the total of capital repayments, interest charges and foreign exchange impact.

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Analysed as:** | | |
| Current liabilities (note 15) | **385** | 419 |
| Non-current liabilities (note 15) | **325** | 789 |
| | **710** | 1,208 |
| **Lease liability maturity analysis** | | |
| Year 1 | **385** | 419 |
| Year 2 | **325** | 789 |
| **Amounts payable under leases** | | |
| Within one year | **436** | 509 |
| In the second to fifth year inclusive | **339** | 868 |
| | **775** | 1,377 |
| Less future interest charges | **(65)** | (169) |
| **Net present value of lease obligations** | **710** | 1,208 |

## 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 2022, gross capital commitments in relation to the Shaikan Field were estimated to be $41.9 million (2021: $20.6 million).

## 24 Share-based payments

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Total share options charge | **3,266** | 2,664 |
| Capitalised share options charge | **—** | (409) |
| **Share options charge in Income Statement** | **3,266** | 2,255 |

### Value Creation Plan ("VCP")

The VCP was approved by shareholders in December 2016. As at 31 December 2022, nil (2021: 3.5 million) nil-cost share options were outstanding under the VCP. There will be no further awards under the plan.

During the year, the awards that were outstanding at 31 December 2021 vested, with the Company achieving a Total Shareholder Return ("TSR") of at least 8% compound annual growth, in accordance with the VCP rules.

| | 2022 Number of share options '000 | 2021 Number of share options '000 |
|---|---|---|
| Outstanding at 1 January | **3,508** | 7,017 |
| Exercised during the year | **(3,508)** | (3,509) |
| Outstanding at 31 December | **—** | 3,508 |
| Exercisable at 31 December | **—** | 3,508 |

No VCP options remained outstanding at 31 December 2022 with all remaining awards at 2021 year end fully exercised in 2022.

### 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 as defined in the scheme rules, the options may be exercised at any time within a period of six months from departure date.

| | **2022 Number of share options '000** | 2021 Number of share options '000 |
|---|---|---|
| Outstanding at 1 January | **65** | 973 |
| Exercised during the year | **(55)** | (908) |
| Outstanding at 31 December | **10** | 65 |
| Exercisable at 31 December | **10** | 65 |

The weighted average share price at the date of exercise for share options exercised during the year was £2.56 (2021: £1.70).

During the year no options (2021: nil) were granted to employees under the Group's SRP.

A charge of nil (2021: nil) 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:

| | Options ('000) | |
|---|---|---|
| Expiry date | **2022** | 2021 |
| 11 December 2026 | **9** | 12 |
| 30 June 2027 | **1** | 53 |
| | **10** | 65 |

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of four 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.

| | **2022 Number of share options '000** | 2021 Number of share options '000 |
|---|---|---|
| Outstanding at 1 January | **8,275** | 7,254 |
| Granted during the year | **2,278** | 2,747 |
| Exercised during the year | **(586)** | (1,014) |
| Forfeited during the year | **(1,182)** | (712) |
| Outstanding at 31 December | **8,785** | 8,275 |
| Exercisable at 31 December | **—** | — |

The weighted average share price at the date of exercise for share options exercised during the year was £2.44 (2021: £1.69).

The inputs into the calculation of fair values of the shares granted during the year are as follows:

| | **2022** | 2021 |
|---|---|---|
| Weighted average share price | **£2.44** | £2.26 |
| Weighted average exercise price | **Nil** | Nil |
| Expected volatility | **57.7%** | 58.7% |
| Expected life | **3 years** | 3 years |
| Risk-free rate | **0.14%** | 0.14% |
| Expected dividend yield (on the basis dividends equivalents received) | **Nil** | Nil |

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of two years.

The aggregate of the estimated fair value of options granted in 2022 is $5.0 million (2021: $4.3 million).

A charge of $3.1 million (2021: $2.5 million) in relation to the LTIP is included in the total share options charge.

# Notes to the consolidated financial statements
continued

## 25 Dividends

During 2022 a total of $215 million (2021: $100 million) of dividends were paid to shareholders including an ordinary dividend of $25 million (11.561 US cents per Common Share), a special dividend of $50 million (23.12 US cents per Common Share) and interim dividends totalling $140 million (65.27 US cents per Common Share).

To date in 2023 an interim dividend of $25 million has been paid. An ordinary dividend of $25 million is subject to approval at the AGM on 16 June 2023.

## 26 Related party transactions

The Company has a related party relationship with its subsidiaries and in the ordinary course of business, enters into various sales, purchase and service transactions with joint operations in which the Company 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 2022 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
- W Mwaura – Non-Executive Director (appointed July 2022)
- J Harris – Chief Executive Officer
- I Weatherdon – Chief Financial Officer
- G Papineau-Legris – Chief Commercial Officer
- C Kinahan – Chief Human Resources Officer
- A Robinson – Chief Legal Officer and Company Secretary
- S Catterall – Chief Operating Officer (resigned February 2022)
- J Hulme – Chief Operating Officer (appointed April 2022)

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

| | **2022 $'000** | 2021 $'000 |
|---|---|---|
| Short-term employee benefits | **4,725** | 5,809 |
| Share-based payment – options | **1,499** | 1,012 |
| | **6,224** | 6,821 |

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

## 27 Contingent Liabilities

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

# 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.

| | **2022** | 2021 |
|---|---|---|
| Gross production (MMstb) | **16.1** | 15.9 |
| Gross operating costs ($ million)[1] | **52.3** | 43.0 |
| Gross operating costs per barrel ($ per bbl) | **3.2** | 2.7 |

(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.

| | **2022 $ million** | 2021 $ million |
|---|---|---|
| Profit after tax | **266.1** | 164.6 |
| Finance costs | **9.7** | 11.4 |
| Finance revenue | **(0.6)** | (0.4) |
| Tax credit | **(0.3)** | (0.9) |
| Depreciation of oil and gas assets | **80.2** | 54.1 |
| Depreciation of other PPE assets and amortisation of intangibles | **1.4** | 1.0 |
| Impairment of receivables | **2.0** | (7.1) |
| Adjusted EBITDA | **358.5** | 222.7 |

# 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 or any asset impairment.

| | **2022 $ million** | 2021 Restated[(1)] $ million |
|---|---|---|
| Net capital expenditure (note 11) | **114.9** | 46.2 |

(1) The definition of net capital expenditure has been amended to no longer exclude the increase/decrease of drilling and other equipment.

## 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.

| | **2022 $ million** | 2021 $ million |
|---|---|---|
| Outstanding Notes | **—** | (99.1) |
| Unamortised issue costs (note 16) | **—** | (0.9) |
| Cash and cash equivalents | **119.5** | 169.9 |
| Net cash | **119.5** | 69.9 |

## Free cash flow

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

| | **2022 $ million** | 2021 $ million |
|---|---|---|
| Net cash generated from operating activities | **374.3** | 178.6 |
| Net cash used in investing activities | **(107.4)** | (55.7) |
| Payment of leases | **(0.4)** | (0.7) |
| Free cash flow | **266.5** | 122.2 |

# Report on Payments to Governments

for 2022

## 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 2022 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, prospection, 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 estimates 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

| | 2022 |
|---|---|
| Production entitlements in-kind(1) (mboe(2)) | 5,280 |
| Production entitlements in-kind(1) ($'000) | 392,974 |
| Royalties in-kind(1) (mboe(2)) | 1,292 |
| Royalties in-kind(1, 2) ($'000) | 96,136 |
| Licence fees and capacity building payments in-kind(3) ($'000) | 25,009 |
| Infrastructure improvement payments(4) | 732 |
| **Total (mboe(2))** | **6,571** |
| **Total ($'000)** | **514,851** |

(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 historic revenue due from the KRG, which have not yet been recognised in the financial statements.

(4) Wheat improvement measures and training of farmers, hydroponic fodder units, drilling of water wells, construction of water supply network and purchase of generators.

# Glossary

| | |
|---|---|
| 1P | proved reserves |
| 2C | best estimate of contingent resources |
| 2P | proved plus probable reserves |
| AGM | Annual General Meeting |
| bbl | barrel |
| bopd | barrels of oil per day |
| Capex | capital expenditure |
| CGU | cash-generating unit |
| COVID-19 | Coronavirus |
| CPR | Competent Person's Report |
| CSR | corporate social responsibility |
| DD&A | depreciation, depletion and amortisation |
| E&P | exploration and production |
| EBITDA | earnings before interest, tax, depreciation and amortisation |
| EBT | employee benefit trust |
| ECL | expected credit losses |
| ERCE | ERC Equipoise Ltd |
| ESG | environmental, social and governance |
| ESIA | environmental and social impact assessment |
| ERP | Enterprise Resource Planning |
| ESP | electric submersible pump |
| FDP | Field Development Plan |
| FVTPL | fair value through profit and loss |
| G&A | general and administrative |
| GHG | greenhouse gas |
| GKP | Gulf Keystone Petroleum Limited |
| GKPI | Gulf Keystone Petroleum International Limited |
| GMP | Gas Management Plan |
| GRI | Global Reporting Initiative |
| HSE | health, safety and environment |
| IA | Investment Association |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| 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 |
| KRG | Kurdistan Regional Government |
| LTI | Lost Time Incident |
| LTIP | Long-Term Incentive Plan |
| LTIR | Lost Time Incident Rate |
| MMbbls | million barrels |
| MMstb | million stock tank barrels |
| MNR | Ministry of Natural Resources of the Kurdistan Regional Government |
| MOL | Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc) |
| OBM | oil-based mud |
| OPEC | Organization of the Petroleum Exporting Countries |
| Opex | operating costs |
| PDMR | Persons Discharging Managerial Responsibilities |
| PF-1 | Shaikan Production Facility 1 |
| PF-2 | Shaikan Production Facility 2 |
| PID | photo-ionisation detector |
| PPE | property, plant and equipment |
| PSC | Production Sharing Contract |
| SASB | Sustainability Accounting Standards Board |
| SDGs | The UN's Sustainable Development Goals |
| SECR | Streamlined Energy and Carbon Reporting |
| SH | Shaikan |
| Shaikan PSC | PSC for the Shaikan block between the KRG, Gulf Keystone Petroleum International Limited, Texas Keystone, Inc and MOL signed on 6 November 2007 as amended by subsequent agreement |
| SID | Senior Independent Director |
| SRP | Staff Retention Plan |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TRIR | Total Recordable Incident Rate |
| TSR | total shareholder return |
| UKLA | United Kingdom Listing Authority |
| VCP | Value Creation Plan |
| WEF | Water Environment Federation |
| WHO | World Health Organization |
| WI | working interest |
| $ | US dollars |

# Directors and advisers

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Non-Executive Chairman

**Jon Harris**
Chief Executive Officer

**Ian Weatherdon**
Chief Financial Officer

**Martin Angle**
Deputy Chairman and Senior Independent Director

**Kimberley Wood**
Non-Executive Director

**David Thomas**
Non-Executive Director

**Wanda Mwaura**
Non-Executive Director

**Garrett Soden**
Non-Executive Director

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# Key shareholder engagements

**18 January 2023**
Pareto Securities' 18th Annual E&P Independents Conference, London

**2 March 2023**
SpareBank 1 Markets 2023 Energy Conference, Oslo

**23 March 2023**
2022 full-year results announcement

**16 June 2023**
AGM, via webcast

**1 September 2023**
2023 half-year results announcement

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

**www.gulfkeystone.com**

**Gulf Keystone Petroleum Limited** Annual report and accounts 2022