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Gulf Keystone Petroleum Ltd. (LSE: GKP)
("Gulf Keystone", "GKP" or "the Company")

Operational & Corporate Update

In advance of the publication of its 2023 Half Year Results on 31 August 2023, Gulf Keystone, a leading independent operator and producer in the Kurdistan Region of Iraq ("KRI" or "Kurdistan"), is today providing an update on operational and corporate activity.

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

"While no official timeline has been announced, we continue to believe the suspension of Kurdistan crude exports will be temporary and that the KRG will resume oil sales payments in due course. As political negotiations continue, we remain focused on what is within our control to preserve and bolster liquidity. We are pleased to have commenced local sales in July and partially restarted Shaikan Field production, increasing gross average sales volumes to 11,700 bopd in August to date while receiving payments in advance. We are actively pursuing additional local sales opportunities, although pricing and volumes remain unpredictable. At the same time, we are continuing to reduce our costs, pursue inventory sales and proactively manage our accounts payable. We look forward to providing a further update on progress at our half year results later this month."

Following the shut-in of the Iraq-Turkey pipeline on 25 March 2023, exports from the Shaikan Field remain suspended and no further oil sales payments have been received from the Kurdistan Regional Government ("KRG") since the payment of the September 2022 invoice of \$26.9 million net on 9 March 2023. Outstanding receivables of \$151 million net are owed to the Company for the months of October 2022 to March 2023 on the basis of the KBT pricing mechanism.

While no official timeline has been announced, GKP continues to believe that the suspension of exports will be temporary and that the KRG will resume payments to GKP and other International Oil Companies ("IOCs") operating in Kurdistan in due course.

In particular, the Company notes that:

- Discussions between the KRG, the Iraqi Ministry of Oil and Turkish authorities regarding the restart of pipeline operations remain ongoing
- The approval of the 2023-2025 Iraqi budget marks significant progress towards creating a new framework for KRG production that is recognised by Baghdad in return for budget transfers
 - While there is the potential for budget transfers to broadly cover the KRG's monthly expenditures, including ongoing IOC receivables, certain aspects to fully implement the budget and determine monthly transfer amounts remain unclear and are the subject of ongoing negotiations between Kurdistan and Iraq
- The KRG Prime Minister Masrour Barzani has assured GKP and other IOCs operating in Kurdistan that production sharing contracts will be honoured and outstanding receivables will be repaid

In the interim, GKP remains focussed on preserving and bolstering its liquidity by exploring opportunities to increase local crude sales, further reduce costs, pursue inventory sales and proactively manage accounts payable:

- On 19 July 2023, the Company commenced sales to the local market by restarting production and trucking operations from PF-1. Crude sales averaged around 4,900 bopd gross for the period from 19 July to 31 July. Since the beginning of August, volumes have increased, with gross average sales of around 11,700 bopd. Volumes are sold at realised prices in line with the local market, with advance payments received in accordance with production sharing contract entitlements
- The Company is actively pursuing additional opportunities to increase local sales further. While a number of parties have expressed interest in purchasing Shaikan crude oil, the outlook for volumes and pricing remains difficult to predict
- The Company continues to aggressively reduce all costs across the business and remains focused on maintaining net capital expenditures, operating costs and G&A expenses at a monthly run rate of around \$6 million from July 2023, in line with previous guidance. The Company continues to explore options to further reduce costs
- The Company's cash balance as at 8 August 2023 was \$80 million with no outstanding debt

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Notes to Editors:

Gulf Keystone Petroleum Ltd. (LSE: GKP) is a leading independent operator and producer in the Kurdistan Region of Iraq. Further information on Gulf Keystone is available on its website www.gulfkeystone.com

Disclaimer

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