Gulf Keystone Petroleum Ltd (GKP)
2024 Half Year Results Announcement

29-Aug-2024 / 07:00 GMT/BST

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29 August 2024

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

2024 Half Year Results Announcement

Gulf Keystone, a leading independent operator and producer in the Kurdistan Region of Iraq, today announces its results for the half year ended 30 June 2024.

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

"We have safely delivered a solid operational and financial performance in the first half of 2024, with robust local sales combined with sustained capital and cost discipline supporting our return to profitability and free cash flow generation in the period. Cash flow has enabled us to strengthen our balance sheet and restart shareholder distributions, with 25 million returned to shareholders in 2024 to date.

Looking ahead, we continue to engage with government stakeholders to push for an exports restart solution, with significant potential value to be unlocked for Kurdistan, Iraq and the Company. In the interim, we remain focused on maximising shareholder value from local sales. To capitalise on continued strong demand, we are pursuing incremental opportunities to optimise production and improve process safety and reliability. We also continue to review the Company's capacity for additional dividends or buybacks to build on our track record of shareholder returns."

Highlights to 30 June 2024 and post reporting period

Operational

- Continued strong safety track record, with no Lost Time Incidents for over 590 days
- Gross average production increased 69% to 39,252 bopd in H1 2024 (H1 2023: 23,256 bopd), reflecting robust local market demand for Shaikan Field crude
- Gross average production of c.41,400 bopd in 2024 year to date
  - Local market demand rebounded in February and has remained high
  - Strong gross average production in July of c.47,900 bopd and in August to date of c.48,200 bopd
  - Realised prices have fluctuated between 25/bbl - 28/bbl and are currently at c. 27/bbl
- Shaikan Field reservoir and operations have continued to perform well following the smooth ramp up of production at the beginning of 2024 and the subsequent transition to 24/7 truck loading
- No operational impact from regional tensions; we continue to closely monitor the security environment and take precautions to protect the organisation

Financial

- Successful return to profitability and free cash flow generation in H1 2024 following a challenging 2023, driven by pre-paid local sales and capital and cost discipline
- Adjusted EBITDA increased 6% to 36.4 million (H1 2023: 34.2 million) as higher production and cost reductions offset the decline in realised prices related to the transition from exports to discounted local sales
  - Revenue decreased 11% to 71.2 million (H1 2023: 79.6m) as the increase in H1 2024 production was more than offset by the 49% decline in average realised price to 26.3/bbl (H1 2023: 51.3/bbl)
  - Gross operating costs per barrel decreased 25% to 4.2/bbl (H1 2023: 5.6/bbl), reflecting higher production and cost control
- Net capital expenditure of 7.8 million (H1 2023: 47.0 million) reflecting the Company's focused 2024 work programme of safety critical upgrades and production optimisation expenditures
- Monthly average net capex, operating costs and other G&A in H1 2024 of 6.2 million, in line with guidance
- Free cash flow generation of 26.6 million (H1 2023 free cash outflow: 9.9 million) enabled the Company to strengthen its balance sheet and restart shareholder distributions
  - 25 million returned to shareholders in 2024 year to date, comprising a 10 million share buyback (initiated in May and completed in July) and 15 million interim dividend (paid in July)
- Cash balance of 102.3 million as at 30 June 2024 (31 December 2023: 81.7 million); latest balance as at 28 August 2024 of 98.2 million

Outlook

- GKP remains focused on maximising shareholder value from local sales and unlocking significant potential additional value from the restart of Kurdistan exports

Local sales and production

- The Company sees continued robust local sales demand in the near term while longer term market dynamics remain uncertain
- The Shaikan Field is producing close to its maximum capacity reflecting prudent reservoir management in the current investment constrained environment
- Planned safety-critical upgrades and maintenance are scheduled for November 2024, requiring the shutdown of PF-1 for c.3 weeks with an expected gross production impact of c.26,000 bopd, as previously announced
- The Company continues to exercise capital and cost discipline to maximise free cash flow while maintaining production capacity to respond to local market demand and the restart of exports
  - Average monthly aggregate net capex, operating costs and other G&A run rate in 2024 now expected to be c. 7 million
  - Reflects incremental expenditures on production optimisation, process safety & reliability and associated resources to capitalise on continued

local sales demand following the strong performance year to date
    - Net capex and operating costs expected to be weighted to H2 2024, as safety critical upgrades are completed as part of the planned PF-1 shutdown; estimated 2024 net capex remains c. 20 million

Shareholder distributions

- GKP remains committed to returning excess cash to shareholders via dividends or share buybacks, subject to conserving sufficient liquidity to manage the current operating environment and ensuring the Company is able to transition successfully from local sales to the restart of Kurdistan exports and normalisation of Kurdistan Regional Government ("KRG") payments

Kurdistan exports

- GKP continues to engage with government stakeholders regarding a pipeline exports restart solution with the objective of unlocking significant potential value for shareholders
- GKP remains ready to restart exports, contingent upon reaching agreements on payment surety for future oil exports, the repayment of outstanding exports sales receivables (of which GKP is owed over 150 million net) and the preservation of current contract economics

Investor & analyst presentations

GKP's management team will be hosting a presentation for analysts and investors at 10:00am (BST) today via live audio webcast:

https://brrmedia.news/GKP_HY_24

Management will also be hosting an additional webcast presentation focused on retail investors via the Investor Meet Company ("IMC") platform at 12:00pm (BST) today. The presentation is open to all existing and potential shareholders and participants will be able to submit questions at any time during the event.

https://www.investormeetcompany.com/gulf-keystone-petroleum-ltd/register-investor

Recordings of both presentations will be made available on GKP's website.

This announcement contains inside information for the purposes of the UK Market Abuse Regime.

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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

This announcement contains certain forward-looking statements that are subject to the risks and uncertainties associated with the oil & gas exploration and production business. These statements are made by the Company and its Directors in good faith based on the information available to them up to the time of their approval of this announcement but such statements should be treated with caution due to inherent risks and uncertainties, including both economic and business factors and/or factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. This announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. This announcement should not be relied on by any other party or for any other purpose.

CEO review

Gulf Keystone delivered a solid operational and financial performance in the first half of 2024, with robust local sales and sustained capital and cost discipline generating free cash flow, enabling us to strengthen our balance sheet and reward our shareholders with the restart of distributions. During the period we have been able to maintain our strong safety track record, with over 590 days without a Lost Time Incident.

Gross average production has been c.41,400 bopd in 2024 year to date as at 27 August 2024. Following weaker demand in January due to local refinery constraints and challenges from winter weather, local market demand rebounded in February and has remained robust since. While we experienced minor fluctuations of volumes in April and June from the impact of Eid celebrations on truck availability, we have seen strong gross average production in July and August to date of c.47,900 bopd and c.48,200 bopd respectively. The Shaikan Field reservoir and operations have continued to perform well following the smooth ramp up of production at the beginning of 2024 and subsequent transition to 24/7 truck loading. Realised prices have fluctuated in a range between 25/bbl - 28/bbl and are currently at c. 27/bbl.

We have continued to exercise capital and cost discipline to maximise value creation from local sales. Our performance has enabled us to generate free cash flow of 26.6 million in the first half of 2024 relative to a 9.9 million outflow in the first half of 2023. Consequently, we have been able to strengthen our balance sheet and restart shareholder distributions, with 25 million paid to shareholders in 2024 year to date, comprising a 10 million share buyback and 15 million interim dividend.

We have continued to engage with government stakeholders, both as a single company and in collaboration with other International Oil Companies ("IOCs") in Kurdistan, to enable an exports restart solution. We have seen some traction, with tripartite negotiations between the Federal Government of Iraq, Kurdistan Regional Government ("KRG") and IOCs taking place earlier this year.

We continue to believe there are major economic benefits to be unlocked for Kurdistan and Federal Iraq from achieving a solution. Kurdistan production, historically around 400,000 bopd, sold at international prices would provide a significant source of funding for Kurdistan's share of the Federal Iraqi budget, which otherwise has been funded since the closure of the Iraq-Turkey Pipeline through loans or fiscal revenue generated in Federal Iraq. For GKP, the restart of exports could unlock significant value, potentially more than doubling current realised prices. The repayment of over 150 million net to GKP of outstanding receivables for October 2022 to March 2023 exports sales would bring further upside. We remain ready to restart exports, contingent upon reaching agreements on payment surety for future oil exports, the repayment of outstanding exports sales receivables and the preservation of current contract economics.

Looking ahead to the remainder of the year, we will continue to push for an exports restart solution. In the meantime, we remain focused on maximising free cash flow from local sales while retaining production capacity to capitalise on local market demand and the restart of exports.

We see robust local sales demand in the near term. Longer term, visibility remains low as the market is dictated by the forces of local supply and demand. Consequently, production guidance remains suspended. Nonetheless, at current sales levels we are producing at close to maximum capacity as we prudently manage the reservoir in the current investment constrained environment, optimising well production rates to avoid traces of water and manage field declines estimated at 6-10% per year. We also expect production to be reduced by c.26,000 bopd for around three weeks in November as we execute a shutdown of PF-1 to complete safety critical upgrades.

GKP's performance continues to be enabled by the dedication and skill of our teams across the Company and I would like to thank all of our staff for their continued hard work. I would also like to thank GKP's shareholders for their continued support. We are in a fundamentally more positive place relative to a year ago and I believe offer an attractive investment case combining our ability to create shareholder value from local sales and the option of significant potential upside from the restart of exports and normalisation of our operating environment.

Jon Harris
Chief Executive Officer

28 August 2024

Financial review

Key financial highlights

		Six months ended 30 June 2024	**Six months ended 30 June 2023**	**Year ended 31 December 2023**
Gross average production(1)	bopd	**39,252**	23,256	21,891
Dated Brent(2)	/bbl	**84.1**	81.2	82.6
Realised price(1)	/bbl	**26.3**	51.3	40.9
Discount to Dated Brent	/bbl	**57.8**	29.9	41.7
Revenue	m	**71.2**	79.6	123.5
Operating costs	m	**23.9**	18.9	36.1
Gross operating costs per barrel(1)	/bbl	**4.2**	5.6	5.6
Other general and administrative expenses	m	**5.4**	9.1	10.5
Share option expense	m	**2.1**	8.4	10.8
Adjusted EBITDA(1)	m	**36.4**	34.2	52.7
Profit/(loss) after tax	m	**0.4**	(2.9)	(11.5)
Basic earnings/(loss) per share	cents	**0.2**	(1.3)	(5.3)
Revenue receipts(1)	m	**65.5**	65.7	109.2
Net capital expenditure(1)	m	**7.8**	47.0	58.2
Free cash flow(1)	m	**26.6**	(9.9)	(13.1)
Shareholder distributions(3)	m	**20.9**	25.0	24.8
Cash and cash equivalents	m	**102.3**	84.9	81.7

1. Gross average production, realised price, gross operating costs per barrel, Adjusted EBITDA, revenue receipts, net capital expenditure and free cash flow are either non-financial or non-IFRS measures and, where necessary, are explained in the summary of non-IFRS measures.
2. For the periods six months ended 30 June 2024 and year ended 31 December 2023, a simple average Dated Brent price is provided as a comparator for realised price. Realised prices for local sales are currently driven by supply and demand dynamics in the local market, with no direct link to Dated Brent. For the period six months ended 30 June 2023, Dated Brent reflects the weighted average price used for export sales between 1 January to 24 March 2023 prior to the Iraq-Turkey Pipeline closure.
3. Includes both paid and declared dividends. In the period six months ended 30 June 2024, shareholder distributions comprise the 15 million interim dividend, paid on 19 July 2024, and 5.9 million of the Company's 10 million share buyback programme launched on 13 May 2024 and completed on 23 July 2024; shareholder distributions in prior periods consist solely of dividends.

Following a challenging year in 2023 impacted by the suspension of Kurdistan exports in March and delays to KRG export sales payments, GKP returned to free cash flow generation in the first half of 2024, driven by robust pre-paid sales of Shaikan Field crude to the local Kurdistan market and capital and cost discipline, with monthly average capex and costs in line with guidance. Free cash flow enabled the Company to strengthen its balance sheet, settling all overdue invoices in the first quarter of 2024, and restart shareholder distributions, with 25 million paid to shareholders in 2024 year to date, including a 10 million share buyback and 15 million interim dividend.

Adjusted EBITDA

Adjusted EBITDA increased 6% to 36.4 million in H1 2024 (H1 2023: 34.2 million) as robust volumes from local sales and cost reductions more than offset the decline in realised prices related to the transition from exports to discounted local sales.

Gross average production increased 69% to 39,252 bopd (H1 2023: 23,256 bopd) driven by strong local sales, significantly higher than the first half of 2023 which included the curtailment and shut-in of Shaikan Field production following the suspension of Kurdistan exports on 25 March 2023.

Revenue decreased 11% to 71.2 million (H1 2023: 79.6m) as the increase in H1 2024 volumes was more than offset by the 49% decline in average realised price to 26.3/bbl (H1 2023: 51.3/bbl). Realised prices for local sales remain driven by supply and demand dynamics in the local market, with no direct link to Dated Brent.

The Company continued to exercise cost control in the first half of 2024 while maintaining full production capacity to respond to local market demand and the potential restart of exports.
Gross operating costs per barrel decreased 25% to 4.2/bbl (H1 2023: 5.6/bbl), reflecting higher production. Operating costs of 23.9 million were 27% higher year-on-year (H1 2023: 18.9 million), primarily reflecting the shut in of production for the majority of Q2 2023.

Other G&A expenses were 5.4 million in H1 2024 (H1 2023: 9.1 million), reflecting the absence of non-recurring corporate costs of 2.1 million incurred in H1 2023 and cost reductions.

Share option expense of 2.1 million was 75% lower year-on-year, principally reflecting the sharply reduced vesting of the 2021 LTIP award in H1 2024 relative to the vesting of the 2020 LTIP award in H1 2023.

Cash flows

Revenue receipts of 65.5 million were flat relative to the prior period (H1 2023: 65.7 million), reflecting local sales pre-payments at lower realised prices in H1 2024 compared to the delayed receipt of KRG payments for August and September 2022 export sales in H1 2023. 151 million of overdue receivables from the KRG for October 2022 to March 2023 export sales remain outstanding, which the Company continues to expect to recover in full.

Net capital expenditure in H1 2024 was 7.8 million (H1 2023: 47.0 million), comprising safety critical upgrades and production optimisation expenditures. The 83% decrease relative to H1 2023 reflects the termination of all expansion, drilling and well workover activity following the suspension of Kurdistan exports.

Free cash flow generation in H1 2024 was 26.6 million, relative to a 9.9 million outflow in H1 2023. With improving liquidity, good visibility on near term local sales demand and the cheap valuation of GKP's share price, the Company announced on 13 May 2024 the launch of a 10 million share buyback programme, which was completed on 23 July 2024. Given continued robust local sales, the buyback was supplemented with the payment of a 15 million interim dividend on 19 July 2024, increasing aggregate shareholder distributions in the year to date to 25 million.

GKP's cash balance was 102.3 million as at 30 June 2024 (31 December 2023: 81.7 million). Continued free cash flow generation from local sales in July and August 2024 have more than offset shareholder distributions, with the Company's cash balance as at 28 August 2024 of 98.2 million.

The Group performed a cash flow and liquidity analysis, including consideration of the current uncertainty over the timing of the pipeline reopening and settlement of outstanding amounts due from the KRG, and the fact that the outlook for local sales volumes and pricing cannot be predicted. Based on this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for twelve months. Therefore, the going concern basis of accounting is used to prepare the financial statements.

Net entitlement

The Company shares Shaikan Field revenues with its partner, MOL, and the KRG, based on the terms of the Shaikan Production Sharing Contract. GKP's net entitlement includes the recovery of the Company's investment in the Shaikan Field through cost oil and a share of the profits through profit oil, less a Capacity Building Payment owed to the KRG. The Company's net entitlement of gross Shaikan Field sales remained 36% in H1 2024 and is expected to remain at a similar level in H2 2024.

The unrecovered cost oil and R-factor are used to calculate monthly cost oil and profit oil entitlements, respectively, owed to the Company from crude oil sales. As at 30 June 2024, there was 189 million of gross unrecovered cost oil, subject to potential cost audit by the KRG. The R-factor, calculated as cumulative gross revenue receipts of 2,313 million divided by cumulative gross costs of 1,913 million, was 1.21.

Outlook

Looking ahead to the remainder of 2024, the Company remains focused on maximising shareholder value from the local sales market while preserving sufficient liquidity to manage the current operating environment and unlock significant potential value from the restart of Kurdistan exports.

Monthly average aggregate net capex, operating costs and other G&A in 2024 are now expected to be c. 7 million (vs. c. 6 million previously), reflecting incremental expenditures on production optimisation, process safety & reliability and associated resources to capitalise on continued local sales demand following our strong performance in the year to date. Net capex and operating costs are expected to be weighted to the second half of the year as safety critical upgrades are completed during the c.3 week PF-1 shutdown scheduled for November 2024. 2024 net capex continues to be estimated at c. 20 million as per original guidance. While local sales demand is expected to remain strong in the near term, the Company retains flexibility to rapidly and significantly reduce capital expenditures and costs in a downside scenario.

As demonstrated by the recent restart of distributions, GKP remains committed to returning excess cash to shareholders via dividends or share buybacks, taking into account sufficient liquidity to manage the current operating environment and ensuring the successful transition from local sales to the restart of Kurdistan exports and normalisation of KRG payments. With improvements in the operating environment, the Company's ambition is to reinstate an appropriate distributions policy to provide shareholders with greater clarity on returns. In the interim, the Board will continue to review the Company's capacity for additional shareholder returns.

Gabriel Papineau-Legris
Chief Financial Officer

28 August 2024

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 International Financial Reporting Standards ("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.

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
Gross production (MMstb)	**7.2**	4.2	8.0
Gross operating costs (million)(1)	**29.9**	23.6	45.1
Gross operating costs per barrel (per bbl)	**4.2**	5.6	5.6

1. Gross operating costs equate to operating costs (see note 5) 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, impairment of receivables and provision against inventory held for resale.

	Six months ended 30 June 2024 million	Six months ended 30 June 2023 million	Year ended 31 December 2023 million
Profit/(loss) after tax	**0.4**	(2.9)	(11.5)
Finance costs	**0.8**	0.9	1.8
Finance income	**(2.0)**	(2.1)	(3.8)
Tax charge	**0.6**	0.4	0.1
Depreciation of oil and gas assets	**36.5**	20.6	39.5
Depreciation of other PPE assets and amortisation of intangibles	**1.7**	1.3	2.6
(Decrease)/increase of expected credit loss provision on trade receivables	**(1.7)**	13.9	21.4
Provision against inventory held for resale	**-**	2.1	-
Adjusted EBITDA	**36.4**	34.2	50.1

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.

	30 June 2024 million	30 June 2023 million	31 December 2023 million
Cash and cash equivalents	**102.3**	84.9	81.7
Borrowings	**-**	-	-
Net cash	**102.3**	84.9	81.7

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.

	Six months ended 30 June 2024 million	Six months ended 30 June 2023 million	Year ended 31 December 2023 million
Net capital expenditure	**7.8**	47.0	58.2

Free cash flow

Free cash flow represents the Group's cash flows, before any dividends and share buybacks including related fees.

	Six months ended 30 June 2024 million	Six months ended 30 June 2023 million	Year ended 31 December 2023 million
Net cash generated from operating activities	**42.8**	31.7	51.3
Net cash used in investing activities	**(16.0)**	(41.3)	(63.9)
Payment of leases	**(0.2)**	(0.3)	(0.5)
Free cash flow	**26.6**	(9.9)	(13.1)

Principal risks & uncertainties

The Board determines and reviews the key risks for the Group on a regular basis. The principal risks, and how the Group seeks to mitigate them, for the second half of the year are largely consistent with those detailed in the management of principal risks and uncertainties section of the 2023 Annual Report and Accounts. The principal risks are listed below:

Strategic	**Operational**	**Financial**
Political, social and economic	Health, safety and	Liquidity and funding

instability	environment ("HSE") risks	capability
Export route availability	Gas flaring	Oil revenue payment mechanism
Stakeholder misalignment	Security	Commodity prices
Disputes regarding title or exploration and production rights	Reserves	
Business conduct and anti corruption	Field delivery risk	
Risk of economic sanctions impacting the Group		
Climate change		
Organisation and talent		
Cyber security		

Responsibility statement

The Directors confirm that to the best of their knowledge:

a. the condensed set of financial statements has been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting';
b. the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c. the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Jon Harris
Chief Executive Officer

28 August 2024

INDEPENDENT REVIEW REPORT TO GULF KEYSTONE PETROLEUM LIMITED

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by Gulf Keystone Petroleum Limited (the "company") and its subsidiaries (the "Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related explanatory notes that have been reviewed.

Basis for conclusion

We conducted our review in accordance with Revised International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410 (Revised)"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the UK adopted International Accounting Standard 34 "Interim Financial Reporting", the Bermuda Companies Act 1981 and Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, 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.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants

London, UK

28 August 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed consolidated income statement
For the six months ended 30 June 2024

	Notes	**Six months ended 30 June 2024 Unaudited ’000**	Six months ended 30 June 2023 Unaudited ’000	Year ended 31 December 2023 Audited ’000
Revenue	4	**71,186**	79,555	123,514
Cost of sales	5	**(65,675)**	(51,156)	(93,953)
Decrease/(increase) of expected credit loss provision on trade receivables	12	**1,676**	(13,939)	(21,378)
Gross profit		**7,187**	14,460	8,183
Other general and administrative expenses	6	**(5,392)**	(9,080)	(10,466)
Share option related expense	7	**(2,055)**	(8,372)	(10,760)
Loss from operations		**(260)**	(2,992)	(13,043)
Finance income		**2,008**	2,057	3,803
Finance costs		**(814)**	(873)	(1,765)
Foreign exchange gains/(losses)		**124**	(668)	(384)
Profit/(loss) before tax		**1,058**	(2,476)	(11,389)
Tax charge		**(616)**	(390)	(111)
Profit/(loss) after tax		**442**	(2,866)	(11,500)
Profit/(loss) per share (cents)				
Basic	8	**0.20**	(1.32)	(5.28)
Diluted	8	**0.19**	(1.32)	(5.28)

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2024

	Six months ended 30 June 2024 Unaudited ’000	Six months ended 30 June 2023 Unaudited ’000	Year ended 31 December 2023 Audited ’000
Profit/(loss) after tax for the period	**442**	(2,866)	(11,500)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(139)**	903	952
Total comprehensive income/(expense) for the period	**303**	(1,963)	(10,548)

Condensed consolidated balance sheet
As at 30 June 2024

	Notes	30 June 2024 Unaudited ’000	31 December 2023 Audited ’000
Non-current assets			

Property, plant and equipment	10	**415,785**	445,842
Trade receivables	12	**148,244**	140,218
Intangible assets		**1,618**	2,813
Deferred tax asset		**918**	1,545
		566,565	590,418
Current assets			
Inventories	11	**9,919**	9,901
Trade and other receivables	12	**7,726**	15,118
Cash and cash equivalents		**102,332**	81,709
		119,977	106,728
Total assets		**686,542**	697,146
Current liabilities			
Trade and other payables	13	**(108,283)**	(109,394)
Dividends payable		**(15,000)**	-
Deferred income	13	**(2)**	(5,164)
		(123,285)	(114,558)
Non-current liabilities			
Trade and other payables	13	**-**	(39)
Provisions		**(35,264)**	(35,312)
		(35,264)	(35,351)
Total liabilities		**(158,549)**	(149,909)
Net assets		**527,993**	547,237
Equity			
Share capital	14	**219,339**	222,443
Share premium account	14	**485,787**	503,312
Exchange translation reserve		**(3,905)**	(3,766)
Accumulated losses		**(173,228)**	(174,752)
Total equity		**527,993**	547,237

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2024

	Share capital	**Share premium account**	**Exchange translation reserve**	**Accumulated losses**	**Total equity**
	'000	**'000**	**'000**	**'000**	**'000**
Balance at 1 January 2023 (audited)	**216,247**	**528,125**	**(4,718)**	**(166,729)**	**572,925**
Loss after tax for the period	-	-	-	(2,866)	(2,866)
Exchange difference of translation of foreign operations	-	-	903	-	903
Total comprehensive income/(loss) for the period	**-**	**-**	**903**	**(2,866)**	**(1,963)**
Dividends	-	(24,960)	-	-	(24,960)
Share issues	6,196	-	-	(6,196)	-
Employee share schemes	-	-	-	7,328	7,328
Balance at 30 June 2023 (unaudited)	**222,443**	**503,165**	**(3,815)**	**(168,463)**	**553,330**
Loss after tax for the period	-	-	-	(8,634)	(8,634)
Exchange difference of translation of foreign operations	-	-	49	-	49
Total comprehensive income/(loss) for the period	**-**	**-**	**49**	**(8,634)**	**(8,585)**
Dividends	-	147	-	-	147
Employee share schemes	-	-	-	2,345	2,345
Balance at 31 December 2023 (audited)	**222,443**	**503,312**	**(3,766)**	**(174,752)**	**547,237**
Profit after tax for the period	-	-	-	442	442
Exchange difference of translation of foreign operations	-	-	(139)	-	(139)
Total comprehensive (loss)/income for the period	**-**	**-**	**(139)**	**442**	**303**
Dividends	-	(15,000)	-	-	(15,000)
Share issues	255	-	-	(255)	-
Repurchase of ordinary shares	(3,359)	(2,525)	-	-	(5,884)
Employee share schemes	-	-	-	1,337	1,337
Balance at 30 June 2024 (unaudited)	**219,339**	**485,787**	**(3,905)**	**(173,228)**	**527,993**

Condensed consolidated cash flow statement
for the six months ended 30 June 2024

	Notes	**Six months ended 30 June 2024 Unaudited ’000**	Six months ended 30 June 2023 Unaudited ’000	Year ended 31 December 2023 Audited ’000
Operating activities				
Cash generated in operations	9	**40,788**	29,617	47,520
Interest received		**2,008**	2,057	3,803
Net cash generated in operating activities		**42,796**	31,674	51,323
Investing activities				
Purchase of intangible assets		**(32)**	-	-
Purchase of property, plant and equipment	10	**(15,973)**	(41,301)	(65,386)
Sale of drilling stock		**-**	-	1,449
Net cash used in investing activities		**(16,005)**	(41,301)	(63,937)
Financing activities				
Payment of dividends	14	**-**	(24,960)	(24,813)
Share buyback		**(5,884)**	-	-
Payment of leases		**(238)**	(262)	(503)
Net cash used in financing activities		**(6,122)**	(25,222)	(25,316)
Net increase/(decrease) in cash and cash equivalents		**20,669**	(34,849)	(37,930)
Cash and cash equivalents at beginning of period		**81,709**	119,456	119,456
Effect of foreign exchange rate changes		**(46)**	328	183
Cash and cash equivalents at end of the period being bank balances and cash on hand		**102,332**	84,935	81,709

1. 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. On 29th July 2024, new Listing Rules came into effect for the London Stock Exchange. Previously, the Company was quoted on Alternative Investment Market, a market operated by the London Stock Exchange. The former categories for Main Market listed companies of Premium and Standard Listed were ceased (GKP being a Standard Listed company up until this point). From that date, GKP moved to the Equity Shares – Transition category. The Company serves as the parent company for the Group, which is engaged in oil and gas exploration, development and production, operating in the Kurdistan Region of Iraq.

2. Summary of material accounting policies

These interim financial statements should be read in conjunction with the audited financial statements contained in the Annual Report and Accounts for the year ended 31 December 2023. The Annual Report and Accounts of the Group were prepared in accordance with United Kingdom adopted International Accounting Standards (“IAS”). The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and the Disclosure and Transparency Rules (“DTR”) of the Financial Conduct Authority (“FCA”) in the United Kingdom as applicable to interim financial reporting.

The condensed set of financial statements included in this half yearly financial report have been prepared on a going concern basis as the Directors consider that the Group has adequate resources to continue operating for the foreseeable future.

The accounting policies adopted in the 2024 half-yearly financial report are the same as those adopted in the 2023 Annual Report and Accounts, other than the implementation of new International Financial Reporting Standards (“IFRS”) reporting standards.

The financial information included herein for the year ended 31 December 2023 does not constitute the Group’s financial statements for that year but is derived from those Accounts. The auditor’s report on these Accounts was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter.

Adoption of new and revised accounting standards

As of 1 January 2024, a number of accounting standard amendments and interpretations became effective. The adoption of these amendments and interpretations has not had a material impact on the financial statements of the Group for the six months ended 30 June 2024.

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 Chief Executive Officer’s review and the Management of principal risks and uncertainties. The financial position of the Group at the period end and its cash flows and liquidity position are included in the Financial review.

As at 28 August 2024 the Group had 98.2 million of cash and no debt. The Group continues to closely monitor and manage its liquidity. Cash forecasts are regularly produced and sensitivities are run for different scenarios including, but not limited, to changes in sales volumes, commodity price fluctuations, timing of export pipeline restart, delays to revenue receipts and cost optimisations. The Group remains focused on taking appropriate actions to preserve its liquidity position.

As a result of closure of the Iraq-Turkey pipeline (“ITP”) in March 2023, the Group significantly reduced expenditures to preserve liquidity and continues to closely monitor costs with minimal capital investment committed while the pipeline remains closed. Throughout 2024, due to the stabilising of local sales volumes, the Group has significantly improved its working capital position to the extent it has been able to distribute 25 million to shareholders via a buyback programme and re-instatement of dividends. Nonetheless, the Group is aware there could be a potential decline in local sales, and potential delays in Kurdistan Regional Government (“KRG”) revenue receipts once the ITP has been reopened. The key uncertainties of the alternative crude sale methods are summarised below:

- Local sales: the Group continues local sales with payments from buyers required in advance following extensive due diligence. In the first six months of 2024 the Group received over 65 million related to local sales. However, local sales volumes and prices have fluctuated and remain difficult to predict; and
- Export sales: While political negotiations and commercial negotiations are ongoing between the Government of Iraq and the KRG, the timing of reopening the ITP and payment mechanism remain uncertain.

The Directors believe an agreement will ultimately be reached to reopen the ITP, and we reasonably expect that overdue balances will be paid and receipts from the KRG will return to a more regular basis. However, a reduction in local sales or reopening of the pipeline with a deferral of revenue receipts could result in liquidity pressures within the 12-month going concern period.

The Directors have considered sensitivities, including local sales volumes and potential delays in KRG revenue receipts once the ITP reopens, to assess the impact on the Group's liquidity position and believe sufficient mitigating actions are available to withstand such impacts within the 12-month going concern period. Specifically, the Directors considered stress tests that included no further local sales or KRG revenue receipts and confirmed that cost reduction opportunities exist to ensure that the Group can continue to discharge its liabilities for a period of at least 12 months.

As explained in Note 13, although the Group has recognised current liabilities of around 78 million payable to the KRG, it does not expect these will be cash settled.

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 these interim financial statements.

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 these interim financial statements.

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 financial statements

Production sharing contract ("PSC") entitlement: Revenue and capacity building payments

The recognition of revenue, particularly the recognition of revenue from pipeline 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 or truck, as appropriate. The critical accounting judgement applied in preparing the 2023 financial statements is that it is appropriate to recognise export revenue for deliveries from 1 January to 25 March 2023 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 within the Company's 2023 Annual Report and Accounts. In making this judgement, consideration was given to the fact that the Group received payment for September 2022 deliveries at an amount that was consistent with the proposed new pricing terms; no further receipts for the period of pipeline exports from 1 October 2022 to 25 March 2023 have been received.

A summary of the currently estimated financial impact of the proposed change in pricing mechanism is detailed in Note 4.

Any future agreements between the Group and the KRG might change the amounts of revenue recognised.

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 Group.

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 Group expects to confirm with the MNR whether to proceed with a formal amendment to the PSC to reflect current invoice terms.

Material 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.

Expected credit loss ("ECL")

The recoverability of receivables is a key accounting judgement. The difference between the nominal value of receivables and the expected value of receivables after allowing for counterparty default risk gives the ECL. In making this judgement, management has estimated the timing of the receipt of receivables which will be dependent upon uncertain future events, in particular the expected timing of the re-opening of the ITP. Management have considered scenarios for recovering receivables and assigned probabilities to these scenarios. A weighted average has been applied to receipt profiles, upon which a counterparty default allowance has been applied to derive the ECL. This ECL is offset against current and non-current receivable amounts as appropriate within the balance sheet with the change in the receivable balance during the period recognised in the income statement.

Decommissioning provision

Decommissioning provisions are estimated based upon the obligations and costs to be incurred in accordance with the PSC at the end of field life in 2043. There is uncertainty in the decommissioning estimate due to factors including potential changes to the cost of activities, potential emergence of new techniques or changes to best practice. The Group performed an estimate of the current value of obligations and costs to decommission the asset as at 31 December 2023, which was independently reviewed by ERC Equipoise, an independent third party; this estimate formed the basis of the 30 June 2024 estimate.

The Group updated the current value of obligations and costs at 30 June 2024, which followed an ERC Equipoise assessment of the Group's estimate at

31 December 2023. Management have increased these costs by estimated compound interest rates, to future value in 2043, and reduced to present value by an estimated discount rate, there is also uncertainty regarding the inflation and discount rates used.

Carrying value of producing assets

The Group's accounting policy on impairment remains consistent with that disclosed in the 2023 Annual Report. In line with the Group's accounting policy on impairment, management performs an impairment review of the Group's oil and gas assets with reference to indicators as set out in IAS 36 'Impairment of Assets'. 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, post-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 30 June 2024 was the Shaikan Field with a carrying value, being Oil and Gas assets less capitalised decommissioning provision, of 378.5 million (FY 2023: 408.0 million).

The Group performed an impairment indicator evaluation as at 30 June 2024 and concluded that no impairment indicators arose. The key areas of estimation in assessing the potential impairment indicators are as follows:

- While the date of the re-opening of the ITP remains uncertain, management have assessed a re-opening date of April 2025 as being reasonable. Although the estimated re-opening date is six months later than the base case assessment at 31 December 2023, management previously performed sensitivities of up to two years with no impairment, therefore this delay to the projected re-opening was not assumed to be an impairment trigger;
- The Group's netback oil price was based on the Brent forward curve and market participants' consensus, including banks, analysts and independent reserves evaluators, as at 30 June 2024 for the period 2024 to 2029 with inflation of 2.25% per annum thereafter, less transportation costs and quality adjustments. Brent consensus prices are as follows:

/bbl – nominal	2024	2025	2026	2027	2028	2029
30 June 2024 – base case	84	80	77	77	77	83
31 December 2023 – base case	83	80	77	77	77	80

- Management have previously applied sensitivities in reviewing stress case pricing including a 10% reduction from base case pricing to derive a stress case price with no impairment impact. As the prices are broadly flat or slightly higher at 30 June 2024, management have not noted any stress case pricing above;
- Discount rates are adjusted to reflect risks specific to the Shaikan Field and the Kurdistan Region of Iraq. Management assessed changes to the key variables that could impact discount rate and concluded no change was necessary. The post-tax nominal discount rate was estimated to be 16%, unchanged from 31 December 2023;
- Operating costs and capital expenditure are based on financial budgets and internal management forecasts. Costs assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. There were no indicators that costs will increase in comparison to 31 December 2023 impairment assessment;
- No adverse changes were noted for commercial reserves and production profiles; and
- No changes were noted in the operating environment such as local market conditions, tax or other legal or regulatory changes. Specifically, management considered if there had been any update with respect to the Iraqi Federal Supreme Court ruling announced in 2022 and concluded there was no movement in the period which would impact the impairment analysis.

3. Geographical information

The Chief Operating Decision Maker, as per the definition in IFRS 8 'Operating Segments', 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 ("KRI"); 100% (FY 2023: 100%) of the group's non-current assets, excluding deferred tax assets and other financial assets, are located in the KRI. The financial information of the single segment is materially the same as set out in the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related notes.

4. Revenue

	Six months ended 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
	'000	'000	'000
Oil sales via export pipeline	**-**	79,555	78,955
Local oil sales	**71,186**	-	44,559
	71,186	79,555	123,514

The Group accounting policy for revenue recognition is set out in its 2023 Annual Report, with revenue recognised upon crude oil passing the delivery points, either being entry into pipeline or delivered into trucks.

Oil sales via export pipeline (until 25 March 2023)
The International Court of Arbitration in Paris ruled on the long running ITP arbitration case in Iraq's favour, which led to the shut-in of the ITP on 25 March 2023. Negotiations are ongoing to reopen the pipeline.

Since 1 September 2022, there has been no lifting agreement in place between the Shaikan Contractor and the KRG. The KRG proposed a new pricing mechanism based upon the average monthly Kurdistan blend ("KBT") sales price realised by the KRG at Ceyhan; formerly the pricing mechanism was based upon Dated Brent. The Group has not accepted the proposed contract modification and continued, until suspension of the export pipeline, to invoice the KRG for oil sales based on the pre-1 September 2022 pricing formula. Considering the uncertainty with respect to the variable consideration within the pricing mechanism, the Group has concluded that it is an appropriate judgement to recognise revenue based on the proposed contract modification for the period to the pipeline shutdown on 25 March 2023.

Export sales covering the period from 1 January to 25 March 2023 were based upon the monthly Kurdistan blend price. The realised price in this period was 51.3/bbl.

The 2023 revenue impact of using the proposed KBT pricing mechanism instead of Dated Brent relating to oil sales via the export pipeline was estimated to be a reduction of 12.0 million; taking into account the associated reduction in capacity building payments resulted in a total reduction of profit after tax of 11.4 million. Any difference between the proposed and final pricing mechanism will be reflected in future periods.

No oil sales via the export pipeline occurred in the six-month period to 30 June 2024 (H1 2023: 79.6 million; FY 2023: 79.0 million).

Local oil sales (from 19 July 2023)
In July 2023, GKP began selling oil to local buyers at negotiated prices. The realised price achieved in the six-month period to 30 June 2024 was 26/bbl (H1 2023: not applicable; FY 2023: 30/bbl). Local buyers pay GKP in advance of receipt of oil; such amounts are recognised as deferred income.

Information about major customers
In the six months ended 30 June 2024, 100% of sales were made to customers individually making up more than 10% of revenue (H1 2023: 100%; FY 2023: 99%); customers with more than 10% of revenue in the period were Customer A and Customer B with 86% and 14% respectively (H1 2023: Kurdistan Regional Government with 100%; FY 2023: Kurdistan Regional Government, Customer B, Customer C and Customer D with 68%, 11%, 10% and 10% respectively).

5. Cost of Sales

	Six months ended 30 June 2024 Unaudited ’000	Six months ended 30 June 2023 Unaudited ’000	Year ended 31 December 2023 Audited ’000
Operating costs	**23,917**	18,858	36,082
Capacity building payments	**5,131**	5,713	8,872
Changes in oil inventory value	**98**	(1,188)	(75)
Depreciation of oil and gas assets and operational assets	**36,529**	20,559	39,470
Contract termination costs	**-**	5,143	5,525
Provision against inventory held for sale	**-**	2,071	2,627
Loss on disposal of drilling stock	**-**	-	1,452
	65,675	51,156	93,953

Capacity building payments have been recorded in line with the proposed pricing mechanism (see note 4); any difference between the proposed and final pricing mechanism will be reflected in future periods.

The Group accounting policy for depreciation of oil and gas assets is set out in its 2023 Annual Report. The depreciation charge above is based upon the reserves estimate within the Competent Persons Report (“CPR”) prepared by ERC Equipoise as at 31 December 2022. The increase in charge compared to the corresponding period in 2023 is principally derived from higher production in 2024.

Contract termination, provision against inventory held for sale and loss on disposal of drilling stocks in 2023 relate to non-recurring activities undertaken following the ITP export pipeline suspension in March 2023.

6. Other general and administrative expenses

	Six months ended 30 June 2024 Unaudited ’000	Six months ended 30 June 2023 Unaudited ’000	Year ended 31 December 2023 Audited ’000
Depreciation and amortisation	**1,690**	1,331	2,652
Other general and administrative costs	**3,702**	7,750	7,814
	5,392	9,081	10,466

The decrease of other general and administrative costs from H1 2023 to H1 2024 is primarily due to the absence of non-recurring corporate costs of 2.1 million incurred in H1 2023, and cost reductions.

7. Share option related expense

	Six months ended 30 June 2024 Unaudited ’000	Six months ended 30 June 2023 Unaudited ’000	Year ended 31 December 2023 Audited ’000
Share-based payment expense	**1,337**	7,328	9,673
Payments related to share options exercised	**741**	764	797
Share-based (credit)/payment related provision for taxes	**(23)**	280	290
	2,055	8,372	10,760

On 31 March 2024 the 2014 Long Term Incentive Plan (“LTIP”) concluded. On 21 June 2024, the 2024 LTIP was approved at the Company’s Annual General Meeting, becoming effective on 1 July 2024. No expense relating to the 2024 LTIP scheme was recognised by the Group from 1 April 2024 to 30 June 2024.

8. Earnings per share

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

	Six months ended 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
Profit/(loss) after tax (’000)	**442**	(2,866)	(11,500)
Number of shares (‘000s):			
Basic weighted average number of ordinary shares	**222,188**	216,927	217,992
Basic earnings/(loss) per share (cents)	**0.20**	(1.32)	(5.28)

The Group followed the steps specified by IAS 33 ‘Earnings per share’ in determining whether outstanding share options are dilutive or anti-dilutive.

Reconciliation of dilutive shares:

	Six months	Six months	Year ended

	ended 30 June 2024 Unaudited	ended 30 June 2023 Unaudited	31 December 2023 Audited
Number of shares ('000s):			
Basic weighted average number of ordinary shares	**222,188**	216,927	217,992
Effect of dilutive potential ordinary shares	**5,906**	-	-
Diluted number of ordinary shares outstanding	**228,094**	216,927	217,992
Diluted earnings/(loss) per share (cents) (1)	**0.19**	(1.32)	(5.28)

1. At the reporting date, the Group had 5,837k dilutive (H1 2023: 11,547k antidilutive; FY 2023: 8,224k antidilutive) ordinary shares relating to outstanding share options. Earnings per share are calculated on the assumption of conversion of all potentially dilutive ordinary shares; however, during a period where a company makes a loss, anti-dilutive shares are not included in the loss per share calculation as they would reduce the reported loss per share.

The weighted average number of ordinary shares in issue excludes shares held by Employee Benefit Trustee ("EBT") of 0.2 million, (H1 2023: 3.4 million; FY 2023: 0.2 million).

9. Reconciliation of loss from operations to net cash generated in operating activities

	Six months ended 30 June 2024 Unaudited '000	Six months ended 30 June 2023 Unaudited '000	Year ended 31 December 2023 Audited '000
Loss from operations	**(260)**	(2,992)	(13,043)
Adjustments for:			
Depreciation, depletion and amortisation of property, plant and equipment (including the right of use assets)	**37,008**	21,010	40,409
Amortisation of intangible assets	**1,211**	815	1,648
Share-based payment expense	**1,337**	7,328	9,673
(Decrease)/increase of provision for impairment of trade receivables	**(1,676)**	13,939	21,378
Provision against inventory held for sale	**-**	2,071	2,627
Operating cash flows before movements in working capital	**37,620**	42,171	62,692
Increase in inventories	**(18)**	(9,858)	(7,605)
Decrease/(increase) in trade and other receivables	**1,042**	(8,906)	(10,741)
Increase in trade and other payables	**2,144**	6,143	3,107
Income taxes received	**-**	67	67
Cash generated from operations	**40,788**	29,617	47,520

10. Property, plant and equipment

	Oil and Gas Assets '000	**Fixtures and Equipment '000**	**Right of use Assets '000**	**Total '000**
Year ended 31 December 2023				
Opening net book value	433,556	2,257	630	436,443
Additions	58,240	453	86	58,779
Disposals' costs	-	-	(70)	(70)
Revision to decommissioning asset	(8,933)	-	-	(8,933)
Depreciation charge	(39,470)	(649)	(356)	(40,475)
Disposals' depreciation	-	-	66	66
Foreign currency translation differences	-	5	27	32
Closing net book value	**443,393**	**2,066**	**383**	**445,842**
Cost	992,870	9,404	2,188	1,004,462
Accumulated depreciation	(549,477)	(7,338)	(1,805)	(558,620)
Net book value at 31 December 2023	443,393	2,066	383	445,842
Period ended 30 June 2024				
Opening net book value	443,393	2,066	383	445,842
Additions	7,751	52	-	7,803
Revision to decommissioning asset	(848)	-	-	(848)
Depreciation charge	(36,529)	(306)	(173)	(37,008)
Foreign currency translation differences	-	(1)	(3)	(4)
Closing net book value	**413,767**	**1,811**	**207**	**415,785**
At 30 June 2024				
Cost	999,773	9,455	2,185	1,011,413
Accumulated depreciation	(586,006)	(7,644)	(1,978)	(595,628)
Net book value	**413,767**	**1,811**	**207**	**415,785**

The additions to the Shaikan asset, amounting to 7.8 million during the period (FY 2023: 58.2 million) included safety critical upgrades.

The 0.8 million decrease (2023: 8.9 million increase) in decommissioning asset value relates to a 1.1 million decrease in changes to inflation and discount rates (2023: 13.1 million), offset by an increase of 0.3 million relating to facilities work (2023: 4.2 million).

11. Inventories

	30 June 2024 Unaudited '000	31 December 2023 Audited '000
Warehouse stocks and materials	**6,854**	6,900
Inventory held for sale	**2,789**	2,627
Crude oil	**276**	374
	9,919	9,901

12. Trade and other receivables

Non-current receivables

	30 June 2024 Unaudited '000	31 December 2023 Audited '000
Trade receivables – non-current	**148,244**	140,218

Current receivables

	30 June 2024 Unaudited '000	31 December 2023 Audited '000
Trade receivables - current	**409**	6,350
Underlift	**1,216**	3,806
Other receivables	**3,531**	3,080
Prepayments and accrued income	**2,570**	1,882
Total current receivables	**7,726**	15,118
Total receivables	**155,970**	155,336

Reconciliation of trade receivables

	30 June 2024 Unaudited '000	31 December 2023 Audited '000
Gross carrying amount relating to export sales	**171,026**	171,026
Less: impairment allowance relating to export sales	**(22,782)**	(24,458)
Carrying value relating to export sales at end of period	**148,244**	146,568
Trade receivables relating to local oil sales	**409**	-
Total carrying value of trade receivables	**148,653**	146,568

Gross trade receivables relating to export sales of 171.0 million (FY 2023: 171.0 million) are comprised of invoiced amounts due, based upon KBT pricing, from the KRG for crude oil sales totalling 158.8 million (FY 2023: 158.8 million) related to October 2022 – March 2023 and a share of Shaikan amounts due from the KRG that GKP purchased from MOL amounting to 12.2 million (FY 2023: 12.2 million). Trade receivables net of capacity building payments payable of 7.7 million (FY 2023: 7.7 million) are 151.1 million (FY 2023: 151.1 million).

While GKP expects to recover the full value of the outstanding invoices and purchased revenue arrears, an ECL of 22.8 million (FY 2023: 24.5 million) was provided against the trade receivables balance in accordance with IFRS 9 'Financial Instruments'. During the six-month period to 30 June 2024, a 1.7 million credit was recognised due to the decrease in the ECL provision (H1 2023 13.9 million charge; FY 2023: 21.4 million charge).

As detailed in the Summary of significant accounting policies and Note 2, the outstanding sales invoices from October 2022 – March 2023 receivable have been recognised based on a proposed pricing mechanism, which GKP has not accepted.

ECL sensitivities

As detailed within Material sources of estimation uncertainty, the ECL is calculated through a weighted average being applied to receivables recovery profile scenarios. Considering the receipt profile scenarios, the only variable expected to materially change profit before tax is the timing of receipt. If the pipeline reopening is delayed beyond April 2025 resulting in the receipt of past-due trade receivables' repayment profile being delayed by a further 12 months, then the ECL would increase by 10.1 million. Conversely, if the repayment profile was brought forward by 6 months, then the ECL would decrease by 5.3 million.

The Group's financial statements are not materially sensitive to a movement of ±10% in the default spread or recovery rate.

13. Trade and other payables

Current liabilities

	30 June 2024 Unaudited '000	31 December 2023 Audited '000
Trade payables	3,115	11,953
Accrued expenditures	15,115	14,009
Amounts due to KRG not expected to be cash settled	78,278	74,703
Capacity building payment due to KRG on trade receivables	7,687	7,687
Other payables	3,917	683

Finance lease obligations	171	359
Total current liabilities	108,283	109,394

Trade payables and accrued expenditures principally comprise amounts outstanding for trade purchases and ongoing costs and the Directors consider that carrying amounts approximate fair value. The stabilising of local sale revenues during 2024 enabled the Group to settle all overdue trade payables in the first quarter of 2024.

Amounts due to KRG not expected to be cash settled of 78.3 million (FY 2023: 74.7 million) include:

- 39.4 million (FY 2023: 37.7 million) expected to be offset against oil sales to the KRG up to 2018, that have not been recognised in the financial statements as management consider that the criteria for revenue recognition have not been satisfied, and
- 38.9 million (FY 2023: 37.0 million) related to an accrual for the difference between the capacity building rate of 20%, as per the invoicing basis in effect since October 2017, and 30% as per the 2016 Bilateral Agreement. The working interest under the 2016 bilateral agreement is 80% whereas the invoicing basis is 61.5%. If the commercial position were to revert to the full terms of the executed amended PSC and the 2016 Bilateral Agreement, the Group would not expect to cash settle this balance as a more than offsetting increase in GKP's net entitlement is expected to result in revenue being due to GKP (see critical accounting judgements), the value of which is expected to exceed the accrued 38.9 million.

Deferred income

At 30 June 2024, deferred income of 0.0 million (FY 2023: 5.2 million) relates to cash advances paid by local oil buyers in advance of lifting oil (note 4).

Non-current liabilities

	30 June 2024 Unaudited ’000	31 December 2023 Audited ’000
Non-current finance lease liability	**-**	39

14. Share capital

	Common shares			
	No. of shares 000	**Share capital ’000**	**Share premium ’000**	**Amount ’000**
Issued and fully paid				
Balance 1 January 2024 (audited)	222,443	222,443	503,312	725,755
Dividends	-	-	(15,000)	(15,000)
Share issues	255	255	-	255
Repurchase of ordinary shares	(3,359)	(3,359)	(2,525)	(5,884)
Balance 30 June 2024 (unaudited)	**219,339**	**219,339**	**485,787**	**705,126**

In May 2024 the Company announced a 10 million share buyback programme. At the reporting date 3,359,461 shares had been repurchased and subsequently cancelled totalling 5.9 million with a further 185,000 committed to be cancelled valued at 0.4 million.

Subsequent to the period end, the Company completed the full 10 million share buyback programme on 23 July 2024.

Dividends of 15.0 million consist solely of an interim dividend declared in June 2024 and subsequently paid in July 2024.

15. Contingent liabilities

The Group has a contingent liability of 27.3 million (FY 2023: 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 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 Shaikan PSC amendment negotiations and it is likely that it will be settled as part of those negotiations.

GLOSSARY (See also the glossary in the 2023 Annual Report and Accounts)

H1 2023	First half of Financial Year 2023
H1 2024	First half of Financial Year 2024
2P	Proved plus probable reserves
bbl	Barrel
bopd	Barrels of oil per day
Capex	Capital expenditure
CGU	Cash-generating unit
Company	Gulf Keystone Petroleum Limited
CPR	Competent Person's Report
DD&A	Depreciation, depletion and amortisation
DTR	Disclosure and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBT	Employee benefit trust
ECL	Expected credit losses
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FDP	Field Development Plan
G&A	General and administrative

FY	Financial year
GKP	Gulf Keystone Petroleum Limited
Group	Gulf Keystone Petroleum Limited and its subsidiaries
HSE	Health, safety and environment
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IOC	International oil companies
ITP	Iraq-Turkey pipeline
KBT	Kurdistan blend
KRG	Kurdistan Regional Government
KRI	Kurdistan Region of Iraq
LTI	Lost time incident
LTIP	Long term incentive plan
MMstb	Million stock tank barrels
MNR	Ministry of Natural Resources of the Kurdistan Regional Government
MOL	Kalegran B.V. (a subsidiary of MOL Group International Services B.V.)
Opex	Operating costs
PF-1	Production Facility 1
PF-2	Production Facility 2
PSC	Production sharing contract
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
UKLA	United Kingdom Listing Authority
	US dollars

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