

**10 September 2019**

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

**2019 Half Year Results Announcement**

Gulf Keystone Petroleum, a leading independent operator and producer in the Kurdistan Region of Iraq ("Kurdistan" or "Kurdistan Region"), announces its results for the half year ended 30 June 2019.

**Highlights to 30 June 2019 and post reporting period**

**Operational**

- Average production during August was 39,269 bopd, reflecting the positive results from the workover campaign and facilities debottlenecking at PF-1; gross production this month up to 8 September averaged 39,921 bopd.
- Gross production for the first half of 2019 averaged 29,362 bopd. Average production rates during H1 of 2019 were necessarily affected by wells being off-line for workovers and well maintenance, in addition to the planned shutdown of PF-1 to install facilities as part of the 55,000 bopd expansion project.
- The first well of the drilling campaign, SH-12, successfully reached total depth ("TD") of 2,112 metres on 23 August. Well results were encouraging with the structure coming in 53 metres higher than prognosis. The well is currently being completed and is expected to be on production later in October.
- Following completion of SH-12, the rig will move to the second well of the campaign, SH-9. This well is designed to assess the gas reinjection potential of the Jurassic formation; part of the longer-term gas management plan for the Shaikan development.
- The workover campaign to install electrical submersible pumps ("ESPs") in existing wells has been moved into 2020 to coincide with the availability of new permanent facilities being installed as part of the 55,000 bopd expansion programme. These facilities will allow the wells to be cleaned-up more effectively when the ESPs are installed.
- The PF-1 pipeline and export station are nearing completion and will be in full operation following commissioning at which point all Shaikan oil will be exported via pipe.
- A revised Field Development Plan ("FDP"), which addressed additional feedback on gas management, was submitted to the Ministry of Natural Resources ("MNR") in May 2019. We await formal feedback from the MNR and look forward to a constructive dialogue to finalise the FDP as soon as possible. As we have stated in the past, this delay is not slowing operations and progress on the 55,000 bopd work programme.
- Operations at Shaikan remain safe and secure, with no Lost Time Incidents ("LTI") in over 400 days.

**Financial**

- Revenue of \$95.6 million (H1 2018: \$116.2 million).
- EBITDA of \$59.0 million (H1 2018: \$61.6 million).
- Profit after tax of \$24.2 million (H1 2018: \$26.7 million).
- Growth in activity required to bring production to 55,000 bopd led to an increase in cash operating costs and cash operating costs per barrel in line with previous guidance to \$18.4 million (H1 2018: \$14.1 million) and \$3.9/bbl (H1 2018: \$3.0/bbl) respectively.
- Net capital investment in Shaikan of \$32.4 million (H1 2018: \$6.9 million). Full year capital investment guidance stands at \$88-104 million net (\$110-130 million gross).
- Cash balance of \$302.7 million at 30 June 2019 and \$263.6 million at 9 September 2019.

**Corporate**

- A \$50 million dividend was approved at the June AGM. The first tranche of c.\$17 million was paid in July 2019, with the second tranche of c.\$33 million to be paid on 4 October 2019.
- A \$25 million share buyback programme was announced in July. The Company is pleased to confirm that the first tranche of \$15 million was completed on 30 August.
- Today, the Company is resuming its buyback programme for the remaining \$10 million.
- Following completion of the above, the Company will have returned \$75 million to its shareholders in 2019.

**Outlook**

- Active work programme to continue with the ongoing Jurassic drilling campaign, ESP workovers and completion of the debottlenecking plan with the Company remaining on track to deliver 55,000 bopd in Q2 2020.
- Total capital expenditure of \$200-230 million gross for the 55,000 bopd expansion programme remains in line with earlier guidance.
- Gross production guidance for 2019 is now expected to be between 30,000-33,000 bopd, compared to previous guidance of 32,000-38,000 bopd. This new guidance considers the delayed start to the drilling campaign, the postponement of the ESP workover campaign and the planned shutdown of PF-2 in October.

**Jón Ferrier, Gulf Keystone's Chief Executive Officer, said:**

*"The first half of 2019 saw high levels of operational activity as we continue to develop Shaikan targeting a significant, phased, production uplift. Despite some operational delays, we have made considerable headway towards our 55,000 bopd production target. Activity has further increased during H2 2019 as we remain on track to achieve this milestone in the first half of 2020. As a consequence of the work to increase production in the longer term, the near-term production guidance for the full year has been reduced. However, the Shaikan reservoir, the cornerstone of our equity story, continues to behave strongly.*

*The Company has a robust balance sheet which supports operational funding requirements and expansion plans in addition to returning funds to shareholders. The Company is therefore well positioned to deliver on its growth objectives for the benefit of all stakeholders."*

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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](http://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. 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.

**Chairman and CEO Statement**

The first half of 2019 has seen high levels of operational activity as the phased expansion of the Shaikan Field towards 55,000 bopd continues. We are pleased to confirm that Gulf Keystone remains on track to achieve the first expansion target of 55,000 bopd in Q2 2020 following the completion of plant debottlenecking and drilling of a series of Jurassic wells. Safe operations remain the focus and against a backdrop of a high operational tempo, no LTIs have occurred during the reporting period.

During H1, gross production at Shaikan was 29,362 bopd (H1 2018: 31,861). This production level reflects the strong performance of the reservoir against the necessary interruptions associated with operations such as well workovers and plant upgrades. Benefits from these earlier works will result in higher production in the second half of the year. Gross production this month up to 8 September averaged 39,921 bopd, reflecting the positive results from the workover campaign and facilities debottlenecking at PF-1. Average production during August was 39,269 bopd. The new well, SH-12, is scheduled to be on stream in October.

Whilst the Company remains on track to benefit from the current work programme with 55,000 bopd to be achieved in Q2 2020, the Company now envisages full year 2019 gross production to be in the 30,000-33,000 bopd range compared with the previous guidance of 32,000-38,000 bopd. This is due to the delayed start of the drilling campaign, the postponement of the ESP workover campaign and the planned shutdown of PF-2 in October; however, the Shaikan reservoir continues to perform strongly.

The revised FDP, which addressed feedback from the MNR relating to the management of produced gas, was submitted in May. With our partner Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc ("MOL")), GKP looks forward to working closely with the new administration in the Kurdistan Regional Government ("KRG") on the subsequent approval process. The revised FDP covers Phase 1 of the Shaikan FDP as well as subsequent phases beyond the 55,000 bopd, including the expansion to 75,000 bopd Jurassic, gas re-injection phase and the 10,000 bopd Triassic pilot. Sanction of the subsequent expansion towards 110,000 bopd will be dependent on the results from Phase 1. We confirm once again that despite the absence of an approved FDP, GKP and its partner MOL have been preparing the ground for the next phases of the development, notably in relation to certain long lead items and equipment orders. We remain confident that the FDP will be approved by the new MNR administration, although with some uncertainty on the timing of such approval.

The Company remains focused on its approach to Environmental, Social and Governance ("ESG") related matters. From an environmental perspective, the strategic priority remains the gas reinjection project, designed to minimise routine flaring and emissions at Shaikan. The SH-9 well, mentioned in the Operational Review, is an important milestone in this regard. Further, the Company strives to minimise its environmental footprint on the Shaikan area and is actively involved in the remediation of the old drilling sites. From a social standpoint, we continue to be a significant employer in the area surrounding Shaikan and to invest in the training and development of our staff. The Company voluntarily adheres to the UK Corporate Governance Code and published a detailed report on Corporate Governance in the 2018 Annual Report during the period.

As is set out in the Financial Review, the Company continues to be in a robust financial position. With sustained operational activity, along with the introduction of its first dividend and share buyback programme, GKP has been successful in balancing its financial requirements while returning cash to its shareholders. To this date, the Company has purchased 5,225,933 shares for a total amount of \$15 million and from today it will resume its buyback programme with \$10 million for a total \$25 million.

The Company announced in June that Sami Zouari, CFO, would be leaving the Company. We reiterate our thanks to Sami for his immense contribution to GKP. A search for his successor is underway and we will be announcing the new CFO in due course. Garrett Soden is stepping down from the Board of Directors effective today following a review of external Board commitments of individual Directors in accordance with corporate governance guidelines. We would like to thank Garrett for his contribution over the last three years since joining shortly after the Company's financial restructuring and wish him all the best for his future endeavours. The Nomination Committee will seek to appoint an appropriate replacement and will review the composition of the Board Committees as soon as practical.

We would like to thank our hosts, the Kurdistan Regional Government, our staff and contractors for their continued commitment to developing Shaikan for the benefit of all our stakeholders.

## Operational Review

Gulf Keystone has made considerable headway with its work programme to increase production at Shaikan with a number of important milestones achieved.

Operations at Shaikan remained safe and secure during the period, with no LTI in over 400 days. Best practice health and safety standards are an integral part of the business and we always aim to be at the forefront of HSSE performance in Kurdistan.

Successful workovers earlier this year on SH-1 and SH-3 resulted in material production uplift; SH-1 increased by more than 100%, to 7,800 bopd, and SH-3 by 40%, to 6,200 bopd. Well SH-12, the first drilled in over four years, was spud in June, reaching its target in the Lower Jurassic Butmah in August. Well results are encouraging with the structure coming in 53 metres higher than previously prognosed. The rig is currently running an ESP completion into the well, before moving location and work begins on the installation and hook-up of surface flowlines and controls. The well is expected to be on production in October.

Following completion of SH-12, the rig will move to the second well in the campaign, SH-9. As stated at the AGM in June, this well aims to assess the feasibility of gas reinjection into the Jurassic formation and is an important part of the longer-term gas management plan for the full development of the Shaikan Field aimed at minimising flaring and emissions. The installation of ESPs in existing wells has been moved into 2020 to coincide with the availability of new permanent facilities being installed as part of the expansion programme. These facilities will allow the wells to be cleaned up more effectively when the ESPs are installed.

Average production rates during H1 were affected by wells being off-line for workovers, necessary well maintenance works and a planned shutdown at PF-1 to install facilities as part of the expansion project. As stated at the AGM, ahead of the drilling of SH-12, a number of necessary upgrades had to be made to the drilling rig in order to ensure it met appropriate standards, safety requirements and had the proper certification; these upgrades delayed spud by three months. Consequently, production averaged 29,362 bopd during the period, with average production during July and August standing at 34,641 bopd and 39,269 bopd respectively, largely reflecting the positive results from the workover campaign and the successful debottlenecking works at PF-1.

Although we expect production in the second half of the year to be higher than in the first half, following the interruptions associated with operational activities, we now envisage 2019 average gross daily production in the 30,000-33,000 bopd range, compared to the previous guidance of 32,000-38,000 bopd. The Shaikan reservoir continues to perform strongly and we maintain our 55,000 bopd production target in Q2 2020.

A 25-day shutdown of PF-2 is planned in October and during this time a number of necessary upgrades will be made to the facility. We have factored in this shutdown to the revised production guidance for 2019, in addition to the 7-day export pipeline system shutdown for maintenance later this month.

The PF-1 pipeline and export station, which links PF-1 to the main export pipeline is nearing completion. Commissioning of the facilities is underway, and the pipeline is expected to be in service over the coming weeks. Subsequently, all Shaikan oil will be exported by pipe, a significant milestone for the field. Not only will this increase operating efficiency but also minimise HSSE risks, eliminate trucking costs and improve netbacks.

## Key financial highlights

	Six months ended 30 June 2019	Six months ended 30 June 2018
Gross average production (bopd)	29,362	31,861
Realised price (\$/bbl)	44.8	47.9
Revenue (\$m)	95.6	116.2
Operating costs (\$m) <sup>1</sup>	(18.4)	(14.1)
Operating costs per bbl (\$/bbl) <sup>1</sup>	(3.9)	(3.0)

General and administrative expenses (\$m)	<b>(8.2)</b>	(7.6)
Profit from operations (\$m)	<b>26.2</b>	26.6
Profit after tax (\$m)	<b>24.2</b>	26.7
Basic earnings per share (cents)	<b>10.55</b>	11.65
EBITDA (\$m) <sup>1</sup>	<b>59.0</b>	61.6
Capital investment (\$m) <sup>1</sup>	<b>32.4</b>	6.9
Net cash (\$m) <sup>1</sup>	<b>198.3</b>	117.0
Net increase in cash (\$m)	<b>7.2</b>	58.5

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

#### Revenues

H1 2019 revenue stands at \$95.6 million (H1 2018: \$116.2 million). This decrease is the result of a lower Brent price and production. All sales were made under the terms of the Crude Oil Sales agreement signed in early 2019 and effective until 31 December 2020.

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

The Group's operating costs increased to \$18.4 million (H1 2018: \$14.1 million) as the Group undertook certain one-off maintenance projects and incurred additional transportation costs for trucking oil from PF-1 to PF-2 for injection into the spur pipeline (the pipeline was not operational in H1 2018). The Group also started incurring costs associated with the preparation for the future production ramp up, mostly in relation to hiring additional personnel. Operating costs per bbl stand at \$3.9 bbl, which is at the lower end of the previously disclosed guidance of \$3.8-4.6/bbl.

Other cost of sales components include depletion and amortisation of oil and gas assets, capacity building charge, production bonuses, and certain other cost of sales such as the cost of trucking oil to Fishkhabour and oil inventory movements. Cost of sales decreased to \$61.3 million (H1 2018: \$81.9 million), which was mostly driven by the production bonus of \$16.0 million in June 2018 (H1 2019: \$nil) and a lower depletion and amortisation charge.

General and administrative expenses ("G&A") have increased by 7% from \$7.6 million in H1 2018 to \$8.2 million in H1 2019, below the previously disclosed guidance of c.10% increase in 2019. The increase is attributable to the Kurdistan office, which contributed \$4.2 million (H1 2018: \$3.6 million) of this amount. The increase in the G&A reflects the rise in Shaikan development activity. Corporate G&A remained unchanged in spite of the increased activity. The G&A amount includes \$0.8 million of share-based payments (H1 2018: \$0.5 million) and \$0.4 million (H1 2018: \$0.2 million) of depreciation costs.

The movements in these components have resulted in a modest decrease of 4% in the EBITDA, which stands at \$59.0 million (H1 2018: \$61.6 million).

#### Net finance costs and other gains

The Group incurred net finance costs of \$1.9 million (H1 2018: \$4.2 million). The improvement is driven by active cash management resulting in higher interest earned of \$3.6 million (H1 2018: \$1.5 million).

#### **A solid financial foundation underpinning the Group's strategy**

##### Cash flows

In 2019, the Group received payments for sales of Shaikan oil of \$89.8 million (H1 2018: \$107.4 million), incurred operational cash outflows of \$34.8 million (H1 2019: \$46.2 million) and spent \$47.8 million on investment activities (H1 2018: \$2.6 million) of which \$36.7 million related to Shaikan development activities and \$11.1 million to the exit costs of Algerian operations, resulting in a net cash increase of \$7.2 million (H1 2018: \$58.5 million).

The cash balance at 30 June 2019 stood at \$302.7 million (31 December 2018: \$295.6 million), providing a strong base for the Shaikan investment programme.

At the June AGM, shareholders approved the distribution of a total cash dividend of \$50.0 million for the year ended 31 December 2018. The first tranche of c.\$17 million was paid on 5 July, with the second tranche of c.\$33 million to be paid on 4 October 2019. The ex-dividend date is 19 September 2019 and the record date is 20 September 2019. The first tranche paid was 5.68p per common share, which is equivalent to 7.26 US cents per common share. The full \$50.0 million dividend payable was recognised in current liabilities as at 30 June 2019. As stated earlier, the buyback was successfully implemented from 8 July 2019 to 30 August 2019 for a total amount of \$15.0 million. The Company is today resuming the buyback for an additional \$10.0 million for a total of \$25 million as announced on 8 July 2019.

#### Capital investment

In H1 2019, additions to Shaikan oil and gas asset amounted to \$32.4 million net to GKP. This investment covered the work on two tubing workovers, well civils, drilling of SH-12 from early June, PF-1 spur pipeline, various studies and production facilities debottlenecking projects.

Capital investment into Shaikan will continue this year with the Group's work programme aimed at achieving the target of 55,000 bopd. In addition, the Company has initiated certain workstreams in relation to the subsequent phases of the development which include expansion to 75,000 bopd and the gas re-injection project, although the investment decision has not been finalised. In 2019, the gross capital expenditure is expected to stand at \$88-104 million net (\$110- 130 million gross). A higher level of capital expenditure is expected in H2 2019 with continuous drilling, wells civils, flowlines, the completion of PF-1 spur pipeline and debottlenecking work.

### **GULF KEYSTONE PETROLEUM LIMITED** **Half Year Report for the six months ended 30 June 2019**

#### **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 operating performance and liquidity, in presentations to the Board and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of its operating cash flow and liquidity. 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. 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.

#### Operating costs

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

	<b>Six months ended 30 June 2019 Unaudited</b>	Six months ended 30 June 2018 Unaudited	Year ended 31 December 2018 Audited
	<b>\$ million</b>	\$ million	\$ million
Cost of sales	<b>61.3</b>	81.9	154.5
Depreciation of oil & gas properties	<b>(32.4)</b>	(34.8)	(70.7)
Transportation costs	<b>(3.2)</b>	(8.8)	(14.3)
Production bonus	-	(16.0)	(16.0)
Capacity building payments	<b>(7.1)</b>	(8.3)	(17.0)
Working capital movement	<b>(0.2)</b>	0.1	(5.8)
Operating costs	<b>18.4</b>	14.1	30.7

#### Gross operating costs per barrel

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

	<b>Six months ended 30 June 2019 Unaudited</b>	Six months ended 30 June 2018 Unaudited	Year ended 31 December 2018 Audited
Gross production (MMbbls)	5.3	5.8	11.5
Gross operating costs (\$ million)	20.5	17.4	36.8
Gross operating costs per barrel (\$ per bbl)	3.9	3.0	3.2

## GULF KEYSTONE PETROLEUM LIMITED

### Half Year Report for the six months ended 30 June 2019

#### EBITDA

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

	<b>Six months ended 30 June 2019 Unaudited</b>	Six months ended 30 June 2018 Unaudited	Year ended 31 December 2018 Audited
	\$ million	\$ million	\$ million
Profit from operations	26.2	26.6	78.2
Depreciation of oil & gas properties	32.4	34.8	70.7
Other Depreciation and amortisation	0.4	0.2	0.4
<b>EBITDA</b>	<b>59.0</b>	<b>61.6</b>	<b>149.3</b>

#### Capital investment

Capital investment is the value of the Group's additions to oil and gas assets excluding any movements in decommissioning assets

	<b>Six months ended 30 June 2019 Unaudited</b>	Six months ended 30 June 2018 Unaudited	Year ended 31 December 2018 Audited
	\$ million	\$ million	\$ million
Additions to oil and gas assets	32.4	6.9	35.7
<b>Capital investment</b>	<b>32.4</b>	<b>6.9</b>	<b>35.7</b>

#### Net Cash

Net cash is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of cash and cash equivalents less cash borrowing with the Group's business. Net cash is defined as current and non-current borrowings plus non-cash adjustments, less cash and cash equivalents

	<b>Six months ended 30 June 2019 Unaudited</b>	Six months ended 30 June 2018 Unaudited	Year ended 31 December 2018 Audited
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	\$ million	\$ million	\$ million
Outstanding New Notes	(100.0)	(100.0)	(100.0)
Interest accrual	(4.4)	(2.0)	(4.4)
Cash and cash equivalents	302.7	219.0	295.6
<b>Net cash</b>	<b>198.3</b>	<b>117.0</b>	<b>191.2</b>

## GULF KEYSTONE PETROLEUM LIMITED

Half Year Report for the six months ended 30 June 2019

### Principal risks and 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, at half year are consistent with those detailed in the management of principal risks and uncertainties section of the 2018 Annual Report and Accounts. The principal risks are listed below:

Strategic	HSSE and CSR	Operational	Financial
Political, social and economic instability	HSSE risks	Field delivery risk	Liquidity and funding capability
Disputes regarding title or exploration and production rights	Gas flaring	Reserves	Export payment mechanism
Business conduct and anti-corruption	Security		Commodity prices
Export route availability	Corporate social responsibility risks		
Stakeholder expectations			

### Responsibility statement

The Directors confirm that to the best of their knowledge:

- (a) the condensed set of financial statements, which has been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and loss of the Group as a whole as required by DTR 4.2.4R;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months of the year and a 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

**Jón Ferrier**  
Chief Executive Officer

10 September 2019

## Independent Review Report to Gulf Keystone Petroleum Limited

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 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 related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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.

### 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 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**  
Statutory Auditor  
London, United Kingdom  
10 September 2019

## GULF KEYSTONE PETROLEUM LIMITED

### Condensed Consolidated Income Statement for the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 Unaudited \$'000	Six months ended 30 June 2018 Unaudited \$'000	Year ended 31 December 2018 Audited \$'000
<b>Continuing operations</b>				
Revenue	5			250,554
		95,606	116,171	
Cost of sales	6			(154,534)
		(61,250)	(81,905)	
<b>Gross profit</b>		34,356	34,266	96,020
General and administrative expenses		(8,169)	(7,644)	(17,813)
<b>Profit from operations</b>		26,187	26,622	78,207



Finance revenue		3,628	1,450	
Finance costs	7	(5,549)	(5,645)	(13,873)
Other gains	8			10,925
		(112)	4,081	
<b>Profit before tax</b>		24,154	26,508	79,700
Tax credit		50	208	189
<b>Profit after tax</b>		24,204	26,716	79,889

#### Profit per share (cents)

Basic	9	10.55	11.65	34.84
Diluted	9			
		10.06	11.58	33.87

#### Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2019

	<b>Six months ended 30 June 2019 Unaudited \$'000</b>	Six months ended 30 June 2018 Unaudited \$'000	Year ended 31 December 2018 Audited \$'000
Profit for the period	24,204	26,716	79,889
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations	(12)	(298)	(800)
<b>Total comprehensive income for the period</b>	<b>24,192</b>	<b>26,418</b>	<b>79,089</b>

#### GULF KEYSTONE PETROLEUM LIMITED

#### Condensed Consolidated Balance Sheet as at 30 June 2019

	Notes	<b>30 June 2019 Unaudited \$'000</b>	30 June 2018 Unaudited \$'000	31 December 2018 Audited \$'000
<b>Non-current assets</b>				
Intangible assets		445	41	84
Property, plant and equipment	11	381,546	389,782	380,537
Deferred tax asset		607	599	559
		<b>382,598</b>	<b>390,422</b>	<b>381,180</b>
<b>Current assets</b>				
Inventories		19,854	17,515	14,190
Trade and other receivables	12	67,497	80,991	67,909
Cash and cash equivalents		302,701	219,025	295,566

		<b>390,052</b>	317,531	377,665
<b>Total assets</b>		<b>772,650</b>	707,953	758,845
<b>Current liabilities</b>				
Trade and other payables	13	<b>(73,221)</b>	(83,181)	(81,478)
Dividends payable		<b>(50,000)</b>	-	-
Provisions		-	(4,155)	(4,155)
		<b>(123,221)</b>	(87,336)	(85,633)
<b>Non-current liabilities</b>				
Other borrowings	14	<b>(97,987)</b>	(97,380)	(97,795)
Provisions		<b>(23,647)</b>	(24,448)	(22,600)
		<b>(121,634)</b>	(121,828)	(120,395)
<b>Total liabilities</b>		<b>(244,856)</b>	(209,164)	(206,028)
<b>Net assets</b>		<b>527,795</b>	498,789	552,817
<b>Equity</b>				
Share capital	15	<b>229,430</b>	229,430	229,430
Share premium account	15	<b>870,728</b>	920,728	920,728
Exchange translation reserve		<b>(3,830)</b>	(3,316)	(3,818)
Accumulated losses		<b>(568,533)</b>	(648,053)	(593,523)
<b>Total equity</b>		<b>527,795</b>	498,789	552,817

## GULF KEYSTONE PETROLEUM LIMITED

### Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019

	Notes	Share capital \$'000	Share premium account \$'000	Exchange translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 January 2018 (audited)</b>		229,430	920,728	(3,018)	(675,254)	471,886
Net profit for the period		-	-	-	26,716	26,716
Other comprehensive income for the period		-	-	(298)	-	(298)
Total comprehensive income for the period		-	-	(298)	26,716	26,418
Share-based payment charge		-	-	-	485	485
<b>Balance at 30 June 2018 (unaudited)</b>		229,430	920,728	(3,316)	(648,053)	498,789

Net profit for the period	-	-	-	53,173	53,173
Other comprehensive income for the period	-	-	(502)	-	(502)
Total comprehensive income for the period	-	-	(502)	53,173	52,671
Share-based payment charge	-	-	-	1,357	1,357
<b>Balance at 31 December 2018 (audited)</b>	<b>229,430</b>	<b>920,728</b>	<b>(3,818)</b>	<b>(593,523)</b>	<b>552,817</b>

Net profit for the period	-	-	-	24,204	24,204
Other comprehensive loss for the period	-	-	(12)	-	(12)
Total comprehensive (loss)/income for the period	-	-	(12)	24,204	24,192
Dividend	-	(50,000)	-	-	(50,000)
Share-based payment charge	-	-	-	786	786
<b>Balance at 30 June 2019 (unaudited)</b>	<b>229,430</b>	<b>870,728</b>	<b>(3,830)</b>	<b>(568,533)</b>	<b>527,795</b>

## GULF KEYSTONE PETROLEUM LIMITED

### Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2019

		Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Note	Unaudited \$'000	Unaudited \$'000	Audited
\$'000				
<b>Operating activities</b>				
Cash generated in operations	10	56,566	64,708	161,483
Interest received		3,491	1,450	4,441
Interest paid		(5,022)	(5,000)	(7,713)
<b>Net cash generated in operating activities</b>		<b>55,035</b>	<b>61,158</b>	<b>158,211</b>
<b>Investing activities</b>				
Exits costs of Algerian operation		(11,060)	-	-
Purchase of intangible assets		(392)	-	(66)
Purchase of property, plant and equipment		(36,337)	(2,635)	(20,589)
<b>Net cash used in investing activities</b>		<b>(47,789)</b>	<b>(2,635)</b>	<b>(20,655)</b>
<b>Financing activities</b>				
Issue costs of new notes		-	-	(2,366)

<b>Net cash from financing activities</b>	-	-	(2,366)
<b>Net increase in cash and cash equivalents</b>	<b>7,246</b>	58,523	135,190
Cash and cash equivalents at beginning of period	<b>295,566</b>	160,456	160,456
Effect of foreign exchange rate changes	(111)	46	(80)
<b>Cash and cash equivalents at end of the period being bank balances and cash on hand</b>	<b>302,701</b>	219,025	295,566

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

## **GULF KEYSTONE PETROLEUM LIMITED**

### **Notes to the Condensed Consolidated Financial Statements**

for the six months ended 30 June 2019

#### **1. General information**

The Company is incorporated in Bermuda (registered address: Cedar House, 3rd Floor, 41 Cedar Avenue, Hamilton 12, Bermuda). The Company's common shares are listed on the Official List of the United Kingdom Listing Authority and are traded on the London Stock Exchange's Main Market for listed securities. The Company serves as the holding company for the Group, which is engaged in oil and gas exploration and production, operating in the Kurdistan Region of Iraq.

#### **2. Basis of preparation**

The Annual Report and Accounts of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed Group financial statements for the six months period ended 30 June 2019 have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union 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 2019 half-yearly financial report are the same as those adopted in the 2018 annual report and accounts, other than the implementation of new IFRS reporting standards.

The financial information for the year ended 31 December 2018 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.

Critical accounting judgements and key sources of estimation uncertainty remain consistent with those disclosed in the 2018 annual report and accounts.

#### *Adoption of new and revised accounting standards*

As of 1 January 2019, a number of accounting standard amendments and interpretations became effective, as noted in the 2018 Annual Report and Accounts (pages 90 and 91). 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 2019.

The Group has implemented IFRS 16 for the year commencing 1 January 2019. On adoption the Group has recognised lease liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17. These liabilities have been measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease (if available) or the Group's incremental borrowing rate of 10.0 per cent.

In accordance with transition provisions in IFRS 16 the modified retrospective approach has been adopted, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparative figures for 2018 have not been restated, as permitted under the specific transition provisions in the standard.

The financial impact of this adoption has been to increase assets by \$0.4 million and liabilities by \$0.4m. The effect on the Group's income statement was immaterial.

#### *Going concern*

The Group continues to closely monitor and manage its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios. The Group has \$263.6 million of cash at 9 September 2019. The Group's forecasts, taking into account the risks applicable to the Group, show that the Group will be able to have sufficient financial headroom for the twelve months from the date of approval of the half year financial statements.

Based on the analysis performed, the Directors have a reasonable expectation that the Group has adequate resources to continue in

operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the half year financial statements.

## GULF KEYSTONE PETROLEUM LIMITED

### Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019 continued

#### 3. Dividend

At the Company's annual general meeting on 21 June 2019, the shareholders approved the distribution of a total cash dividend of \$50 million for the year ended 31 December 2018. The first tranche of c.\$17 million was paid in July 2019, with the second tranche of c.\$33 million to be paid on 4 October 2019.

The initial tranche paid was 5.68p per common share, which is equivalent to 7.26 US cents per common share.

The distribution is eligible under Bermudan Law based on the solvency of the Group. As the Group has negative retained earnings this is considered a return of capital and accordingly is presented as a deduction from share premium.

#### 4. Segment information

For the purposes of resource allocation and assessment of segment performance, the Group is organised into three regional business units - Algeria, Kurdistan and the United Kingdom. These geographical segments are the basis on which the Group reports its segmental information. The chief operating decision maker is the Chief Executive Officer. He is assisted by the Chief Financial Officer and senior management team.

The accounting policies of the reportable segments are consistent with the Group's accounting policies.

Each segment is described in more detail below:

- Kurdistan Region of Iraq: the Kurdistan segment consists of the Shaikan block and the Erbil office, which provides support to the operations in Kurdistan.
- United Kingdom: the UK segment provides geological, geophysical and engineering services to other segments of the Group; and
- Algeria: the Algerian segment consists of the Group's discontinued operations in Algeria.

The Corporate segment manages activities that serve more than one segment and represents all overhead and administration costs incurred that cannot be directly linked to one of the above segments.

30 June 2019 (unaudited)	Algeria \$'000	Kurdistan \$'000	Corporate \$'000	Total \$'000
<b>Revenue</b>				
Oil sales	-	94,063	-	94,063
Transportation revenue	-	1,543	-	1,543
<b>Total revenue</b>	-	95,606	-	95,606
<b>Profit/ (loss) from operations</b>	-	30,173	(3,986)	26,187
Finance revenue	-	3,088	540	3,628
Finance cost	-	(336)	(5,213)	(5,549)
Other gains and losses	-	14	(126)	(112)
<b>Profit/ (loss) before tax</b>	-	32,939	(8,785)	24,154
Tax credit	-	-	50	50
<b>Profit/ (loss) after tax</b>	-	32,939	(8,735)	24,204
Total assets	-	684,665	87,985	772,650

**GULF KEYSTONE PETROLEUM LIMITED**

**Notes to the Condensed Consolidated Financial Statements**

for the six months ended 30 June 2019 continued

**4. Segment information continued**

	Algeria	Kurdistan	Corporate	Total
<b>30 June 2018 (unaudited)</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>				
Oil sales	-	111,960	-	111,960
Transportation revenue	-	4,211	-	4,211
<b>Total revenue</b>	<b>-</b>	<b>116,171</b>	<b>-</b>	<b>116,171</b>
<b>Profit/ (loss) from operations</b>	<b>-</b>	<b>31,003</b>	<b>(4,293)</b>	<b>26,710</b>
Finance revenue	-	1,132	318	1,450
Finance cost	-	(359)	(5,286)	(5,645)
Other gains and losses	3,658	43	292	3,993
<b>Profit/ (loss) before tax</b>	<b>3,658</b>	<b>31,819</b>	<b>(8,969)</b>	<b>26,508</b>
Tax credit	-	-	208	208
<b>Profit/ (loss) after tax</b>	<b>3,658</b>	<b>31,819</b>	<b>(8,761)</b>	<b>26,716</b>
Total assets	26	635,868	72,059	707,953

	Algeria	Kurdistan	Corporate	Total
<b>31 December 2018 (audited)</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>				
Oil sales	-	243,711	-	243,711
Transportation revenue	-	6,843	-	6,843
<b>Total revenue</b>	<b>-</b>	<b>250,554</b>	<b>-</b>	<b>250,554</b>
<b>Profit/ (loss) from operations</b>	<b>(153)</b>	<b>88,139</b>	<b>(9,779)</b>	<b>78,207</b>
Finance revenue	-	3,713	728	4,441
Finance cost	-	(723)	(13,150)	(13,873)
Other gains and losses	10,205	39	681	10,925

<b>Profit/ (loss) before tax</b>	<b>10,052</b>	<b>91,168</b>	<b>(21,520)</b>	<b>79,700</b>
Tax credit	-	-	189	189
<b>Profit/ (loss) after tax</b>	<b>10,052</b>	<b>91,168</b>	<b>(21,331)</b>	<b>79,889</b>
Total assets	-	686,636	72,209	758,845

## GULF KEYSTONE PETROLEUM LIMITED

### Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019 continued

#### 5. Revenue

	<b>Six months ended 30 June 2019 Unaudited</b>	Six months ended 30 June 2018 Unaudited	Year ended 31 December 2018 Audited
	<b>\$'000</b>	\$'000	\$'000
Oil sales	<b>94,063</b>	111,960	243,711
Transportation revenue	<b>1,543</b>	4,211	6,843
	<b>95,606</b>	116,171	250,554

The Group accounting policy for revenue recognition is set out in its 2018 annual report, with revenue recognised on a cash-assured basis.

During the six months period ended 30 June 2019, the cash-assured values recognised as oil sales were the Group's share of the invoiced revenue amounting to \$94.1 million (H1 2018: \$112.0 million; FY 2018: \$227.5 million). There were no MNR liability offset revenues in the period (H1 2018: nil; FY 2018: \$16.2 million) The oil sales price was calculated using the monthly Brent price less an average discount of \$21.69 (H1 2018: \$22.8; FY 2018: \$22.3) per barrel for quality, pipeline tariff and transportation costs.

From 15 November 2017 onwards, the Group has performed transportation services in respect of the KRG's share of export oil sales. It recharges all these transportation costs at nil mark-up to KRG.

Interest revenue has been presented as part of net finance costs (note 7)

#### 6. Cost of Sales

	<b>Six months ended 30 June 2019 Unaudited</b>	Six months ended 30 June 2018 Unaudited	Year ended 31 December 2018 Audited
	<b>\$'000</b>	\$'000	\$'000
Oil production costs	<b>25,663</b>	38,335	69,479
Depreciation of oil & gas properties	<b>32,358</b>	34,760	70,744

Transportation costs	3,229	8,810	14,311
	<u>61,250</u>	<u>81,905</u>	<u>154,534</u>

Oil production costs represent the Group's share of gross production expenditure for the Shaikan field for the period and include capacity building charges of \$7.1 million (H1 2018: \$8.3 million; FY 2018: \$17.0 million) and Shaikan PSC production bonus of \$nil (H1 2018: \$16.0 million; FY 2018: \$16.0 million). The production bonus became payable in H1 2018 when the gross production milestone of 50 MMbbl was achieved, there are no further production bonuses envisaged under the PSC.

A unit-of-production method, based on full entitlement production, commercial reserves and costs for Shaikan full field development, has been used to calculate the DD&A charge for the period. Commercial reserves are proven and probable ("2P") reserves, estimated using standard recognised evaluation techniques.

The breakdown of the transportation costs comparative for the period to June 2018 has been restated by \$4.6 million to accurately show the full transportation costs, as part of this had previously been shown in oil production costs.

## GULF KEYSTONE PETROLEUM LIMITED

### Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019 continued

#### 7. Finance costs

	Six months ended 30 June 2019 Unaudited \$'000	Six months ended 30 June 2018 Unaudited \$'000	Year ended 31 December 2018 Audited \$'000
Notes interest charged during the period (Note 14)	(5,192)	(5,285)	(13,150)
Finance lease Interest	(21)	-	-
Unwinding of discount on provisions	(336)	(360)	(723)
Total Finance costs	<u>(5,549)</u>	<u>(5,645)</u>	<u>(13,873)</u>
Finance Revenue	3,628	1,450	4,441
Net finance costs	<u>(1,921)</u>	<u>(4,195)</u>	<u>(9,432)</u>

#### 8. Other (losses)/gains

	Six months ended 30 June 2019 Unaudited \$'000	Six months ended 30 June 2018 Unaudited \$'000	Year ended 31 December 2018 Audited \$'000
Exchange (losses)/gains	(112)	344	710
Other gains	-	3,737	10,215
	<u>(112)</u>	<u>4,081</u>	<u>10,925</u>

Other gains in prior periods consist of the release of decommissioning liability and reduction of accruals relating to exiting the Algerian



project.

## 9. Profit per share

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

	Six months ended 30 June 2019 Unaudited \$'000	Six months ended 30 June 2018 Unaudited \$'000	Year ended 31 December 2018 Audited \$'000
<b>Profit</b>			
Profit after tax for the purposes of basic and diluted loss per share	24,204	26,716	79,889
Weighted average number of shares used:			
Basic ('000)	229,317	229,317	229,317
Diluted ('000)	240,564	230,761	235,845

The average number of ordinary shares in issue excludes shares held by Employee Benefit Trustee ("EBT") and the Exit Event Trustee of 0.1 million (H1 2018: 0.1 million; FY 2018: 0.1 million)

The diluted number of ordinary shares outstanding, including share options, is calculated on the assumption of conversion of all potentially dilutive ordinary shares. As at 30 June 2019, there were 0.3 million share options (H1 2018: 0.3 million; FY 2018: 0.3 million) that were excluded from the calculation of diluted earnings, because they were anti-dilutive.

## GULF KEYSTONE PETROLEUM LIMITED

### Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019 continued

#### 10. Reconciliation of profit from operations to net cash generated in operating activities

	Six months ended 30 June 2019 Unaudited \$'000	Six months ended 30 June 2018 Unaudited \$'000	Year ended 31 December 2018 Audited \$'000
<b>Profit from operations</b>	<b>26,187</b>	26,622	78,207
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	32,769	34,924	71,081
Amortisation of intangible assets	31	22	46
Other gains or losses	-	694	-
Share-based payment expense	756	485	1,785
(Increase)/ decrease in inventories	(5,664)	(325)	3,000
(Increase)/decrease in receivables	549	(19,236)	(4,330)
Increase/(decrease) in payables	1,938	21,522	11,694
<b>Net cash generated in operating activities</b>	<b>56,566</b>	64,708	161,483

#### 11. Property, plant and equipment

	Oil and Gas Assets \$'000	Fixtures and Equipment \$'000	Total \$'000
<b>Year ended 31 December 2018</b>			
Opening net book value	416,908	565	417,473
	6,947	278	7,225

Additions			
Depreciation charge	(34,760)	(164)	(34,924)
Foreign currency translation differences	-	8	8
<b>Net book value at 30 June 2018</b>	<b>389,095</b>	<b>687</b>	<b>389,782</b>
Additions	28,768	366	29,134
Depreciation charge	(35,984)	(173)	(36,157)
Revisions to decommissioning charge	(2,229)	-	(2,229)
Foreign currency translation differences	-	7	7
<b>Net book value at 31 December 2018</b>	<b>379,650</b>	<b>887</b>	<b>380,537</b>
Cost	600,048	6,201	606,249
Accumulated depreciation	(220,398)	(5,314)	(225,712)
<b>Net book value at 31 December 2018</b>	<b>379,650</b>	<b>887</b>	<b>380,537</b>
<b>Period ended 30 June 2019</b>			
Opening net book value	379,650	887	380,537
Additions	32,432	605	33,037
Revision to decommissioning asset	710	-	710
Depreciation charge	(32,358)	(411)	(32,769)
Foreign currency translation differences	-	31	31
<b>Closing net book value</b>	<b>380,434</b>	<b>1,112</b>	<b>381,546</b>
<b>At 30 June 2019</b>			
Cost	633,190	6,837	640,027
Accumulated depreciation	(252,756)	(5,725)	(258,481)
<b>Net book value</b>	<b>380,434</b>	<b>1,112</b>	<b>381,546</b>

The additions to the Shaikan asset amounting to \$32.4 million during the period include the costs of tubing changeovers, well civils and drilling, spur pipeline, various studies and production facilities debottlenecking projects.

## GULF KEYSTONE PETROLEUM LIMITED

### Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019 continued

#### 12. Trade and other receivables

	30 June 2019 Unaudited \$'000	30 June 2018 Unaudited \$'000	31 December 2018 Audited \$'000
Trade receivables	59,737	77,109	61,251
Other receivables	6,852	3,190	5,405
Prepayments and accrued income	908	692	1,253
	<b>67,497</b>	<b>80,991</b>	<b>67,909</b>

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

### 13. Trade and other payables

	30 June 2019 Unaudited \$'000	30 June 2018 Unaudited \$'000	31 December 2018 Audited \$'000
Trade payables	3,275	2,859	11,857
Other payables	26,907	38,189	19,552
Finance Leases	211	-	-
Accrued expenses	42,828	42,133	50,069
	<u>73,221</u>	<u>83,181</u>	<u>81,478</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

There is \$4.4 million interest payable included in accrued expenses as at 30 June 2019 (30 June 2018: \$2.0 million. FY 2018: \$4.4 million)

As at 30 June 2019, other payables included \$10.0 million (H1 2018: \$10.0 million; FY 2018: \$10.0 million) in relation to the Sheikh Adi PSC bonus that was payable on the declaration of commerciality. It is likely that this liability will be offset against unrecognised Shaikan revenue arrears, in accordance with the principles agreed under the Bilateral Agreement between the Group and the MNR. As at 30 June 2018, the other payables balance also included \$16.2 million of payments received in excess of the Group's revenue entitlements from the MNR under the bilateral Agreement. In December 2018, this amount was transferred to revenue as an offset of past revenue arrears.

## GULF KEYSTONE PETROLEUM LIMITED

### Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019 continued

### 14. Other borrowings

In July 2018, the Group redeemed \$100 million Reinstated Notes, issued in October 2016, at a price equal to 100 per cent of the principal, plus accrued and unpaid interest on the Notes up to and including the Redemption Date. The Group also successfully completed the private placement of a 5-year senior unsecured \$100 million bond issue (the "New Notes"). The unsecured New Notes are guaranteed by Gulf Keystone Petroleum International Limited and Gulf Keystone Petroleum (UK) Limited, two of the Company's subsidiaries, and their key terms are summarised as follows:

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

The liabilities associated with Reinstated Notes are presented in the following tables:

	30 June 2019 Unaudited \$'000	30 June 2018 Unaudited \$'000	31 December 2018 Audited \$'000
Liability at the beginning of the period	102,156	99,084	99,084
Interest charged during the period	5,192	5,285	13,150
Interest paid during the period	(5,000)	(5,000)	(7,713)
Exchange or redemption of Reinstated notes	-	-	(100,000)
Issue of new notes at fair value	-	-	97,635
Liability at the end of period	<u>102,348</u>	<u>99,369</u>	<u>102,156</u>

Liability reported in:

	30 June 2019 Unaudited \$'000	30 June 2018 Unaudited \$'000	31 December 2018 Audited \$'000
Current liabilities	4,361	1,989	4,361
Non-current liabilities	97,987	97,380	97,795
			102,156

102,348      99,369

The New Notes are traded on the Norwegian Stock Exchange and the fair value at the prevailing market price as at the close of business on the reporting date was:

	Market price	30 June 2019 \$'000
New Notes	<b>\$1.04663</b>	104,663

As of 30 June 2019, the Group's remaining contractual liability comprising principal and interest based on undiscounted cash flows at the maturity date of the Reinstated Notes is as follows:

	30 June 2019 Unaudited \$'000	30 June 2018 Unaudited \$'000	31 December 2018 Audited \$'000
Within one year	<b>10,000</b>	10,000	10,000
Within two to five years	<b>130,639</b>	125,000	135,639
			145,639
	<b>140,639</b>	135,000	

## GULF KEYSTONE PETROLEUM LIMITED

### Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2019 continued

#### 15. Share capital

	Common shares		Share	Share
	No. of shares	Amount	capital	premium
	000	\$'000	\$'000	\$'000
Issued and fully paid				
Balance 1 January 2019 (audited)	229,430	1,150,158	229,430	920,728
Dividend (see note 3)	-	-	-	(50,000)
<b>Balance 30 June 2019 (unaudited)</b>	<b>229,430</b>	<b>1,150,158</b>	<b>229,430</b>	<b>870,728</b>

#### 16. Contingent Liabilities

The Group has a contingent liability of \$27 million (2018: \$27 million) in relation to the proceeds from the sale of test production in the period prior to the approval of the Shaikan Field Development Plan in July 2013. The Shaikan PSC does not appear to address expressly any party's rights to this pre-Development Plan petroleum. This suggests strongly that there must have been some other agreement, understanding or arrangement between GKP and the KRG as to how this pre-Development Plan petroleum would be lifted and sold. 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-Development Plan petroleum are for the account of the Contractor (GKP and MOL), rather than the KRG and accordingly recorded them as test revenue in prior years. However, the KRG has requested a repayment of these amounts and the Group is currently involved in negotiations to resolve this matter. The Group has received external legal advice and does not consider that a probable material payment is payable to the KRG. This contingent liability forms part of the ongoing Shaikan PSC amendment negotiations and it is likely that it will be settled as part of those negotiations.

#### 17. Events after the balance sheet date

In July 2019 the Group announced its intention to commence a share buyback programme using the Group's existing cash resources to make market purchases of Gulf Keystone common shares for a maximum consideration of \$25.0 million.

The first stage of that programme to purchase Gulf Keystone shares for an initial amount of \$15.0 million was initiated on 8 July 2019 and completed on 30 August. The company is now resuming the buyback for an additional \$10.0 million.

## GULF KEYSTONE PETROLEUM LIMITED

### GLOSSARY (See also the glossary in the 2018 Annual Report and Accounts)

<b>Bilateral Agreement</b>	the bilateral agreement between GKPI and the MNR dated 16 March 2016
<b>bopd</b>	barrels of oil per day

<b>capex</b>	any expenditure or obligation in respect of expenditure which, in accordance with accounting principles applied by the Company in the preparation of its audited accounts, is treated as capital expenditure (and including the capital element of any expenditure or obligation incurred in connection with any finance lease)
<b>Crude Oil Sales Agreement</b>	the Shaikan crude oil export sales agreement valid between 1 January 2019 and 31 December 2020
<b>CSR</b>	corporate social responsibility
<b>DD&amp;A</b>	depreciation, depletion and amortisation
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>EBT</b>	employee benefit trust
<b>ESG</b>	Environmental Social Governance
<b>ESP</b>	electrical submersible pump
<b>FDP</b>	Field Development Plan
<b>First Shaikan Amendment</b>	First amendment to the Shaikan PSC executed on 1 August 2010.
<b>G&amp;A</b>	general and administrative
<b>Group</b>	Gulf Keystone Petroleum Limited and its subsidiaries
<b>HSSE</b>	health, safety, security and environment
<b>KRG</b>	Kurdistan Regional Government
<b>LTI</b>	lost time incident
<b>MNR</b>	Ministry of Natural Resources of the Kurdistan Regional Government
<b>MOL</b>	Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc)
<b>New Notes</b>	the \$100 million unsecured, guaranteed notes issued on 25 July 2018 by GKP with a maturity date of 25 July 2023
<b>PF-1</b>	Production Facility 1
<b>PF-2</b>	Production Facility 2
<b>PSC</b>	production sharing contract
<b>Second Shaikan Amendment</b>	the second proposed amendment to the Shaikan PSC formally implementing the terms of the Bilateral MNR Agreement (including the First Shaikan Amendment)
<b>Shaikan PSC</b>	the Production Sharing Contract for the Shaikan block between the Kurdistan Regional Government of Iraq and Gulf Keystone Petroleum International Limited and Texas Keystone Inc. and Kalegran Limited (a subsidiary of MOL) signed on 6 November 2017 as amended by subsequent agreements
<b>TD</b>	total depth

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