GULF KEYSTONE PETROLEUM

31 March 2021

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

2020 Full Year Audited Results Announcement

Return to a balance of growth investment and shareholder distributions

Gulf Keystone Petroleum, a leading independent operator and producer in the Kurdistan Region of Iraq (“Kurdistan” or “Kurdistan Region”) announces its audited results for the full year ended 31 December 2020.

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

“Against the backdrop of extraordinary global challenges in 2020, GKP acted decisively to successfully manage the impact of COVID-19 on our staff, contractors and production operations. We achieved all of our cost reduction targets and annual average production of 36,625 bopd, 11% higher than 2019.

We have had a strong start to 2021. The updated independent Competent Person’s Report reaffirmed the significant upside production potential of the field with gross 2P reserves + 2C contingent resources of c.800 MMstb. Average gross production from Shaikan in 2021 to 29 March is 43,190 bopd, up c.13% from the corresponding period in 2020.

Recently, we resumed the 55,000 bopd investment programme and today we are pleased to be announcing the reinstatement of at least a $25 million annual dividend, in keeping with our commitment to balance investment in growth and returns to shareholders.”

Highlights to 31 December 2020 and post reporting period

Operational

- Effectively managing the impact of COVID-19 on production operations and continue to prioritise the welfare of workforce and contractors whilst maintaining production momentum.
- Continued strong safety performance, with no Lost Time Incident ("LTI") recorded for over 450 days.
- 2020 average gross production of 36,625 bopd, exceeding revised guidance and the highest annual average production rate to date from the field.
- Gross average production from the field in 2021 to date of 43,190 bopd, in line with guidance of 40,000 – 44,000 bopd for the year.
- Updated Competent Person's Report ("CPR") published with c.800 MMstb gross 2P+2C reserves and resources volumes, which was in line with the 2016 CPR, after adjusting for production over the period, supporting GKP’s view of the geological model.

Financial

- GKP achieved its 2020 cost reduction targets, reducing Opex and G&A by more than 20% compared to 2019 and delivering gross unit Opex of $2.6/bbl, below the low end of the guidance range and down over 30% versus 2019.
- Net Capex was $45.9 million net (FY 2019: $90.0 million) within the $40-48 million revised guidance range despite the addition of low-cost, high impact investments during the fourth quarter that contributed to record 2020 annual average production.
- Loss after tax of $47.3 million (FY 2019: $43.5 million profit) and reduced revenue of $108.4 million (FY 2019: $206.7 million) were driven by a decline in Brent oil prices that averaged $42/bbl in 2020 compared to $64/bbl in 2019.
- Consistent payments from the Kurdistan Regional Government (“KRG”) for the last eleven months. Repayment mechanism in place to recover outstanding arrears of $73.3 million net for the period November 2019 – February 2020 with the first payment of $2.6 million net recently received.
- Cash balance of $147.8 million at year end (FY 2019: $190.8 million). Cash balance of $161.0 million at 30 March 2021.
- The Company has hedged c.60% of Q2 and Q3 2021 forecast net production at a floor price of $35/bbl and $40/bbl respectively, while retaining full upside exposure.

Outlook

- Resumption of expansion activity with drilling operations expected to begin in Q3 resulting in an increase in gross production towards 55,000 bopd in Q1 2022.
- Reinstatement of at least a $25 million annual dividend. A $25 million dividend is subject to shareholder approval at the Annual General Meeting ("AGM") scheduled for 18 June 2021 and is expected to be paid in full on 2 July 2021 based on a record date of 25 June 2021.
- With continuing strong oil prices, there may be opportunities to consider further distributions to shareholders this year.
- Guidance for 2021 of average gross production of 40,000 to 44,000 bopd, net Capex of $55-$65 million and gross unit Opex of $2.5 to $2.9/bbl.

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.

CHAIRMAN'S STATEMENT

Gulf Keystone showed tremendous resilience and flexibility in its prudent and timely response to the global COVID-19 pandemic and oil price fluctuations in 2020, while meeting revised guidance and maintaining a strong financial position. The Company is now pleased to report that it is returning to a balance of investment in production growth and shareholder distributions through the resumption of its annual dividend policy of at least $25 million.

GKP has for a number of years prioritised the safety, environmental and social effects of its business and remains committed to environmental, social and governance ("ESG") principles. We look forward to continuing to develop the Shaikan Field for the benefit of all stakeholders, while striving to lower our emissions.

2020 began with the Company progressing its expansion of Shaikan to 55,000 barrels of oil per day ("bopd") and Brent crude oil prices close to $70/bbl - the stage was set for another twelve months of successful, safe, production growth. However, as the global pandemic took hold towards the end of Q1 2020, the situation changed very quickly and dramatically and the welfare of our team and those we work with were our immediate priority. Pressure built further with increased OPEC production as the global economy faltered resulting in Brent crude oil prices collapsing to as low as below $10/bbl, its lowest price in over twenty years, and West Texas Intermediate crude oil briefly trading at negative prices.

Faced with these unprecedented challenges, the Company responded swiftly and decisively, protecting our people and those we work with, contributing to the welfare of the communities close to the Shaikan Field, and managing the cost base to ensure the financial health of the Company; all while maintaining safe and stable production operations. These were remarkable achievements and the team deserve recognition for their handling of the crisis and the nimble manner in which they were able to react. It is also worth noting that the rigorous testing procedures we put in place at the outset of the pandemic ensuring that COVID-19 did not impact operations, enabling production to continue uninterrupted throughout this period.

It is now more than a year since COVID-19 took hold and it is clear that the steps taken in the early part of 2020 were the right ones. The decisions that the Board took, including the postponement of our production growth plans, and measures to protect the Company's liquidity, were not easy but necessary. Ultimately, the Board's actions enabled the Company to emerge from the crisis in a robust financial position and ready to return to our plans to deliver significant value from Shaikan.

Throughout the year, the field has continued to perform, and we are pleased to have announced record production figures in January 2021. With today's improved operating environment, underpinned by higher oil prices, and our robust balance sheet (which is supported by the ongoing repayment of outstanding invoices), the Company was pleased to announce it is resuming the 55,000 bopd project and is targeting to restart drilling activities in Q3 this year.

Over 2019 and Q1 2020, the Company returned approximately $100 million to shareholders through dividends and share buy-back programmes. We are now pleased to be announcing a return to our target of paying a proposed dividend of at least $25 million per year. A dividend of $25 million will be put to shareholders for approval at the AGM on 18 June 2021 and will be paid to shareholders on 2 July 2021 based on a record date of 25 June 2021. The Board continues to balance the needs of the business and maintaining an appropriate

balance sheet, with our ability to reward shareholders. With continuing strong oil prices, there may be opportunities to consider further distributions to shareholders this year.

During 2020, we welcomed Garrett Soden back to the Board of GKP as a Non-Independent Non-Executive Director representing funds managed by Lansdowne Partners Austria GmbH. In January 2021, we bid farewell to Jón Ferrier who retired as CEO. Jón transformed the Company in his five years as CEO and we thank him for his immense contribution over his tenure. The Board is pleased to welcome Jon Harris as our new CEO. In his short time with the Company, he has made a positive impact and we look forward to the business continuing to flourish under his leadership.

On behalf of the Board, I would like to express my thanks to the team at GKP who have shown great resilience. In addition, thank you to all of our shareholders for their ongoing support. We have a great opportunity to create value for all our stakeholders, and to make a positive contribution within Kurdistan.

Jaap Huijskes
Non-Executive Chairman

CEO REVIEW

I am very pleased to address all our stakeholders having recently joined Gulf Keystone as CEO in January 2021.

GKP successfully managed the extreme impact of the global COVID-19 pandemic on our staff, contractors and production operations. We quickly implemented a disciplined approach to quarantine and testing, ensuring flexibility and support to staff working remotely and put in place medical and health measures to ensure that our people were protected.

Safety is our fundamental way of being, as well as representing good business. Our great safety performance is a testament to the culture of health, safety, security and environment ("HSSE") running through the Company. We have now had over 450 Lost Time Incident ("LTI") free days and not a single recordable case in over a year. We remain resolutely committed to maintaining this strong safety performance.

Despite the pandemic, GKP exceeded revised production guidance for 2020, achieving record annual average production of 36,625 bopd, and another important milestone was also achieved in March 2021 when cumulative production passed 85 million stock tank barrels ("MMstb"). The Company was also quick to protect its financial position, reducing Capex by 50% and G&A and Opex by over 20% compared to 2019; when put in the context that these decisions were made late in the first quarter, the reductions represent a significant year-on-year decrease. The Company ended the year with a strong balance sheet and at 30 March 2021 has cash of $161 million.

In March 2020, when the Company suspended its investment plans due to the pandemic, we were on track to achieve the 55,000 bopd target in Q3 2020. Despite the challenges of operating with COVID-19, the Company channeled its efforts into identifying and delivering a number of near-term, low cost, projects, which successfully increased gross production by 9,000 bopd, for an aggregate gross cost of less than $3 million, resulting in some of the highest production rates the field has seen to date.

Throughout the year, Gulf Keystone continued to manage its business prudently and responsibly. In 2020, the support we were able to provide local communities was more important than ever. Amongst a wide array of community initiatives in direct support of COVID-19, the Company donated personal protective equipment, test kits and sterilisation equipment to hospitals within the concession, as well as providing firefighting gear and flood relief packages.

Maintaining and building on our ethos is essential, enhancing our corporate social responsibility and the ESG strategy is also a key priority in 2021. Since joining GKP, I have been pleased to see an organisation that takes its responsibilities to both people and the environment seriously. I have been leading a working group to review, and where necessary, strengthen our approach to ESG. The Company is committed to best practice and this is evident in our high levels of disclosure in this year's Sustainability Report. Not only is ensuring that we have implemented the correct approach to ESG, it is the right thing to do, and reflective of our corporate values, given the welcome focus on ESG by a wide range of stakeholders.

We have had a strong start to 2021. In January, the Company achieved record average monthly production of over 44,400 bopd, highlighting how Shaikan continues to perform strongly and reliably. This solid operational performance is against an improving backdrop with the oil price having shown signs of a material, sustained

recovery, increasing the cash we are generating. We are pleased to report that in today's higher oil price environment, with dated Brent above $50/bbl, the KRG has honored its pledge to start to repay the amount outstanding for the invoices of November 2019 to February 2020. We are grateful that these are now being addressed as it contributes to the Company's ability to deliver its ambitious plans for 2021 and beyond.

The recently updated Competent Persons Report ("CPR") reaffirmed the quality of the Shaikan Field with gross 2P+2C reserves and resources of c.800 MMstb, in line with the previous CPR from 2016 after adjusting for production over the period. The CPR endorsed our internal view of the asset and clearly underlines the extent of the field's full potential.

Macro conditions are improving, Shaikan continues to perform well and the Company is in a strong financial position. The decision was made to resume the 55,000 bopd expansion project, which we now expect to complete in Q1 2022. We are committed to realising the value of Shaikan for the people of Kurdistan and our investors, and look forward to keeping the market appraised of our progress towards 55,000 bopd, and then beyond.

In 2021, we are targeting to invest $55 – 65 million net and gross annual average production of 40,000 – 44,000 bopd, while maintaining our competitive cost position with gross Opex of $2.5 - $2.9/bbl.

We are pleased today to be announcing the return to a balance of growth focused field development investments and shareholder distributions with the reinstatement of at least a $25 million annual dividend. A dividend of $25 million will be presented at the AGM on 18 June 2021 for shareholder approval. The production growth story combined with the return of surplus cash to shareholders are the foundations of Gulf Keystone's highly attractive investment case.

On a personal note, having been CEO since the start of the year, my firm impression is of a very professional and collaborative team, with considerable drive and passion for everything they do. I am extremely pleased to be part of this team and in a company with such a positive ethos. Many sacrifices have been made because of COVID-19, especially impacting rotation work patterns. Many people have spent a considerable amount of time away from their families over recent months. I extend a sincere thank you to the team for their dedication, commitment and personal sacrifices in the interests of the Company. In addition, I would like to thank all of our stakeholders for their continued support.

Jon Harris
Chief Executive Officer

OPERATIONAL REVIEW

During 2020, the Company made decisive strategic changes to successfully manage the impact of COVID-19 and achieve a number of operational milestones during the period.

The Company had a strong start to the year and was on-track to achieve its target of ramping up production to 55,000 bopd in Q3 2020 at Shaikan. However, with the outbreak of the COVID-19 pandemic, the Company suspended its expansion programme and focussed on protecting the health of its staff, contractors and local communities, in order to achieve safe and reliable production operations. GKP successfully managed the impact of COVID-19 on production operations and continued its strong safety record, with no LTIs during the year and on 24 February 2021 achieved one year with zero recordable incidents. Plant availability remained high during the period and the Company achieved average gross production of 36,625 bopd, exceeding the top end of the revised guidance range and the highest annual average production rate to date from the field.

Despite having suspended the expansion programme, once the initial crisis period had settled, we identified three opportunities that could be completed at very low cost to materially boost the field's production. The first was the hook-up of SH-9 with this well being brought on stream as an oil producer in December. The other two initiatives were the re-completion of SH-12 in the main Upper Jurassic reservoir and the further debottlenecking of PF-1 to increase production capacity beyond the 27,500 bopd anticipated in the 55,000 bopd project, to over 30,000 bopd. These initiatives increased gross production at Shaikan by approximately 9,000 bopd for a total cost of less than $3 million gross. This led to GKP recording its highest ever monthly production average of 44,405 bopd in January 2021.

On the 55,000 bopd expansion programme, a significant proportion of the capital expenditure has already been incurred and the groundwork laid for the Company to complete the project. With cumulative gross costs of $160 million to the end of 2020, the Company remains on track to achieve the original total project guidance of $200-230 million gross. GKP was pleased to announce that it is restarting the project and has begun to remobilise its team. Assuming services and equipment are available as required, given the potential impact of COVID-19, we aim to restart drilling in Q3 this year and to ramp up towards 55,000 bopd in Q1 2022. The drilling campaign will start with SH-13, followed by the SH-I well, which will be drilled from the same pad as SH-13. In addition, the debottlenecking of PF-2 will be completed and electric submersible pumps ("ESPs") will be fitted into two of the existing wells.

The Company has set the target of achieving average daily gross production guidance of 40,000 to 44,000 bopd in 2021. To date, GKP is on track to meet this guidance, having delivered average production for the year to 29 March of 43,190 bopd. Despite the restart of our investment programme, we are maintaining production guidance unchanged as the additional production from this programme will only start to show a benefit in Q1 2022.

The Company, and its partner Kalegran B.V. (a subsidiary of MOL Hungarian Oil & Gas plc) ("MOL"), were making good progress with the Ministry of Natural Resources ("MNR") on preparation of a revised Field Development Plan ("FDP"), including the Gas Management Plan ("GMP"), up until March 2020, when the workstream was paused due to the outbreak of COVID-19. The GMP is designed to significantly reduce the routine flaring of associated gas which would materially lower emissions and currently includes the development of surface facilities to sweeten the gas and remove sulphur.

Although a year was effectively lost as a result of the pandemic, following the appointment of the new Minister of Natural Resources, GKP and MOL are re-engaging with the MNR to discuss various options to optimise and reduce the cost of the GMP. The GMP is a vital part of the FDP, which once approved will enable the partners to deliver sustainable, cost effective and low risk production growth for many years to come.

Competent Persons Report ("CPR")

In February 2021, GKP issued a revised CPR from its reserves auditor, ERCE, reaffirming the significant Reserves and Resources potential of the Shaikan Field. Four years on from the previous CPR, Jurassic 2P reserves of 505 MMstb remain almost unchanged (allowing for production), which is reassuring and supports our view on the Geological model of the Jurassic reservoir.

Gross 2P+2C reserves and resources were c.800 MMstb at 31 December 2020. Based on the CPR and using gross January 2021 average production, Shaikan has a gross 1P reserves life index of c.15 years and a gross 2P reserves life index of over 30 years. By the end of March 2021, we had produced over 85 MMstb gross.

ESG

While ESG is a relatively new term, the underlying components have always been important to us and we are committed to its principles. We are very proud of the social and economic contribution we make in Kurdistan, which as a region, is heavily reliant on the natural resources sector for revenue.

While further details can be found later in the Sustainability Report on some of the ESG initiatives we conducted during the year, I would like to touch on a few notable areas this past year. Firstly, we are proud that as at December 2020, 84% of our employees were local (up from 74% in 2019). We have one of the highest percentages of local employees in the oil and gas sector in Kurdistan and, since 2018, over 70 local employees have been promoted to more senior positions.

Despite the challenges presented by the COVID-19 pandemic, we were also able to continue with a range of community investment activities. This included building a water supply network, drilling a water well, the provision of wool clippers and shears to local farmers, providing the local fire department with equipment and supplying medical personal protective equipment to the local villages. It is anticipated that over 450 people will benefit from the water project and in excess of 130 sheep breeders in 13 villages received wool shears. During the year, the Company spent over $200,000 on corporate social responsibility initiatives.

On the environmental side, GKP is committed to reducing routine flaring at Shaikan and retains its aspiration to reduce scope 1 and 2 CO_2 emissions per barrel by more than 50% by 2025. Clearly though, a year has been lost as a result of the COVID-19 pandemic and progress towards the goal is subject to the finalisation of the GMP with MOL and the KRG. Whilst we are re-engaging with the MNR to review and finalise the GMP, we are also considering a number of other projects in our opportunity register that can reduce our environmental impact. The Company looks forward to updating the market further on its operational progress over the course of 2021.

Stuart Catterall

Chief Operating Officer

FINANCIAL REVIEW

Key financial highlights

		Year ended 31 December 2020	Year ended 31 December 2019
Gross average production[1]	bopd	36,625	32,883
Dated Brent[1]	$/bbl	42.0	64.6
Realised price[1]	$/bbl	20.9	42.9
Revenue	$m	108.4	206.7
Operating costs	$m	27.4	37.4
Gross operating costs per barrel[1]	$/bbl	2.6	3.9
General and administrative expenses	$m	13.5	19.5
- Incurred in relation to Shaikan Field	$	5.8	10.0
- Corporate G&A	$	7.7	9.5
Adjusted EBITDA[1]	$m	56.7	122.5
(Loss)/profit after tax	$m	(47.3)	43.5
Basic (loss)/earnings per share	cents	(22.45)	19.25
Capital investment[1]	$m	45.9	90.0
Revenue receipts[1]	$m	101.1	155.7
Cash and cash equivalents	$m	147.8	190.8
Net decrease in cash and cash equivalents	$m	43.0	104.6
Face amount of the Notes	$m	100.0	100.0

1. Gross average production, dated brent, realised price, gross operating costs per barrel, Adjusted EBITDA, capital investment and revenue receipts are either non-financial or non-IFRS measures and, where necessary, are explained in the summary of significant accounting policies.

Gulf Keystone continues to maintain a sharp focus on capital discipline. A track-record of strict cost control and a flexible phased development programme enabled the Company to reduce capital expenditures, operating costs and general and administrative expenses quickly and significantly in 2020, in response to the impact of COVID-19 and decline in oil prices. The Company strives to maintain a robust financial profile through the economic cycle and is committed to a balance of investment in profitable production growth and distributions to shareholders.

In Q1 2020, the Company was on-track to achieve its target of growing production to 55,000 bopd and it completed the second tranche of its share buy-back programme bringing total capital distributions in 2019 and 2020 to $99.0 million. With the impact of COVID-19 and the decline in oil price, the Company took decisive steps to preserve liquidity, including suspension of the expansion and dividend programme and implementation of a hedging programme that has resulted in hedging c.60% of production at a floor price of $35/bbl for H2 2020 and H1 2021 and $40/bbl for Q3 2021, while retaining full upside to increasing oil prices.

The Company recognised a loss after tax for the first time since its restructuring in 2016 driven by the significant decline in the dated Brent price (2020: $47.3 million loss; 2019: $43.5 million profit).

Adjusted EBITDA

The impact of the decline in oil price resulted in a significant reduction in Adjusted EBITDA from $122.5 million in 2019 to $56.7 million in 2020. Gulf Keystone was able to mitigate the oil price impact by focusing on what it controls, increasing production and reducing operating costs and general & administrative expenditures ("G&A").

Average 2020 production was 36,625 bopd, the highest annual average from the field to date and up 11% from 2019. However, the benefit of higher production was more than offset by the decline in oil price.

During the year, the Company established and achieved aggressive cost reduction targets. Operating costs decreased by 27% to $27.4 million (2019: $37.4 million) driven by cost savings initiatives and a deferral of non-critical maintenance activity. Gross operating costs decreased from $3.9/bbl in 2019 to $2.6/bbl, below the guidance range of $2.7-$3.1/bbl. In 2021, operating costs are expected to increase with production; however, the Company is targeting to maintain unit operating costs.

G&A decreased by 31% to $13.5 million (2019: $19.5 million) with savings achieved in both Corporate and Shaikan G&A. Cost savings initiatives contributed c.23% of the decrease. The remaining decrease is driven principally by the impact of the decline in GKP's share price on the tax provision for share-based compensation and higher capitalisation of costs.

The pipeline from PF-1 to the main regional export pipeline was commissioned in December 2019, eliminating the cost of transportation by trucks (2020: $nil; 2019: $12.0 million).

Cash flows

Cash decreased over the year by $43.0 million from $190.8 million to $147.8 million. The Group has notes outstanding with a principal balance of $100.0 million (2019: $100.0 million) that do not mature until July 2023 resulting in a net cash balance of $47.8 million at 31 December 2020.

The Group generated cash from operating activities of $36.8 million (2019: $83.7 million). The decrease was primarily driven by the reduction in Adjusted EBITDA.

In March 2020, the KRG informed the Company and other IOCs in Kurdistan that payments for oil sales from November 2019 to February 2020 would be deferred. As at 31 December 2020, the Group had $73.3 million net of overdue invoices in relation to this period.

In December 2020, the Company received an arrears repayment proposal from the KRG that would result in a monthly repayment amount calculated as 50% of the difference between the average monthly dated Brent price and $50/bbl multiplied by gross Shaikan crude oil sales volumes. Further to the proposal, in March 2021, the first arrears repayment of $2.6 million net was received for January 2021 production. The Company remains in a constructive dialogue with the KRG to finalise the repayment terms.

During 2020, GKP invested net capital expenditures of $45.9 million (2019: $90.0 million) in the Shaikan Field. Expenditures were within the $40-48 million net guidance range despite adding activity to recomplete SH-12, tie-in SH-9 as an oil producer and further debottleneck PF-1 that contributed to record annual average

production. Additionally, trade accounts payable associated with investing activities were reduced by $12.1 million during the year.

As at 31 December 2020, there were $548 million gross of unrecovered costs, subject to potential cost audit by the KRG. Cumulative revenues were $1,182 million and cumulative costs were $1,439 million, resulting in an R-factor of 0.82.

During the year, the Company completed the final tranche of the share buy-back programme, repurchasing $20.2 million of common shares. The Company subsequently cancelled 18.1 million treasury shares and retained one million treasury shares to fulfil potential future exercises of share-based awards.

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

Outlook

The Company has a strong balance sheet with cash and cash equivalents of $161.0 million at 30 March 2021.

We are pleased to have recently announced that we are resuming the 55,000 bopd expansion project. We are now planning to invest $55 – 65 million net in 2021 to complete routine works deferred from 2020 and increase production towards 55,000 bopd in Q1 2022. 2021 annual average gross production is expected to be 40,000 – 44,000 bopd. Additionally, we are targeting gross Opex of $2.5 - $2.9/bbl.

Also, in line with our commitment to balance investment in production growth and distributions to shareholders, we are pleased to announce that we are reimplementing an annual dividend policy with the target of paying at least $25 million per year. A dividend of $25 million is subject to approval at the AGM on 18 June 2021 and will be paid to shareholders on 2 July 2021 based on a record date of 25 June 2021. Looking forward, to the extent oil prices remain strong, there may be opportunities to consider further distributions this year.

Ian Weatherdon
Chief Financial Officer

Consolidated income statement

For the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Revenue	2	**108,449**	206,741
Cost of sales	3	**(121,507)**	(137,891)
Impairment of trade receivables	13	**(6,776)**	(293)
Gross (loss)/profit		**(19,834)**	68,557
General and administrative expenses	4	**(13,547)**	(19,531)
(Loss)/profit from operations		**(33,381)**	49,026
Finance revenue	6	**1,278**	6,046
Finance costs	6	**(14,087)**	(11,153)
Foreign exchange losses		**(841)**	(661)
(Loss)/profit before tax		**(47,031)**	43,258
Tax (expense)/credit	7	**(311)**	271
(Loss)/profit after tax for the year		**(47,342)**	43,529
(Loss)/profit per share (cents)			
Basic	8	**(22.45)**	19.25
Diluted	8	**(22.45)**	18.37

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	2020 $'000	2019 $'000
(Loss)/profit after tax for the year	**(47,342)**	43,529
Items that may be reclassified to the income statement in subsequent periods:		
Cash flow hedge – fair value movements	**(1,732)**	-
Exchange differences on translation of foreign operations	**707**	597
Total comprehensive (expense)/income for the year	**(48,367)**	44,126

Consolidated balance sheet

As at 31 December 2020

	Notes	2020 $'000	2019 $'000
Non-current assets			
Intangible assets	9	**933**	454
Property, plant and equipment	10	**374,702**	407,602
Trade receivables	13	**59,096**	-
Deferred tax asset	17	**617**	849
		435,348	408,905
Current assets			
Inventories	12	**36,527**	31,040
Trade and other receivables	13	**37,832**	103,181
Derivative financial instruments	18	**977**	-
Cash and cash equivalents		**147,826**	190,762
		223,162	324,983
Total assets		**658,510**	733,888
Current liabilities			
Trade and other payables	14	**(69,123)**	(83,981)
		(69,123)	(83,981)
Non-current liabilities			
Trade and other payables	14	**(1,058)**	(1,989)
Borrowings	15	**(98,633)**	(98,192)
Provisions	16	**(35,671)**	(29,807)
		(135,362)	(129,988)
Total liabilities		**(204,485)**	(213,969)
Net assets		**454,025**	519,919
Equity			
Share capital	19	**211,371**	229,430
Share premium	19	**842,914**	871,675
Treasury shares	19	**(2,592)**	(29,749)
Cost of hedging reserve		**(1,732)**	-
Exchange translation reserve		**(2,514)**	(3,221)
Accumulated losses		**(593,422)**	(548,216)
Total equity		**454,025**	519,919

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2021 and signed on its behalf by:

Jon Harris
Chief Executive Officer

Ian Weatherdon
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Notes	Share capital $'000	Share premium $'000	Treasury shares $'000	Cost of hedging reserve $'000	Exchange translation reserve $'000	Accumulated losses $'000	Total equity $'000
		Attributable to equity holders of the Company						
Balance at 1 January 2019		**229,430**	**920,728**	**-**	**-**	**(3,818)**	**(593,523)**	**552,817**
Net profit for the year		-	-	-	-	-	43,529	43,529
Exchange difference on translation of foreign operations		-	-	-	-	597	-	597
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**597**	**43,529**	**44,126**
Employee share schemes	23	-	-	-	-	-	1,860	1,860
Share buy-back	19	-	-	(29,831)	-	-	-	(29,831)
Dividend Paid	24	-	(49,053)	-	-	-	-	(49,053)
Share options exercised		-	-	82	-	-	(82)	-
Balance at 31 December 2019		**229,430**	**871,675**	**(29,749)**	**-**	**(3,221)**	**(548,216)**	**519,919**
Net loss for the year		-	-	-	-	-	(47,342)	(47,342)
Cash flow hedge – fair value movements		-	-	-	(1,732)	-	-	(1,732)
Exchange difference on translation of foreign operations		-	-	-	-	707	-	707
Total comprehensive (expense)/income for the year		**-**	**-**	**-**	**(1,732)**	**707**	**(47,342)**	**(48,367)**
Employee share schemes	23	-	-	-	-	-	2,637	2,637
Share buy-back	19	-	-	(20,164)	-	-	-	(20,164)
Share options exercised	23	-	-	501	-	-	(501)	-
Share cancellation	19	(18,059)	(28,761)	46,820	-	-	-	-
Balance at 31 December 2020		**211,371**	**842,914**	**(2,592)**	**(1,732)**	**(2,514)**	**(593,422)**	**454,025**

Consolidated cash flow statement

For the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Operating activities			
Cash generated from operations	20	**50,873**	87,892
Interest received		**1,278**	5,897
Interest paid	6	**(10,000)**	(10,068)
Payment of put option premium		**(5,371)**	-
Net cash generated from operating activities		**36,780**	83,721
Investing activities			
Exit costs of Algerian operation		**-**	(11,060)
Purchase of intangible assets		**(458)**	(390)
Purchase of property, plant and equipment	20	**(57,899)**	(96,926)
Net cash used in investing activities		**(58,357)**	(108,376)
Financing activities			
Payment of dividends		**-**	(49,053)
Share buy-back		**(20,164)**	(29,831)
Payments in lieu of share options exercises		**-**	(99)
Payment of leases		**(1,317)**	(972)
Net cash used in financing activities		**(21,481)**	(79,955)
Net decrease in cash and cash equivalents		**(43,058)**	(104,610)
Cash and cash equivalents at beginning of year		**190,762**	295,566
Effect of foreign exchange rate changes		**122**	(194)
Cash and cash equivalents at end of the year being bank balances and cash on hand		**147,826**	190,762

Summary of significant accounting policies

General information
The Company is incorporated in Bermuda (registered address: Cedar House, 3rd Floor, 41 Cedar Avenue, Hamilton, HM12, Bermuda). On 25 March 2014, the Company's common shares were admitted, with a standard listing, to the Official List of the United Kingdom Listing Authority ("UKLA") and to trading on the London Stock Exchange's Main Market for listed securities. Previously, the Company was quoted on Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange. In 2008, the Company established a Level 1 American Depositary Receipt programme in conjunction with the Bank of New York Mellon, which has been appointed as the depositary bank. The Company serves as the holding company for the Group, which is engaged in oil and gas exploration, development and production, operating in the Kurdistan Region of Iraq.

Amendments to International Financial Reporting Standards ("IFRS") that are mandatorily effective for the current year
In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	The Group has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.
Amendments to IAS 1 and IAS 8 Definition of material	The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRSs issued but not yet effective
At the date of approval of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment—Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements Standards 2018-20	*Amendments to IFRS 1 first time adoption of IFRS, IFRS 9 financial instruments IFRS 16 Leases.*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Statement of compliance
The financial statements have been prepared in accordance with IFRS as adopted by the European Union.

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, the Chief Executive Officer's Review and the Operational Review. The financial position of the Group at the year end and its cash flows and liquidity position are included in the Financial Review.

As at 30 March 2021, the Group had $161.0 million of cash. The Group continues to closely monitor and manage its liquidity. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, the impact of COVID-19 on the Group's operations, commodity prices, different production rates from the Shaikan block, cost contingencies, disruptions to revenue receipts, etc. To preserve liquidity in response to macroeconomic challenges, the Group capitalised on the flexible nature of its development programme and cost structure, and reduced capital expenditures, its work force and running costs in 2020. The Group's forecasts, taking into account the applicable risks, stress test scenarios and potential mitigating actions, show that it has sufficient financial resources for the 12 months from the date of approval of the 2020 Annual Report and Accounts.

Based on the analysis performed, the directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. Thus, the going concern basis of accounting is used to prepare the annual consolidated financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, so as to obtain benefits from its activities.

Non-IFRS measures
The Group uses certain measures to assess the financial performance of its business. Some of these measures are termed "non-IFRS measures" because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include financial measures such as operating costs and non-financial measures such as gross average production.

The Group uses such measures to measure and monitor operating performance and liquidity, in presentations to the Board and as a basis for strategic planning and forecasting. The directors believe that these and similar

measures are used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. An explanation of the relevance of each of the non-IFRS measures and a description of how they are calculated is set out below. Additionally, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out below, where applicable. The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

Gross operating costs per barrel (unaudited)
Gross operating costs are divided by gross production to arrive at operating costs per bbl.

	Year ended 31 December 2020	**Year ended 31 December 2019**
Gross production (MMbbls)	**13.4**	12.0
Gross operating costs ($ million)[1]	**34.2**	46.7
Gross operating costs per barrel ($ per bbl)	**2.6**	3.9

[1]Gross operating costs equate to operating costs (see note 3) adjusted for the Group's 80% working interest in the Shaikan Field.

Adjusted EBITDA
Adjusted EBITDA is a useful indicator of the Group's profitability, which excludes the impact of costs attributable to income tax (expense)/credit, finance costs, finance revenue, depreciation and amortisation and impairment of receivables.

	Year ended 31 December 2020	**Year ended 31 December 2019**
	$ million	$ million
(Loss)/profit after tax	**(47.3)**	43.5
Finance costs	**14.1**	11.2
Finance revenue	**(1.3)**	(6.0)
Tax expense/(credit)	**0.3**	(0.3)
Depreciation of oil and gas assets	**82.8**	72.5
Depreciation of other PPE assets and amortisation of intangibles	**1.3**	1.3
Impairment of receivables	**6.8**	0.3
Adjusted EBITDA	**56.7**	122.5

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

	Year ended 31 December 2020	**Year ended 31 December 2019**
	$ million	$ million
Additions to oil and gas assets (note 10)	**45.9**	90.0
Capital investment	**45.9**	90.0

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 current and non-current borrowings plus non-cash adjustments, less cash and cash equivalents. Non-cash adjustments include unamortised arrangement fees and other adjustments.

	Year ended 31 December 2020 $ million	Year ended 31 December 2019 $ million
Outstanding Notes	**(98.6)**	(98.2)
Unamortised issue costs (note 15)	**(1.4)**	(1.8)
Accrued interest	**(4.4)**	(4.4)
Cash and cash equivalents	**147.8**	190.8
Net cash	**43.4**	86.4

Joint arrangements

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

Sales revenue

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

All oil is sold by the Shaikan Contractor (GKP and MOL) to the KRG, who in turn resell the oil. The selling price is determined in accordance with the principles of the crude oil export sales agreement ("Crude Oil Sales Agreement"), based on the dated Brent crude price less a quality discount and transportation costs. The sales agreement also specifies the delivery point, the KRG's contribution to transportation costs and payment terms relating to export sales of crude oil. The Crude Oil Sales Agreement has been governing Shaikan crude oil sales from 1 October 2017 onwards.

As the payment mechanism for sales is developing within the Kurdistan Region of Iraq, the Group currently considers that revenue can best be reliably measured when the cash receipt is assured. The assessment of whether cash receipt is reasonably assured is based on management's evaluation of the reliability of the KRG's payments to the international oil companies operating in the Kurdistan Region of Iraq.

The value of sales revenue is determined after taking account of the following:

- In 2020, all crude oil sales were made via the Kurdistan Export Pipeline. The point of sale is the point that the crude oil is injected into the Kurdistan Export Pipeline;
- In 2019, for the crude oil sales via Fishkhabour route, the point of sale is the point that the crude oil is unloaded into the export pipeline at Fishkhabour;
- GKP recognises revenue for its share of the revenue on a cash-assured basis and these amounts of recognised revenue may be lower than the Company's entitlement under the Shaikan PSC, giving rise to unrecognised revenue amounts; and
- From 15 November 2017 until December 2019, the Group performed transportation services in respect of the KRG's share of export oil sales. It recharged all of these transportation costs at nil mark-up to the KRG and these recharged transportation costs are recognised as revenue.

During PSC negotiations with the 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% and, to compensate for such decrease, a reduction in the Capacity Building Payments expense from 40% to 20%. While the PSC has not been formally amended, it was agreed that GKP would invoice the KRG for oil sales based on the proposed revised terms from October 2017. Since revenue is recognised on a cash assured basis, the financial statements reflect the proposed revised terms. 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 is slightly positive for the Company. The Company is in dialogue with the MNR to confirm whether they would like to proceed with an amendment to the PSC or revert to invoicing on the basis of the PSC.

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

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

Property, plant and equipment other than oil and gas assets
Property, plant and equipment ("PPE") is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

Fixtures and equipment - 20% straight-line

Intangible assets other than oil and gas assets
Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

Computer software - 33% straight-line

Oil and gas assets
Pre-licence costs
Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation costs
The Group follows the successful efforts method of accounting for exploration and evaluations ("E&E") costs. Expenditures directly associated with evaluation or appraisal activities are initially capitalised as intangible assets in cost pools by well, field or exploration area, as appropriate. Such costs include licence acquisition, technical services and studies, exploration and appraisal well drilling, payments to contractors, interest payable and directly attributable administration and overhead costs.

These costs are then written off as exploration costs in the income statement unless the existence of economically recoverable reserves has been established and there are no indicators of impairment.

E&E costs are transferred to development and production assets within property, plant and equipment upon the approval of a development programme by the relevant authorities and the determination of commercial reserves existence.

Development and production assets
Development and production assets are accumulated on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above. The cost of development and production assets includes the cost of acquisition and purchases of such assets, directly attributable overheads, and costs for future restoration and decommissioning. These costs are capitalised as part of the property, plant and equipment and depreciated based on the Group's depreciation of oil and gas assets policy.

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

Commercial reserves are proven and probable ("2P") reserves together with, where considered appropriate, a risked portion of 2C contingent resources, which are estimated using standard recognised evaluation techniques. The reserves estimate used in 2020 is based on values from ERC Equipoise – CPR August 2016 and confirmation letter dated April 2017. CPR volume estimates at 31 December 2016 were adjusted by GKP for production from 2017 to 2020 inclusively. An updated CPR was received in February 2021 and will be used as the basis for the calculation of DD&A from 2021 onwards.

Impairment of PPE and intangible non-current assets
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, or group of assets, is estimated in order to determine the extent of the impairment loss (if any).

For assets which do not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any impairment identified is immediately recognised as an expense.

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

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

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

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

As described in the revenue accounting policy section above, it is not possible to calculate the amount of notional tax to be shown in relation to any tax liabilities settled on behalf of the Group by the KRG.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Foreign currencies
The individual financial statements of each company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and the financial position of the Group are expressed in US dollars, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

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

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

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

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

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

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

Financial assets at fair value through profit and loss
Financial assets are held at fair value through profit and loss ("FVTPL") when the financial asset is either held for trading or it is designated as FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line in the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

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

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

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

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.
Decommissioning provision
Provision for decommissioning is recognised in full when there is an obligation to restore the site to its original condition. The amount recognised is the present value of the estimated future expenditure for restoring the sites of drilled wells and related facilities to their original status. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas asset. The amount recognised is reassessed each year in accordance with local conditions and requirements. Any change in the present value of the estimated expenditure is dealt with prospectively. The unwinding of the discount is included as a finance cost.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight- line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the period. Details regarding the determination of the fair value of cash-settled share-based transactions are set out in Note 23.

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

The lease liability is initially measured at the present value of the future lease payments from the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the company specific incremental borrowing rate.

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

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

For short-term leases (periods less than 12 months) and leases of low value, the Group has opted to recognise lease expense on a straight line basis.

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

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

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

Revenue
The recognition of revenue, particularly the recognition of revenue from exports, is considered to be a key accounting judgement. The Group began commercial production from the Shaikan Field in July 2013 and historically made sales to both the domestic and export markets. The Group considers that revenue can be only reliably measured when the cash receipt is assured. The assessment of whether cash receipts are reasonably assured is based on management's evaluation of the reliability of the MNR's payments to the international oil companies operating in the Kurdistan Region of Iraq. The Group also recognised payables to the MNR that were offset against amounts receivable from the MNR for previously unrecognised revenue in line with the terms of the Shaikan PSC.

The judgement is not to recognise revenue in excess of the sum of the cash receipt that is assured and the amount of payables to the MNR that can be offset against amounts due for previously unrecognised revenue in line with the terms of the Shaikan PSC, even though the Group may be entitled to additional revenue under the terms of the Shaikan PSC. Any future agreements between the Company and the KRG might change the amounts of revenue recognised.

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

Measurement and recognition of ECL
In March 2020, the KRG informed the Company and other IOCs in Kurdistan that payments for sales from November 2019 to February 2020 would be deferred. As at 31 December 2020, the Group had $77.3 million of overdue invoices in relation to this period.

In December 2020, the Company received an arrears repayment proposal from the KRG with the repayment amount being 50% of the difference between the average monthly dated Brent price and $50 per barrel multiplied by gross Shaikan crude oil sales volumes. The first payment towards the outstanding balance was received in March 2021.

While the Company continues to expect to recover the full $77.3 million from the KRG, in line with IFRS 9, the Group is required to calculate an ECL associated with this receivable. The measurement of the ECL is a function of the gross carrying amount at the reporting date, the probability of default, and the magnitude of a potential loss if there is a default. The Group uses judgement in determining the assumptions for the ECL calculation, based on observed market data and convention, existing market conditions and forward-looking estimates at the end of each reporting period.

Additionally, the Group purchased from MOL in 2018 revenue arrears totalling $9.1 million, while the Group expects to recover the full amount, it is required to also calculate an ECL associated with this amount.

The result of the Group's ECL assessment is $8.2 million adjustment to the trade receivables. The Group provided detailed disclosure required by IFRS 9 ECL assessment in note 13.

Whilst not a key source of estimation uncertainty, the following is made as an additional disclosure.

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

The Group's sole CGU at 31 December 2020 was the Shaikan Field with a carrying value of $367.9 million. The Group performed a full impairment indicator evaluation considering the impact of COVID-19, the decline in oil prices in 2020, the Group's decision to suspend the Shaikan expansion project, potential changes to future development plans and actions to preserve liquidity. The potential impact of such factors together with other possible changes to key assumptions and available mitigating actions, showed that no impairment indicators arose.

The key areas of estimation in the impairment assessment are as follows:

- Commodity prices are based on latest internal forecasts, benchmarked with external sources of information to ensure they are within the range of available market and analyst forecasts;

$/bbl - real	2021	2022 onwards
31 December 2020 – base case	$50	$55
31 December 2020 – stress case	$45	$50
31 December 2019 – base case	$60	$60
31 December 2019 – stress case	$40	$50

- The Group continues to develop its assessment of the potential impacts of climate change, the transition to a low-carbon future and our ambition to reduce scope one and two per barrel CO_2 emissions by at least 50% by 2025. The effects of climate change and the Paris Agreement on future Brent prices were considered. It was concluded, based on benchmarking that the stress case price deck used in the impairment assessment is reasonable assuming the Paris Agreement 2-degree Celsius target;

- Discount rates that are adjusted to reflect risks specific to the Shaikan Field and the KRI. The impairment analysis was based on a post-tax nominal 15% discount rate (2019: 15%);

- Operating costs and capital expenditure that 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. Costs assumptions used in the assessment are consistent with the February 2021 CPR report;

- Commercial reserves and production profiles used in the assessment are consistent with the February 2021 CPR report; and

- Timing of revenue receipts.

Notes to the consolidated financial statements

1 Geographical information

The Group's non-current assets excluding deferred tax assets and other financial assets by geographical location are detailed below:

	2020 $'000	2019 $'000
Kurdistan	**369,761**	407,808
United Kingdom	**1,910**	248
	371,671	408,056

Information about major customers

Included in revenues are $108.4 million, which arose from sales to the KRG (2019: $206.7 million).

2 Revenue

	2020 $'000	2019 $'000
Oil sales	**108,449**	202,871
Transportation revenue	**-**	3,870
	108,449	206,741

The Group accounting policy for revenue recognition is set out in the 'Summary of significant accounting policies', with revenue recognised on a cash-assured basis.

During 2020, the cash-assured values recognised as oil sales were the invoiced revenue for the year amounting to $108.4 million (2019: $202.9 million). The oil sales price was calculated using the monthly dated Brent price less an average discount of $21.10 (2019: $21.70) per barrel for quality, pipeline tariff and transportation costs.

From November 2017 until mid-December 2019, the Group provided transportation services in respect of the KRG's share of export oil sales. It recharged all of these transportation costs at nil mark-up to the KRG.

3 Cost of sales

	2020 $'000	2019 $'000
Operating costs	**27,401**	37,373
Capacity building payments	**8,362**	15,317
Changes in inventory valuation	**2,923**	713
Transportation costs	**-**	11,974
Depreciation of oil and gas assets	**82,797**	72,514
Depreciation of operational assets	**24**	-
	121,507	137,891

Costs relating to the impairment of trade receivables have been excluded from cost of sales in 2020 and are presented separately on the income statement. Presentation of 2019 costs of sales has been aligned with 2020.

Following the completion and connection of PF-1 pipeline to the main regional export pipeline in December 2019, the Group is no longer required to incur transportation costs.

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

Subsequent to the year end, the Group received a Competent Person's Report from ERC Equipoise Limited. The report's result in a lower depreciation, depletion and amortisation (DD&A) per barrel rate. The new DD&A rate constitutes a change in accounting estimate and will be reflected in the financial statements effective 1 January 2021.

4 General and Administrative Expenses

	2020 **$'000**	2019 $'000
Depreciation and amortisation	**1,325**	1,318
Share-based payment expense	**2,440**	1,910
Share-based payment related provision for taxes	**(1,205)**	1,929
Auditor's remuneration (see below)	**378**	253
Other general and admin costs (including staff costs)	**10,609**	14,121
	13,547	19,531

Of the $13.5 million of general and administrative expenses, $5.8 million (2019: $10.0 million) were incurred in relation to the Shaikan Field.

	2020 **$'000**	2019 $'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts[1]	**350**	228
Fees payable to the Company's auditor for other services to the Group		
- audit of the Company's subsidiaries pursuant to legislation	**28**	25
Total audit fees	**378**	253
Advisory services	**45**	13
Other assurance services (including half year review)	**151**	73
Total fees	**574**	339

[1]The fees payable to the Company's auditor for the audit of the Company's annual accounts include $43,000 (2019: nil) in respect of the prior year audit.

5 Staff costs

The average number of employees and contractors (including Executive directors) employed by the Group was 354 (2019: 407). The headcount numbers are not adjusted for part-time, shift-work and rotational working arrangements.

Staff costs were as follows:

	2020 **$'000**	2019 $'000
Wages and salaries	**30,705**	35,812
Social security costs	**1,334**	3,454
Share-based payment (see note 23)	**2,637**	2,224
	34,676	41,490

Staff costs include severance and various additional costs incurred due to the impact of COVID-19. Staff costs also include costs relating to contractors who are long-term workers in key positions.

6 Finance costs and finance revenue

	2020 $'000	2019 $'000
Notes interest paid during the year (see note 15)	**(10,000)**	(10,000)
Unwinding of finance and arrangement fees	**(440)**	(397)
Finance lease interest	**(221)**	(67)
Total finance costs for financial liabilities not classified as at FVTPL	**(10,661)**	(10,464)
Put option premium	**(2,662)**	-
Unwinding of discount on provisions (see note 16)	**(764)**	(689)
Total finance costs for financial liabilities classified as FVTPL	**(3,426)**	(689)
Total finance costs	**(14,087)**	(11,153)
Finance revenue	**1,278**	6,046
Net finance costs	**(12,809)**	(5,107)

In July 2020, the Company purchased a put option effectively establishing a floor price of $35/bbl dated Brent on approximately 60% of its 2H 2020 production. The cost of the option was $2.7 million and it expired on 31 December 2020.

7 Income tax

	2020 $'000	2019 $'000
Current year charged	**(90)**	-
Deferred UK corporation tax credit (see note 17)	**(221)**	271
Tax (expense)/credit attributable to the Company and its subsidiaries	**(311)**	271

Under current Bermudian laws, the Group is not required to pay taxes in Bermuda on either income or capital gains. The Group has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2035.

In the Kurdistan Region of Iraq, the Group is subject to corporate income tax on its income from petroleum operations under the Kurdistan PSC. Under the Shaikan PSC, any corporate income tax arising from petroleum operations will be paid from the KRG's share of petroleum profits. Due to the uncertainty over the payment mechanism for oil sales in Kurdistan, it has not been possible to measure reliably the taxation due that has been paid on behalf of the Group by the KRG and therefore the notional tax amounts have not been included in revenue or in the tax charge. This is an accounting presentational issue and there is no taxation to be paid.

A reduction in the UK corporation tax rate from 19.0% to 17.0%, effective from 1 April 2020, was substantively enacted during 2016. On 11 March 2020, the UK government announced in the Budget that it would reverse the previously enacted reduction in the UK corporation tax rate, which was due to take effect from 1 April 2020. This was substantively enacted on 17 March 2020. The annual UK corporation tax rate for the year ended 31 December 2020 remained at 19.0% (2019: 19.0%).

At the Budget 2021 on 3 March 2021, the UK Government announced that the corporation tax rate in the UK will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to allowances and treatment of losses. These changes are not yet substantively enacted, and the Group has not yet undertaken a full analysis of the impact of the changes. Deferred tax is provided for due to the temporary differences, which give rise to such a balance in jurisdictions subject to income tax. All deferred tax arises in the UK.

8 (Loss)/profit per share

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

	2020 $'000	2019 $'000
(Loss)/profit		
(Loss)/profit after tax for basic and diluted per share calculations	**(47,342)**	43,529

	2020 Number (000s)	2019 Number (000s)
Number of shares		
Basic weighted average number of ordinary shares	**210,893**	226,178

The Group followed the steps specified by IAS 33 in determining whether potential common shares are dilutive or anti-dilutive.

Reconciliation of dilutive shares:

	2020 Number (000s)	2019 Number (000s)
Number of shares		
Basic weighted average number of ordinary shares outstanding	**210,893**	226,178
Effect of dilutive potential ordinary shares	**-**	10,775
Diluted number of ordinary shares outstanding	**210,893**	236,953

The weighted average number of ordinary shares in issue excludes shares held by Employee Benefit Trustee ("EBT") and the Exit Event Trustee, and shares held in Treasury following the share buy-back programmes carried out in 2019 and 2020.

The diluted number of ordinary shares outstanding including share options is calculated on the assumption of conversion of all potentially dilutive ordinary shares. During the year ended 31 December 2019, there were 0.3 million share options that were excluded from the number of potential dilutive ordinary shares.

As the company reported a loss for the year ended 2020, the exercise of the outstanding share options would reduce the reported loss per share and, therefore, these share options are anti-dilutive.

9 Intangible assets

	Computer software $'000
Year ended 31 December 2019	
Opening net book value	84
Additions	390
Amortisation charge	(26)
Foreign currency translation differences	6
Closing net book value	**454**
At 31 December 2019	
Cost	1,498
Accumulated amortisation	(1,044)
Net book value	**454**
Year ended 31 December 2020	
Opening net book value	454
Additions	458
Amortisation charge	(3)
Foreign currency translation differences	24
Closing net book value	**933**
At 31 December 2020	
Cost	1,980
Accumulated amortisation	(1,047)
Net book value	**933**

The amortisation charge of $3,000 (2019: $26,000) for computer software has been included in general and administrative expenses (see note 4).

10 Property, plant and equipment

	Oil and Gas Assets	Fixtures and Equipment	Right of Use Assets	Total
	$'000	$'000	$'000	$'000
Year ended 31 December 2019				
Opening net book value	379,650	887	-	380,537
Additions	90,041	755	3,528	94,324
Disposals at cost	-	-	(35)	(35)
Revision to decommissioning asset	6,518	-	-	6,518
Depreciation charge	(72,514)	(381)	(911)	(73,806)
Depreciation on disposals	-	-	15	15
Foreign currency translation differences	1	49	(1)	49
Closing net book value	**403,696**	**1,310**	**2,596**	**407,602**
At 31 December 2019				
Cost	696,608	7,005	3,492	707,105
Accumulated depreciation	(292,912)	(5,695)	(896)	(299,503)
Net book value	**403,696**	**1,310**	**2,596**	**407,602**
Year ended 31 December 2020				
Opening net book value	403,696	1,310	2,596	407,602
Additions	45,854	155	1,721	47,730
Lease modification	-	-	(1,623)	(1,623)
Revision to decommissioning asset	5,100	-	-	5,100
Depreciation charge	(82,797)	(278)	(1,044)	(84,119)
Foreign currency translation differences	-	-	12	12
Closing net book value	**371,853**	**1,187**	**1,662**	**374,702**
At 31 December 2020				
Cost	747,562	7,160	3,602	758,324
Accumulated depreciation	(375,709)	(5,973)	(1,940)	(383,622)
Net book value	**371,853**	**1,187**	**1,662**	**374,702**

The net book value of oil and gas assets at 31 December 2020 is comprised of property, plant and equipment relating to the Shaikan block and has a carrying value of $371.9 million (2019: $403.7 million).

The additions to the Shaikan asset during the year include costs of testing and connecting SH-9 to the production facilities, the partial drilling of SH-13, SH-12 recompletion, well flowlines construction, PF-1 and PF-2 debottlenecking activities and subsurface studies. The increase in the decommissioning asset represents further decommissioning obligations that arose on capital projects.

The DD&A charge of $82.8 million on oil and gas assets (2019: $72.5 million) has been included within cost of sales (note 3). The depreciation charge of $0.3 million (2019: $0.4 million) on fixtures and equipment and $1.0 million (2019: $0.9 million) right of use assets has been included in general and administrative expenses (note 4).

Right of use assets at 31 December 2020 of $1.7 million (2019: $2.6million) consisted principally of buildings.

For details of the key assumptions and judgements underlying the impairment assessment and the depreciation, depletion and amortisation charge, refer to the “Critical accounting estimates and judgements” section of the Summary of significant accounting policies.

11 Group companies

Details of the Company's subsidiaries and joint operations at 31 December 2020 is as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
Gulf Keystone Petroleum (UK) Limited 6th floor New Fetter Place 8-10 New Fetter Lane London EC4A 1AZ	United Kingdom	100%	Management, support, geological, geophysical and engineering services
Gulf Keystone Petroleum International Limited Cedar House, 3rd Floor 41 Cedar Avenue Hamilton HM12 Bermuda	Bermuda	100%	Exploration, evaluation, development and production activities in Kurdistan

Name of joint operation	Location	Proportion of ownership interest	Principal activity
Shaikan	Kurdistan	80%	Production and development activities

12 Inventories

	2020 **$'000**	2019 $'000
Warehouse stocks and materials	**36,172**	30,135
Crude oil	**355**	905
	36,527	31,040

Warehouse stock and materials at 31 December 2020 contain write downs to net realisable value of $2.5 million (2019: $1.0 million) included in cost of sales.

13 Trade and other receivables

Non-current receivables

	2020 **$'000**	2019 $'000
Trade receivables – non-current	**59,096**	-
	59,096	-

Current receivables

	2020 **$'000**	2019 $'000
Trade receivables – current	**34,021**	97,917
Other receivables	**2,963**	4,458
Prepayments and accrued income	**848**	806
	37,832	103,181

Reconciliation of Trade Receivables

	2020	2019
	$'000	$'000
Gross carrying amount	**101,302**	99,326
Less: Impairment allowance	**(8,185)**	(1,409)
Carrying value at 31 December	**93,117**	97,917

Gross trade receivables of $101.3 million (2019: $99.3 million) are comprised of invoiced amounts due from the KRG for crude oil sales totalling $92.2 million (2019: $90.2 million) and a share of Shaikan revenue arrears the Group purchased from MOL in 2018 amounting to $9.1 million. The amount for crude oil sales includes past due trade receivables of $77.3 million[1] (2019: $47.8 million) related to November 2019 to February 2020 invoices. While the Group expects to recover the full value of the outstanding invoices and purchased revenue arrears, the ECL on the overdue receivable balance of $8.2 million was provided against the receivables balance in line with the requirements of IFRS 9 of which $6.8 million was recognised in the reporting period (2019: $0.3 million).

For March 2020 and subsequent months, the KRG paid for oil sales in the following month. The December 2020 invoice included in current trade receivables was received in January 2021. In March 2021, the Group received the first payment in relation to the arrears from the outstanding November 2019 to February 2020 invoices. This arrears payment was made in line with the KRG's proposal and corresponded to 50% of the difference between the January average dated Brent price and $50/bbl multiplied by the gross Shaikan crude oil volumes sold in January.

[1] The past due invoiced trade receivables amount excludes the associated capacity building payments due to the KRG which reduce the amount due to GKP to $73.3 million.

ECL sensitivities

The tables below show information on the sensitivity of the Group's loss before tax to the estimates used in calculating impairment allowance on outstanding invoices. Changes in estimates could have a material impact on the carrying value of the Group's trade receivables.

The table below demonstrates the sensitivity of the Group's loss before tax to movements in Dated Brent, with all other variables held constant:

Increase/decrease in Brent price	**2020 $'million Decrease / (increase) to loss before tax**
+5%	**2.0**
-5%	**(5.5)**

The table below demonstrates the sensitivity of the Group's loss before tax to movements in the default spread, with all other variables held constant:

Increase/decrease probability of default	**2020 $'million Decrease / (increase) to loss before tax**
+10%	**(0.8)**
-10%	**0.8**

The Group's loss before tax was not sensitive to movements of +/-10% in production level or loss given default.

Other receivables

Included within Other receivables is an amount of $0.4 million (2019 $nil) being the deposits for leased assets which are receivable after more than one year. There are no receivables from related parties as at 31 December 2020 (2019: nil). No impairments of other receivables have been recognised during the year (FY 2019: nil).

14 Trade and other payables

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

The directors consider that the carrying amount of trade payables approximates their fair value.

Current liabilities

	2020	2019
	$'000	$'000
Trade payables	**2,212**	5,373
Accrued expenditures	**14,481**	27,468
Other payables	**51,612**	49,875
Current lease liabilities (see note 21)	**718**	1,265
Tax liabilities	**100**	-
	69,123	83,981

The Group changed the presentation of current liabilities in 2020 and the 2019 balances have been restated accordingly.

Accrued expenditures include $4.4 million interest payable as at 31 December 2020 (2019: $4.4 million), see note 15.

Other payables include $46.5 million (2019: $41.4 million) of amounts payable to the KRG that are not expected to be paid, but rather offset against revenue due from the KRG related to pre-October 2017 oil sales, which have not yet been recognised in the financial statements.

Non-current liabilities

	2020	2019
	$'000	$'000
Non-current lease liability (see note 21)	**1,058**	1,989
	1,058	1,989

15 Long term borrowings

	2020	2019
	$'000	$'000
Liability component at 1 January	**102,553**	102,156
Interest expense, including unwinding of finance and arrangement fees	**10,440**	10,397
Interest paid during the year	**(10,000)**	(10,000)
Liability component at 31 December	**102,993**	102,553

Liability component reported in:

	2020	2019
	$'000	$'000
Current liabilities (see note 14)	**4,360**	4,361
Non-current liabilities	**98,633**	98,192
	102,993	102,553

In July 2018, the Group completed the private placement of a 5-year senior unsecured $100 million bond issue (the "Notes"). The unsecured Notes are guaranteed by Gulf Keystone Petroleum International Limited and Gulf Keystone Petroleum (UK) Limited, two of the Company's subsidiaries, and the key terms are summarised as follows:

- maturity date is 25 July 2023;
- at any time prior to maturity, the Notes are redeemable by GKP in part or full with a prepayment penalty;
- the interest rate is 10% per annum with semi-annual payment dates; and

- the Company is permitted to raise up to $200 million of additional indebtedness at any time on market terms to fund capital and operating expenditure, subject to certain requirements.

During the year, the Group was not in breach of any terms of the Notes.

The Notes are traded on the Norwegian Stock Exchange and the fair value at the prevailing market price as at the balance sheet date was:

	Market price	**2020 $'000**	2019 $'000
Notes	$102.50	**102,500**	104,910

As at 31 December 2020, the Group's remaining contractual liability comprising principal and interest based on undiscounted cash flows is as follows:

	2020 $'000	2019 $'000
Within one year	**10,000**	10,000
Within two years	**115,639**	125,639
	125,639	135,639

16 Provisions

Decommissioning provision	**2020 $'000**	2019 $'000
At 1 January	29,807	22,600
New provisions and changes in estimates	5,100	6,518
Unwinding of discount	764	689
At 31 December	**35,671**	**29,807**

The provision for decommissioning is based on the net present value of the Group's share of expenditure, inflated at 2.0% (2019: 2.0%) and discounted at 2.0% (2019: 2.0%), which may be incurred in the removal and decommissioning of the wells and facilities currently in place and restoration of the sites to their original state. The expenditure on the Shaikan block in Kurdistan is expected to take place over the next 22 years.

17 Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods. The deferred tax assets arise in the United Kingdom.

	Accelerated tax depreciation $'000	**Share-based payments $'000**	**Tax losses carried forward $'000**	**Total $'000**
At 1 January 2019	**(30)**	**320**	**269**	**559**
(Charge)/credit to income statement	4	470	(203)	271
Exchange differences	(1)	11	9	19
At 31 December 2019	**(27)**	**801**	**75**	**849**
(Charge)/credit to income statement	(85)	(66)	(70)	(221)
Exchange differences	(3)	(3)	(5)	(12)
At 31 December 2020	**(115)**	**732**	**-**	**617**

18 Financial instruments

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	**147,826**	190,762
Loans and receivables	**97,776**	102,375
	245,602	293,137
Derivative financial instruments		
Put options used for hedging	**977**	-
	246,579	293,137
Financial liabilities		
Trade and other payables	**70,081**	85,970
Borrowings	**98,633**	98,192
	168,714	184,162

All financial liabilities, except for Borrowings (see note 15) and non-current lease liability (see note 14), are due to be settled within one year and are classified as current liabilities.

All financial instruments apart from the Notes, which are recognised at amortised cost, are recognised at FVTPL.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

All of the Group's financial instruments are Level 2, except the Notes which are Level 1. There were no transfers between fair value levels during the year.

The maturity profile and fair values of the Notes are disclosed in note 15. The maturity profile of all other financial liabilities is indicated by their classification in the balance sheet as "Current" or "Non-current". Further information relevant to the Group's liquidity position is disclosed in the Directors' Report under "Going Concern".

Fair values of financial assets and liabilities

With the exception of the Notes, and the receivables from the KRG which the Group expects to recover in full (see note 13), the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the Notes, as determined using market values at 31 December 2020, was $102.5 million (2019: $104.9 million) compared to the carrying value of $98.6 million (2019: $98.2 million).

The financial assets balance includes an $8.2 million provision against trade receivables (see note 13). All financial assets and liabilities, with the exception of derivatives, are measured at amortised cost.

Capital Risk Management

The Group manages its capital to ensure that the entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity structure. The capital structure of the Group consists of cash, cash equivalents, Notes and equity attributable to equity holders of the parent. Equity comprises issued capital, reserves and accumulated losses as disclosed in Note 19 and the Consolidated Statement of Changes in Equity.

Capital Structure

The Group's Board of Directors reviews the capital structure on a regular basis and will make adjustments in light of changes in economic conditions. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the Summary of Significant Accounting Policies.

Financial Risk Management Objectives
The Group's management monitors and manages the financial risks relating to the operations of the Group. These financial risks include market risk (including commodity price, currency and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group currently hedges against commodity price risk by purchasing put options. In 2020, the Group purchased put options that effectively provide a floor price of $35/bbl for c.60% of its 2H 2020 and 1H 2021 net entitlement production. The Group does not hedge any other financial risks. The Group does not use derivative financial instruments for speculative purposes.

The risks are closely reviewed by the Board on a regular basis and, where appropriate, steps are taken to ensure these risks are minimised.

Market risk
The Group's activities expose it primarily to the financial risks of changes in, oil prices, foreign currency exchange rates and changes in interest rates in relation to the Group's cash balances.

There have been no changes to the Group's exposure to other market risks. The risks are monitored by the Board on a regular basis.

The Group conducts and manages its business predominantly in US dollars, the operating currency of the industry in which it operates. The Group also purchases the operating currencies of the countries in which it operates routinely on the spot market. Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

At 31 December 2020, a 10% weakening or strengthening of the US dollar against the other currencies in which the Group's monetary assets and monetary liabilities are denominated would not have a material effect on the Group's net current assets or profit before tax.

Interest rate risk management
The Group's policy on interest rate management is agreed at the Board level and is reviewed on an ongoing basis. The current policy is to maintain a certain amount of funds in the form of cash for short-term liabilities and have the rest on relatively short-term deposits, usually between one and three months, to maximise returns and accessibility. The Group must pay interest on its Notes semi-annually in cash at 10% per annum.

Based on the exposure to the interest rates for cash and cash equivalents at the balance sheet date, a 0.5% increase or decrease in interest rates would not have a material impact on the Group's profit for the year or the previous year. A rate of 0.5% is used as it represents management's assessment of a reasonable change in interest rates.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2020, the maximum exposure to credit risk from a trade receivable outstanding from one customer is $101.3 million (2019: $99.3 million). Although the Group is confident in the recovery of the trade receivables balance, a provision of $8.2m (2019: $1.4 million) was recognised against the trade receivables balance.

The credit risk on liquid funds is limited because the counterparties for a significant portion of the cash and cash equivalents at the balance sheet date are banks with investment grade credit ratings assigned by international credit-rating agencies.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors. It is the Group's policy to finance its business by means of internally generated funds, external share capital and debt. The Group seeks to raise further funding as and when required.

Fair value of derivative instruments
All derivatives are used to hedge against commodity price risk and are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged

in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions or using standard calculation techniques for the applicable instruments and commodities involved.

For derivatives designated as a cash flow hedge, the movements in the fair value of the derivatives are recognised in other comprehensive income. Derivatives' maturity and the timing of their recycling into income or expense coincide.

The Group's derivative instruments' value was as following:

	2020 $'000	**2019 $'000**
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Put option	**977**	-
	977	-

In order to manage the Group's oil price risk, put options were entered into during the year. The first tranche related to H2 2020, was entered into at a cost of $2.7 million, which has been recognised as a finance cost (see note 6). A second tranche related H1 2021 was entered into at a cost of $2.7 million and hedges 1.6 Mbbl of oil with a floor price of $35/bbl. The fair value of the second tranche at 31 December 2020 was $1.0 million with a revaluation loss of $1.7 million recognised in the Consolidated statement of comprehensive income.

19 Share capital

	2020 $'000	2019 $'000
Authorised		
Common shares of $1 each (2019: $1 each)	**231,605**	231,605
Non-voting shares of $0.01 each	**500**	500
Preferred shares of $1,000 each	**20,000**	20,000
Series A Preferred shares of $1,000 each	**40,000**	40,000
	292,105	292,105

	Common shares			
	No. of shares '000	**Amount $'000**	**Share capital $'000**	**Share premium $'000**
Balance 1 January 2019	**229,430**	**1,150,158**	**229,430**	**920,728**
Dividend paid	-	**(49,053)**	-	(49,053)
Balance 31 December 2019	**229,430**	**1,101,105**	**229,430**	**871,675**
Shares cancelled	(18,059)	(46,820)	(18,059)	(28,761)
Balance 31 December 2020	**211,371**	**1,054,285**	**211,371**	**842,914**

The company announced on 8 July 2019 that it would undertake a buy-back programme to purchase shares up to a maximum value of $25 million. This programme was successfully completed on 8 October 2019 and a second buy-back programme for $25 million was commenced on 10 December 2019 and successfully completed on 13 March 2020. Following the buy-back programme completion, the Company held 19,059,064 shares in treasury of which 18,059,064 were cancelled in late 2020.

At 31 December 2020, a total of 1,000,000 (2019:10,415,603) common shares were held in treasury with a value of $2.6 million (2019: $29.7 million)

At 31 December 2020, a total of 0.1 million common shares at $1 each were held by the EBT and Exit Event Trustee (2019: 0.1 million at $1 each). These common shares were included within reserves.

Rights attached to share capital
The holders of the common shares have the following rights (subject to the other provisions of the Byelaws):

(i) entitled to one vote per common share;
(ii) entitled to receive notice of, and attend and vote at, general meetings of the Company;
(iii) entitled to dividends or other distributions; and
(iv) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for a reorganisation or otherwise or upon a distribution of capital, entitled to receive the amount of capital paid up on their common shares and to participate further in the surplus assets of the Company only after payment of the Series A Liquidation Value (as defined in the Byelaws) on the Series A Preferred Shares.

20 Cash flow reconciliation

	Notes	**2020**	2019
		$'000	$'000
Cash flows from operating activities			
(Loss)/profit from operations		**(33,381)**	49,026
Adjustments for:			
Depreciation, depletion and amortisation of property, plant and equipment (including the right of use assets)		**84,119**	73,806
Amortisation of intangible assets		**3**	26
Impairment of trade receivables	13	**6,776**	293
Share-based payment expense	23	**2,440**	1,910
Lease modification		**(97)**	-
Operating cash flows before movements in working capital		**59,860**	125,061
Increase in inventories		**(5,487)**	(16,850)
Increase in trade and other receivables		**(523)**	(35,416)
(Decrease) / increase in trade and other payables		**(2,977)**	15,097
Cash generated from operations		**50,873**	87,892

Reconciliation of property, plant and equipment additions to cash flows from purchase of property, plant and equipment:

	2020	2019
	$'000	$'000
Associated cash flows		
Additions to property, plant and equipment	**47,730**	94,324
Movement in working capital	**12,087**	6,444
Non-cash movements		
Finance lease additions	**(1,721)**	(3,528)
Capitalised share option charges	**(197)**	(314)
Purchase of property, plant and equipment	**57,899**	96,926

21 Lease Liabilities

	2020 **$'000**	2019 $'000
Analysed as:		
Current liabilities	**718**	1,265
Non-current liabilities	**1,058**	1,989
	1,776	3,254
Lease Maturity Analysis		
Year 1	**209**	-
Year 2	**48**	-
Year 3	**-**	3,254
Year 4	**1,519**	-
Amounts payable under leases		
Within one year	**720**	1,348
In the second to fifth year inclusive	**1,396**	2,031
	2,116	3,379
Less future interest charges	**(340)**	(125)
Net present value of lease obligations	**1,776**	3,254

22 Commitments

Exploration and development commitments

Additions to property, plant and equipment are generally funded with the cash flow generated from the Shaikan Field. As at 31 December 2020, capital commitments in relation to the Shaikan Field were estimated to be $0.6 million (2019: $35.3 million).

23 Share-based payments

	2020	2019
	$'000	$'000
Total share options charge	**2,637**	2,224
Capitalised share options charge	**(197)**	(314)
Share options charge in Income Statement	**2,440**	1,910

Value Creation Plan ("VCP")

The VCP was approved by shareholders in December 2016. On 30 April 2019, an additional 2,087,756 nil-cost share options were granted to the former CEO and an additional 1,565,817 nil-cost share options were granted to the former CFO. As at 31 December 2019, 7.0 million nil-cost share options were outstanding under the VCP. There will be no further awards under the plan.

Outstanding awards will vest subject to the Company achieving a Total Shareholder Return ("TSR") of at least 8% compound annual growth, in accordance with the VCP rules. Up to 50% of the outstanding share options will vest following the Measurement Date for the financial year ending on 31 December 2019, 50% of the then outstanding share options will vest following the Measurement Date for the financial year ending on 31 December 2020, and the remainder of the outstanding share options will vest following the Measurement Date for the financial year ending on 31 December 2021.

The requisite TSR was not achieved following the Measurement date for the financial year ended 31 December 2019 and no share options vested. The measurement date for the financial year ended 31 December 2020 has not yet passed as at the date of this report.

	2020		2019	
	Number of share options '000	**Weighted average exercise price (in pence)**	Number of share options '000	Weighted average exercise price (in pence)
Outstanding at 1 January	**7,017**	**-**	3,364	-
Granted during the year	**-**	**-**	3,653	-
Outstanding at 31 December	**7,017**	**-**	7,017	-
Exercisable at 31 December	**-**	**-**	-	-

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 2 years.

A charge of $0.8 million (2019: $0.8 million) in relation to the VCP is included in the total share options charge.

Staff Retention Plan

At the 2016 Annual General Meeting ("AGM"), shareholders approved the adoption of the Gulf Keystone Petroleum 2016 Staff Retention Plan ("SRP"), which is designed to reward members of staff through the grant of share options at a zero exercise price.

The exercise of the awarded options is not subject to any performance conditions and can be exercised at any time after the three year vesting period but within ten years after the date of grant. If options are not exercised within ten years, the options will lapse and will not be exercisable. If an employee leaves the company during the three years from the date of grant, the options will lapse on the date notice to leave is given to the company. Should an employee be regarded as a good leaver, the options may be exercised at any time within a period of six months from departure date.

	2020		2019	
	Number of share options ’000	**Weighted average exercise price (in pence)**	Number of share options ’000	Weighted average exercise price (in pence)
Outstanding at 1 January	**1,129**	**-**	1,440	-
Exercised during the year	**(156)**	**-**	(248)	-
Forfeited during the year	**-**	**-**	(63)	-
Outstanding at 31 December	**973**	**-**	1,129	-
Exercisable at 31 December	**973**	**-**	627	-

The weighted average share price at the date of exercise for share options exercised during 2020 was £1.43.

During 2020 no options (2019: nil) were granted to employees under the Group’s SRP.

A charge of $0.1 million (2019: $0.4 million) in relation to the SRP is included in the total share options charge.

Share options outstanding at the end of the year have the exercise price of nil and the following expiry dates:

Expiry date	**Options (’000)**	
	2020	2019
11 December 2026	**516**	628
9 January 2027	**250**	250
30 June 2027	**207**	206
30 July 2027	**-**	45
	973	1,129

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 6 years.

Long Term Incentive Plan

The Gulf Keystone Petroleum 2014 Long Term Incentive Plan (“LTIP”) is designed to reward members of staff through the grant of share options at a zero exercise price, that vests three years after grant, subject to the fulfilment of specified performance conditions. These performance conditions are 50% TSR over the vesting period and 50% the Group’s TSR relative to a bespoke group of comparators.

	2020		2019	
	Number of share options ’000	**Weighted average exercise price (in pence)**	Number of share options ’000	Weighted average exercise price (in pence)
Outstanding at 1 January	**2,629**	**-**	1,614	-
Granted during the year	**4,752**	**-**	1,233	-
Forfeited during the year	**(127)**	**-**	(218)	-
Outstanding at 31 December	**7,254**	**-**	2,629	-
Exercisable at 31 December	**-**	**-**	-	-

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 2 years.

The aggregate of the estimated fair values of the options granted in 2020 is $2.6 million.

A charge of $1.7 million (2019: $1.0 million) in relation to the LTIP is included in the total share options charge.

Equity-settled share option plan

The Group's share option plan provides for an exercise price at least equal to the closing market price of the Group shares on the date prior to grant. Awards made under the Group's share option plan have a vesting period of at least three years except for awards made under the legacy Long Term Incentive Plan, which vest in equal tranches over a minimum of three years subsequent to the achievement of a number of operational and market-based performance conditions. Options expire if they remain unexercised after a period of 10 years from the date of grant. The options granted in 2015 were made under the recruitment remuneration policy, vest in three equal tranches over two years, and expire if they remain unexercised after a period of 7 years from the date of grant. Options are forfeited if the employee leaves the Group before the options vest. The company has not made any awards during 2020 under this scheme.

	2020		2019	
	Number of share options ’000	**Weighted average exercise price (in pence)**	Number of share options ’000	Weighted average exercise price (in pence)
Outstanding at 1 January	**300**	**11,492.1**	326	11,492.6
Expired during the year	(159)	-	(26)	-
Outstanding at 31 December	**141**	**15,847.2**	300	11,492.1
Exercisable at 31 December	**141**	**15,847.2**	300	11,492.1

The options outstanding at 31 December 2020 had a weighted average exercise price of £159 (2019: £115) and a weighted average remaining contractual life of less than one year (2019: 1 year).

A charge of nil (2019: nil) in relation to the equity-settled share option plan is included in the total share options charge.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	**Exercise price (pence)**		**Options (’000)**	
	2020	2019	**2020**	2019
24 June 2020	**-**	7,500	**-**	156.3
22 September 2020	**-**	14,750	**-**	2.5
6 February 2021	**17,500**	17,500	**94.4**	94.4
19 June 2021	**14,625**	14,625	**5.5**	5.5
7 July 2021	**14,625**	14,625	**2.5**	2.5
14 July 2021	**14,625**	14,625	**2.5**	2.5
21 July 2021	**14,625**	14,625	**5.0**	5.0
19 September 2021	**15,250**	15,250	**2.5**	2.5
26 October 2021	**14,625**	14,625	**2.5**	2.5
21 January 2022	**5,500**	5,500	**15.0**	15.0
20 March 2022	**19,450**	19,450	**4.0**	4.0
20 March 2022	**25,000**	25,000	**2.5**	2.5
8 July 2023	**15,875**	15,875	**2.5**	2.5
24 April 2024	**9,975**	9,975	**2.5**	2.5
			141.4	300.2

24 Dividend

The Group was focussed on preservation of liquidity due to the impact of COVID-19 and the decline in oil prices and did not pay a dividend in 2020. The $49 million dividend paid in 2019 related to the year ended 31 December 2018. In line with our commitment to balance investment in production growth and distributions to shareholders, the Group is reimplementing an annual dividend policy with the target of paying at least $25 million per year. A dividend of $25 million is subject to approval at the AGM in June 2021 and will be paid to shareholders on 2 July 2021 based on a record date of 25 June 2021.

25 Related party transactions

The Group has a related party relationship with its subsidiaries. The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint operations in which the Group has a material interest. These transactions are under terms that are no less favourable to the Group than those arranged with third parties.

Remuneration of key management personnel

The remuneration of the Directors and Officers, the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Those identified as key management personnel include the Directors of the Company and the key personnel:

J Ferrier – Former CEO (resigned 31 January 2021)
I Weatherdon – CFO (appointed 13 January 2020)
S Zouari – Former CFO (resigned 2 December 2019)
S Catterall – Chief Operations Officer
G Papineau-Legris – Chief Commercial Officer
J Barker – HR Director
R Deutscher – Country Manager – Kurdistan Region of Iraq
N Kernoha – Head of Finance
M Parsley – Subsurface Manager
A Robinson – Legal Director and Company Secretary

The values below are calculated in accordance with IAS 19 and IFRS 2.

	2020 $'000	2019 $'000
Short-term employee benefits	**4,822**	4,898
Share-based payment - options	**1,273**	1,618
	6,095	6,516

Further information about the remuneration of individual Directors, including the leaver arrangements for the previous CEO, is provided in the Directors' Emoluments section of the Remuneration Committee Report.

26 Contingent liabilities

The Group has a contingent liability of $27.3 million (2019: $27.3 million) in relation to the proceeds from the sale of test production in the period prior to the approval of the original Shaikan Field Development Plan ("FDP") in July 2013. The Shaikan PSC does not appear to address expressly any party's rights to this pre-FDP petroleum. The sales were made based on sales contracts with domestic offtakers which were approved by the KRG. The Group believes that the receipts from these sales of pre-FDP petroleum are for the account of the Contractor, rather than the KRG and accordingly recorded them as test revenue in prior years. However, the KRG has requested a repayment of these amounts and the Group is currently involved in negotiations to resolve this matter. The Group has received external legal advice and 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.