
GULF KEYSTONE PETROLEUM

# 2022 Full Year Results

23 March 2023

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# GKP's clear strategy

Investment in profitable production growth

Sustainable shareholder returns

Robust balance sheet and prudent liquidity levels

# 2022 operational & financial highlights

| | |
|---|---|
| Strong operational & financial performance | ▪ Rigorous focus on safety<br>▪ Record profitability & cash flow<br>▪ 2022 CPR confirms significant reserves base & growth potential |
| Investment in profitable production growth | ▪ Executing Jurassic scope of FDP<br>▪ Advancing towards FDP approval<br>▪ Flexible capital programme<br>▪ 55,000 bopd milestone achieved |
| Sustainable shareholder returns | ▪ Record $215m dividends paid<br>▪ $50m dividends declared in 2023<br>▪ Disciplined financial framework underpins shareholder value |
| Robust balance sheet & prudent liquidity levels | ▪ Redeemed $100 million bond<br>▪ Net cash balance sheet |

Lost Time Incidents
**0**

Free cash flow
**$266m**

Gross average production
**44,202 bopd**

Gross Shaikan 2P reserves(1)
**506 MMstb**

Dividends paid
**$215m**

Dividend yield(2)
**41%**

Bond redeemed
**$100m**

Cash balance (22-Mar-23)
**$119m**

*(1) 2022 Competent Person's Report, as at 31 December 2022*
*(2) Based on GKP's closing price on 30 December 2022*

# 2022 sustainability highlights

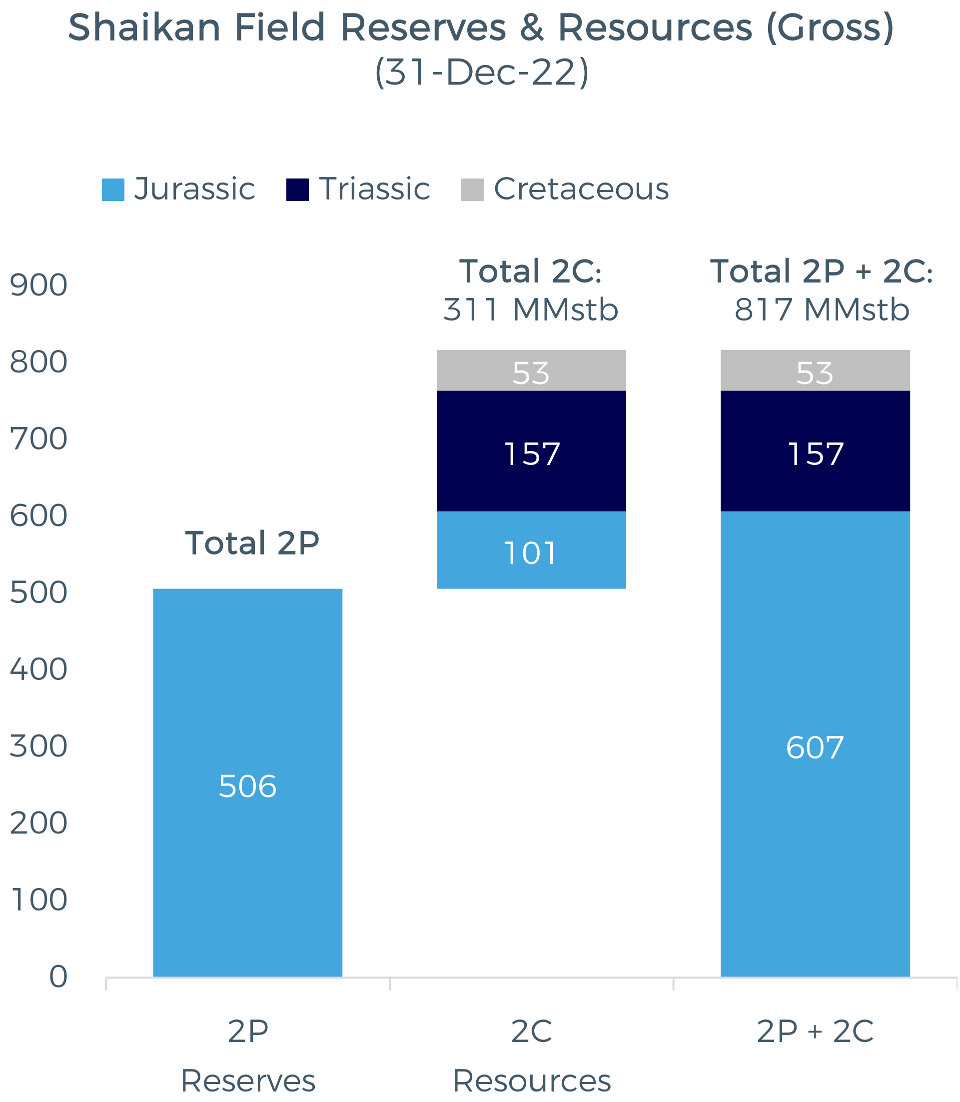
| Environment | Social | Governance |
|---|---|---|
| ▪ Disclosures fully consistent with TCFD[1] recommendations<br>▪ Progressed Gas Management Plan tendering process<br>▪ Target to eliminate methane venting in 2024 | ▪ $515m revenues net generated for KRG[2]<br>▪ Almost 350 Kurdistan nationals in workforce<br>▪ $64m purchasing & contracting with local suppliers<br>▪ >$1m gross on local community projects | ▪ Robust corporate governance and business ethics<br>▪ 100% Code of Business Conduct compliance |

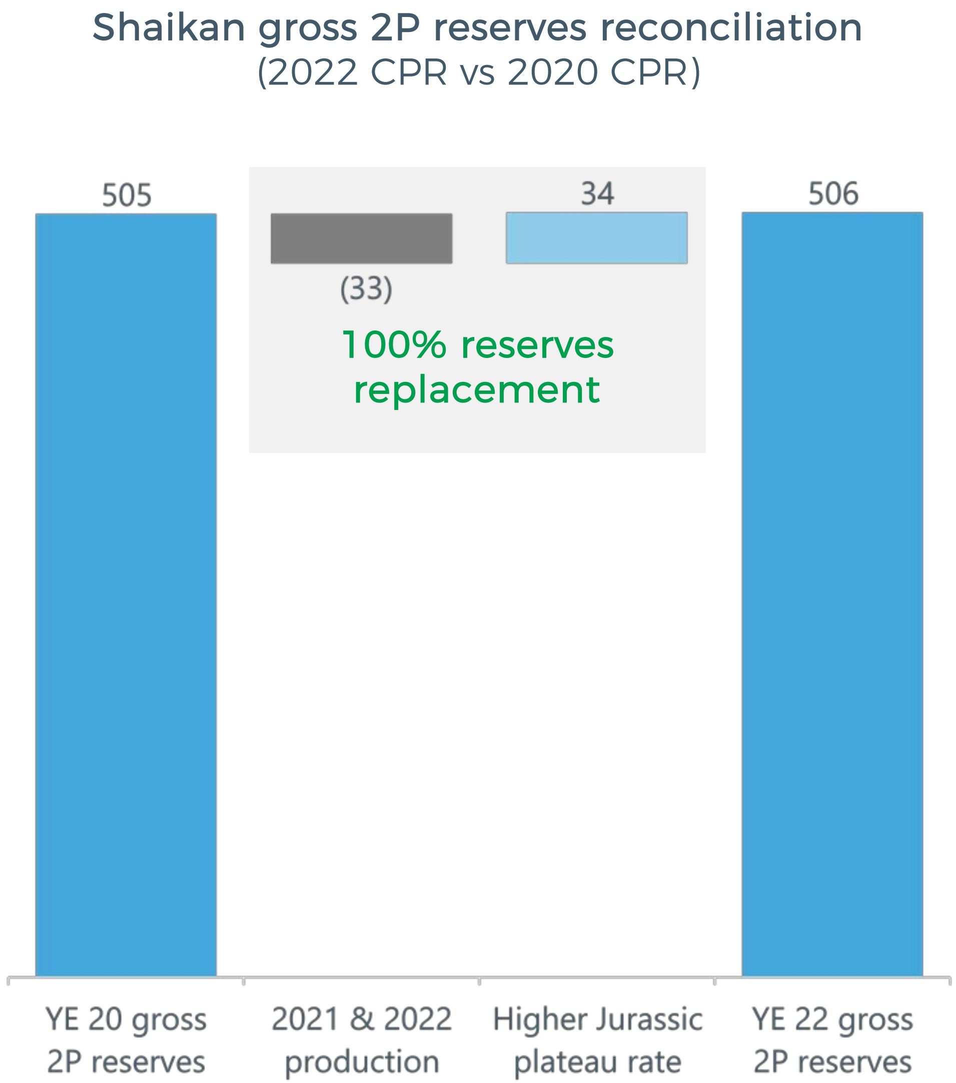
(1) *Taskforce for Climate-related Financial Disclosures*
(2) *Comprising production entitlements, royalties and capacity building payments*

# Operational Review

# Shaikan offers significant potential for growth & returns

## 2022 CPR confirms large reserves & resources, with >117 MMstb produced to date



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# Increased activity in 2022 laid foundations for future growth

## Commenced execution of FDP Jurassic scope

| Drilling new wells | Production facility expansion & well pad prep | Well workover programme |
|---|---|---|
|  |  |  |

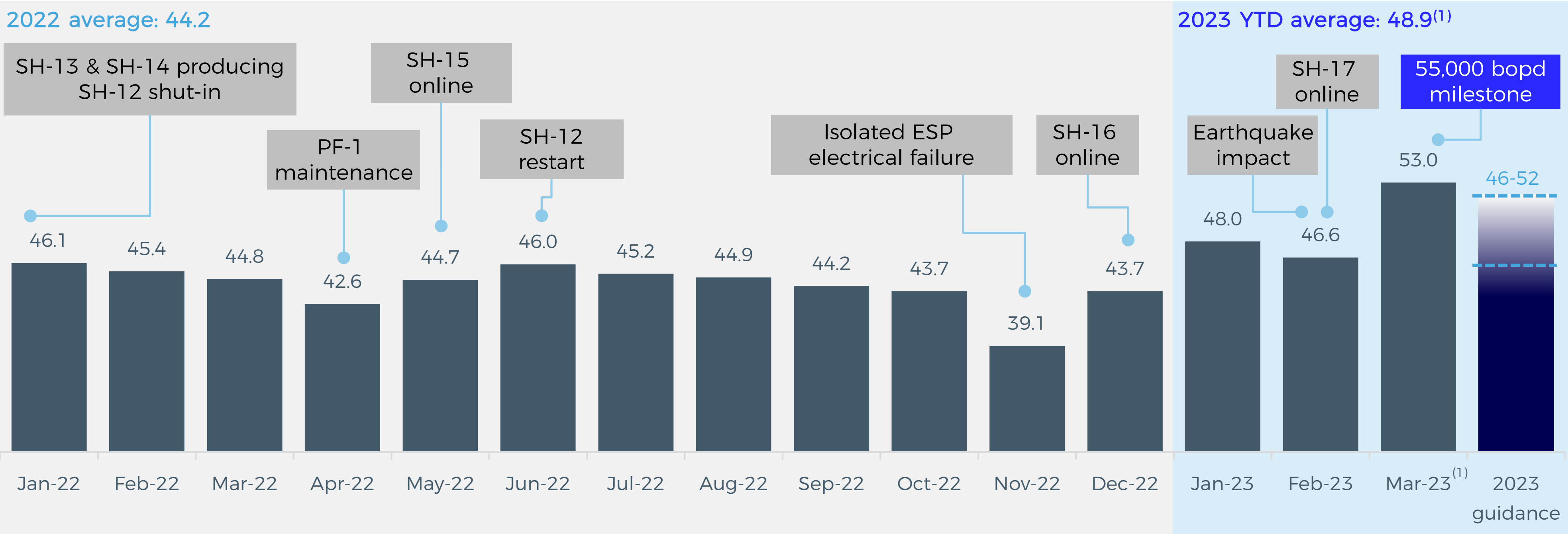
**Net Capex: $115 million (in line with 2022 guidance)**

| $63 million | $36 million | $16 million |
|---|---|---|
| ▪ Drilled SH-15 & SH-16 on schedule and budget<br>▪ Spudded SH-17 | ▪ Well pads and flowlines to enable continuous drilling programme<br>▪ Early work for production facility expansion & water handling installation | ▪ Optimised production<br>▪ Workovers and reperforations<br>▪ Continued reservoir monitoring and surveillance |

# 2022 production in line with guidance

## Strong production momentum into 2023 leveraging recent investments

### Gross average production ('000 bopd)




### 2022 performance

- Incremental production from new wells
- Temporary well shut-in during Q4 due to isolated ESP electrical failure

### 2023 performance & guidance

- Material production increase YTD, recently achieving 55,000 bopd
- Remain focused on delivering 2023 guidance of 46,000 – 52,000 bopd

Managing estimated base natural declines of 6-10% per annum across the Field, well production rates ahead of water handling installation and higher gas production from one well

*(1) As at 21 March 2023*



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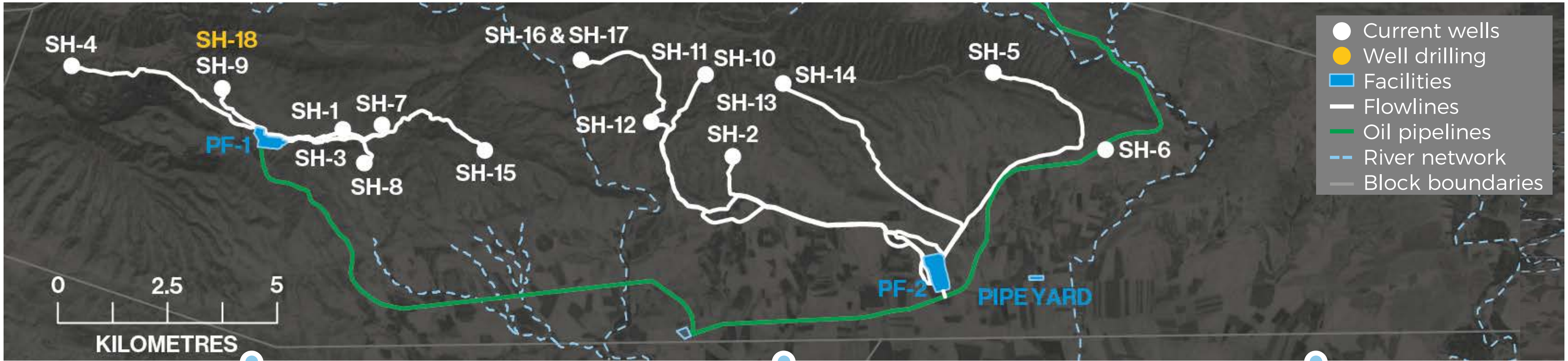
# 2023 work programme

## Capital guidance dependent on KRG payment timing

- Flexible programme targeting profitable production growth
  - With further clarity around KRG payments, consider drilling beyond SH-18
  - Continued payment delays could lead to capital reductions




| Drilling & well workovers | Well pad prep & long leads | Production facility expansion |
|---|---|---|

**Current 2023 net Capex guidance: $160-$175 million**

| $30-$35 million | $45-$50 million | $85-$90 million |
|---|---|---|

**$30-$35 million**
- SH-17 completion
- Drill SH-18 (targeted start-up in Q2 2023)
- Well workover programme

**$45-$50 million**
- Well pad prep & long lead items for continuous drilling

**$85-$90 million**
- Targeting by H2 2024:
  - Increase in total field capacity to c.85,000 bopd
  - Water handling capacity



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# Transitioning to increased investment in profitable growth

## Investment predicated on timely KRG payments and robust oil prices

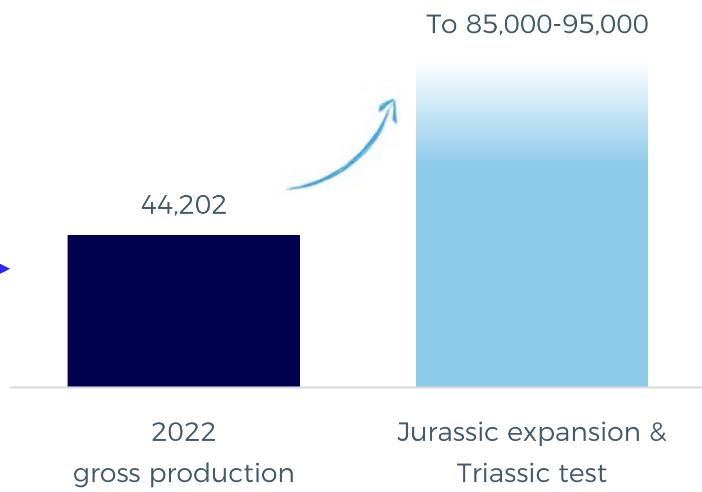
### Shaikan Field Development Plan

**Jurassic reservoir expansion**

Increase gross plateau production up to 85,000 bopd

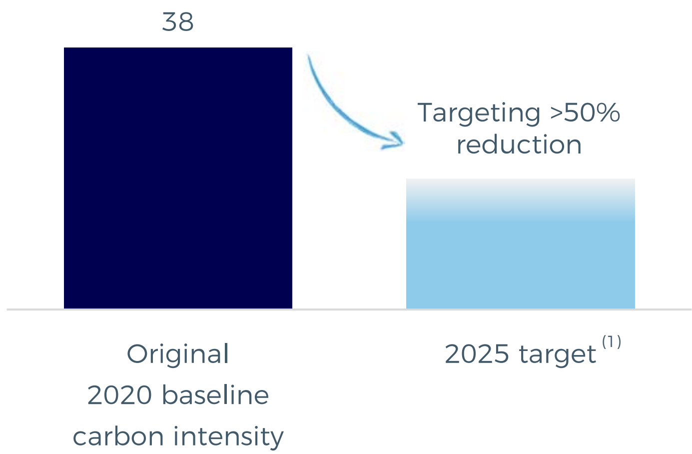
**Triassic reservoir test**

Target gross production up to 10,000 bopd




**Gas Management Plan (GMP)**

Eliminate almost all flaring
Transform emissions footprint




### Our approach

- **Focusing on shareholder value & licence to operate**
  - Capitalise on growth potential
  - Cost recovery accelerating payback under Shaikan PSC
  - Generate economic value for KRG & satisfy PSC obligations
- **Executing Jurassic scope of FDP with flexible capital programme**
- **Advancing towards FDP sanction milestones**
  - Technical scope substantially agreed
  - Conclude GMP tender & potential financing
  - Commercial negotiations

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



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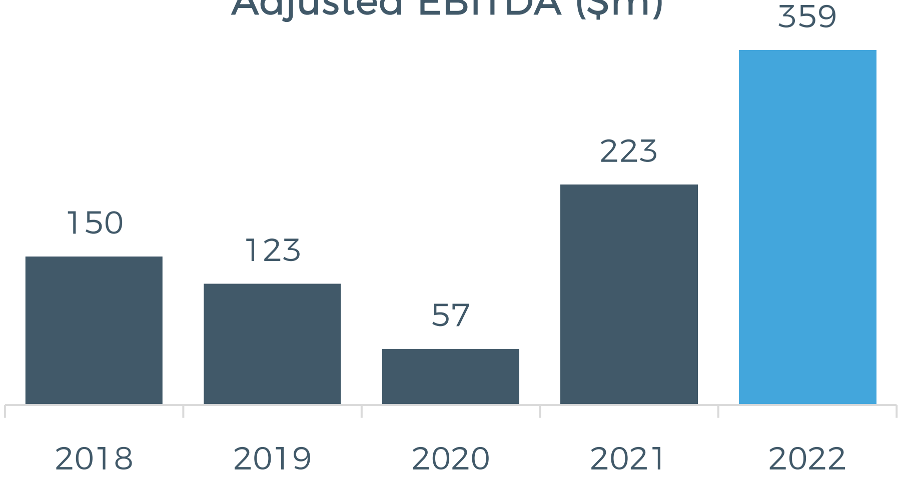
# Financial Review

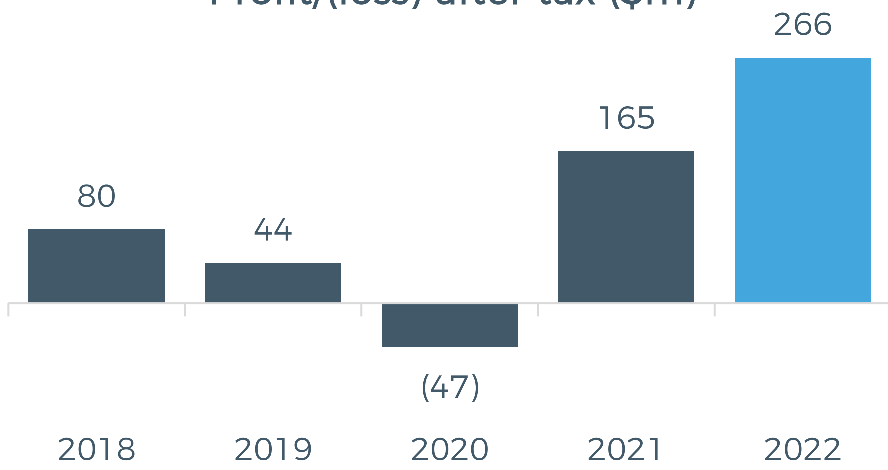
# Financial performance highlights

## Delivering profitable growth and shareholder returns

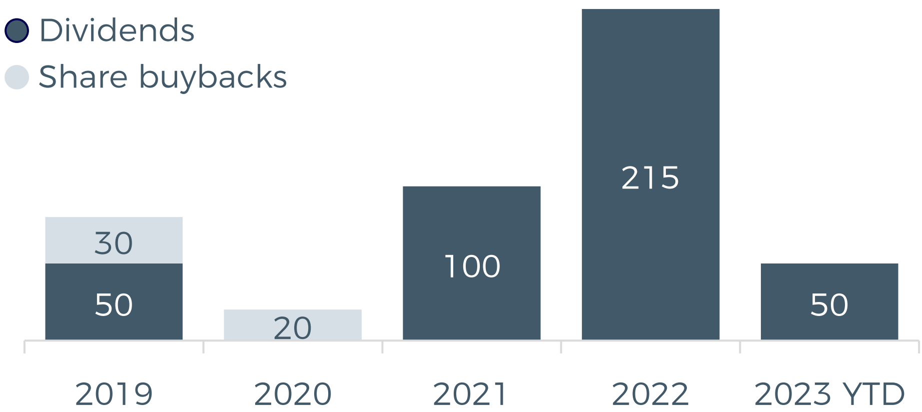
### Adjusted EBITDA ($m)



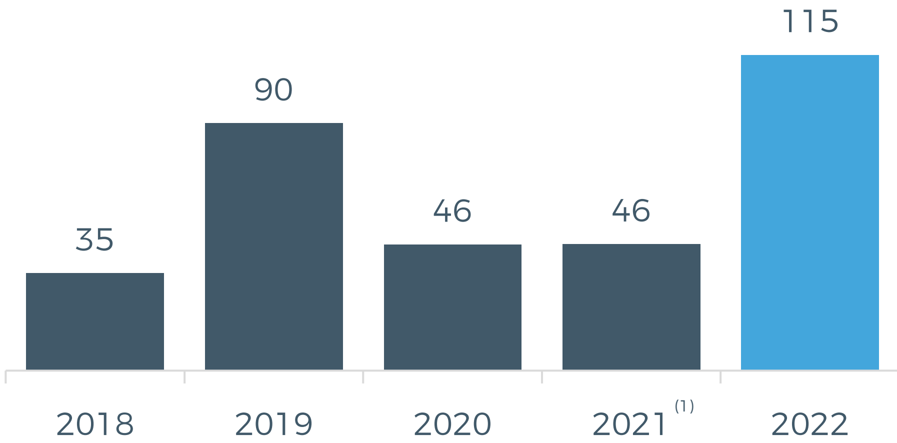

### Profit/(loss) after tax ($m)




### Shareholder distributions ($m)



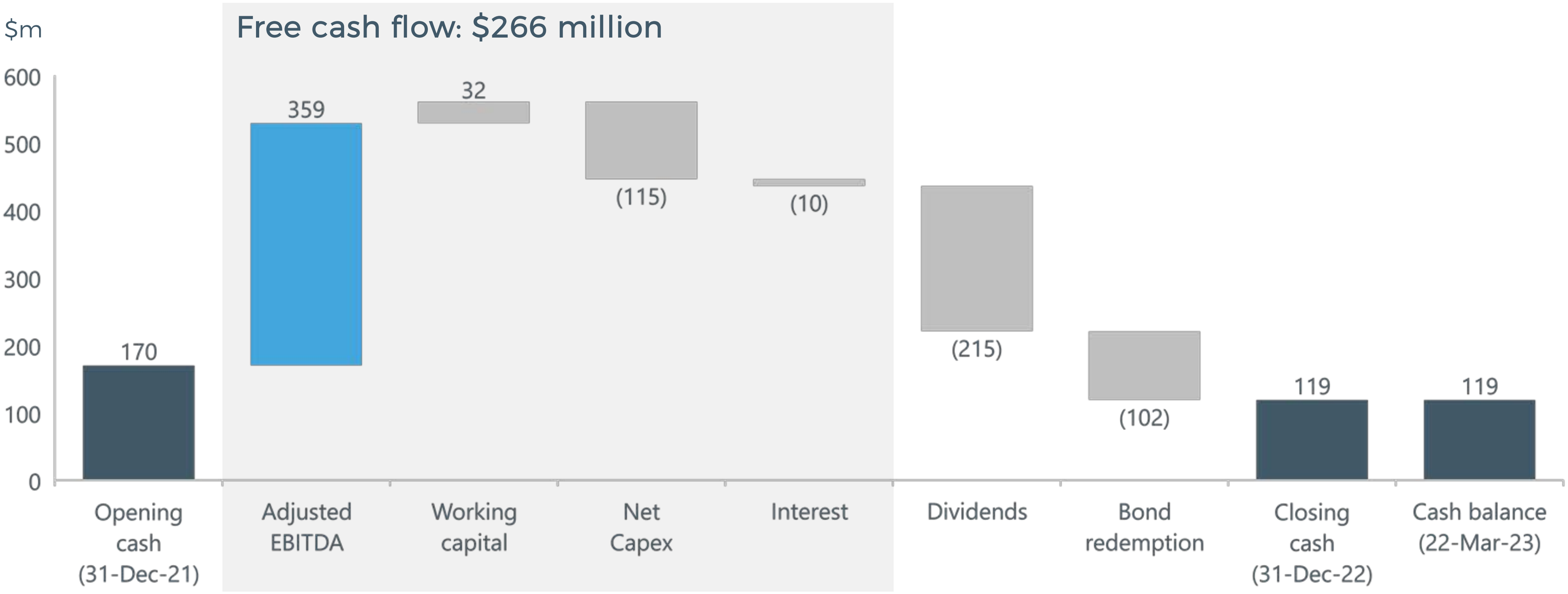

### Net Capex ($m)




*(1) 2021 restated as the definition of net capital expenditure was amended to no longer exclude the increase/decrease of drilling and other equipment*

# Record profitability and cash generation

## Free cash flow more than doubled




- 61% increase in Adjusted EBITDA driven by higher oil price and production
- $115 million investment in execution of FDP Jurassic scope
- Record $215 million dividend payments to shareholders
- $100 million bond redemption



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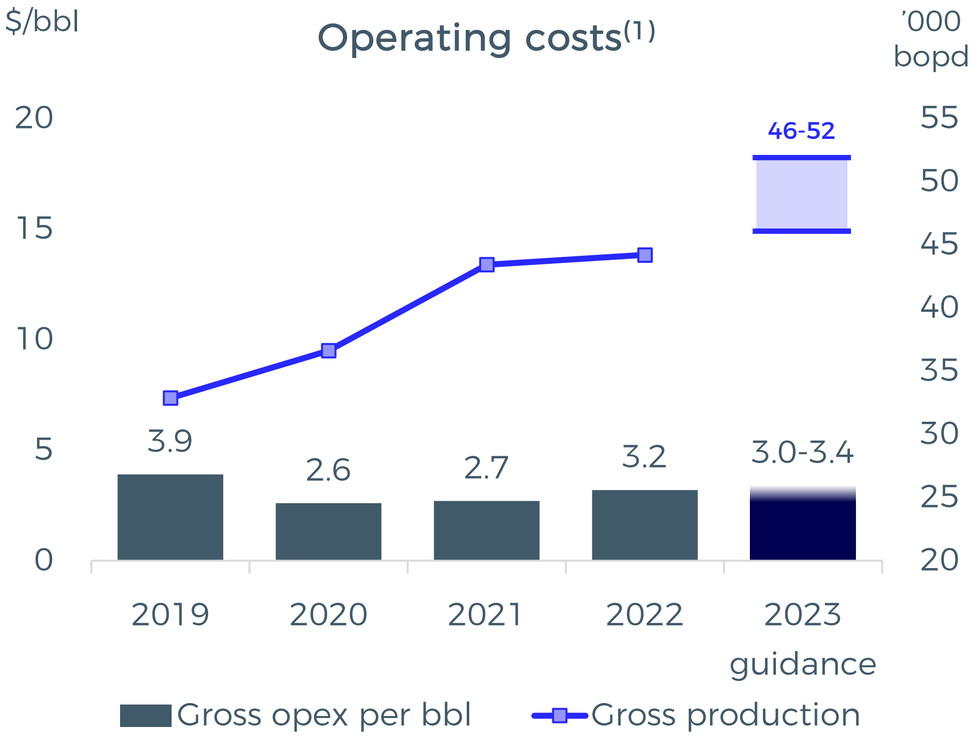
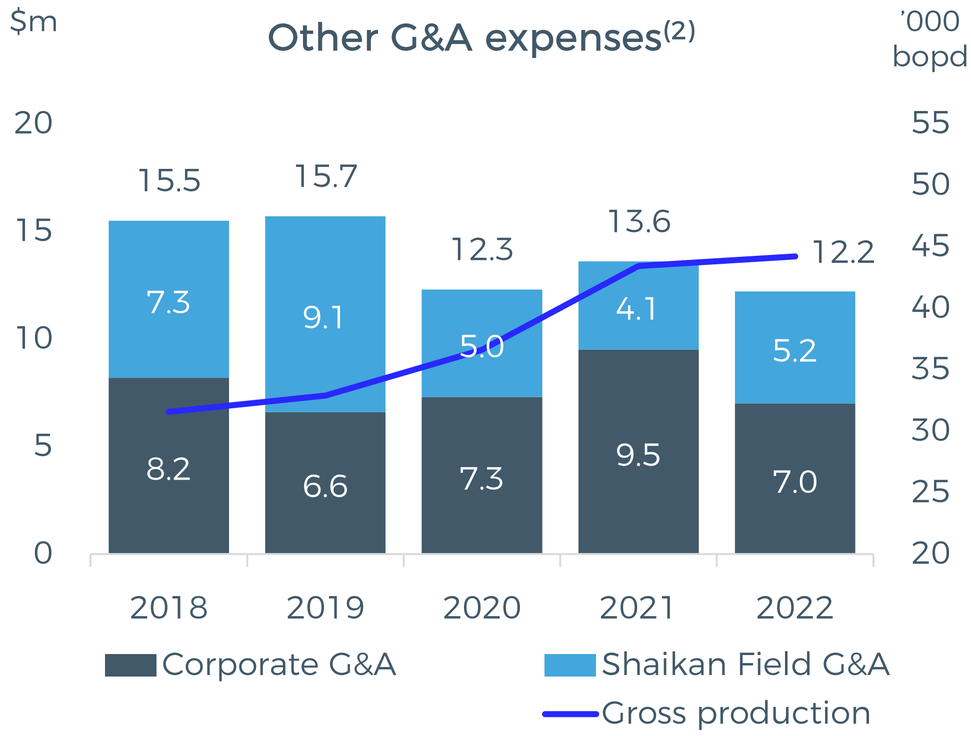
# Operating costs & other G&A

## Rigorous focus on cost control




- Increased operational activity drove higher operating costs and Shaikan Field G&A
- 2023 gross Opex per barrel guidance of $3.0-$3.4/bbl unchanged

*(1) Excludes capacity building payments, production bonus, DD&A, working capital movements and transportation costs*
*(2) Other general and administrative expenses excludes share option expense*



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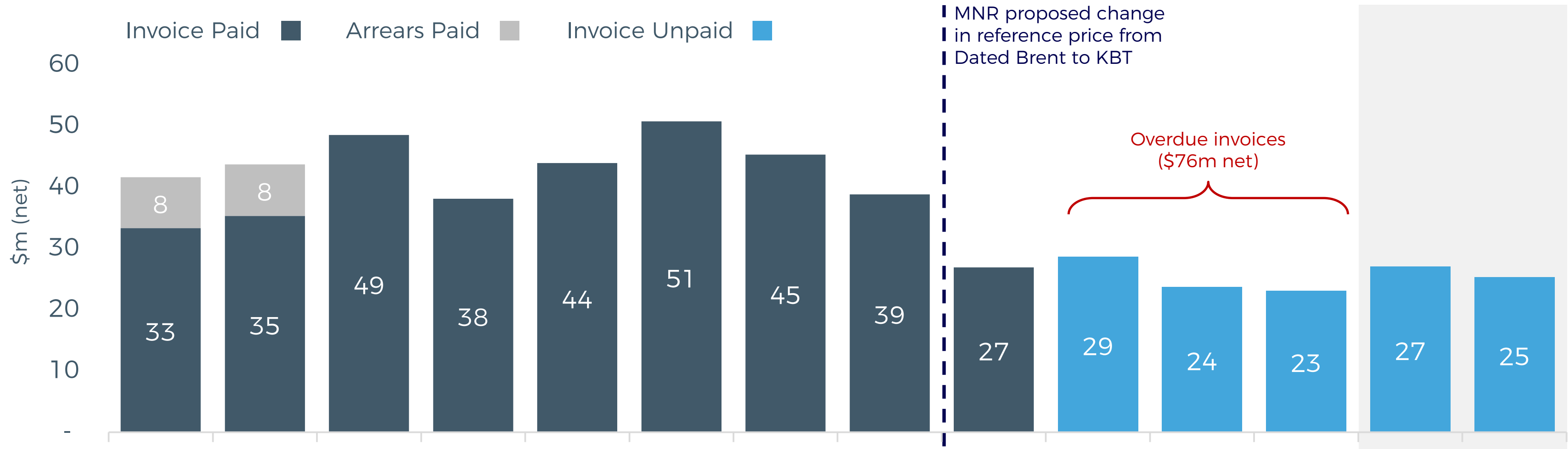
# Crude oil sales & payments

## Continuing to engage with KRG & MNR regarding payment delays & pricing

- $450 million net received from KRG in 2022[1] for oil sales and arrears
- Aug-22 & Sep-22 payments received in 2023; Oct-22 to Dec-22 payments overdue
- Impact on Shaikan discount to Brent from new pricing mechanism has reduced in February




| Month of Production | Jan-22[2] | Feb-22 | Mar-22 | Apr-22 | May-22[2] | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross prod. (kbopd) | 46.1 | 45.4 | 44.8 | 42.6 | 44.7 | 46.0 | 45.2 | 44.9 | 44.2 | 43.7 | 39.1 | 43.7 | 48.0 | 46.6 |
| Dated Brent | $87 | $98 | $119 | $104 | $113 | $124 | $113 | $100 | $90 | $93 | $92 | $81 | $83 | $82 |
| Shaikan discount to Brent | $23 | $23 | $24 | $23 | $24 | $24 | $24 | $23 | $34 | $35 | $36 | $34 | $32 | $29 |
| Impact on Shaikan discount to Brent | *$4-$11 increase if proposed pricing mechanism had been in effect[3]* | | | | | | | | $11 | $12 | $13 | $12 | $10 | $6 |

(1) *Sep-21 – Jul-22 production month payments received in calendar year 2022*
(2) *Jan-22 & May-22 invoices include a net adjustment to GKP of $0.8 million and $1.6 million respectively related to a backdated pipeline tariff increase in 2021*
(3) *Assuming KBT crude specs during Q3 2022 were representative of those during H1 2022*



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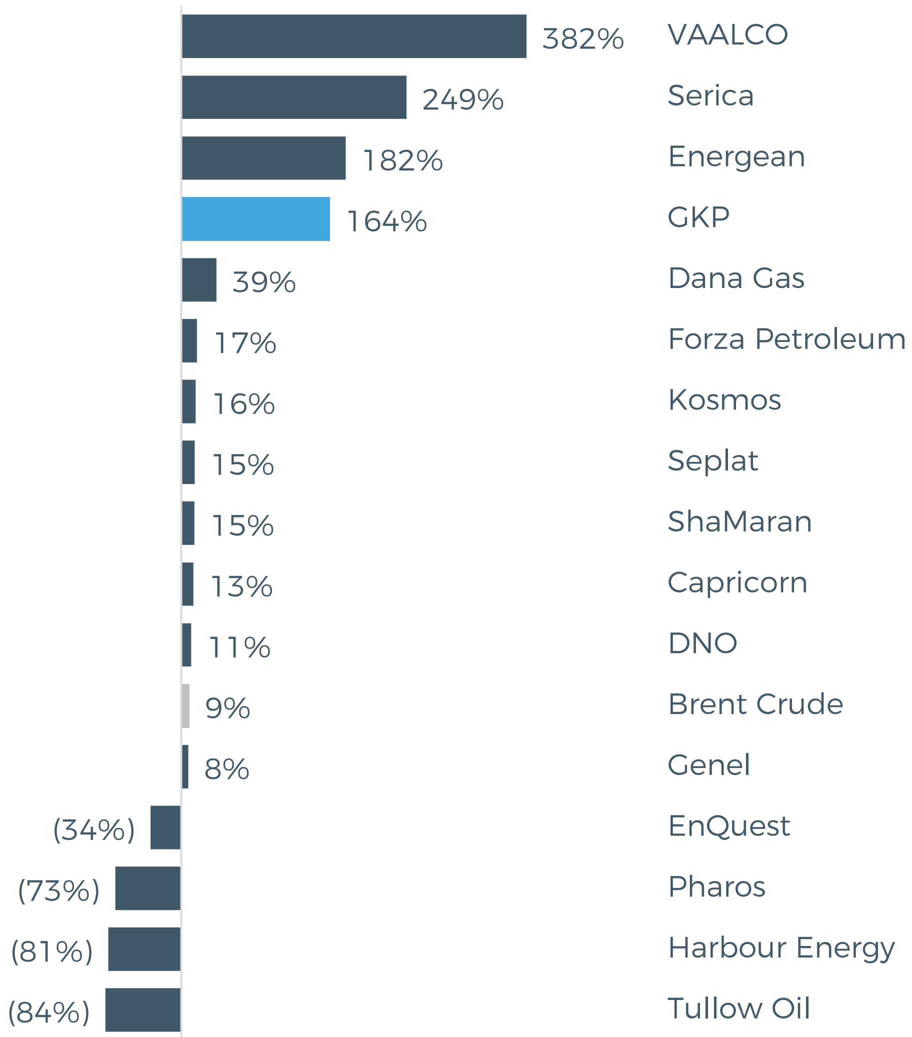
# Disciplined financial framework underpins shareholder value

## Balancing growth, distributions & liquidity levels

### Top quartile five year total shareholder return[1]




- **Dividend policy:**
  - Ordinary dividend of at least $25 million per annum
  - Distribution of excess cash via dividends or buybacks
- **Distribution considerations include:**
  - Liquidity and cash flow generation
  - Production and PSC/capital commitments
  - Oil price outlook
  - Timeliness of KRG payments
  - Other relevant factors
- **Declaring final 2022 ordinary annual dividend of $25 million**
  - $50 million dividends declared in 2023, equating to 11% dividend yield[2]
- **Update on financial framework will be provided closer to FDP approval**

*(1) Source: Factset, total shareholder return over 5 years as at 22 March 2023 (dividends re-invested)*
*(2) Based on GKP's closing share price on 22 March 2023*



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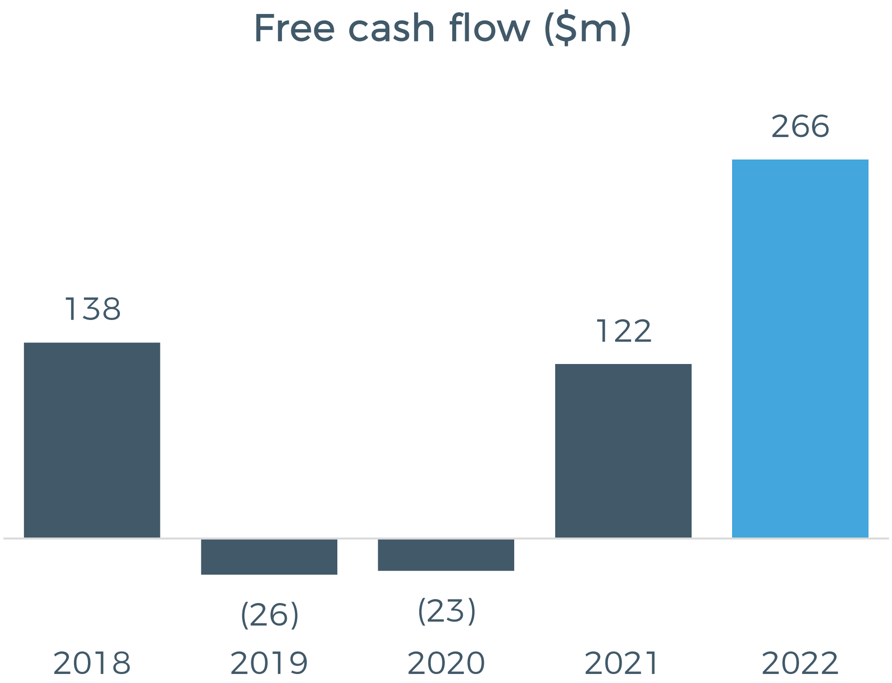
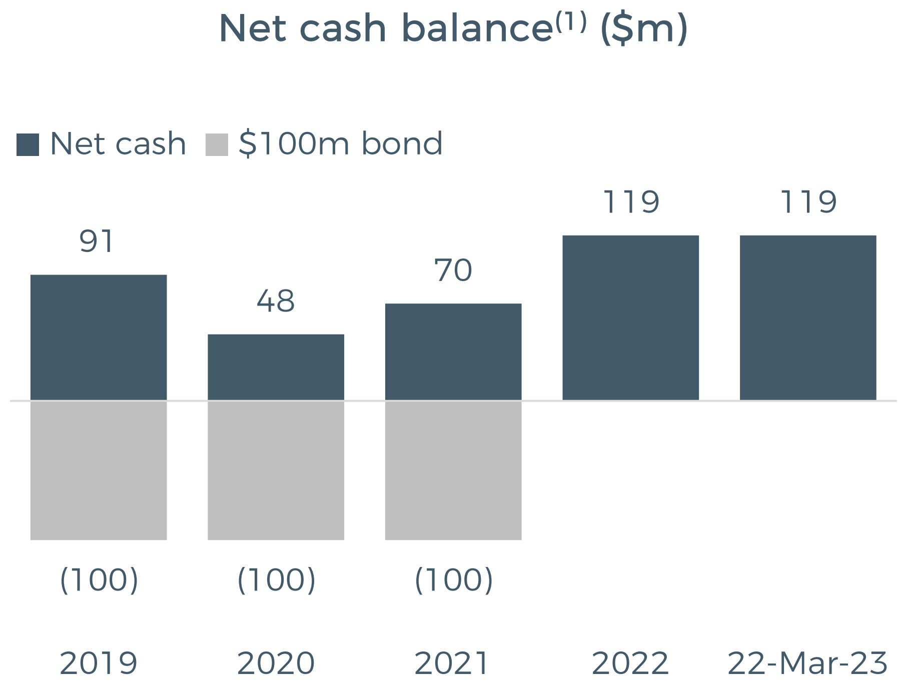
# Robust balance sheet & prudent liquidity




- Strategic focus on:
  - Funding investment in Shaikan Field and shareholder returns
  - Managing commodity cycle and operating in Kurdistan
- Debt-free balance sheet following early bond redemption in August 2022
- Net cash balance increased during year

*(1) As at 31 December of each year, unless otherwise stated*



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# Outlook

# Outlook

## Focused on continued delivery against clear strategy

| | |
|---|---|
| Investment in profitable production growth | ▪ Transitioning to increased Jurassic investments with timely KRG payments<br>▪ Progressing towards FDP approval<br>▪ Targeting start-up of SH-18 in Q2 2023 |
| Sustainable shareholder returns | ▪ $25 million ordinary dividend declared<br>▪ Increases 2023 declared dividends to $50m<br>▪ Committed to distributing excess cash according to financial framework |
| Robust balance sheet & prudent liquidity levels | ▪ Maintain robust balance sheet<br>▪ Prudent liquidity levels to manage uncertainties |
| 2023 guidance | ▪ **Gross production:** 46-52,000 bopd<br>▪ **Net capex:** $160-$175 million<br>▪ **Gross Opex/bbl:** $3.0-$3.4/bbl<br>▪ Subject to timely KRG payments & oil prices |

# Appendix

# Key historical financials

| | FY 2022 | FY 2021 | FY 2020 | FY 2019 | FY 2018 |
|---|---|---|---|---|---|
| Gross production (bopd) | 44,202 | 43,440 | 36,625 | 32,883 | 31,563 |
| Dated Brent ($/bbl)(1) | 101.4 | 70.8 | 42.0 | 64.6 | 71.3 |
| Realised price ($/bbl) | 74.1 | 49.7 | 20.9 | 42.9 | 49.0 |
| Discount to Brent ($/bbl) | 27.2 | 21.2 | 21.1 | 21.7 | 22.3 |
| Revenue ($m) | 460.1 | 301.4 | 108.4 | 206.7 | 250.6 |
| Gross Opex ($/bbl) | 3.2 | 2.7 | 2.6 | 3.9 | 3.2 |
| Adjusted EBITDA ($m) | 358.5 | 222.7 | 56.7 | 122.5 | 150.1 |
| Profit/(loss) after tax ($m) | 266.1 | 164.6 | (47.3) | 43.5 | 79.9 |
| Net Capex ($m)(2) | 114.9 | 46.2 | 45.9 | 90.0 | 35.4 |
| Free cash flow ($m) | 266.5 | 122.2 | (22.9) | (25.6) | 137.6 |
| Net cash ($m) | 119.5 | 69.9 | 47.8 | 90.8 | 195.6 |

*(1) Weighted average sales volume price*
*(2) 2021 restated as the definition of net capital expenditure was amended to no longer exclude the increase/decrease of drilling and other equipment*



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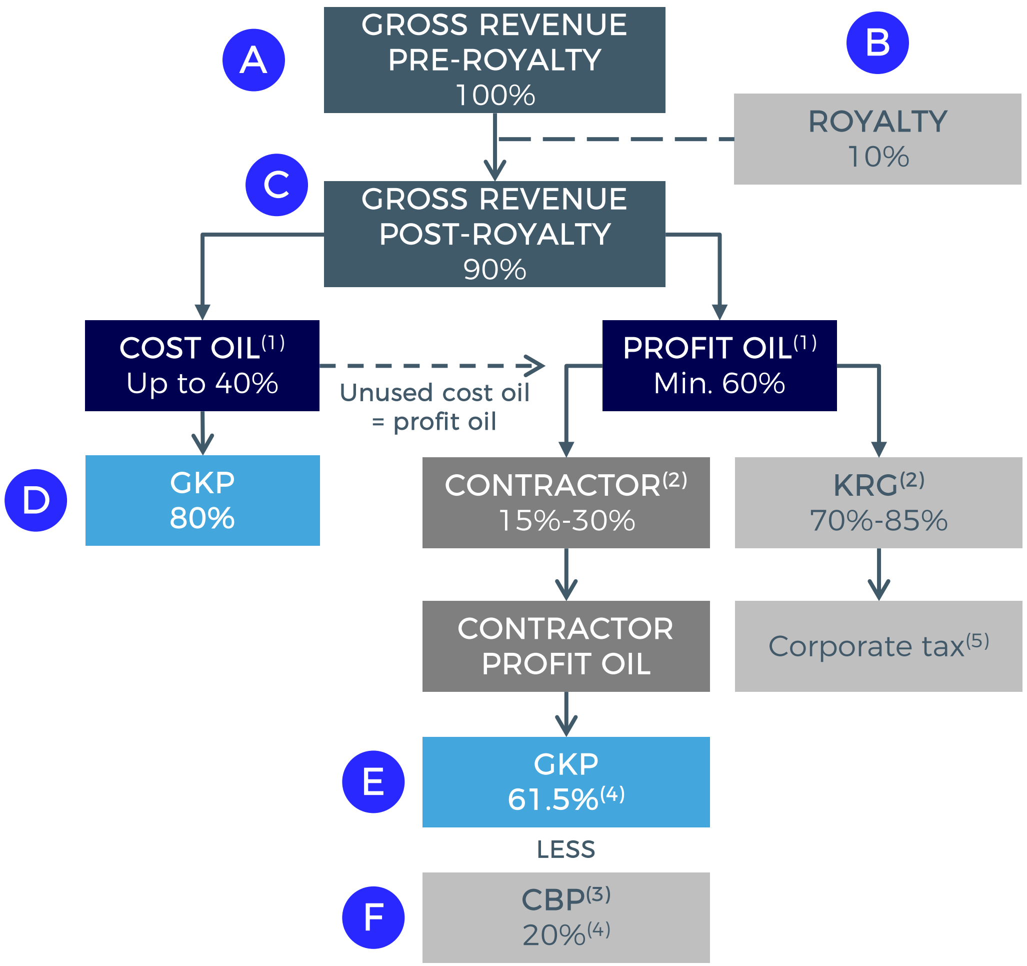
# Shaikan Field fiscal terms

## As at 31-Dec-22

### Shaikan Field fiscal take waterfall




### Calculating GKP entitlement

| Stage | % | Notes | |
|---|---|---|---|
| Gross revenue pre-royalty | 100 | Gross production x realised price (Dated Brent less quality discount & transport costs) | A |
| LESS: Royalty | (10) | 10% KRG royalty | B |
| Gross revenue post-royalty | 90 | Gross revenue to partners (Contractor & KRG) | C |
| GKP cost oil | 28.8 | Gross revenue post-royalty x 40%[1] x 80% GKP paying interest | D |
| GKP profit oil | 9.1 | Gross revenue post-royalty x 60% x 27.3%[2] x 61.5%[4] GKP working interest | E |
| GKP net revenue pre-CBP | 37.9 | GKP cost oil + GKP profit oil ("Revenue" in GKP financial statements) | |
| LESS: CBP | (1.8) | 20%[4] of GKP profit oil, expensed in cost of sales in GKP financial statements | F |
| GKP net revenue post-CBP | 36.1 | Cash received, as reported in GKP Shaikan Payments Update announcements | |

1) *Monthly cost recovery at max. of 40% of net revenue given gross cost pool of $213m at 31-Dec-22 (vs $437m at 31-Dec-21), subject to potential cost audit by KRG*
2) *R-factor of 1.18 as at 31-Dec-22: current Profit Oil split at 27.3% for Shaikan Contractor (GKP and MOL) and 72.7% for Kurdistan Regional Government ("KRG")*
3) *Capacity Building Payments expense to KRG: defined as 20%[4] of GKP profit oil*
4) *During PSC negotiations with the Ministry of Natural Resources, it was tentatively agreed that the Shaikan Contractor would provide the KRG a 20% carried working interest in the Production Sharing Contract ("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*
5) *Income tax arising from the Company's activities under its PSC is settled by the KRG on behalf of the Company*



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Thank you

More resources are available at:

www.gulfkeystone.com