



GULF KEYSTONE PETROLEUM

2019 Full Year Results

23 April 2020

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2019 Highlights

2019 highlights

Strong operational performance with significant distributions to shareholders

- Average gross production in 2019 of 32,883 bopd – in line with guidance
- Robust safety performance during a period of increased operational activity
- Progress on 55,000 bopd expansion – restart of drilling activities, successful workovers, facilities expansion, full crude export by pipeline
- Achieved capital expenditures, operating costs and G&A costs guidance
- Maiden dividend and share buyback programmes returned US\$79 million to shareholders; plus US\$20 million buyback in Q1 2020
- ESG programme in place – targeting to reduce emissions by >50% by 2025

The story of 2020 so far

Decisive actions to preserve liquidity and protect value

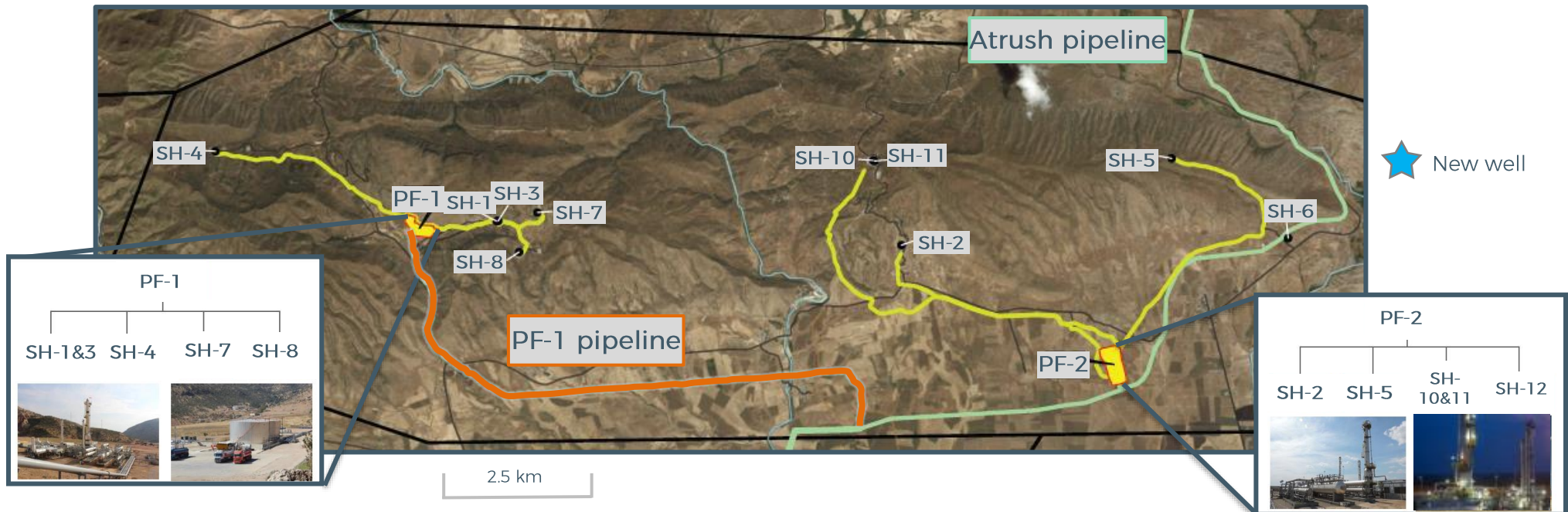
- Unprecedented volatility and uncertainty
 - COVID-19 pandemic and macro-economic deterioration
 - Brent oil price down over 70% since start of year, reaching sub US\$20/bbl
 - Delay in payments from KRG
- Concrete steps to preserve liquidity and protect value
 - Cash balance of US\$164 million⁽¹⁾
 - Drilling and expansion activities stopped – team demobilised
 - Were on track to deliver 55,000 bopd in Q3 2020
 - Targeting Opex and G&A savings of at least 20%; 60% expat workforce decrease
 - Guidance suspended
 - Monitoring market dynamics – ready to take further action
- KRG commitment to pay for production by 15th day of following month
 - Started with March 2020 production, paid mid-April
 - Dialogue with the KRG to collect outstanding invoices for November 2019 to February 2020 (total US\$73 million net to GKP)



Operational Review

2019 activity at Shaikan

Strong momentum toward 55,000 bopd in Q3 2020



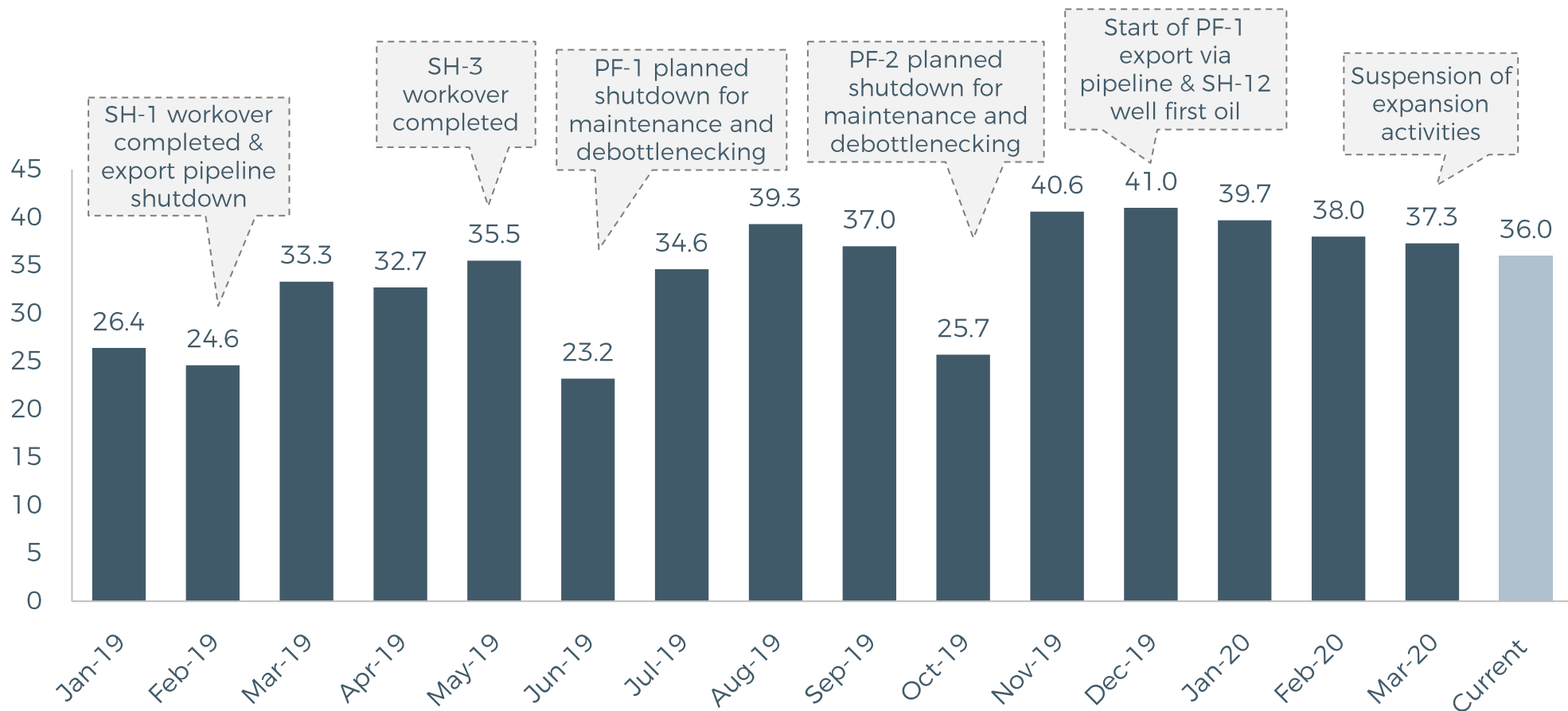
- Debottlenecking activities nearly completed at PF-1 and PF-2
- Completion of PF-1 pipeline – marking the end of export by trucking
- Tubing workovers on SH-1 and SH-3 wells resulted in material production uplifts
- SH-12 drilled and brought online in November
- SH-9 well, originally designed to test the reservoir crest, ultimately completed as an oil producer
- Drilling of SH-13 and other expansion activities suspended in March 2020

Shaikan production

Continued production with strong focus on cost reductions

- Average gross production in 2019 of 32,883 bopd, in line with guidance
- Despite the challenges imposed by COVID-19, production operations continue
- Reduced development and maintenance activity has impacted recent production rates

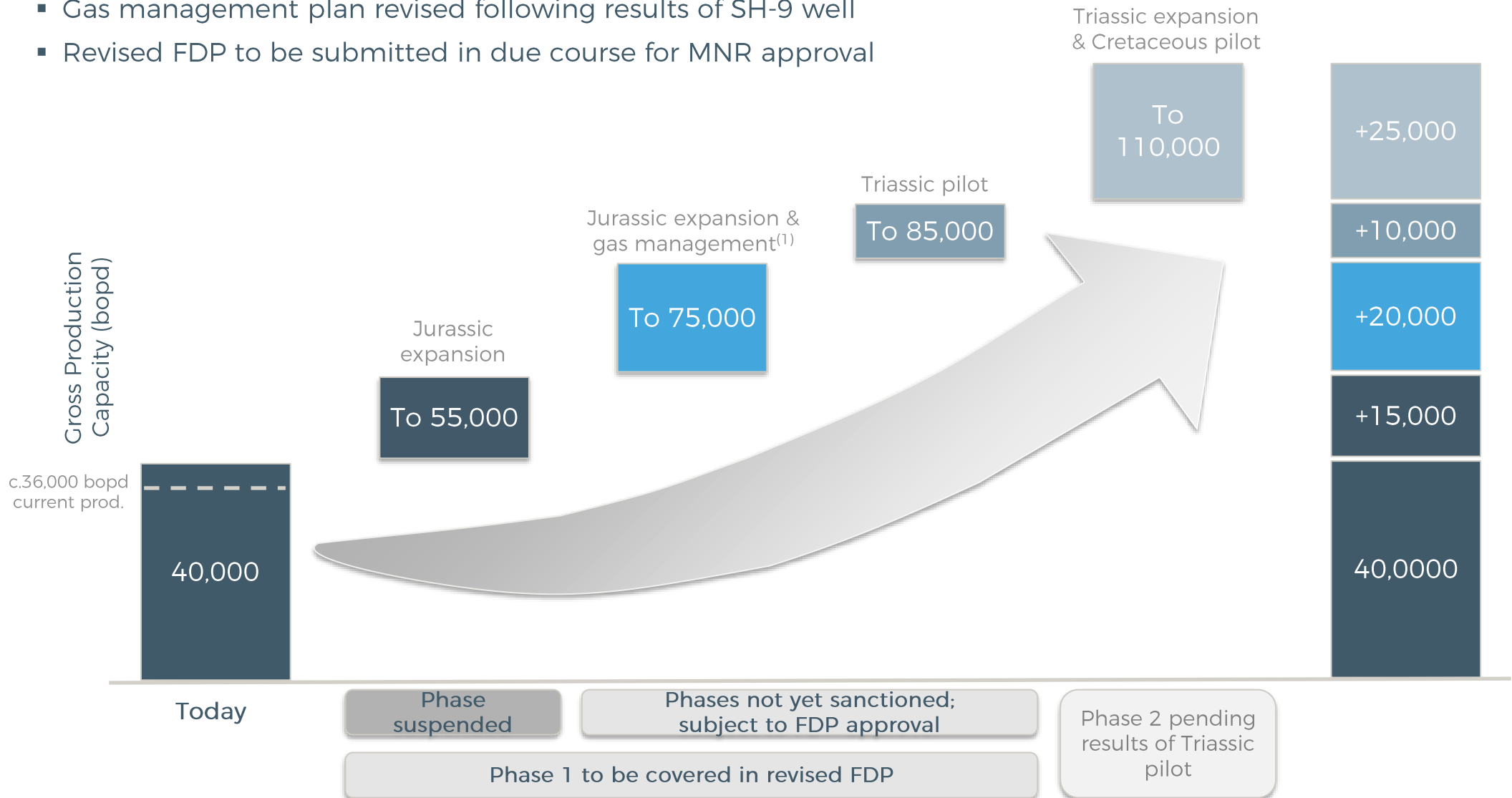
Shaikan gross production ('000 bopd)



Vision to develop Shaikan

Phased approach provides flexibility to time capital investment

- No further expansion investment until outlook improves
- Gas management plan revised following results of SH-9 well
- Revised FDP to be submitted in due course for MNR approval



¹⁾ Estimated duration of new gas management plan extended by three years to 60-66 months. Initial capital cost estimates for the revised plan are estimated at US\$275-375 million (+/-40% accuracy), up US\$50-75 million compared to the previous gas reinjection plan

Strong focus on ESG

Securing the long-term future for all stakeholders

Environment



- Plan to eliminate routine flaring and emissions by mid-2025
- Effective waste management programme with cradle-to-grave traceability
- Remediation of inactive drilling sites
- Road construction from oil-based cuttings

Sustainability / Societal



- Energy sector underpins the Kurdistan economy
- Strong investment in localisation and development of staff including management development and engineering apprenticeship programmes
- Proactive community investment programmes in agriculture and education; including training farmers on agriculture practices; training and equipment for beekeeping and English-language training

Governance



- Bermuda registered with voluntary adherence to the UK Corporate Governance Code
- Detailed policies and practices in place to ensure Board and managerial decisions are in the best interests of the Company and its stakeholders



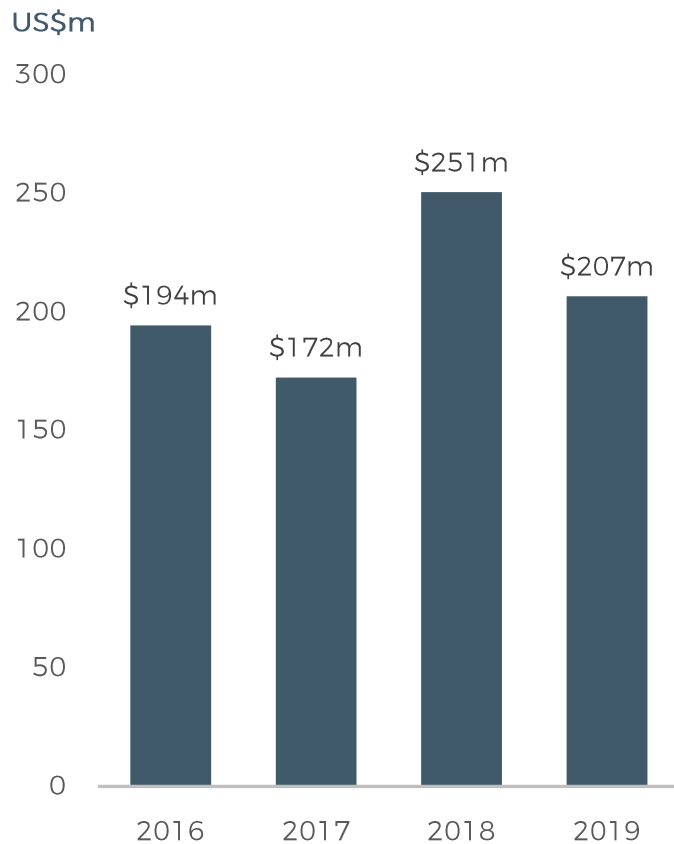
Financial Review

2019 financials

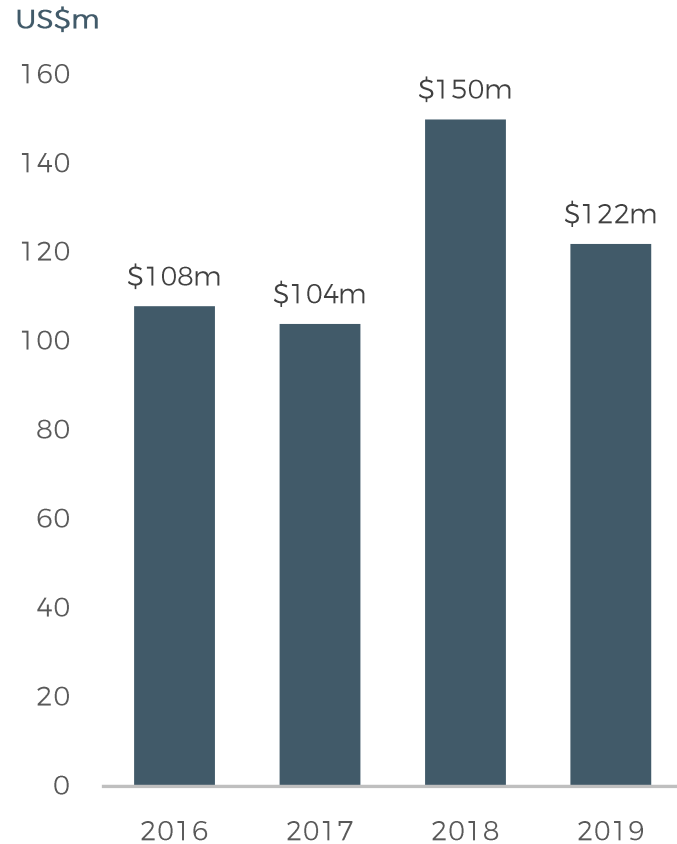
Solid operational performance offset by oil price decline

- Despite growth in production, key financials down y-o-y as Brent oil prices averaged US\$64/bbl in 2019 (vs. US\$71/bbl in 2018)

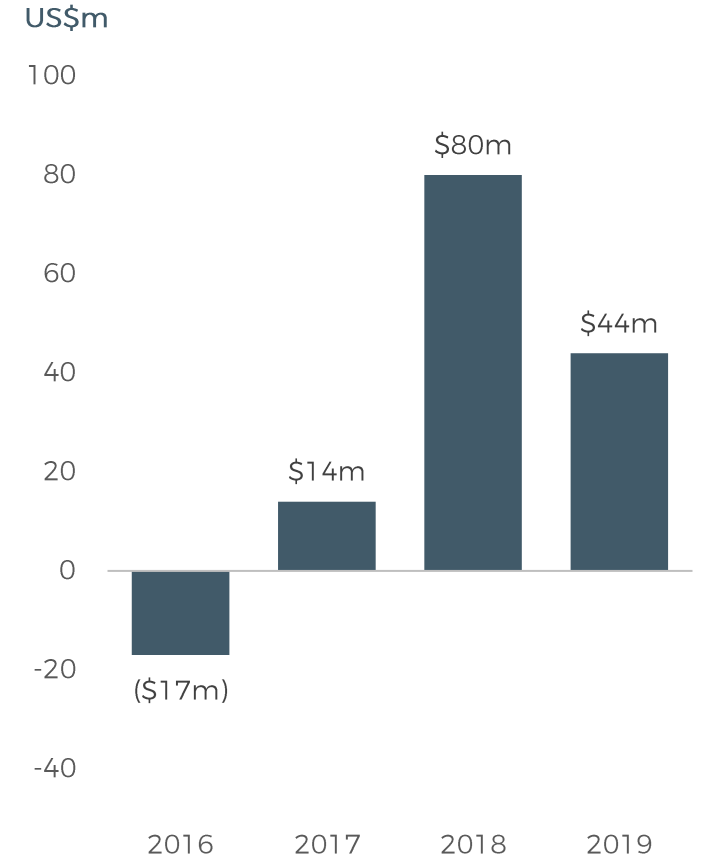
Revenue



EBITDA



Profit /(Loss) after tax

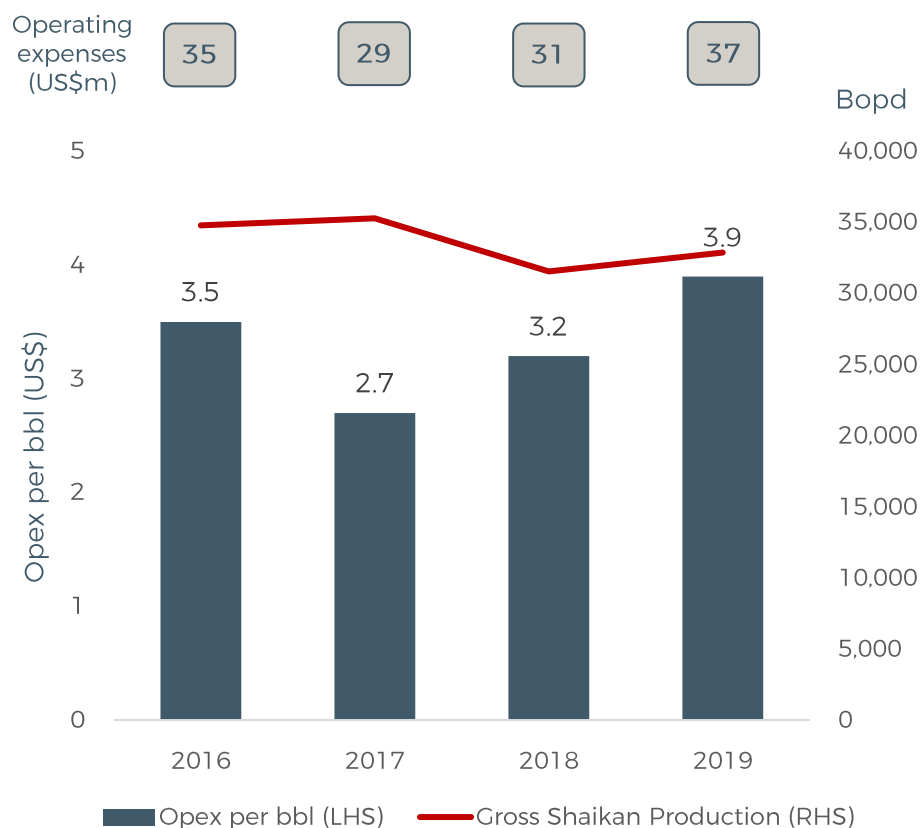


Continued focus on costs

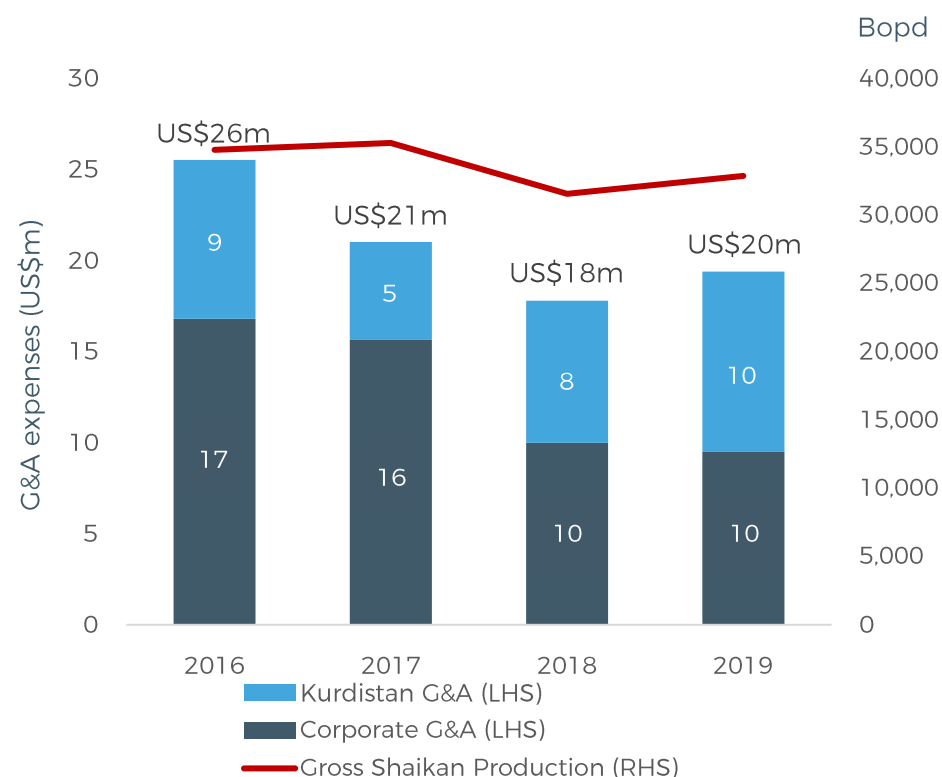
2019 Opex and G&A at low end of guidance

- Well placed to navigate through these challenging macro-economic conditions
- 2020 costs reduction initiatives targeting Opex and G&A savings of at least 20% and reduction of expatriate workforce by c.60%

Operating expenses⁽¹⁾



General & administrative expenses

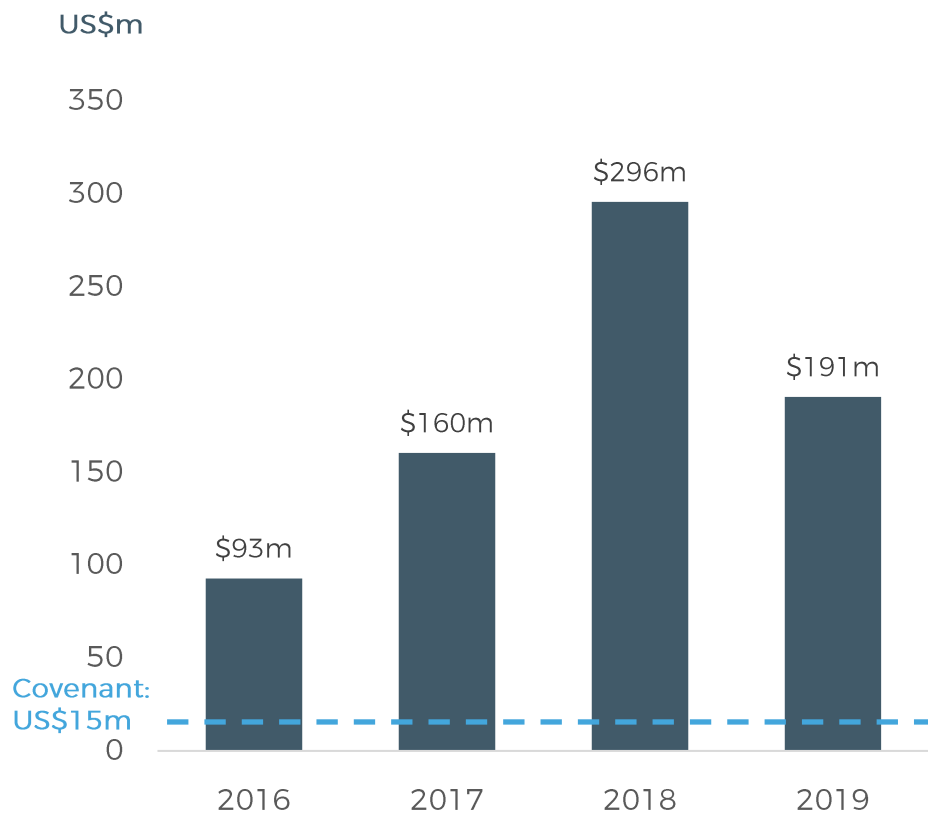


Strong balance sheet

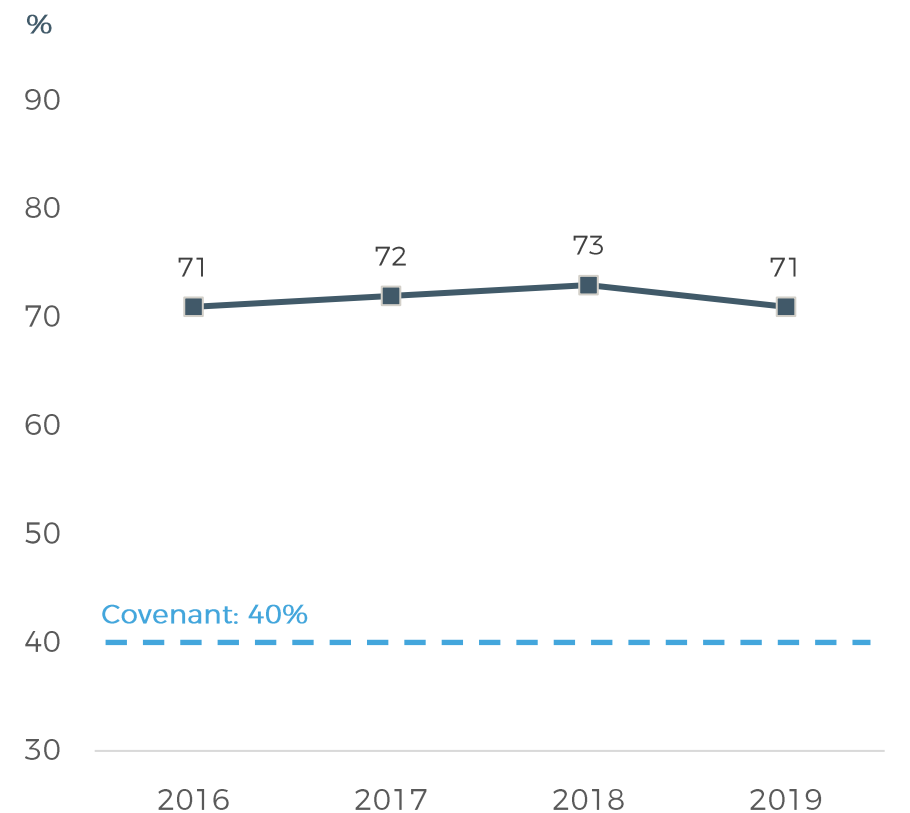
Continued focus on maintaining a strong financial position

- Limited capital commitments and low-cost structure
- No repayment of US\$100m bond until July 2023; significant covenant headroom
- Cash balance of US\$164 million⁽¹⁾

Cash balance



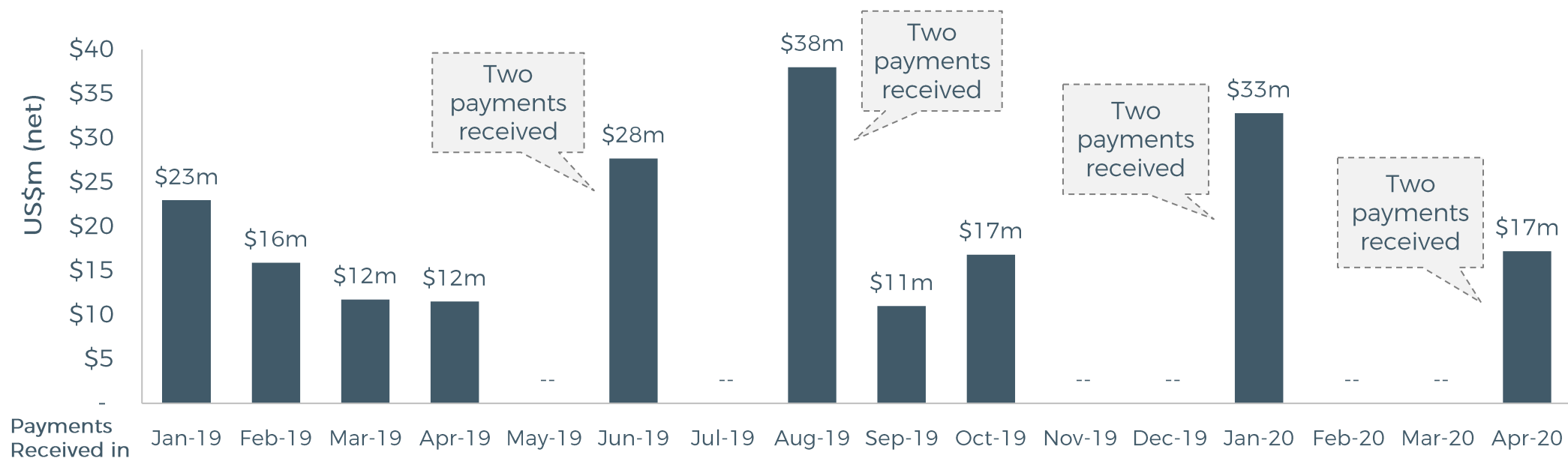
Equity ratio



Crude oil payments

US\$156m net to GKP received in 2019; US\$50m received so far in 2020

- KRG commitment to pay for production by 15th day of following month
- Dialogue with the KRG to collect outstanding invoices for November 2019 to February 2020 (total US\$73 million net to GKP)



Month of Production	Oct-18	Nov-18	Dec-18	Jan-19	--	Feb / Mar-19	--	Apr / May-19	Jun-19	Jul-19	--	--	Aug / Sept-19	--	--	Oct-19 / Mar-20
Gross Prod. (kbopd)	32.4	32.4	27.5	26.4	--	24.6 / 33.3	--	32.7 / 35.5	23.2	34.6	--	--	39.3 / 37.0	--	--	25.7 / 37.3
Brent Price ⁽¹⁾ (US\$/bbl)	\$81.0	\$64.8	\$57.4	\$59.4	--	\$64.0 / \$66.1	--	\$71.2 / \$71.3	\$64.2	\$63.9	--	--	\$59.0 / \$62.8	--	--	\$59.7 / \$32.0



Outlook

Outlook

Preserving liquidity and positioning to exploit long-term Shaikan value

- **Robust financial position**

- Cash balance of US\$164 million⁽¹⁾
- Targeting major costs reductions to preserve liquidity
 - c.50% y-o-y reduction in 2020 net Capex of US\$40-48 million
 - Opex and G&A savings of at least 20%
 - Reducing expatriate workforce by c.60%

- **Focus on value preservation**

- Adapting operations in response to the challenging environment
 - Continue to closely monitor market dynamics – ready to take further actions
- Resumption of expansion activity once macro-economic conditions improve and resolution of outstanding payments from the KRG

- **Sustainable approach**

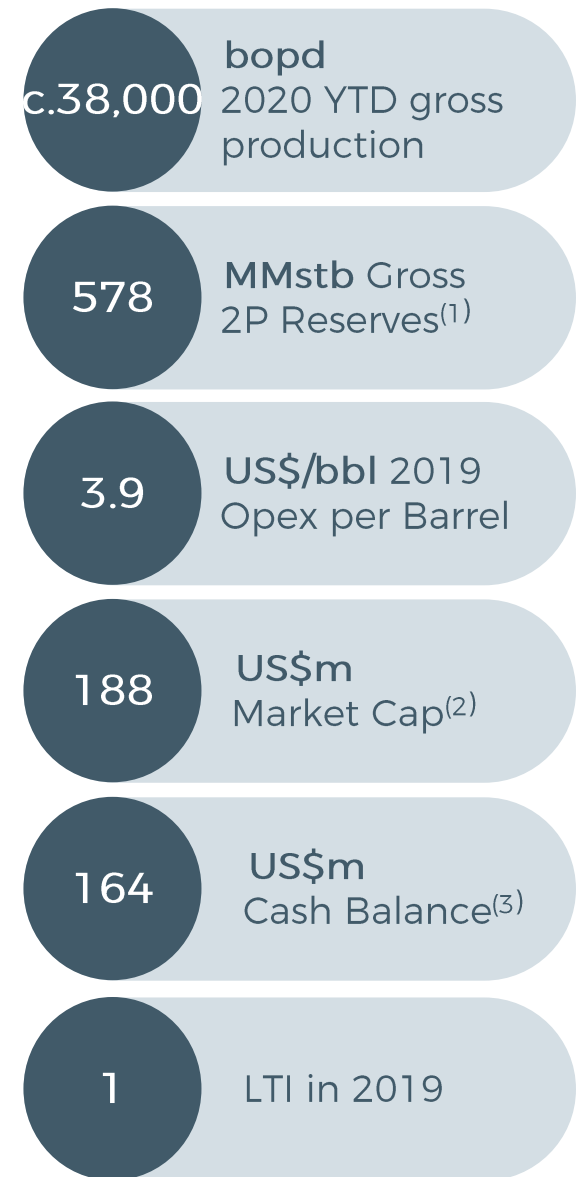
- Once MNR has approved FDP and investment programme restarts, gas management plan activities will start with preparation for FEED
- Target to gradually halve CO₂ emissions by 2025

APPENDIX

GKP at a glance...

- Pure-play Kurdistan E&P with operatorship
 - 80% WI in Shaikan Field
- Current expansion programme to 55,000 bopd suspended
 - Until improvement in economic conditions and resolution of outstanding payments
- Vision to grow production to 110,000 bopd
- Financial strength – conservative approach to capture the significant value in Shaikan
- Focus on delivering value, underpinned by strong ESG credentials

...and in numbers



Full year financials

	2019	2018	2017	2016
Gross production (bopd)	32,883	31,563	35,298	34,794
Brent ⁽¹⁾ (US\$/bbl)	64.3	71.3	54.1	43.6
Discount (US\$/bbl)	21.7	22.3	20.3	20.2
Realised price (US\$/bbl)	42.9	49.0	34.6	23.8
Revenue (US\$m)	206.7	250.6	172.4	194.4
EBITDA (US\$m)	122.2	150.1	104.3	108.2
Profit after tax (US\$m)	43.5	79.9	14.1	(17.4)
Capital investment (US\$m)	90.0	35.4	8.1	9.4
Net cash/(debt) (US\$m)	86.4	191.2	58.5	(6.0)
Equity ratio (%)	71	73	72	71
Opex ⁽²⁾ (US\$/bbl)	3.9	3.2	2.7	3.5

1) Source: EIA daily prices

2) Excludes capacity building charges, production bonus, DD&A, working capital movements and transportation costs

Thank you
More resources are available at:
www.gulfkeystone.com