

**GULF KEYSTONE
PETROLEUM LTD.**



**Gulf Keystone Petroleum
Full Year Results 2016
6 April, 2017**

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Overview: Jón Ferrier, CEO

Gulf Keystone Today

- **Robust and predictable asset with strong current production levels at c.38,000 bopd**

- **Regular payments throughout 2016 – 2017**

- **Free cash flow positive and strong balance sheet**

- **No additional external funding required to increase production capacity to 55,000 bopd**

- **Safe and reliable operations**

2016 Results Highlights

OPERATIONS

- Record gross production from Shaikan
 - 12.7 MMstb of oil (+14% y-o-y)
 - Daily production of 34,794 bopd, at the upper-end of our 31,000-35,000 bopd guidance
- Production guidance for 2017 is 32,000-38,000 bopd (gross)
 - Shaikan production for Q1 2017 averaged 36,293 bopd
 - Current daily production at c.38,000 bopd
- In April 2017, ERC Equipoise (“ERCE”) confirmed remaining reserves in line with the 2016 CPR
 - 2P Reserves of 615 MMstb (as at 31 December 2016)

FINANCIAL

- \$114m net payments received in 2016
- +113% cash
- +126% revenue
- \$26m in operating profits

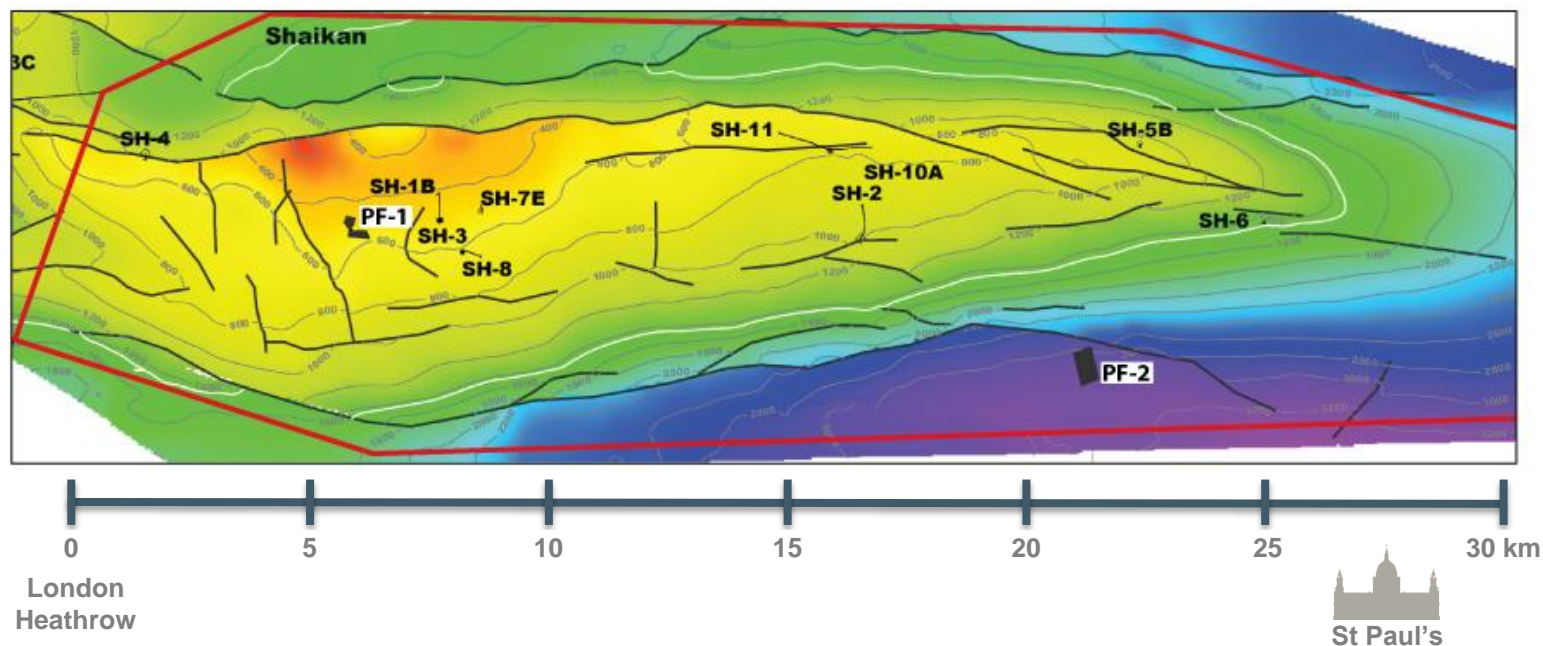


Operations: Stuart Catterall, COO

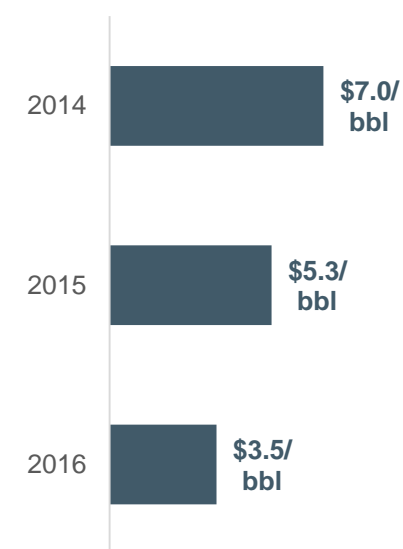
Shaikan Overview

- Located c.60km north of Erbil, the Shaikan field is one of the largest fields in Kurdistan – by reserves and production
- Discovered in 2009, commercial production commenced in July 2013 and over 35 MMstb have been produced to date
- Low production costs by global standards – with scope to reduce as the field is further developed

Field Structure



Gross Production Costs



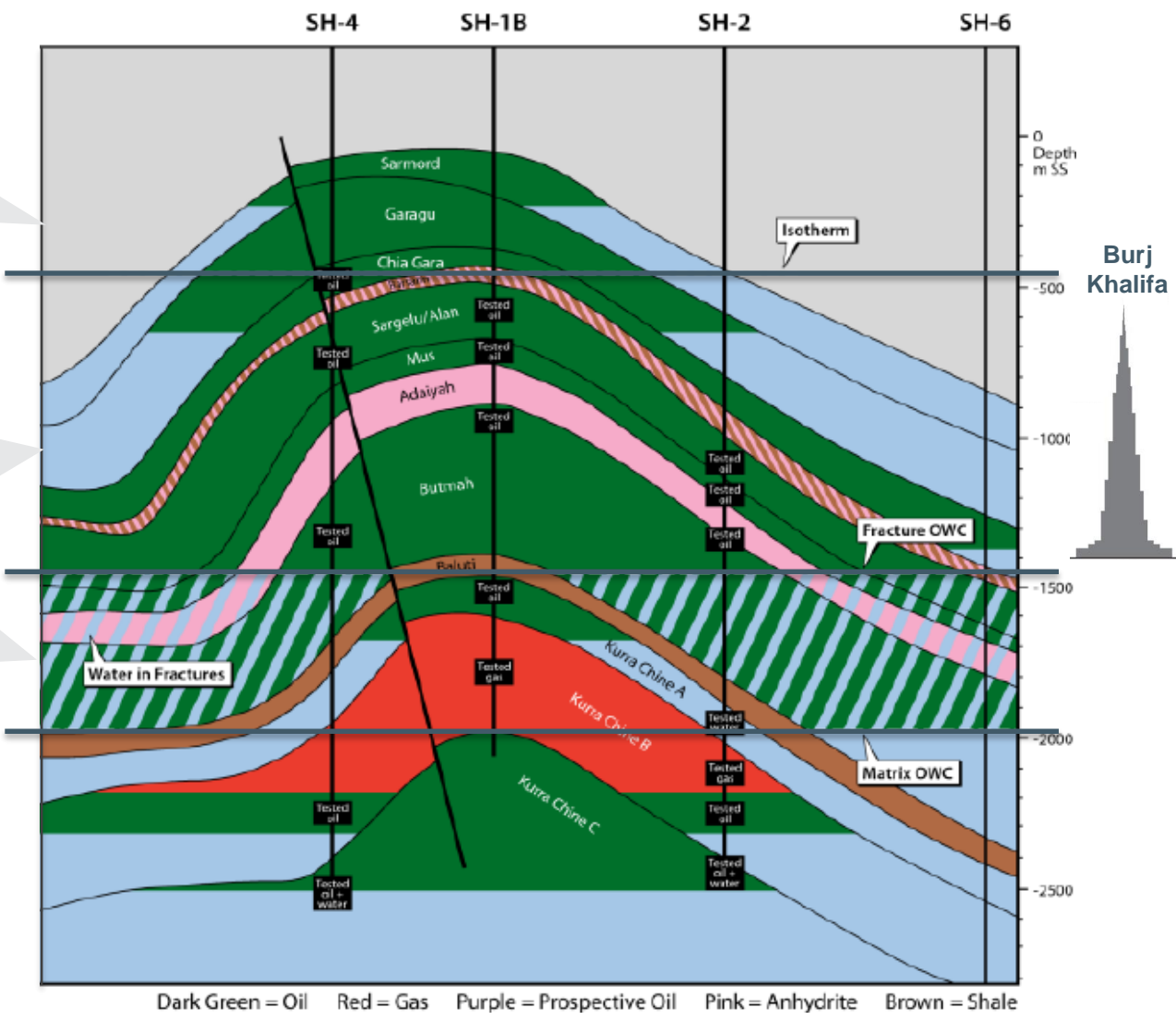
A Differentiated Sub-Surface Story

Illustrative cross section through Shaikan

Cretaceous
 Heavy oil
 2P: 3 MMstb / 2C: 53 MMstb

Jurassic
 c. 1,000m oil column with gravity ranging from 18° API at the top to 11° API at the bottom
 2P: 568 MMstb / 2C: 80 MMstb

Triassic
 Light oil with 38-43 ° API and gas condensate
 2P: 44 MMstb / 2C: 106 MMstb



Source: ERC Equipoise – CPR August 2016 and confirmation letter dated April 2017
 Reserves and contingent resources presented on a gross basis

Predictable Performance

Production

- **Steady production rate of c.38,000 bopd**
- **Production continues to be dry oil with no breakthrough of aquifer water or gas**
- **Plant uptime of over 98% in 2016, with no lost-time incidents**

Reserves & Sub-Surface Interpretation

- **Remaining 2P gross reserves of 615 MMstb confirmed by ERCE in April 2017 (as at 31 December 2016)**
- **Large contingent resource base: 239 MMstb 2C gross, mainly in Triassic and Cretaceous**
- **Production history matching indicates that we are benefitting from the formation of a secondary gas cap – aquifer pressure support is relatively weak**
- **The pressure decline and production history matching supports our static geological model**
- **Current production offtake is ~2% of 2P reserves or ~6% of 1P reserves**

Staged, Risk-Managed, Modular Approach

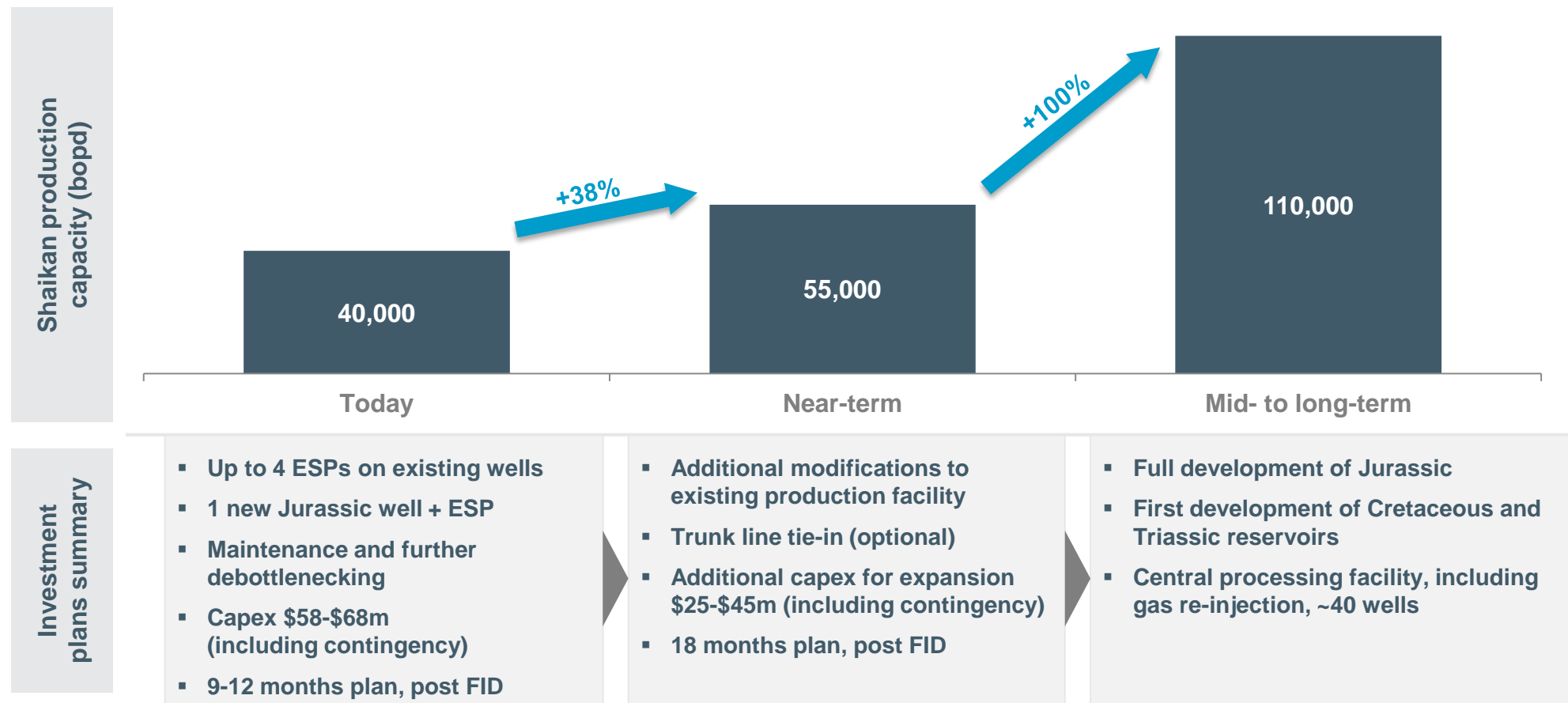
- Focus on value

Stage 1 - Maintain production level in line with current production capacity at 40,000 bopd

Stage 2 - Grow to 55,000 bopd in the near-term

Stage 3 – Full-field development plan, 110,000 bopd in the mid- to long-term

- Work continues on the optimisation of these programmes





Financial Review: Sami Zouari, CFO

Financial Highlights

- Positive Cash Flow and Profit from Operations in Kurdistan for the first time

Strong Upward Trends (2016 vs 2015)

- Cash Balance: +113%
- Revenue: +126%
- Payment for Export Sales: +101%
- Profit from Operations: \$26m
(vs. \$82m loss in 2015)
- Shaikan Production: +14%

Strong Downward Trends (2016 vs 2015)

- Shaikan Gross Field Opex: \$3.5/bbl
(vs. \$5.3/bbl in 2015)
- Operating Expenses: -27%
- G&A Expenses: -18%
- Est. Revenue Arrears: -43%

Financial Highlights (cont'd)

- **Successful completion of the Restructuring in October 2016**
 - Adequate level of debt at \$100m
 - First \$5m coupon due on 18 April 2017 will be paid in cash
 - GKP has the option to pay interest either on a PIK basis at 13% or in cash at 10%⁽¹⁾

- **2017 – off to a good start**
 - Q1 2017 production at 36,293 bopd; current production at c.38,000 bopd
 - \$45m gross payments received in 2017 (\$36m net)
 - \$113m cash balance as at 5 April 2017, leading to a net cash position of \$13m

GKP concluded 2016 with the strongest position in years, improved liquidity, financial flexibility and positive outlook

(1) From 19 October 2018 onwards, interest will be payable only in cash at 10%; PIK will not be further an option

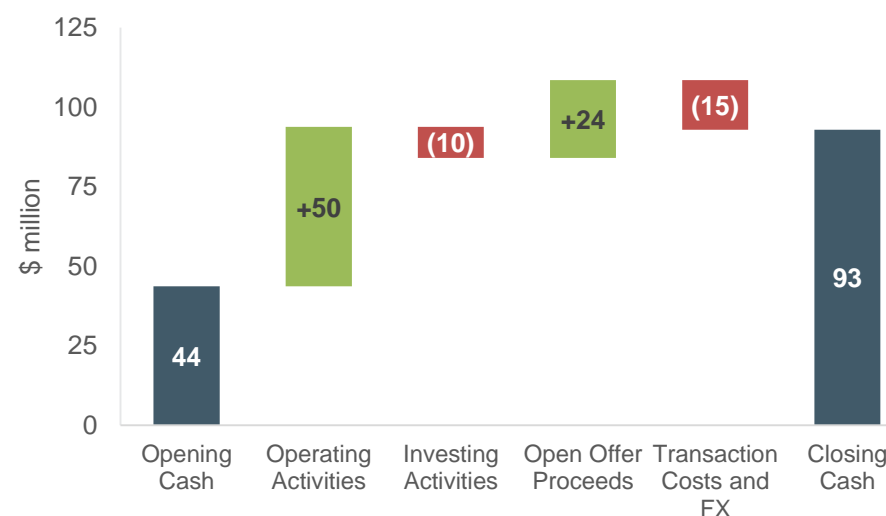
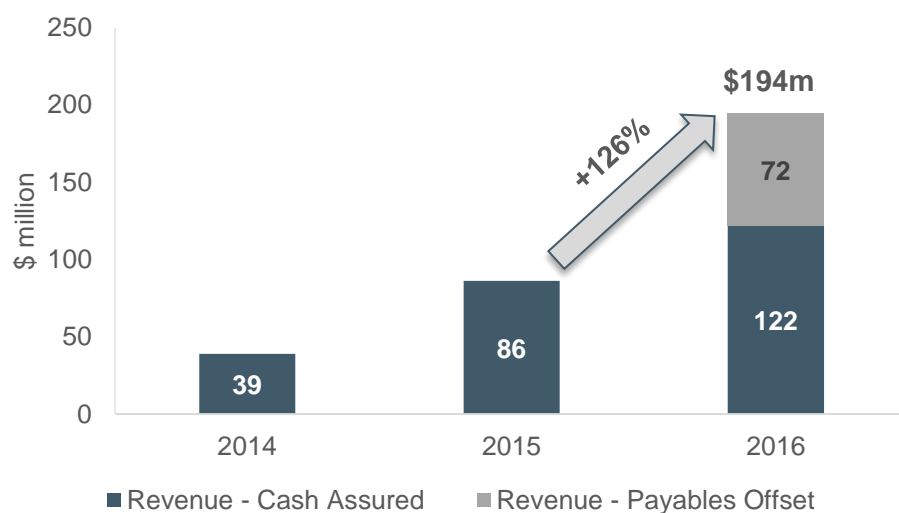
Strong Revenue and Cash Receipts

Revenue

- \$122m of revenue accounted for on a cash assured basis
- \$72m of payables to the MNR offset against revenue arrears
- Estimated realised sales price: c.\$24/bbl⁽¹⁾
 - Brent c.\$44/bbl less c.\$20/bbl for Shaikan quality discount and midstream costs

Change in Cash

- First year of positive cash flow from operating activities
- \$114m net receipts from export sales in 2016
- \$25m Open Offer completed in October 2016
- \$49m net cash increase in 2016

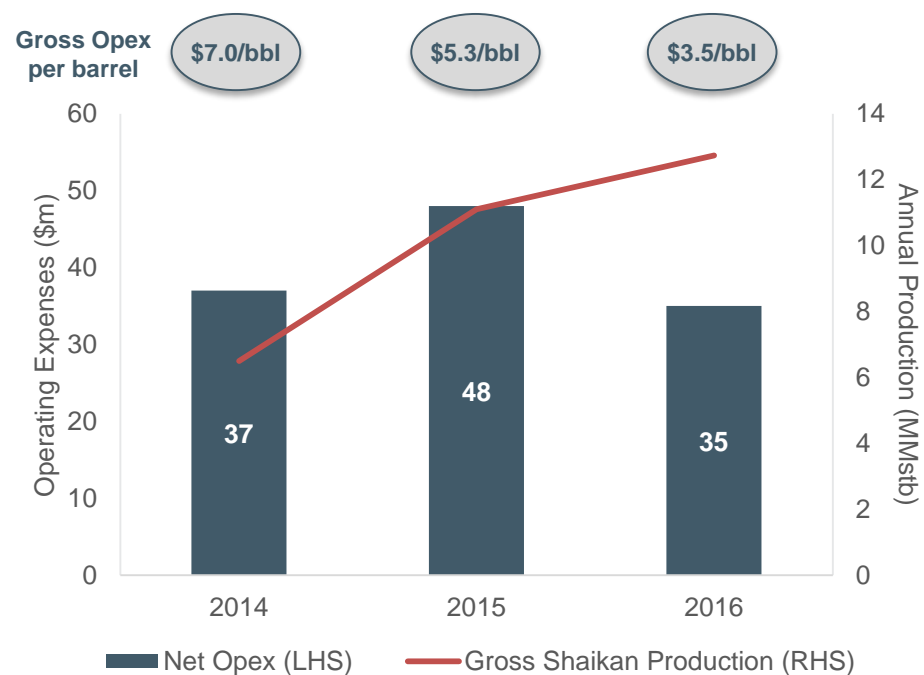


(1) Subject to audit and reconciliation

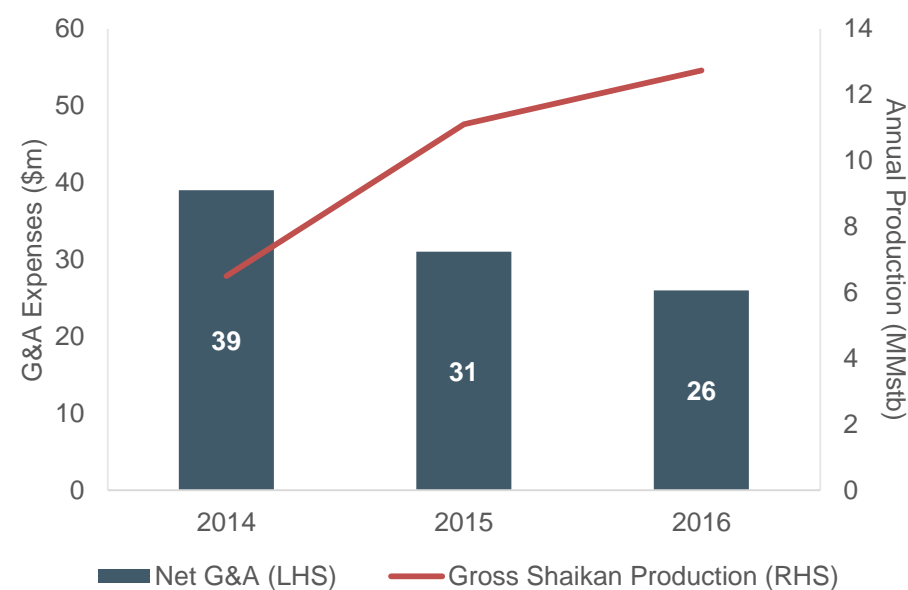
Downward Trend in Costs

- Lower costs achieved against higher production in 2016
- Costs reductions driven by:
 - Renegotiating key contracts
 - Rationalising organisational structure

Operating Expenses⁽¹⁾



General & Admin. Expenses



(1) Excludes capacity building charge and production bonus

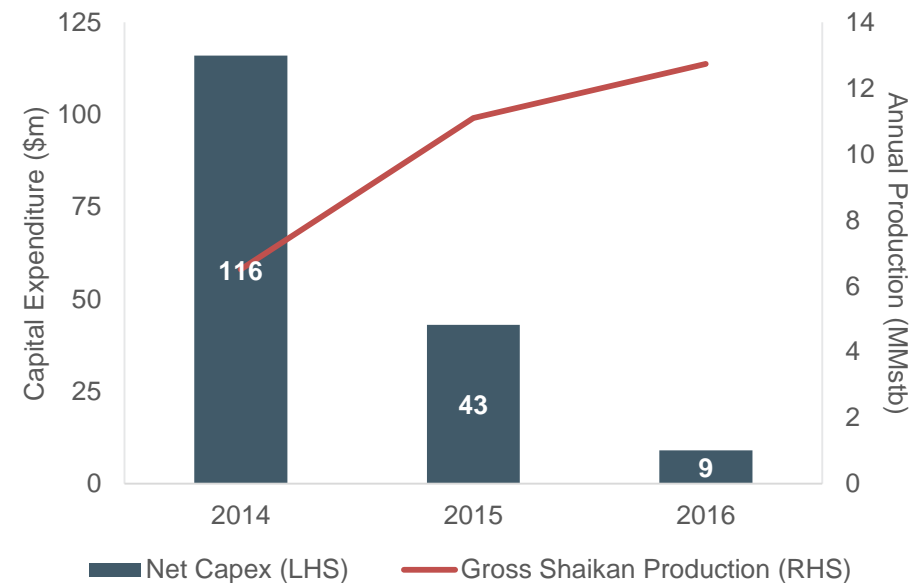
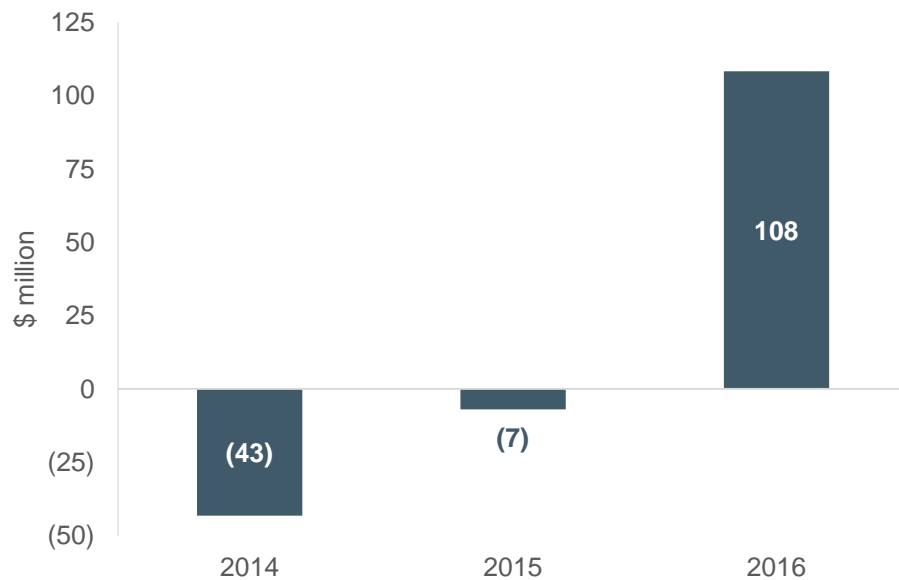
EBITDA and Capex Review

EBITDA

- 2016 led to positive results for the first time since Kurdistan entry
 - \$108m EBITDA
 - \$26m Profit from Operations

Capital Expenditure

- Robust production levels despite low capex
- \$9m capital expenditure in 2016 primarily on studies and production facilities improvement projects



Shaikan Arrears

Net position to GKP as at: (\$m)	31 December 2015	31 December 2016
Revenue Arrears (unrecognised)	\$44m	\$25m
MNR Government Participation Option (back costs)	\$75m	\$71m

- **Lower and manageable level of arrears compared to peers operating in Kurdistan**
- **Prudent accounting approach as off balance sheet**
- **GKP to pursue its efforts to further reduce the arrears in the near future**
- **All values are subject to audit and reconciliation**

2017 Financial Outlook

1 Secure continuous payment cycle

2 Achieve further contractual and commercial clarity

- Execution of the Second Shaikan PSC Amendment
- Revenue receipts in accordance with the PSC entitlements
- Marketing terms

3 Prudent resource management

- Ongoing cost optimisation
- Further investments subject to satisfactory commercial and contractual conditions

**GKP is ready to re-invest in Shaikan
with no additional external funding required in the near-term**



Outlook: Jón Ferrier, CEO

Summary and Outlook

1 Safe, reliable operations

2 Achieve commercial certainty

3 Unrivalled organic growth; 40,000–55,000–110,000 bopd



Appendices

Reserves and Resources Summary

Shaikan Reserves

Field	Formation	Gross Field Oil Reserves (MMstb)			GKP (WI 58%) ⁽¹⁾ Reserves (MMstb)		
		1P	2P	3P	1P	2P	3P
Shaikan	Cretaceous	1	3	4	1	2	2
Shaikan	Jurassic	212	568	877	123	329	508
Shaikan	Triassic	18	44	63	10	25	37
Shaikan	Total	231	615	944	134	356	547

Shaikan Contingent Resources

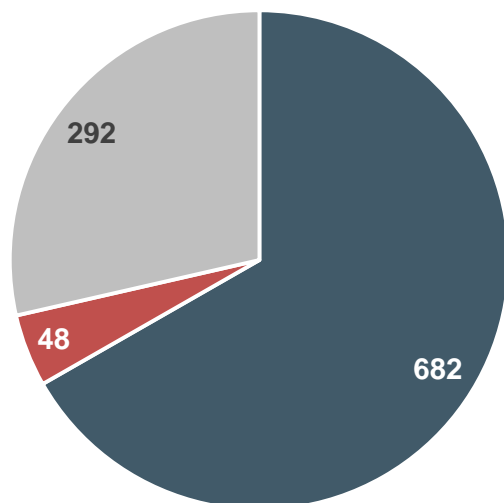
Field	Formation	Gross Field Oil Resources (MMstb)			GKP (WI 58%) ⁽¹⁾ Resources (MMstb)		
		1C	2C	3C	1C	2C	3C
Shaikan	Cretaceous	14	53	175	8	31	102
Shaikan	Jurassic	97	80	340	56	46	197
Shaikan	Triassic	29	106	347	17	61	201
Shaikan	Total	140	239	862	81	138	500

Source: ERC Equipoise – CPR August 2016 and confirmation letter dated April 2017
 (1) 58% WI subject to the ratification of the agreement with MNR dated 16 March 2016

Shaikan Cost Recovery

- R-Factor: 0.4, for a maximum share of profit oil to Contractors (30%)

Recovery of Shaikan Cost Petroleum
31 Dec. 2016 (\$m)



- Available for Recovery
- Non-Recoverable
- Recovered Costs Estimate

Shaikan Cost Pool (\$m)	31 December 2016
Gross Costs ⁽¹⁾	\$1,022m
Recoverable Costs Pool	\$974m
<i>o/w Recovered Costs Estimate</i>	<i>\$292m</i>

(1) Subject to audit and reconciliation

Thank you

More resources are available at:
www.gulfkeystone.com

