

**GULF KEYSTONE PETROLEUM LIMITED**  
**(incorporated and registered in Bermuda under registration number 31165)**

**NOTICE OF ANNUAL GENERAL MEETING**

**To the holders of common shares**

Notice is hereby given that the 2011 Annual General Meeting of Gulf Keystone Petroleum Limited (the “**Company**”) will be held at the Hilton Arc de Triomphe Paris, 51-57, rue de Courcelles, 75008 Paris, France on Thursday 16 June 2011 at 2.00 p.m. (local time) for the following purposes:

To consider and, if thought fit, to approve the following resolutions:

1. THAT the Directors' Report and audited consolidated financial statements of the Company for the financial year ended 31 December 2010, together with the Auditor's Report thereon be received.
2. THAT Deloitte LLP be re-appointed as the Company's auditor to hold office from the conclusion of this meeting until the close of the Company's next annual general meeting and that the board of directors of the Company be authorised to determine the auditor's remuneration.
3. THAT Mr Ewen Ainsworth, who is required to retire by rotation in accordance with the Company's Bye-Laws, be and is hereby re-appointed as a director of the Company.
4. THAT Mr John Gerstenlauer, who is required to retire by rotation in accordance with the Company's Bye-Laws, be and is hereby re-appointed as a director of the Company.
5. THAT the authorised share capital of the Company be increased by \$500,000 to \$70,000,000 by the creation of an additional 50,000,000 new common shares of \$0.01 each ranking *pari passu* in all respects as one class of shares with the existing common shares of \$0.01 each in the capital of the Company.
6. THAT in accordance with Bye-Law 51 of the Company's Bye-Laws the Directors of the Company be and are hereby authorised to reduce the issued share capital of the Company by way of a repurchase of shares, and THAT pursuant to Bye-Law 52 of the Company's Bye-Laws the directors of the Company be authorised in their absolute discretion to determine by resolution of the directors of the Company the terms and dates of such repurchases as well as the amount of shares to be repurchased, and THAT such authorities shall remain in place unless and until the members of the Company resolve otherwise.
7. THAT the draft amended and restated Bye-Laws produced to the meeting and, for the purposes of identification, initialled by the Chairman, incorporating the amendments approved by the directors of the Company and also presented to the meeting, be adopted as the Bye-Laws of the Company in substitution for, and to the exclusion of, the existing Bye-Laws.

**By Order of the Board**

T F Kozel  
Director  
Cumberland House  
9<sup>th</sup> Floor, 1 Victoria Street  
Hamilton HMFx  
Bermuda

18 May 2011

**Note**

Every member entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend and vote at the meeting instead of him/her and such proxy need not be a member. Forms appointing proxies must be deposited at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time appointed for holding the said meeting or any adjourned meeting. A record of the minutes of the last annual general meeting of the members of the Company will be available for inspection at the meeting.

## EXPLANATORY NOTES

These explanatory notes form part of the Notice of the Annual General Meeting of the Company to be held at the Hilton Arc de Triomphe Paris, 51-57, rue de Courcelles, 75008 Paris, France on Thursday 16 June 2011 at 2.00 p.m. (local time).

### **Proxies**

Only registered shareholders of the Company can vote at the meeting personally or by proxy, attorney or representative. Every member entitled to attend and vote at the meeting may appoint one or more persons as his/her proxy to attend and vote thereat instead of him/her and such proxy need not be a member. Forms appointing proxies must be deposited at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not less than 48 hours before the time appointed for holding the said meeting or any adjourned meeting.

### **Depositary Interests**

Holders of Depositary Interests ("DI Holders") are registered in the name of Computershare Company Nominees Limited ("CCNL"). In order to have votes cast at the meeting on their behalf, DI Holders must complete the Form of Instruction enclosed with this Notice of the Annual General Meeting. The DI Form of Instruction must be deposited at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not less than 72 hours before the time appointed for holding the said meeting or any adjourned meeting.

### **Corporate Representatives**

A shareholder that is a corporation and/or CCNL in respect of DI Holders may, by written authorisation, elect to appoint a corporate representative in accordance with Bye-Law 83 of the Company's Bye-Laws to attend and vote at the meeting, in which case the Company will require written proof of the representative's appointment which must be lodged with Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not less than 48 hours before the time appointed for holding the said meeting or any adjourned meeting.

### **Items 3 and 4: Re-appointment of directors**

Information in relation to the experience and qualifications of the directors of the Company who are retiring by rotation and seeking re-appointment is contained in the Company's 2011 Annual Report, a copy of which accompany this Notice of the Annual General Meeting and which can also be viewed on the Company's website: [www.gulfkeystone.com](http://www.gulfkeystone.com).

### **Item 5: Increase of authorised share capital**

The current issued common shares of the Company total 762,233,948 common shares leaving only 86,381,199 unissued common shares after taking into account deferred bonus award shares, options and warrants. Therefore, the directors of the Company recommend that, in order to provide for future flexibility and growth, the Company increases the headroom on its authorised share capital by the creation of additional 50,000,000 new common shares of US\$0.01 each, to rank *pari passu* with the existing common shares of the Company. As a result the authorised share capital will increase from \$69,500,000 to \$70,000,000.

### **Item 6: Reduction of Capital**

The Company's Bye-Laws include provisions which permit the Company to authorise the reduction of its issued share capital from time to time by a resolution of shareholders. The directors of the Company propose to renew the general authority passed at previous annual general meetings in order to maintain the flexibility to be able to reduce the Company's issued share capital by way of a repurchase of shares for the benefit of shareholders. There is no present intention to take advantage of this authority and the directors of the Company have not exercised their authority previously to reduce the Company's share capital by way of a repurchase of shares.

### **Item 7: Amendments to the Company's Bye-Laws**

The Company is proposing to amend its existing Bye-Laws to include certain provisions of the City Code on Takeovers and Mergers (the "Takeover Code") and to incorporate shareholder disclosure obligations pursuant to Chapter 5 of the Disclosure Rules and Transparency Rules ("DTR") and to include certain penalties for any breach of the Bye-Laws giving power to these amendments.

In addition the Bermuda Companies Act 1981 has been amended to enable companies to use their websites to publish statutory documents, notices and other information to shareholders as its default method of communication. Similar provisions exist under the AIM Rules for Companies.

### **(a) Electronic Communications**

The directors of the Company propose that the Bye-Laws are amended to take advantage of the new regulations under the Bermuda Companies Act 1981 with the intention that in future, subject to the passing of Resolution 7, the Company will publish all shareholder information, including the notice of annual general meeting and annual report and accounts on the Company's website: [www.gulfkeystone.com](http://www.gulfkeystone.com). Reducing the number of communications sent by post will not only result in cost savings, it will also speed up the provision of information to shareholders.

The AIM Rules for Companies require that shareholders are asked individually to consent to this method of communication. Therefore, subject to the passing of Resolution 7, each shareholder of the Company will be sent a letter to seek his/her consent to receive statutory communications via publication on the Company's website. Shareholders will have the opportunity to choose to opt in to electronic communications or to continue to receive statutory communications in hard copy. If the Company does not receive a response from shareholders within 28 days of such a request, the shareholder will be deemed to have opted in. Even if a shareholder consents, or is deemed to have consented to website publication, he/she will continue to be notified each time that the Company places any statutory communication on the Company's website. This notification will be sent either by post or e-mail according to the individual shareholder's instructions.

#### **(b) Shareholder Protective Provisions**

The Takeover Code does not currently apply to the Company. However, the directors of the Company believe that it is in the best interests of the Company and its shareholders that certain protections provided by the Takeover Code are replicated in the Company's Bye-Laws.

Accordingly the directors of the Company propose that the Bye-Laws are amended to replicate the key provisions of Rules 6, 9 and 11 of the Takeover Code as a means of safeguarding the interests of the Company's shareholders with the intention of ensuring that they are afforded equal treatment in the event of any offer for the Company.

##### Takeovers – general (proposed Bye-Law 169)

If the Company determines that a shareholder has not complied with the requirements noted below the Company shall have the right to serve a direction notice on such shareholder (and persons acting in concert with him), which notice shall (a) suspend the right of such shareholder to vote those shares in person or by proxy at any meeting of the Company; (b) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on those shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the shareholder; and (c) no other distribution shall be made on those shares.

##### Takeovers – mandatory offers (proposed Bye-Law 170)

Under the amended Bye-Laws, if a shareholder (or persons acting in concert with him) acquires an interest in shares whether by a single transaction or a series of transactions over a period of time which, when taken together with any interest in shares already held by him or any interest in shares held or acquired by persons acting in concert with him, in aggregate carry 30 per cent. or more of the voting rights of the Company, that shareholder will normally be required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any shareholder (together with persons acting in concert with him), is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required to be made by such shareholder if any further interests in shares are acquired by any such person.

Such an offer must be in cash or be accompanied by a cash alternative and at the highest price paid by the shareholder required to make the offer, or any person acting in concert with him, for any interest in shares of the Company during the 12 months prior to the date when such offer should have been announced. In addition, if the Company has convertible securities outstanding, an appropriate offer or proposal, on terms equivalent to such an offer made for shares, must also be made to holders of such convertible securities.

##### Takeovers - obligations to offer a minimum level of consideration (proposed Bye-Law 171)

Under the amended Bye-Laws when a shareholder (or persons acting in concert with him) has acquired an interest in shares in the Company within the three month period prior to the date upon which an offer is announced by that shareholder the offer to the holders of shares of the same class shall normally not be on less favourable terms. Furthermore, if, after the announcement of an offer (but before the offer closes for acceptance), a shareholder (or persons acting in concert with him) acquires any interest in shares at a price above the offer price, such shareholder will normally be obligated to increase its offer to not less than the highest price paid for the interest in shares so acquired.

##### Takeovers - nature of consideration to be offered (proposed Bye-Law 172)

Under the amended Bye-Laws when a shareholder (or persons acting in concert with him) has acquired an interest in shares in the Company (during the offer period and within 12 months prior to the date upon which an announcement of that offer would have been required (had the Takeover Code applied to the Company)) which carry 10 per cent. or more of the voting rights currently exercisable at a class meeting of that class, an offer to the holders of shares of the same class shall normally be required to be in cash or accompanied by a cash alternative at not less than the highest price paid by the shareholder (or persons acting in concert with him) for any interest in shares of that class acquired during the offer period and within 12 months prior to its commencement.

Furthermore, if, after an announcement of the terms of an offer and before the offer closes for acceptance, any interest in shares of any class under offer in the Company is acquired for cash by the shareholder making such offer (or persons acting in concert with him) the offer for that class shall normally be in cash or accompanied by a cash alternative at not less than the

highest price paid by such shareholder (or persons acting in concert with him) for any interest in shares of that class acquired during the offer period.

**Shareholder Notification and Disclosure Requirements (proposed amended Bye-Law 168)**

The directors of the Company propose that the Bye-Laws are amended so that shareholders will be obliged to comply (where necessary) with notification and disclosure requirements equivalent to those set out in Chapter 5 of the DTR.

In summary, under the provisions of the amended Bye-Laws, if the Company determines that a holder of shares has not complied with the notification and disclosure requirements with respect to some or all of such shares held by such holder of shares, the Company shall have the right to serve a restriction notice on such person which notice shall (a) suspend the right of such person to vote those shares in person or by proxy at any meeting of the Company; and (b) where such shares represent at least 0.25 per cent. of the issued shares, (i) withhold, without any obligation to pay interest thereon, any dividend or other amount payable with respect to such shares; and/or (ii) render ineffective any election to receive shares instead of cash in respect of any dividend or part thereof; and/or (iii) prohibit the transfer of any shares save in certain circumstances.

**Power of the Company to investigate interests in shares (proposed amended Bye-Law 168)**

The amended Bye-Laws contain provisions which amend the existing provisions in the Bye-Laws relating to "Requests for Information". In particular the amended Bye-Laws provide that the Company may by notice in writing request any person whom the Company knows or has reasonable cause to believe to be interested or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested, in shares in the Company to confirm that fact or (as the case may be) to state whether or not it is the case and if he holds, or has during that time held, any such interest, to give such further information as may be requested (including particulars of his own past and present interest in shares in the Company and the interests of others in such shares).

Where the relevant shareholder (or other person upon whom a notice is served) does not comply with the request set out in the notice, the Company shall have the right to serve a restriction notice on the relevant shareholder which notice shall (a) suspend the right of such shareholder to vote those shares in person or by proxy at any meeting of the Company; and (b) where such shares represent at least 0.25 per cent. of the issued Shares, (i) withhold, without any obligation to pay interest thereon, any dividend or other amount payable with respect to such shares; and/or (ii) render ineffective any election to receive shares instead of cash in respect of any dividend or part thereof; and/or (iii) prohibit the transfer of any shares save in certain circumstances. The Company shall maintain a register of disclosed interests at its registered office, which shall be open to inspection by any person.

The proposed amended Bye-Laws can be viewed in full on the Company's website: [www.gulfkeystone.com](http://www.gulfkeystone.com) and will also be available for inspection at the meeting.

The directors of the Company recommend unanimously that shareholders vote in favour of all 2011 Annual General Meeting resolutions as they intend to do in respect of their own direct beneficial holdings.