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GULF KEYSTONE PETROLEUM LTD.



12 September 2016

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

Report on Payments to Governments for the year 2015

Introduction

This report sets out details of the payments made to governments by Gulf Keystone Petroleum Ltd and its subsidiary undertakings ('Gulf Keystone') for the year ended 31 December 2015 as required under the Disclosure and Transparency Rules of the UK Financial Conduct Authority (the 'DTRs') and in accordance with our interpretation of the draft Industry Guidance issued for the UK's Report on Payments to Government Regulations 2014, as amended in December 2015 (the 'Regulations'). The DTRs require companies in the UK and operating in the extractive sector to publicly disclose payments to governments in the countries where they undertake exploration, prospecting, development and extraction of oil and natural gas deposits or other materials.

This report is available to download on the Gulf Keystone website: <http://www.gulfkeystone.com/investor-centre/presentations-and-reports>.

Basis for preparation

Total payments below £86,000 made to a government are excluded from this report as permitted under the Regulations.

All of the payments made in relation to the Shaikan Production Sharing Contract ('PSC') in the Kurdistan Region of Iraq ('KRI') have been made to the Ministry of Natural Resources of the Kurdistan Regional Government ('KRG').

Estimated production entitlements

Production entitlements are the host government's share of production during the reporting period from the Shaikan Field operated by Gulf Keystone. The figures reported have been produced on an entitlement basis rather than on a liftings basis. Production entitlements are paid in-kind and the monetary value disclosed is derived from management's calculation of estimated revenue from the field.

Royalties

Royalties represent royalties paid in-kind to governments during the year for the extraction of oil. The terms of the Royalties are described within the Shaikan PSC. Royalties have been calculated on the same barrels of oil equivalent basis as production entitlements.

Summary of payments

Shaikan payments ^{(1) (2)}	KRG
Production entitlement in-kind (bbls ⁽³⁾)	4,204,623
Estimated production entitlement in-kind (\$ million)	89,030,029
Royalties in-kind (bbls)	1,112,334
Estimated royalties in-kind (\$ million)	23,552,918
Total (bbls)	5,316,958
Total (\$million)	112,582,946

Notes

- (1) Under the lifting arrangements implemented by the KRG, the KRG takes title to crude at the Shaikan facility and then trucks it to Fishkabour on the Turkish border where it is injected into the export pipeline to Ceyhan in Turkey. The crude is then sold by the KRG into the international market. All proceeds of sale are received by or on behalf of the KRG, out of which the KRG then makes payment for cost and profit oil in accordance with the PSC to Gulf Keystone, in exchange for the crude delivered to the KRG. Under these arrangements, payments are in fact made by or on behalf of the KRG to Gulf Keystone, rather than by Gulf Keystone to the KRG. For the purposes of the reporting requirements under the Regulations however, we are required to characterise the value of the KRG's entitlement under the PSC (for which they receive payment directly from the market) as a payment to the KRG.
- (2) The realised prices on export sales remain subject to audit and the establishment of a retroactive quality bank for Kurdistan crude exports delivered through the international pipeline to Turkey.
- (3) Barrels of oil.

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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 and the operator of the Shaikan field with current production capacity of 40,000 barrels of oil per day
- Further information on Gulf Keystone is available on its website www.gulfkeystone.com