



29 June 2017

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

Report on Payments to Governments for the year 2016

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 2016 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 ('MNR') 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
Sales entitlement in-kind (bbls) ⁽³⁾	4,817,277
Estimated sales entitlement in-kind (\$)	115,375,342
Royalties in-kind (bbls)	1,274,399
Estimated royalties in-kind (\$)	30,522,577
Payables to the MNR offset against Revenue ⁽⁴⁾	72,577,496
Total (bbls)	6,091,626
Total (\$)	218,475,415

Notes

- (1) Under the lifting arrangements implemented by the KRG, the KRG takes title to crude at the Shaikan facility. During 2016, Shaikan oil was then trucked to Fishkabour on the Turkish border where it was 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 is then due to make 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 reconciliation and the establishment of a retroactive quality bank for Kurdistan crude exports delivered through the international pipeline to Turkey.
- (3) Barrels of oil.
- (4) GKP payables to the MNR include Shaikan Building Payments, production bonuses, security invoices and PSC charges. These costs were recognised as payables to the MNR but have been offset against revenue arrears owed to GKP by the MNR.

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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

Disclaimer

This announcement contains certain forward-looking statements that are subject to the risks and uncertainties associated with the oil & gas exploration and production business. These statements are made by the Company and its Directors in good faith based on the information available to them up to the time of their approval of this announcement but such statements should be treated with caution due to inherent risks and uncertainties, including both economic and business factors and/or factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. This announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. This announcement should not be relied on by any other party or for any other purpose.