

**THIS CIRCULAR AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

If you have sold or do sell or have otherwise transferred or do transfer all your Common Shares, please forward this Circular and the accompanying Form of Proxy and Form of Instruction at once to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

**THIS CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO ANY PERSON TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES IN GULF KEYSTONE PETROLEUM LIMITED OR IN ANY OTHER COMPANY IN THE GROUP.**

This Circular is a shareholder circular and is being sent to you solely for your information in connection with the Resolutions to be proposed at the Annual General Meeting. The contents of this Circular should not be construed as legal, business, financial, tax, investment or other personal advice. Each Shareholder should consult his, her or its own legal adviser, independent financial adviser, tax adviser, investment adviser or other appropriate professional adviser for legal, business, financial, tax, investment or other professional advice in connection with the Resolutions. This Circular does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security in the Company.

---

## **GULF KEYSTONE PETROLEUM LIMITED**

**GULF KEYSTONE  
PETROLEUM LTD.**



*(Incorporated and registered in Bermuda under the Companies Act (Bermuda)  
with Registered No. 31165)*

### **PROPOSED CONSOLIDATION OF COMMON SHARES AND NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 8 DECEMBER 2016**

---

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 4 to 7 of this Circular and contains the recommendation of the Board to Shareholders to vote in favour of the Resolutions to be proposed at the Annual General Meeting.

You should read this Circular in its entirety and consider whether or not to vote in favour of the Resolutions in light of the information contained in this Circular.

**NOTICE OF THE ANNUAL GENERAL MEETING TO BE HELD AT THE RADISSON BLU DUBLIN AIRPORT HOTEL, DUBLIN AIRPORT, CORBALLIS, DUBLIN, IRELAND ON THURSDAY 8 DECEMBER 2016 AT 12 NOON (GMT) IS SET OUT IN PART 5 OF THIS DOCUMENT.**

Copies of this document will be available, free of charge, from the Company Secretary at Gulf Keystone Petroleum Limited 6<sup>th</sup> Floor, New Fetter Place, 8-10 New Fetter Lane, London during normal business hours on any weekday until 8 December 2016 (Saturdays, Sundays and public holidays excepted) and is also available at [www.gulfkeystone.com](http://www.gulfkeystone.com)

## Contents

	Page
<b>Expected Timetable</b>	3
<b>Part 1 – Letter from Chairman</b>	4
<b>Part 2 – Value Creation Plan</b>	8
<b>Part 3 – Staff Retention Plan</b>	14
<b>Part 4 – Information for Shareholders</b>	16
<b>Part 5 – Notice of AGM</b>	19
<b>Part 6 – Definitions</b>	23

## Expected Timetable

	Time/Date
Circular posted to Shareholders	16 November 2016
Latest time and date for receipt of Forms of Instruction	4pm 5 December 2016
Latest time and date for receipt of Forms of Proxy	12 noon 6 December 2016
Record time and date for entitlement to receive Notice of the AGM	5pm 6 December 2016
Annual General Meeting	8 December 2016
Last day of dealings in the Existing Common Shares	8 December 2016
Record time and date for the Consolidation	5pm 8 December 2016
Admission effective and dealings in New Common Shares expected to commence on	9 December 2016
Crediting of CREST accounts with Depositary Interests representing New Common Shares	9 December 2016
Despatch of definitive share certificates in respect of New Common Shares in certificated form	19 December 2016

## Share Capital Statistics

Number of Existing Common Shares at the date of this Circular	22,942,956,605
Number of New Common Shares in issue immediately following the Consolidation	229,429,566

- (1) In this Circular, unless otherwise noted, all references to times are to local time in Ireland, references to "\$" "US\$" and "USD" are to United States dollars.
- (2) The times and dates set out in the expected timetable of principal events above and mentioned in this Circular, the Form of Proxy and the Form of Instruction, and in any other document issued in connection with the Resolutions are subject to change by the Company, in which event details of the new times and dates will be notified to Shareholders.
- (3) Unless otherwise stated, the information contained in this Circular is as of 14 November 2016, being the latest applicable date prior to publication of the Circular.

## Definitions

A list of defined terms used in this Circular is set out in Part 6 of this Circular: "*Definitions*".

**PART 1**  
**LETTER FROM THE CHAIRMAN TO SHAREHOLDERS**

*Cumberland House  
9th Floor, 1 Victoria Street  
Hamilton HM11  
Bermuda*

Keith Lough	<i>Non-Executive Chairman</i>
Jón Ferrier	<i>Chief Executive Officer</i>
Sami Zouari	<i>Chief Financial Officer</i>
Philip Dimmock	<i>Non-Executive Director</i>
Garrett Soden	<i>Non-Executive Director</i>
David H Thomas	<i>Non-Executive Director</i>

16 November 2016

**Proposed Consolidation of Existing Common Shares and Notice of Annual General Meeting**

Dear Shareholder

**1. Introduction**

I am pleased to write to you with details of our 12th Annual General Meeting (AGM), which will be held this year at the Radisson Blu Dublin Airport Hotel, Dublin Airport, Corballis, Dublin, Ireland on Thursday 8 December 2016 at 12 noon.

The Notice of AGM is set out in Part 5 of this document and in this letter; I outline the nature of the business to be transacted.

Please note that only registered Shareholders are entitled to attend and vote at the AGM. Underlying beneficial investors need to seek formal authority from the registered holder and Computershare, the Company Registrars. Full details regarding the voting procedure and attending the AGM are set out in Part 4 of this Circular: “*Information for Shareholders*”. A map, and details of the shuttle service operated by the Radisson Blu Dublin Airport Hotel are also set out in Part 4 of this Circular.

**2. Consolidation**

Following the Company’s announcement of 13 October 2016 regarding the completion of the restructuring, the Company proposes to undertake the Consolidation pursuant to which the 22,942,956,605 Existing Common Shares will be consolidated and divided into 229,429,566 new common shares of US\$1 each. Such New Common Shares will have the same rights and be subject to the same restrictions (save as to par value) as the Existing Common Shares.

The Company’s current issued share capital consists of approximately 23 billion Existing Common Shares. The number of Existing Common Shares significantly increased as a result of the recently completed restructuring. The Board considers that the current issued share capital is considerably higher than similar sized companies listed on the London Stock Exchange and it believes that this affects negatively investors’ perception of the Company.

Accordingly, the Consolidation is being proposed in order to reduce the number of Existing Common Shares that are in issue to a level more in line with comparable London listed companies. The Directors believe that the Consolidation may improve the liquidity and marketability of Common Shares to a wider range of investors, including institutional investors and that the Consolidation will make the Common Shares a more attractive investment proposition.

**Pursuant to the Consolidation, every 100 Existing Common Shares will be consolidated into 1 New Common Share with Shareholders receiving 1 New Common Share for every 100 Existing Common Shares held at the Record Date. Holders of fewer than 100 Existing Common Shares will not be entitled to receive any New Common Shares following the Consolidation.**

Application will be made for the New Common Shares to be admitted to the Official List and to trading on the London Stock Exchange’s main markets for listed securities with a standard listing.

Admission is expected to take place and dealings expected to commence at 8.00 a.m. on 9 December 2016. The Company will also apply for the New Common Shares to be admitted to CREST with effect from Admission.

Subject to Admission, the New Common Shares will be traded on the London Stock Exchange's main market for listed securities in the same way as Existing Common Shares and will be equivalent in all material respects to the Existing Common Shares (including as to dividend, voting and other rights), and dealings in New Common Shares is expected to commence at 8.00 a.m. on 9 December 2016.

### ***Fractional entitlements to New Common Shares***

Unless a Shareholder's entitlement is for an exact number of New Common Shares, a right to a fractional entitlement of a New Common Share will arise following the Consolidation. For example a Shareholder having 105 Existing Common Shares would, after the Consolidation, as well as receiving 1 New Common Share, be entitled to a fractional entitlement of 0.05 of a New Common Share.

Based on the share price of 1.21p as at 11 November 2016 being the last practicable date prior to the date of this Circular, no fractional entitlement could be worth more than £1.20, and therefore uneconomic to distribute to any shareholders. Accordingly, any fractional entitlements arising from the Consolidation will be aggregated and sold in the market and the net proceeds will be donated to a charity designated by the Board of Directors.

### **3. 2016 Gulf Keystone Petroleum Ltd – Value Creation Plan (the VCP)**

Following independent advice and having consulted with major shareholders the Board of Directors is seeking to implement a new management incentive plan (the VCP) to retain and motivate the Executive Directors and other key senior executives. To provide context, Gulf Keystone has undertaken a substantial restructuring of its business over the last few months which will provide a sound foundation for future growth and success. It is critical that key executives within the business are incentivised to remain and implement the Company's strategic objectives going forward and to maintain their capable management of these challenges, to ensure continuity and sustainable returns to shareholders.

The Board seeks to ensure that the Remuneration Policy:

- motivates the Executive Directors and other key executives to achieve share price growth and return value to shareholders;
- encourages the retention of the Executive Directors and other key executives; and
- recognises the success the Executive Directors achieve in creating value from the unique relationships they have with the key stakeholders in Kurdistan.

The Board believes that the VCP is the most appropriate mechanism through which to achieve the above results whilst considerably enhancing shareholder value. The performance criteria will be based on absolute shareholder return. The Board believes it is not appropriate to have a relative performance metric due to an insufficient number of relevant peer group comparators.

The VCP will quantify Executives' success in driving the strategy and maximising the longer-term value of the business in terms of the absolute shareholder returns generated by the Company over a 5-year performance period. Once shareholders have received a specified threshold annual rate of return, participants share 10% of the value created in excess of the threshold.

The main provisions of the VCP are set out in Part 2 of this Circular. Resolution 9 proposes the approval of the VCP. Subject to Shareholder approval at the AGM, the VCP will be effective from the date of the 2016 AGM.

### **4. New Staff Retention Plan**

The Board also intends to seek Shareholders' approval at the AGM for a plan to reward the loyalty of employees and contractors who are not main board directors or senior executives, through the grant of share options. The proposed plan, to be known as the Gulf Keystone Petroleum 2016 Staff Retention Plan, will offer selected participants an opportunity to acquire Common Shares provided they continue to be employees of or contractors to a company in the Group. The main provisions of the Staff Retention Plan are summarised in Part 3 of this Circular.

Resolution 10 proposes the approval of the Staff Retention Plan. Subject to Shareholder approval at the AGM, the Staff Retention Plan will be effective from the date of the 2016 AGM.

## **5. Proposed Amendments to Remuneration Policy**

The current remuneration policy was approved by Shareholders at the Company's 2014 AGM and is set out in the Annual Report and Accounts for the year ended 2015 published on the Company's website. The Directors propose to amend this remuneration policy to include the VCP for executive directors and key senior executives. In addition, the following changes to the Remuneration Policy will be made with effect from 1 January 2017:

### **Executive Cash Bonus Awards**

The Executive Directors have agreed to the following reduction in maximum cash bonus awards:

- maximum annual cash bonus award for the CEO will be reduced to 125% of salary from 200%;
- maximum annual cash bonus for the CFO will be reduced to 100% of salary from 150%;
- the threshold for payment of the annual cash bonus will be increased from 25% to 60% of salary for the CEO and to 50% for the CFO; and
- on target performance payout will be reduced to 90% of salary (previously 120%) for the CEO and 75% of salary (previously 120%) for the CFO.

Bonus awards are linked to annual KPIs set by the Remuneration Committee and based on a mixture of strategic, project, operational, and financial performance measures.

The proposed changes to the annual cash bonus arrangements for the Executive Directors reflect the Board's desire:

- to ensure that the overall level of remuneration for Executive Directors, whilst remaining competitive, is consistent with the performance of the Company; and
- to refocus remuneration packages away from short-term cash towards long-term locked-in equity.

### **Minimum Shareholding Requirement**

The Remuneration Committee proposes to increase the minimum shareholding requirement from 200% to 300% of salary for the CEO and from 150% to 200% of salary for the CFO. This is to support one of the key objectives of the VCP, which is to ensure that the Executive Directors become material long-term locked-in Shareholders.

Resolution 11 proposes the approval of the Amended Remuneration Policy.

## **6. Summary of other business to be proposed at the AGM**

The Bermuda Companies Act requires the Company's audited financial statements to be laid before Shareholders and this is the first item of business. No resolution is proposed.

The Company's Annual Report and Accounts for the year ended 31st December 2015 may be found on the Company's website [www.gulfkeystone.com](http://www.gulfkeystone.com)

### ***Resolution 1: Auditor's Re-appointment and Remuneration***

The customary Resolution will be proposed regarding the re-appointment of Deloitte LLP as the Company's auditor and the authority of the Directors to fix the auditor's remuneration.

### ***Resolutions 2 to 7: Appointment and re-appointment of Directors***

Gulf Keystone is not required to follow the UK Corporate Governance Code as the Company is registered in Bermuda. However, we have elected to apply the principles and provisions of the Code, which requires all the Company's directors to retire annually and seek re-appointment at the AGM and amended the Bye-Laws to require all the Directors to retire annually and seek re-appointment at each AGM.

Information in relation to the experience and qualifications of the Directors who are seeking re-appointment at the AGM in July 2016 is listed in the notes on pages 21 and 22 of this document. Further details are contained on pages 52 and 53 of the Company's 2015 Annual Report and Accounts.

It should be noted that Cuth McDowell stepped down from the Board on 13 October 2016 and that Garrett Soden and David Thomas were appointed by the Board as Directors on that day. Resolutions for the appointment of Garrett Soden and David H Thomas will be proposed at the forthcoming AGM.

### **Resolutions 8: Annual Report on Remuneration**

As in 2015, we have elected to seek an advisory vote at the 2016 AGM on the Annual Report on Remuneration. The Annual Report on Remuneration is detailed on pages 76 to 80 of the Company's 2015 Annual Report and Accounts.

### **7. Action to be taken**

To be effective, resolutions must be approved by at least 50 per cent. of the votes cast at the AGM.

Full details regarding the voting procedure and attending the AGM are set out in Part 4 of this Circular: "*Information for Shareholders*".

### **8. Voting securities**

As at the date of this Circular, the authorised share capital of the Company is 23,160,523,665 divided into 23,160,523,665 Existing Common Shares, of which 22,942,956,605 Existing Common Shares are issued and outstanding.

Each Existing Common Share entitles the Shareholder thereof to one vote on all matters to be acted on at the AGM. The record date for determination of Shareholders entitled to receive the Notice of Meeting has been fixed at 5.00 p.m. (GMT) on 6 December 2016. To the knowledge of the Directors, as of the date hereof, no person, firm or company beneficially owns, controls or directs, directly or indirectly, voting securities of the Company carrying 5 per cent. or more of the voting rights attached to all outstanding Existing Common Shares, other than as set forth below.

The statement as to the Existing Common Shares beneficially owned, controlled or directed, directly or indirectly, is based upon both publicly available information and information furnished by the person concerned and is as at the date hereof.

<b>Name</b>	<b>Number of Existing Common Shares</b>	<b>Percentage of issued share capital</b>
Sothic Capital Management	3,215,949,413	14.02
Taconic Capital Partners	3,163,493,887	13.79
Lansdowne Partners	2,413,830,353	10.52
Capital Group Companies	1,959,328,504	8.54
Cowell & Lee Advisors	1,324,372,907	5.77
GLG Partners	1,282,165,179	5.59

### **9. Recommendation**

The Directors consider that all the Resolutions to be put before shareholders at the AGM are in the best interests of the Company and recommend that you vote in favour of each of them.

Yours sincerely

Keith Lough  
Non-Executive Chairman  
Gulf Keystone Petroleum Ltd.

## PART 2

### 2016 GULF KEYSTONE PETROLEUM VALUE CREATION PLAN

The main provisions of the proposed 2016 Gulf Keystone Petroleum Value Creation Plan are summarised below:

#### Design Principles

It is intended that the design of the Executive Bonus Plan and the VCP should complement each other and should be viewed holistically. Each Plan is designed to support the implementation of the Company strategy in a different way. This allows each of the plans to be kept simple and avoids the issues which arise when there is one incentive plan trying to target too many different outcomes.

The current executive bonus plan provides:

- for the Remuneration Committee to set annual financial, strategic, operational and project objectives based on the challenges faced over each financial year;
- the ability to target the inputs which should lead to the successful creation of long-term sustainable Company performance and creation of Shareholder value.

The VCP provides:

- an incentive that solely rewards the outputs of the successful implementation of the Company's strategy through Total Shareholder Return. This is particularly important at a time when substantial changes that are required to be executed throughout the business make the setting of standard 3 year long-term financial targets extremely difficult;
- Nil-cost options earned throughout the 5 year VCP performance period will be locked-in for significant periods (3, 4 and 5 years) providing a very effective focus on the long term sustainable value generation of the Company;
- The VCP provides executives with a strong link to long term Shareholder returns. The ultimate value of any Common Shares earned during the VCP performance period will be based on the share price at relevant vesting dates (years 3, 4 and 5) which is the earliest point that participants will be able to crystallise any value.

#### Introduction and overview

The principle of the VCP is that participants share in a "Performance Pot" equivalent to 10% of the increase in value of the Company in excess of a minimum annual rate of return to Shareholders. Starting from a base market capitalisation of US\$300m, total returns to Shareholders must exceed a specified annual growth rate of not less than 8% ("the hurdle") before participants in the VCP receive any benefit. Each year for up to five years, provided the relevant hurdle has been achieved, each participant will be granted a nil-cost option to acquire Common Shares in the Company. The value of the Common Shares under option will represent the participant's proportion of the Performance Pot.

#### Operation

The Remuneration Committee of the Board will supervise the operation of the VCP and will have the discretion to add further conditions to awards made under the VCP.

Subject to shareholder approval, as soon as practicable after the AGM, participants will receive an award based on a number of units from the Performance Pot. No award of units to an individual will represent a proportion of the Performance Pot of greater than 45%. These units have no value on grant but give participants the opportunity to share in a proportion (10%) of the total value created for Shareholders above a hurdle of 8% per annum compound starting from a market capitalization for the Company of US\$300m at the end of each plan year over a five year performance period.

As soon as practicable after the end of each plan year, and provided the 8% compound hurdle rate of return has been achieved the Board will grant participants nil-cost options to acquire Common Shares having a value which corresponds to their agreed proportion of the Performance Pot.

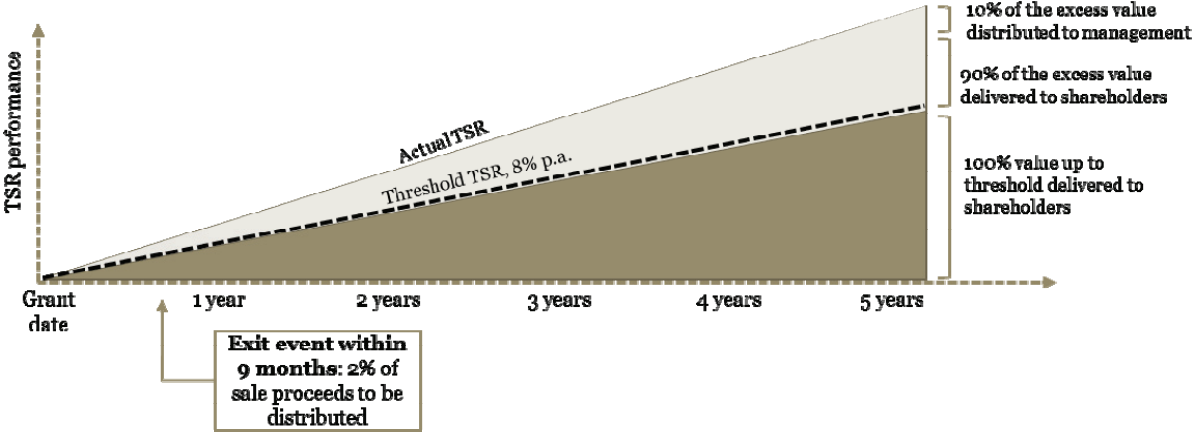
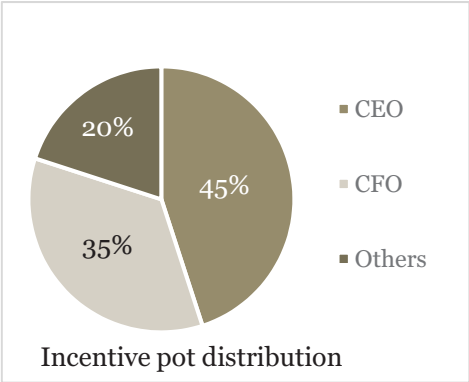


The minimum return of 8% p.a. has to be maintained over the VCP period or earned nil cost options that have not vested will lapse:

- where the 8% return has been achieved for the first 3 plan years of the VCP performance period 50% of the cumulative balance will vest at the end of plan year 3. If the return has not been achieved no nil cost options will vest at this point but they will not lapse;
- where the 8% return has been achieved for the first 4 plan years of the VCP performance period 50% of the cumulative balance will vest at the end of plan year 4. If the return has not been achieved no nil cost options will vest at this point but they will not lapse; and
- where the 8% return is not achieved over the full 5 year VCP performance period all unvested nil cost options will lapse. It should be noted that the 50% of the cumulative balance vesting at the end of plan year 3 and/or plan year 4 in the circumstances set out above would not lapse.

No award or grant of nil-cost options may be made during a closed period.

The following schematics set out an overview of the proposed plan:-



**Grant of nil-cost options**

As soon as practicable after the end of each plan year, the total returns to Shareholders generated by the Company from the start of the VCP will be calculated. The hurdle rate of return each plan year is 8% and the opening share price for the purposes of the VCP is based on a market capitalisation of US\$300m. See an illustration below.

Participants share above hurdle	10%
Hurdle	8%

## VCP calculations, USDm

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
TSR growth achieved		25%	13.3%	10.0%	6.0%	10.0%
Market Capitalisation achieved	300	375	425	467	495	545
Minimum hurdle market cap (8% p.a. compounded)	300	324	350	378	408	441
Actual hurdle market cap*		324	375	425	467	495
Market Cap less actual hurdle		51.0	49.9	42.5	28.0	49.5
Total Value of Nil-Cost Options banked in year		5.1	5.0	4.2	2.8	5.0
Cumulative Total Value of Nil-Cost Options banked		5.1	10.8	16.1	11.3	11.2
Total Value of Nil-Cost Options vesting		—	—	8.0	5.7	11.2

\* The actual hurdle market capitalization is the higher of 8% p.a. compounded from the starting market of US\$300m (minimum hurdle market cap above) and the highest market capitalization at any previous date when nil cost options were banked.

Vested nil cost options may be exercised until the tenth anniversary of the date of the grant of the Award.

The share price used for calculating total shareholder returns in plan year 2 and subsequent plan years shall be the average of the closing prices for the 30 days following the announcement of the Company's results for the relevant financial year.

### Eligibility

Participation in the VCP is only available to Executive Directors and key value drivers. A participant in the VCP may not also participate in the proposed Staff Retention Plan.

### Consideration for grants

No consideration is payable for the grant of an option.

### Vesting of options

Subject to continued employment, nil-cost options vest as follows:

- 50% of the cumulative balance at the measurement date in respect of the third plan year;
- 50% of the cumulative balance at the measurement date in respect of the fourth plan year; and
- 100% of the cumulative balance at the measurement date in respect of the fifth plan year;

Vesting is not subject to any additional performance conditions. Special rules apply to an award holder who ceases to be employed by the Company. Award holders who leave as 'Good Leavers' i.e. those who leave the Company owing to ill health, redundancy, death or such other reason as the Board may consider to justify treatment as a 'Good Leaver', will participate until the next date on which total returns to shareholders are calculated for the purposes of the VCP ("Measurement Date"). Any nil cost options accrued up to the last Measurement Date will vest on their original vesting date. Participants will have six months following the date of cessation to exercise vested options or six months from the date of vesting, whichever is the later.

If an award holder dies, his personal representatives may exercise all his outstanding options at any time within the period of 12 months following the date of death.

Options granted to other leavers will lapse on the leaving date.

### Change of Control

In the event of a change of control or a voluntary winding up of the Company (other than an internal reorganisation), there will be a Measurement Date on the change of control and the value of additional options will be calculated as at any other Measurement Date. The share price used to calculate the Measurement Total Shareholder Return will be the offer price for the Company.

**Special Provision:** If the Company enters into a binding sale agreement prior to 13<sup>th</sup> July 2017 the value of all units held by participants in the VCP shall equal 2% of the aggregate acquisition price for the Company less the value provided to employees under the 2016 Gulf Keystone Petroleum Ltd Staff Retention Scheme. The value of these units will be converted into an equivalent value of Common Shares or cash and provided to participants in proportion to the number of units they were awarded.

### **Share Capital Limits**

Options may be satisfied by the issue of new Common Shares, the transfer of Common Shares out of treasury or by funding an employee benefit trust ('EBT') or other intermediary to purchase Common Shares on the stock market.

No option may be granted under the Plan on any date if the maximum number of Common Shares to be issued when it is exercised, together with the maximum number of Common Shares issuable and remaining issuable pursuant to options or other forms of share award granted within the preceding 10 years under the VCP and any other employees' share scheme adopted by the Company, would exceed 10% of the Company's issued ordinary share capital on that date (there is also a 5% sub-limit for discretionary plans).

In addition, there will be a cap on the maximum number of Common Shares that can be earned under the VCP up to the equivalent of 10% of the issued share capital (whether new issue, treasury or market purchased) subject to adjustment for changes in share capital.

### **Variation in capital**

If there is a variation in the Company's share capital, the hurdle rate of shareholder return in relation to an award, the number of Common Shares subject to a nil-cost option and the cap on the number of Common Shares under the VCP may be adjusted by the Board acting in a fair and reasonable way.

### **Expiry Date**

No options under the VCP may be granted later than the sixth anniversary of the adoption date and no option may be exercised later than the tenth anniversary of the relevant date of grant.

### **Rights of option holders**

Awards or options are not transferable except to an option holder's personal representative in the event of his death.

Options do not confer any shareholder rights until they have been exercised and shares have been issued or transferred to the option holders.

Shares allotted under the VCP will rank equally with shares then in issue, except for rights arising by reference to a record date falling before their allotment.

No dividends or dividend equivalents shall be paid on accrued or vested but unexercised options.

The value of any benefit derived from an Award, a nil-cost option, or from any Shares and any other rights granted or acquired pursuant to the VCP are non-pensionable.

### **Malus and Clawback**

Malus and clawback provisions will apply to the VCP.

Trigger events will be:-

- discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or the audited accounts of any Group company; and/or
- the assessment of any performance condition or target in respect of an award was based on error, or inaccurate or misleading information; and/or
- the discovery that any information used to determine an award was based on error, or inaccurate or misleading information; and/or
- action or conduct of the participant which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct; and/or
- events or behaviour of the participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to him.

Malus will operate throughout the relevant VCP periods. Clawback will apply for 2 years following the vesting of nil-cost options.

The Board believes that it will have the necessary powers under the rules of the VCP to enforce these provisions.

### Amendments to the Plan

The Board may amend the Plan at any time, except the provisions which relate to:

- eligibility requirements;
- equity dilution;
- the basis for determining an award holder's entitlement to, and the terms of, shares; and
- the adjustments that may be made following a rights issue or variation of capital.

Awards cannot be amended to the advantage of participants without the prior approval of shareholders in general meeting, except for minor amendments to benefit the administration of the Plan and amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control, securities law or regulatory treatment for participants or a group company.

### Employee Benefit Trust

The Company intends to utilize an existing discretionary employee benefit trust to be used in conjunction with the VCP ('Employee Trust'). The Company will be able to fund the Employee Trust to acquire Common Shares in the market and/or to subscribe for Common Shares at nominal value in order to satisfy the awards granted under the VCP. Any Common Shares issued to the Employee Trust in order to satisfy awards of Common Shares will be treated as counting towards the dilution limits that apply to the VCP. For the avoidance of doubt, any Common Shares acquired by the Employee Trust in the market will not count towards these limits. In addition, unless prior shareholder approval is obtained, the Employee Trust will not hold more than 5% of the issued share capital of the Company at any one time.

### Potential Cost of VCP to the Company

These tables provide illustrations only, based on a series of assumptions, of the potential costs and benefits of the VCP over a period. The information is provided to aid in the understanding of the Plan and is not a forecast of expected performance or potential outcomes.

The following tables set out for various share price growth assumptions (from a starting market capitalisation of US\$300m):-

- the total value created;
- the value received by participants; and
- the accounting and dilution cost of the VCP.

	Market Cap increase p.a.				
	8%	10%	12%	15%	18%
<b>Year 5 Market Cap (US\$m)</b>	441	483	529	603	686
<b>Total Value Created (US\$m)</b>	141	183	229	303	386
<b>Maximum Incentive Value (US\$m)</b>	0.0	12.1	20.7	31.0	42.1
<b>Maximum Incentive Value as % of Value Created</b>	0.0%	6.6%	9.0%	10.2%	10.9%

**Illustration of benefits to each Executive Director and other participants**

	Market Cap increase p.a.				
	8%	10%	12%	15%	18%
<b>Year 5 Market Cap (US\$m)</b>	441	483	529	603	686
<b>Chief Executive Officer (US\$m)</b>	0.0	5.5	9.3	14.0	18.9
<b>Chief Finance Officer (US\$m)</b>	0.0	4.2	7.2	10.9	14.7
<b>Others (US\$m)</b>	0.0	2.4	4.1	6.2	8.4

**Potential cost of VCP to the Company**

	Market Cap increase p.a.				
	8%	10%	12%	15%	18%
<b>Maximum Incentive Value (US\$m)</b>	0.0	12.1	20.7	31.0	42.1
<b>Total IFRS2 cost (US\$m)</b>	7.90	7.90	7.90	7.90	7.90
<b>Total cost (including employer NICs) (US\$m)</b>	7.90	9.57	10.75	12.18	13.71
<b>Dilution cost (if shares newly issued)</b>	0.0%	2.7%	4.2%	5.7%	6.9%

Note: This Part 2 summarises the main features of the rules of the VCP, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the rules will be available for inspection at Gulf Keystone Petroleum Limited 6<sup>th</sup> Floor, New Fetter Place, 8-10 New Fetter Lane, London during usual office hours (Saturdays, Sundays and public holidays excepted) from the date of dispatch of this document up to and including the date of the AGM, and at the AGM itself. The Directors reserve the right, up to the time of the AGM, to make such amendments and additions to the rules of the VCP as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Part 2.

## PART 3

### 2016 GULF KEYSTONE PETROLEUM STAFF RETENTION PLAN

The main provisions of the proposed 2016 Gulf Keystone Petroleum Staff Retention Plan are summarised below.

#### **Options**

An option granted under the plan will take the form of a right to acquire Common Shares. The option exercise price will be zero.

#### **Eligibility**

Persons who are either employees of or provide services as contractors to a group company, who are not members of the board of directors of the Company and do not participate in the VCP are eligible to be granted an option.

#### **Timing of grants**

Options may be granted at any time other than in a closed period.

No options may be granted more than six years after the adoption date.

#### **Consideration for grants**

No consideration is payable for the grant of an option.

#### **Share capital limits**

Options may be satisfied by the issue of new Common Shares, the transfer of Common Shares out of treasury or by funding an employee benefit trust ("EBT") or other intermediary to purchase Common Shares on the stock market.

The maximum number of Common Shares which may be issued pursuant to options granted under the Staff Retention Plan will not exceed the number that is equivalent to 1% of the number of Common Shares in issue at the adoption date.

No option may be granted under the Staff Retention Plan on any date if the maximum number of Common Shares to be issued when it is exercised, together with the maximum number of shares issuable and remaining issuable pursuant to options or other forms of share award granted within the preceding 10 years under the Staff Retention Plan and any other employees' share scheme adopted by the Company, would exceed 10 per cent of the Company's issued share capital on that date.

For the purpose of the share capital limits, the issue of shares includes the reissue of treasury shares but not the purchase of shares on the stock market by an EBT or other intermediary.

#### **Individual limits**

The number of Common Shares in respect of which an option is granted shall be determined by the Board.

#### **Exercise of options**

Ordinarily, an option may be exercised at any time more than three years but within 10 years after the date of grant by an option holder who, at the exercise date, is employed or engaged as a contractor by a group company.

Special rules apply to an option holder who ceases to be employed or engaged as a contractor by a group company. Option holders who leave as "good leavers" (i.e. those who leave the group owing to injury, disability, ill-health, redundancy, the participant's company or business leaving the group or other reason which the Board considers justifies treatment as a "good leaver") may exercise their options whilst options granted to a "bad leaver" lapse and cease to be exercisable.

The exercise of an option is not subject to any performance conditions.

If an option holder dies, his personal representatives may exercise all his outstanding options at any time within the period of 12 months following the date of death.

### **Change of control**

In the event of a change of control or a voluntary winding up of the Company (other than an internal reorganisation), outstanding options become exercisable provided that if the Company enters into a binding sale agreement prior to 13th July 2017 an option may only be exercised up to a maximum of 50 per cent of the Common Shares over which it was granted.

If, as a result of an internal reorganisation, control of the Company passes to a new holding company whose shareholders are substantially the same as the Company's shareholders immediately before the change of control, outstanding options granted under the Staff Retention Plan ("the original options") will be exchanged for options over shares in the new holding company but otherwise on the same terms, as far as practicable, as the original options.

### **Variation in capital**

If there is a variation in the Company's share capital, the option exercise price, if any, and the number of share subject to an option may be adjusted by the Board acting in a fair and reasonable way.

### **Expiry date**

No options may be granted later than the sixth anniversary of the adoption date and no option may be exercised later than the tenth anniversary of its grant date.

### **Rights of option holders**

Options are not transferable except to an option holder's personal representatives in the event of his death.

Options do not confer any Shareholder rights until they have been exercised and shares have been issued or transferred to the option holders.

Common Shares allotted under the Staff Retention Plan will rank equally with shares of the same class then in issue, except for rights arising by reference to a record date falling before their allotment.

### **Overseas plans**

The Board may at any time, without further Shareholder approval, establish in overseas territories additional plans, which must be similar to but which may be modified to take account of local tax, exchange control, securities law or other regulations. The share capital limits referred to above will apply to shares issued under any such plan.

### **Amendments to the Staff Retention Plan**

The Board may amend the plan at any time, except that provisions relating to:

- (a) eligible persons;
- (b) the share capital limits;
- (c) the basis for determining an option holder's entitlement to, and the terms of, shares; and
- (d) the adjustments which may be made if there is a variation of capital.

The terms of the Staff Retention Plan cannot be amended to the advantage of participants without the prior approval of Shareholders in general meeting, except for minor amendments to benefit the administration of the Staff Retention Plan and amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control, securities law or regulatory treatment for option holders or a group company.

No amendment may be made to the disadvantage of an option holder in relation to an outstanding option without his consent.

## PART 4

### INFORMATION FOR SHAREHOLDERS

The Company's Annual General Meeting will be held at the Radisson Blu Dublin Airport Hotel, Dublin Airport, Corballis, Dublin, Ireland on Thursday 8 December 2016 at 12 noon (GMT) as detailed in the Notice, which is set out in Part 5 of this Circular and is also available on the Company's website <http://www.gulfkeystone.com>.

Only registered Shareholders may vote at the meeting personally or by proxy, attorney or representative. Every Shareholder entitled to attend and vote at the meeting may appoint one or more persons as his/her proxy to attend and vote at the meeting instead of him/ her and such proxy need not be a Shareholder.

Additional information on voting and attending the AGM is set out in this Part 4 and is also available on the Company's website [www.gulfkeystone.com](http://www.gulfkeystone.com). This information includes the procedure to enable underlying beneficial investors in the Common Shares to register their voting intentions through their broker/bank/custodian or nominee and, if they wish to attend the AGM, explains how they should go about obtaining the necessary letter of authority from the registered holder of Depositary Interests.

#### 1. Votes to be taken on a poll

In order for the voting preferences of as many Shareholders as possible to be taken into account and not only those who can physically attend, we will conduct a poll vote on all the Resolutions. The results of the poll vote will be released by way of an RNS and published on the Company's website as soon as practicable after the conclusion of the AGM.

#### 2. Proxy voting

##### ***Registered Shareholders***

If you wish to vote on the Resolutions to be considered at the AGM and you hold Common Shares in the Company directly, you are a registered Shareholder. Your name appears on the Register and you should complete and return the Form of Proxy sent with this Notice as soon as possible. To be valid, the Form of Proxy must be received by Computershare no later than 12 noon (GMT) on 6 December 2016. The return of the Form of Proxy by post will not prevent you from attending the AGM and voting in person.

##### ***Depositary Interests***

###### (a) Form of Instruction

Common Shares representing DIs are registered in the name of the Custodian. If you are a DI holder and you wish to vote on the Resolutions to be considered at the AGM you should complete and return the Form of Instruction sent with this Circular as soon as possible. To be valid the Form of Instruction must be received by Computershare no later than 4 p.m. (GMT) on 5 December 2016.

###### (b) Electronic voting instructions via the CREST voting system

Alternatively DI holders who are CREST members may issue an instruction by using the CREST electronic voting appointment service. Further details are set out below.

An instruction may be issued through the CREST electronic voting appointment service by using the procedures described in the CREST manual (available from [www.euroclear.com](http://www.euroclear.com)/CREST) subject to the provisions of the Bye Laws. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting services provider(s), who will be able to take the appropriate action on their behalf.

In order for instructions made using the CREST service to be valid, the appropriate CREST message (a CREST Voting Instruction) must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (EUI) and must contain the information required for such instructions, as described in the CREST Manual.

To give an instruction via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 4 p.m. (GMT) on 5 December 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp



generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a CREST voting instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### ***Underlying Beneficial Investors***

If your Common Shares are held by a broker/bank/custodian or nominee on your behalf, you should contact this intermediary as soon as possible with your specific voting instructions. Please see 3 below for additional information on the process.

### **3. Attending the AGM**

#### ***Registered Shareholders***

If you wish to attend and vote and speak at the Company's AGM and you are a registered Shareholder, you will only require evidence of your holding, for example your certificate with the unique Shareholder Reference Number ("SRN") starting with C00000.

#### ***Depository Interests and Underlying Beneficial Investors***

If you wish to attend and vote and speak at the Company's AGM and you are the registered DI holder, you will require evidence of your holding, for example, the Holder Reference Number ("HRN") on the Form of Instruction.

If you wish to attend and vote on the Resolutions to be considered at the Company's AGM and your Common Shares are held in DI, you are the "underlying beneficial investor". The DI holder will receive a Form of Instruction in respect of the Resolutions and you should give specific instructions to your broker/bank/custodian or nominee regarding how you wish your votes to be cast.

If your broker/bank/custodian or nominee is not the DI holder, your voting instructions will have to be forwarded up the chain to the DI holder who will submit the votes to Computershare, either electronically or in paper form. Therefore you should contact your intermediary as soon as possible. If you wish to attend and vote and speak at the AGM you need to obtain a letter of authority from the DI holder confirming your eligibility to attend and vote at the Company's AGM. Every underlying beneficial holder should bring such letter to the AGM. The DI holder should also forward a copy of the letter to Computershare at the contact address below:

The Company Secretary  
Gulf Keystone Petroleum Ltd.  
For the attention of: George Czekalski  
Relationship Manager  
Computershare Investor Services PLC  
The Pavilions,  
Bridgwater Road Bristol BS99 6ZY, UK  
Email address: [gulfkeystone@computershare.co.uk](mailto:gulfkeystone@computershare.co.uk)

The letter of authority from the DI holder should reach Computershare no later than 4 p.m. (GMT) on 5 December 2016. Computershare will then issue a Letter of Representation, a copy of which will be also provided to the Company.

All Shareholders are kindly requested to bring a form of ID to register at the Company's AGM.

The Company's Register comprises 2 sections:

- Registered Shareholders, who hold Common Shares directly in their own name and have received a share certificate;
- Depository Interest holders, who hold Common Shares electronically through the UK CREST system. CREST is the Central Securities Depository for the UK, Guernsey, Jersey, Ireland and Isle of Man. The Custodian is the registered Shareholder of all Depository Interests on the Register.

Depository Interests are UK registered securities that enable trading in non UK incorporated and registered company shares (such as Common Shares in Gulf Keystone Petroleum Limited) to be undertaken and settled within the UK in electronic form (such as CREST).

In the case of Gulf Keystone Petroleum Limited, Depository Interest holders are CREST Participants. An underlying beneficial investor should give specific instructions regarding their voting direction to their broker, bank, custodian or nominee, who would need to take any action required

in relation to submitting votes on behalf of that underlying beneficial shareholder. This process could involve a chain of third parties as the holder of Depository Interests might not be the immediate point of contact of the underlying beneficial investor.

**RADISSON BLU DUBLIN AIRPORT HOTEL**

The Radisson Blu operates a 24-hour shuttle bus service which runs every 15 minutes.

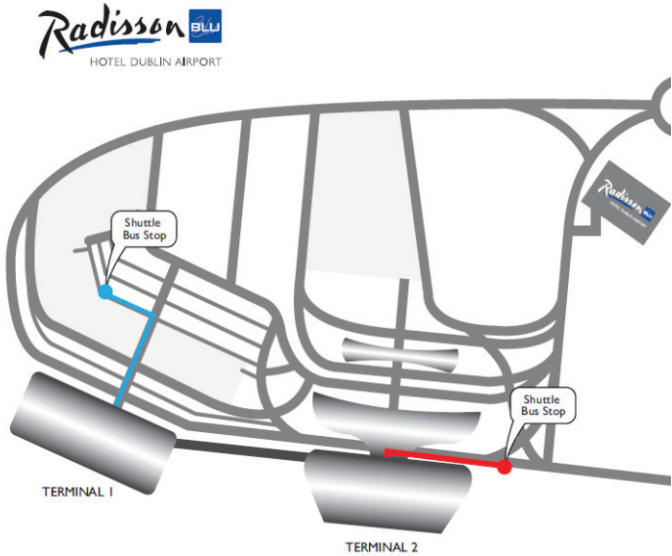
**Shuttle Bus Terminal 1**

From arrivals exit the terminal and cross the road, go straight to the parking hall, cross the parking hall, exit and turn left. The Shuttle bus stop is about 30 metres away on the left.

**Shuttle Bus Terminal 2**

From arrivals descend to check-in level, exit the terminal and turn right. The Shuttle bus pick up point is about 30 metres away on the right. Look for a sign poster.

Courtesy phones for the Shuttle bus are located in the arrival zones.



**PART 5**  
**NOTICE OF AGM**

**GULF KEYSTONE PETROLEUM LTD.**

(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 2016 Annual General Meeting of Gulf Keystone Petroleum Ltd. (the "Company") will be held at THE RADISSON BLU DUBLIN AIRPORT HOTEL, DUBLIN AIRPORT, CORBALLIS, DUBLIN, IRELAND ON THURSDAY 8 DECEMBER 2016 AT 12 NOON (GMT) for the following purposes:

- A. To lay before shareholders the audited financial statements of the Company (together with the auditor's report) in respect of the year ended 31 December 2015 in accordance with the Bermuda Companies Act 1981.
- B. To consider and, if thought fit, to approve the following resolutions:

***Resolution 1***

THAT Deloitte LLP be re-appointed as the Company's auditor to hold office from the close 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.

***Resolution 2***

THAT Mr Jón Ferrier, who was appointed as a Director of the Company at the Special General Meeting held on 8 December 2015, be and is hereby re-appointed as a Director in accordance with the bye-laws of the Company (the "Bye-Laws").

***Resolution 3***

THAT Mr Sami Zouari, be and is hereby re-appointed as a Director in accordance with the Bye-Laws.

***Resolution 4***

THAT Mr Keith Lough, who was appointed as a Director of the Company at the Special General Meeting held on 8 December 2015, be and is hereby re-appointed as a Director in accordance with the Bye-Laws.

***Resolution 5***

THAT Mr Philip Dimmock, be and is hereby re-appointed as a Director in accordance with the Bye-Laws

***Resolution 6***

THAT Mr Garrett Soden, be appointed as a Director in accordance with the Bye-Laws.

***Resolution 7***

THAT Mr David H Thomas, be appointed as a Director in accordance with the Bye-Laws.

***Resolution 8***

THAT the Annual Report on Remuneration for Directors as set out in the Annual Report for the year ended 31 December 2015 be and is hereby approved.

***Resolution 9***

THAT (i) the 2016 Gulf Keystone Petroleum Value Creation Plan, the principal terms of which are summarised in Part 2 of the Circular dated 16 November 2016 and the rules of which are produced in draft to the meeting and initialled by the Chairman for the purposes of identification ("VCP") be and are hereby approved and that the directors of the Company be and are hereby

authorised to do all acts and things necessary to establish and carry the same into effect and (ii) the Directors of the Company be and are hereby authorised to approve the schedules to the rules of the VCP, modifying the rules of the VCP to apply in any overseas jurisdictions to take account of local tax, exchange control or securities laws, provided that any Common Shares made available under such schedules are treated as counting against any limits on individual or overall participation in the VCP.

**Resolution 10**

THAT the 2016 Gulf Keystone Petroleum Staff Retention Plan, the principal terms of which are summarised in Part 3 of the Circular dated 16 November 2016 and the rules of which are produced in draft to the meeting and initialled by the Chairman for the purpose of identification be and are hereby approved and that the directors of the Company be and are authorised to do all acts and things necessary to establish and carry the same into effect and (ii) the Directors of the Company be and are hereby authorised to approve the schedules to the rules of the Staff Retention Plan, modifying the rules of the Staff Retention Plan to apply in any overseas jurisdictions to take account of local tax, exchange control or securities laws, provided that any Common Shares made available under such schedules are treated as counting against any limits on individual or overall participation in the Staff Retention Plan.

**Resolution 11**

THAT the amendments to include the 2016 Gulf Keystone Petroleum Value Creation Plan, to reduce the annual cash bonus payable to Executive Directors, and to increase the minimum shareholding requirement for Executive Directors as set out on page 6 of the Circular dated 16 November 2016, be approved with the amended directors' remuneration policy to take effect from the date of the AGM of the Company on 8 December 2016.

**Resolution 12**

THAT the 22,942,956,605 existing Common Shares of US\$0.01 each in the authorised and issued share capital of the Company ("Existing Common Shares") be consolidated and divided into 229,429,566 new Common Shares of US\$1 each, such shares having the same rights and being subject to the same restrictions (save as to par value) as the Existing Common Shares.

By Order of the Board

Mr Keith Lough  
Non-Executive Chairman  
Cumberland House  
9th Floor, 1 Victoria Street  
Hamilton HMFx  
Bermuda

16 November 2016

## **EXPLANATORY NOTES TO THE BUSINESS SET OUT IN THE NOTICE OF ANNUAL GENERAL MEETING**

These notes explain the Resolutions proposed for consideration at the Company's 2016 AGM.

### **Re-appointment of Auditor and Auditor's Remuneration – Resolution 1**

The Company's auditor must be re-appointed at each AGM in accordance with the Bermuda Companies Act.

Resolution 1 proposes that the Company's existing auditor, Deloitte LLP, is re-appointed to hold office from the close of the AGM to be held on 8 December 2016 until the close of the next AGM and that the Directors are authorised to determine the auditor's remuneration.

### **Re-appointment of Directors Mr Jón Ferrier – Resolution 2**

Mr Jón Ferrier was appointed as Chief Executive Officer in June 2015 and was appointed as a Director of the Company at the Special General Meeting held on 8 December 2015. Mr Ferrier is a member of the Finance Committee and the HSSE and CSR Committee. Mr Ferrier has spent three decades in exploration, commercial, strategic and leadership positions in the oil and gas and mining industries and has extensive international operational experience and a strong strategic track record.

Resolution 2 proposes the re-appointment of Mr Ferrier as a Director of the Company.

### **Re-appointment of Directors Mr Sami Zouari – Resolution 3**

Mr Sami Zouari was appointed as Chief Financial Officer and as a Director of the Company in January 2015. Mr Zouari is a member of the Finance Committee. Mr Zouari has a strong financial and investment banking background and has extensive experience of the Middle East region with a focus on the oil and gas industry.

Resolution 3 proposes the re-appointment of Mr Zouari as a Director of the Company.

### **Re-appointment of Directors Mr Keith Lough – Resolution 4**

Mr Keith Lough was appointed as a Director at the Special General Meeting held on 8 December 2015. Mr Lough was appointed as Chairman of the Board in July 2016 following the retirement of Mr Andrew Simon. Mr Lough is Chairman of the Finance Committee, Remuneration Committee and Nomination Committee and is a member of the Audit & Risk Committee. Mr Lough will step down as a member of and Chairman of the Remuneration Committee at the conclusion of the AGM. Mr Lough has a deep knowledge of the strategic, operational and financial dimensions of the oil and gas sector.

Resolution 4 proposes the re-appointment of Mr Lough as a Director of the Company.

### **Re-appointment of Directors Mr Philip Dimmock – Resolution 5**

Mr Philip Dimmock was appointed as a Director in September 2013 and is currently Chairman of the Audit & Risk Committee and the HSSE and CSR Committee. Mr Dimmock is a member of the Remuneration Committee and the Nomination Committee. At the conclusion of the AGM Mr Dimmock will step down as Chairman of the Audit & Risk Committee and the HSSE and CSR Committee and will assume the Chairmanship of the Remuneration Committee and the role of Senior Independent Director. Mr Dimmock has over 40 years' experience in senior positions in upstream oil and gas, both in the UK and internationally, and is currently a consultant to various oil and gas companies, including Equator Exploration Ltd where he was Chief Operating Officer.

Resolution 5 proposes the re-appointment of Mr Dimmock as a Director of the Company.

### **Appointment of Directors Mr Garrett Soden – Resolution 6**

Resolution 6 proposes the appointment of Mr Garrett Soden as a Director of the Company.

Mr Soden is a senior executive with international operations and restructuring experience as Chairman, CEO, CFO and Director of various public companies in the oil and gas, renewable energy and forestry sectors. Since 2007, he has worked with the Lundin family, natural resource investors based in Geneva, Switzerland. Lundin family holdings include 12 listed energy and mining exploration and production companies with a combined market capitalization of more than

\$10 billion. At the conclusion of the AGM Mr Soden will be appointed as a member of the Nomination Committee, Remuneration Committee and the Finance Committee and will also be appointed as a member of and Chairman of the Audit & Risk Committee.

#### **Appointment of Directors Mr David H Thomas – Resolution 7**

Resolution 7 proposes the appointment of Mr David H Thomas or as a Director of the Company.

Mr Thomas is an oil and gas industry professional who has over 35 years of international management experience, working with companies such as Conoco, Lasmco and Eni. He has also served as an executive director with various publicly listed companies, including as CEO of Melrose Resources plc. Mr Thomas served briefly on a caretaker Board at Afren in July 2015 and is currently working as an industry consultant. At the conclusion of the AGM Mr Thomas will be appointed as a member of the Nomination Committee, and Remuneration Committee, and will also be appointed as a member of and Chairman of the HSSE and CSR Committee.

#### **Annual Report on Remuneration – Resolution 8**

The Annual Report on Remuneration can be found on pages 66 to 80 of the Accounts and sets out details of remuneration payments to the Executive Directors during 2015, which were made in accordance with the Remuneration Policy approved by the Company's shareholders at the 2014 AGM.

Resolution 8 seeks approval by shareholders of the Annual Report on Directors' Remuneration by way of an advisory vote.

#### **Approval of Value Creation Plan (VCP) – Resolution 9**

Resolution 9 seeks approval by Shareholders of the VCP to retain and motivate the Executive Directors and other key executives to support the Company in its next stage of development. The main terms of the VCP are set out in Part 2 of this Circular.

#### **Approval of Staff Retention Plan – Resolution 10**

Resolution 10 seeks approval by Shareholders of a Staff Retention Plan to reward the loyalty of employees and contractors who are not main board directors or senior executives, through the grant of share options. The main terms of the Staff Retention Plan are set out in Part 3 of this Circular.

#### **Amendments to the Directors' Remuneration Policy – Resolution 11**

Resolution 11 proposes approval of the Amended Remuneration Policy to include the VCP, to reduce the annual cash bonus payable to the Executive Directors, and to increase the minimum shareholding requirement for Executive Directors. The amendments to the Company's remuneration policy are set out on page 6 of this Circular.

#### **Share Consolidation – Resolution 12**

Resolution 12 proposes a share consolidation. The Consolidation is being proposed in order to reduce the number of Existing Common Shares that are in issue to a level more in line with comparable London listed companies. The Directors believe that the Consolidation may improve the liquidity and marketability of New Common Shares to a wider range of investors, including institutional investors and are hopeful that the consolidation will make the New Common Shares a more attractive investment proposition.

## PART 6

### DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

<b>Admission</b>	admission of the New Common Shares to the Official List and to trading on the London Stock Exchange's main markets for listed securities with a standard listing
<b>Amended Remuneration Policy</b>	the Remuneration Policy as amended to include the VCP, the reduction in the annual cash bonus payable to the Executive Directors, and the increase in the minimum shareholding requirement for Executive Directors further details of which are set out on page 6 of this Circular
<b>Annual General Meeting or AGM</b>	the annual general meeting of the Shareholders to be held at the Radisson Blu Dublin Airport Hotel, Dublin Airport, Corballis, Dublin, Ireland on Thursday 8 December 2016 at 12 noon at which the Resolutions will be proposed
<b>Board</b>	the directors of the Company from time to time
<b>Business Day</b>	a day (other than a Saturday or a Sunday) on which banks are open for business in London and Bermuda
<b>Bye-laws</b>	the bye-laws of the Company
<b>Circular</b>	this document
<b>Common Shares</b>	common shares in the capital of the Company, being the Existing Common Shares and, following the Consolidation, the New Common Shares
<b>Companies Act (Bermuda)</b>	the Companies Act 1981 of Bermuda
<b>Company, Gulf Keystone or GKP</b>	Gulf Keystone Petroleum Limited
<b>Computershare</b>	Computershare Investor Services PLC
<b>Consolidation</b>	the proposed share capital consolidation pursuant to which the 22,942,956,605 Existing Common Shares will be consolidated and divided into 229,429,566 New Common Shares
<b>CREST</b>	the relevant system (as defined in the Uncertificated Securities Regulations) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations)
<b>Custodian</b>	Computershare Company Nominees Limited
<b>Depository</b>	Computershare Investor Services PLC
<b>Depository Interests or DIs</b>	the dematerialised depository interests issued by the Depository in respect of the underlying Common Shares
<b>Directors</b>	the directors of the Company, whose names are set out on page 4 of this Circular
<b>Euroclear UK &amp; Ireland or Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>Existing Common Shares</b>	common shares in the capital of the Company, with a nominal par value of US\$0.01 in issue as at the date of this Circular
<b>FCA</b>	the Financial Conduct Authority
<b>Form of Instruction</b>	the Form of Instruction for use by Shareholders who hold their Existing Common Shares through DIs in connection with the Annual General Meeting
<b>Form of Proxy</b>	the form of proxy for use by Shareholders who hold their Existing Common Shares directly (i.e. other than through DIs) in connection with the Annual General Meeting

<b>FSMA</b>	the Financial Services and Markets Act 2000
<b>GMT</b>	Greenwich Mean Time
<b>Group</b>	the Company and its Subsidiaries as at the date of this Circular
<b>London Stock Exchange</b>	The London Stock Exchange Plc
<b>New Common Shares</b>	following the Consolidation, the common shares in the capital of the Company, with a nominal par value of US\$229,429,566
<b>Notice or Notice of AGM</b>	notice of the Annual General Meeting, contained in Part 5 of this Circular
<b>Official List</b>	the official list of the FCA
<b>Record Date</b>	6 December 2016
<b>Register</b>	the register of Shareholders
<b>Remuneration Committee</b>	The remuneration committee of the Board
<b>Remuneration Policy</b>	The Company's remuneration policy approved at the Company's 2014 Annual General Meeting
<b>Resolutions</b>	the resolutions to be proposed at the Annual General Meeting the wording of which is set out in the Notice
<b>Staff Retention Plan</b>	the 2016 Gulf Keystone Petroleum Staff Retention Plan further details of which are set out in Part 3 of this Circular
<b>Shareholder</b>	a holder of Common Shares from time to time
<b>Subsidiary</b>	as defined in section 86 of the Companies Act (Bermuda)
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Listing Authority or UKLA</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
<b>Uncertificated Securities Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
<b>US or United States</b>	the United States of America, its territories and possession, any state of the United States of America and the District of Columbia
<b>VCP</b>	the 2016 Gulf Keystone Petroleum Value Creation Plan further details of which are set out in Part 2 of this Circular