

# **Gulf Keystone Petroleum Ltd.**

## **London Stock Exchange Oil & Gas Investor Forum**

26 January 2012

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- INVESTING IN COMPANY SECURITIES INVOLVES A HIGH DEGREE OF RISK. SEE THE SLIDES HEADED ‘RISK FACTORS’ BEGINNING ON SLIDE 13.

# Board and management team

<p><b>Todd Kozel</b></p>  <p><b>Executive Chairman &amp; Chief Executive Officer</b></p> <ul style="list-style-type: none"> <li>• Co-founder</li> <li>• Active and successful entrepreneur since he started his first company 21 years ago</li> </ul>	<p><b>John Gerstenlauer</b></p>  <p><b>Chief Operating Officer</b></p> <ul style="list-style-type: none"> <li>• Appointed October 2008</li> <li>• Over 30 years of experience with Shell, BASF/Wintershall, United Meridian and GKP in many countries and regions</li> </ul>	<p><b>Ewen Ainsworth</b></p>  <p><b>Finance Director</b></p> <ul style="list-style-type: none"> <li>• Appointed January 2008</li> <li>• Chartered accountant</li> <li>• 22 years of financial experience in the oil industry. Previously FD of AIM listed Europa Oil &amp; Gas (Holdings) plc</li> </ul>	<p><b>Ali Al-Qabandi</b></p>  <p><b>Business Dev. Director</b></p> <ul style="list-style-type: none"> <li>• Co-founder</li> <li>• Executive positions and committee chairmanships for the Kuwait Oil Company</li> </ul>	<p><b>Tony Peart</b></p>  <p><b>Legal and Commercial Director</b></p> <ul style="list-style-type: none"> <li>• Joined GKP in June 2008</li> <li>• Over 30 years of legal, commercial and management experience with African Arabian Petroleum Limited, Petrokazakhstan Inc, Lasmo plc and others</li> </ul>	<p><b>Chris Garrett</b></p>  <p><b>Vice President Operations</b> <b>MD of UK company</b></p> <ul style="list-style-type: none"> <li>• Joined GKP in 2004</li> <li>• Over 30 years of oilfield experience with Core Laboratories, Western Geophysical, Baker Hughes and Randall &amp; Dewey</li> </ul>
<p><b>Mehdi Varzi</b></p>  <p><b>Vice Chairman &amp; Non-Executive Director</b></p> <ul style="list-style-type: none"> <li>• Joined GKP January 2008</li> <li>• Over 30 years of experience in the energy sector with Dresdner Kleinwort Wasserstein, National Iranian Oil Company and Varzi Energy</li> </ul>	<p><b>Lord Truscott</b></p>  <p><b>Non-Executive Director</b></p> <ul style="list-style-type: none"> <li>• Joined GKP May 2008</li> <li>• Independent Member House of Lords, former UK Energy Minister and Parliamentary Under-Secretary of State for Energy.</li> </ul>	<p><b>Lord Guthrie</b></p>  <p><b>Non-Executive Director</b></p> <ul style="list-style-type: none"> <li>• Joined GKP in October 2011</li> <li>• Served in the British Army as Chief of the Defence Staff</li> <li>• Director of NM Rothschild &amp; Sons Limited in 2001-2011</li> <li>• Director of Sciens Capital, Colt Defense and Petropavlovsk plc.</li> </ul>	<p><b>Mark Hanson</b></p>  <p><b>Non-Executive Director</b></p> <ul style="list-style-type: none"> <li>• Joined GKP in November 2011</li> <li>• Qualified barrister and solicitor</li> <li>• Previous roles include Deputy CEO at the Hong Kong Stock Exchange and CEO of Global Banking Corporation in Bahrain</li> </ul>	<p><b>Additional NED</b></p> <p><b>Non-Executive Director</b></p> <ul style="list-style-type: none"> <li>• To be appointed</li> </ul>	<p><b>Adnan Samarrai</b></p>  <p><b>Country Manager – Kurdistan Region of Iraq</b></p> <ul style="list-style-type: none"> <li>• Joined GKP in 2006</li> <li>• Over 45 years experience in Iraq with Iraq Petroleum Co. and the Iraq National Oil Company</li> <li>• Active member of the American Association of Petroleum Geologists since 1972</li> </ul>

# A coveted position in one of the “Last Great Frontiers”

1. Multi-billion barrel  
discovered resources

2. Proven operating  
capability & leading  
Kurdistan brand

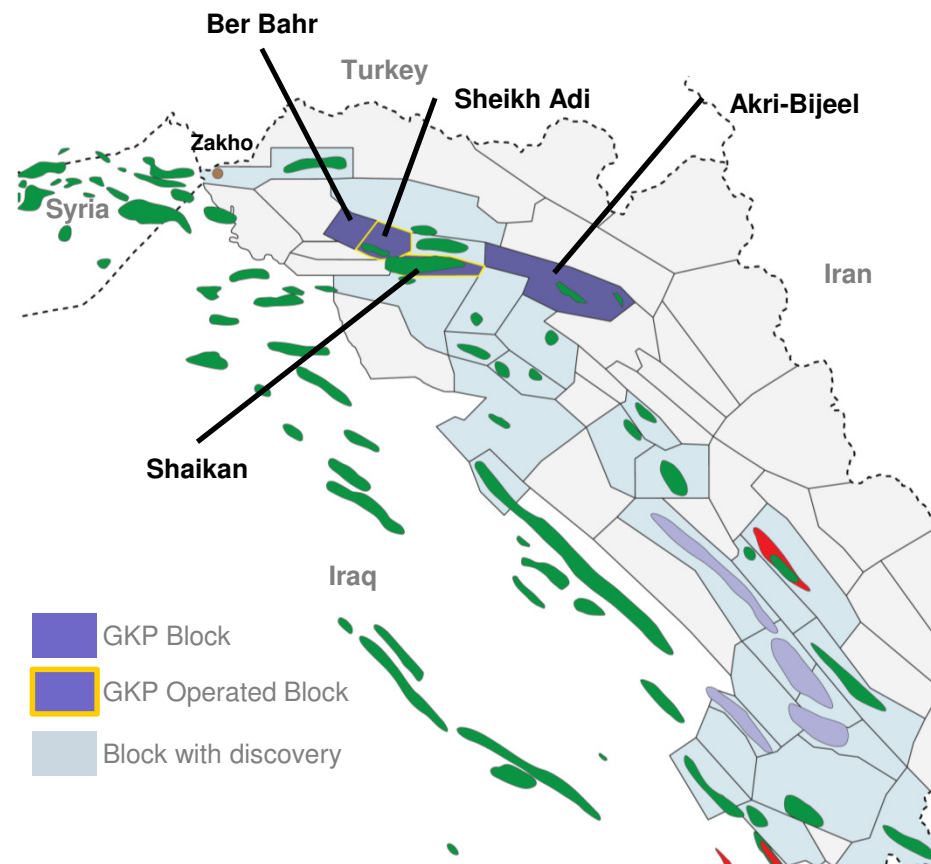
3. Clear path to exceed  
400,000 bpd  
production

4. High-probability  
exploration prospect  
inventory

# Four highly-prized blocks



- Kurdistan is an underexplored prolific oil province with >70% discovery rates
- GKP has interests in four adjacent and on-trend blocks
- 4 exploration wells:
  - 2 discoveries: Shaikan-1, Bijell-1
  - 2 requiring further evaluation: Sheikh Adi-1 and Bekhme-1
- 2012-2013 exploration program targeting billion barrel prospects



Block	W.I	Diluted W.I	Operator	Other Partners
Shaikan <sup>(1)</sup>	75%	51% <sup>(3)</sup>	GKP	MOL (20%), TKI (5%) <sup>(2)</sup>
Sheikh Adi	80%	80%	GKP	KRG (20%)
Ber Bahr	40%	40%	Genel	Genel (40%), KRG (20%)
Akri-Bijeel <sup>(1)</sup>	20%	12.8%	MOL	MOL (80%)

Source: GKP, SPE

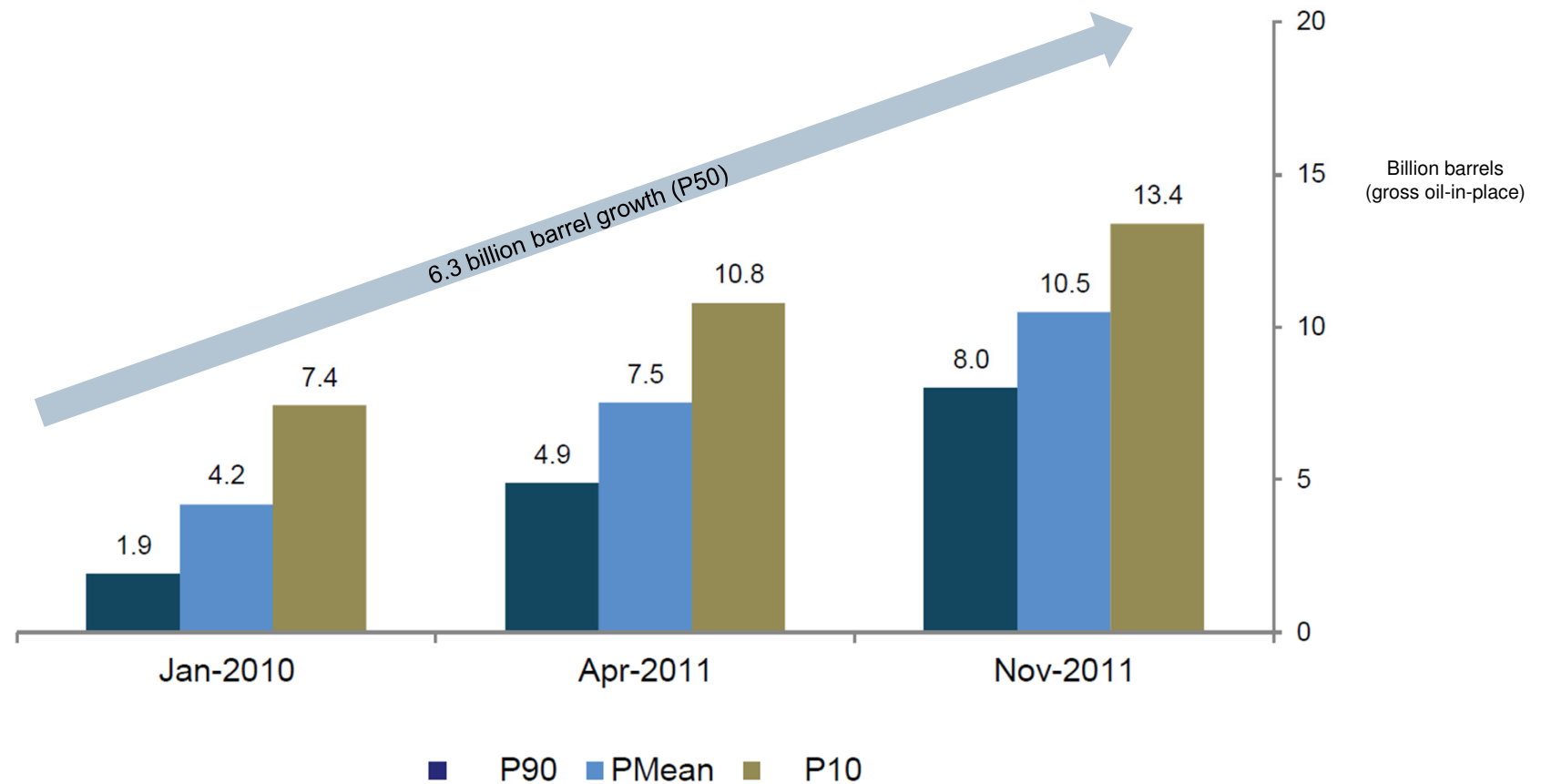
Note: (1) GKP holding subject to third party and Kurdistan Regional Government's (KRG) back-in rights

(2) Texas Keystone Inc. (TKI) holds its interest in trust for GKP pending transfer of its interest

(3) Inclusive of Texas Keystone International Holding increases to 54.3%

# Shaikan: Big fields get bigger

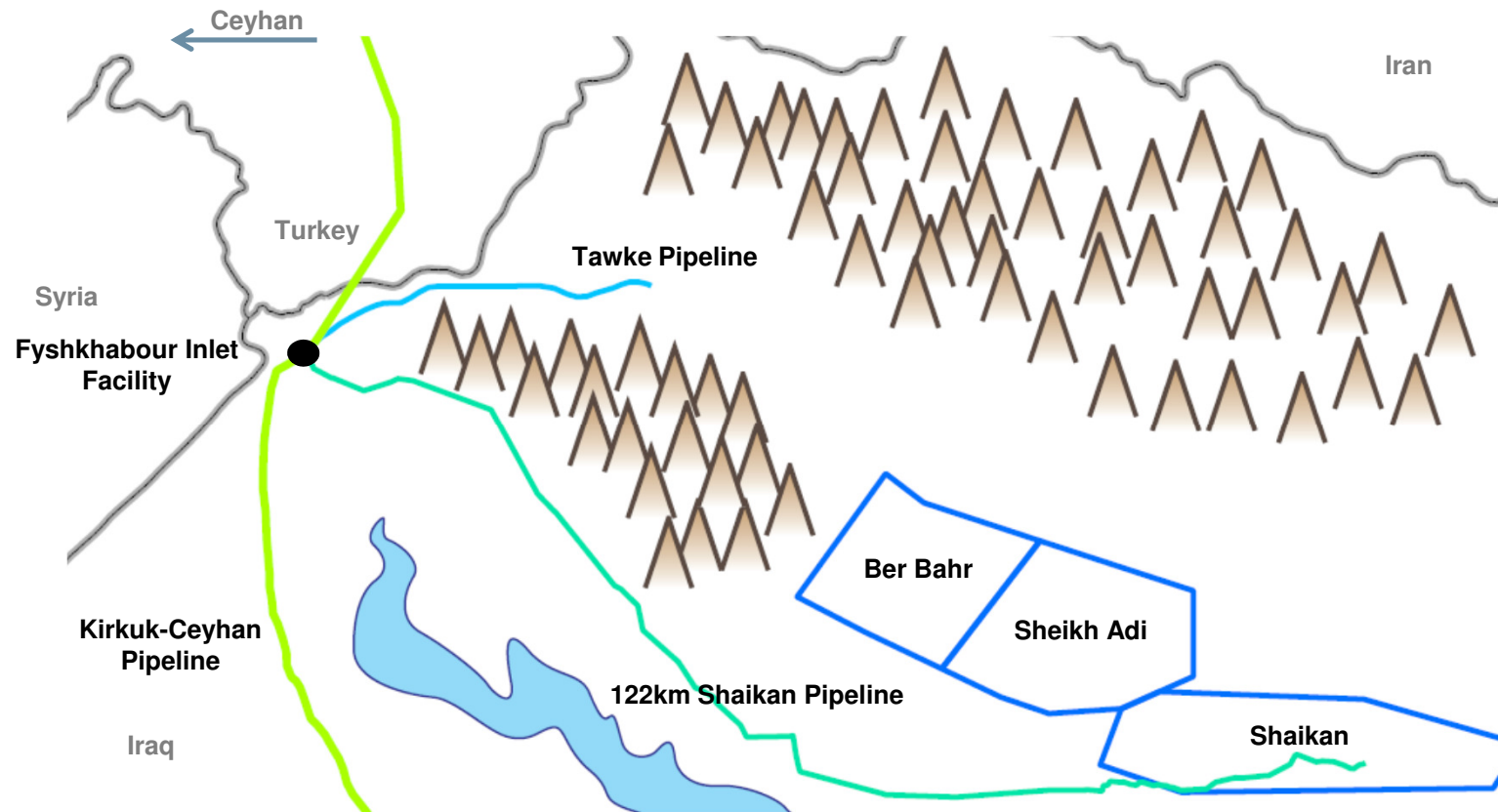
- From discovery in August 2009 to today, the estimated size of Shaikan has grown considerably
- Volumes supported by independent third party evaluations
- Further growth potential as new wells are drilled and Shaikan deep prospects are derisked



Source: GKP, DGA Reports Jan-2010, Apr-2011, Nov-2011  
Validated by Ryder Scott, Jan-2011

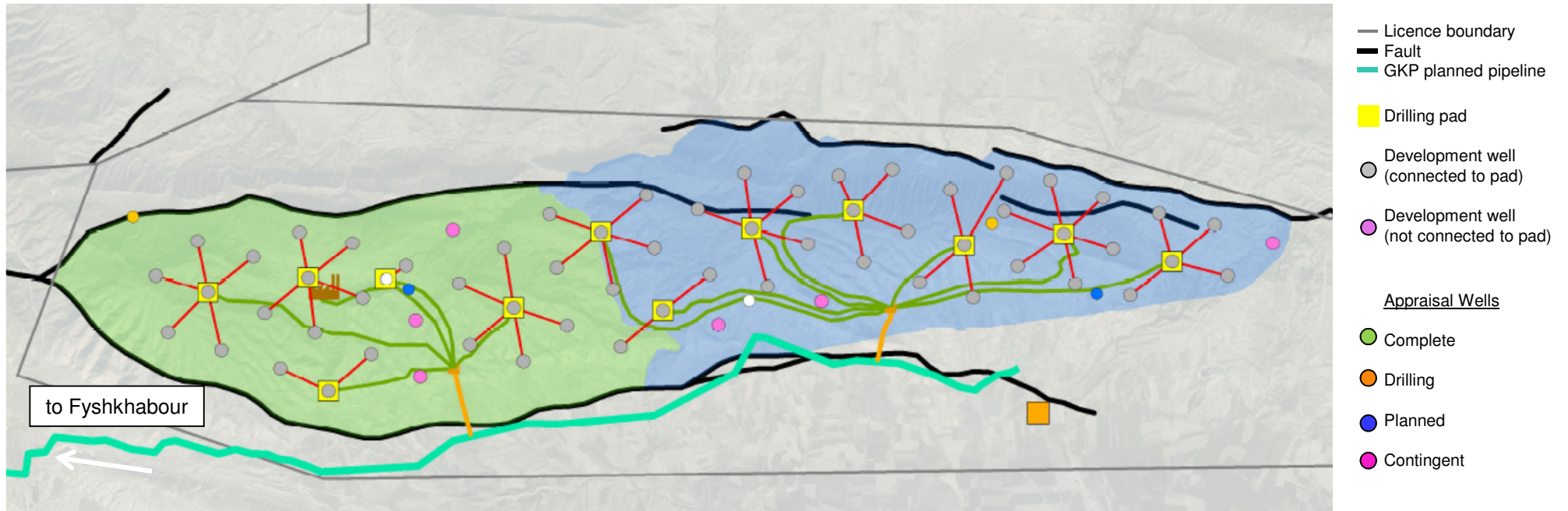
# Pipeline routes and locations

- GKP plans to build 440,000 bpd, 122km pipeline from Shaikan to connect with Kirkuk-Ceyhan pipeline
- Approximately 1 million bpd ullage in Kirkuk-Ceyhan pipeline

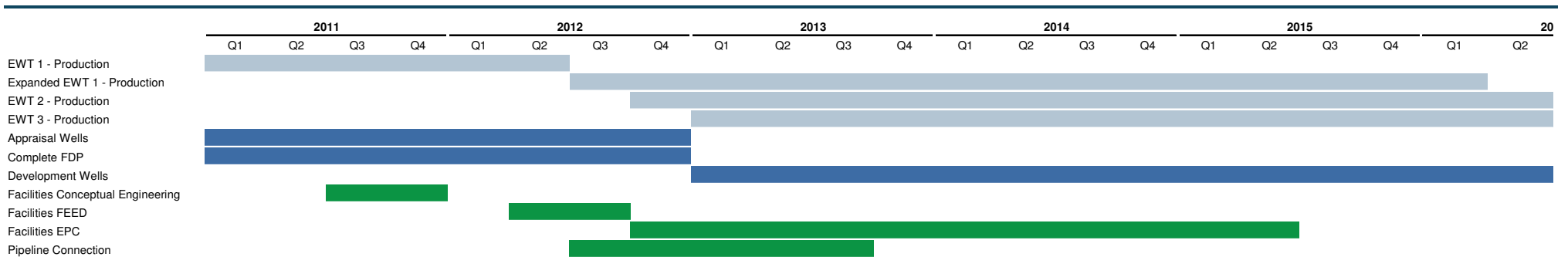


Source: GKP

# Shaikan conceptual development plan



## Indicative development timeline

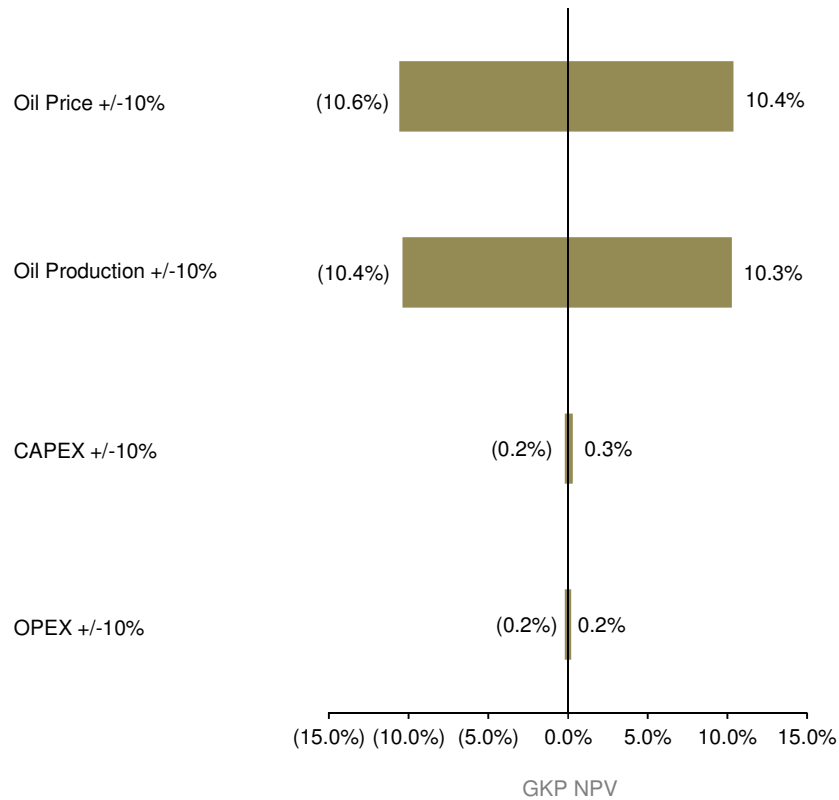


Source: GKP analysis

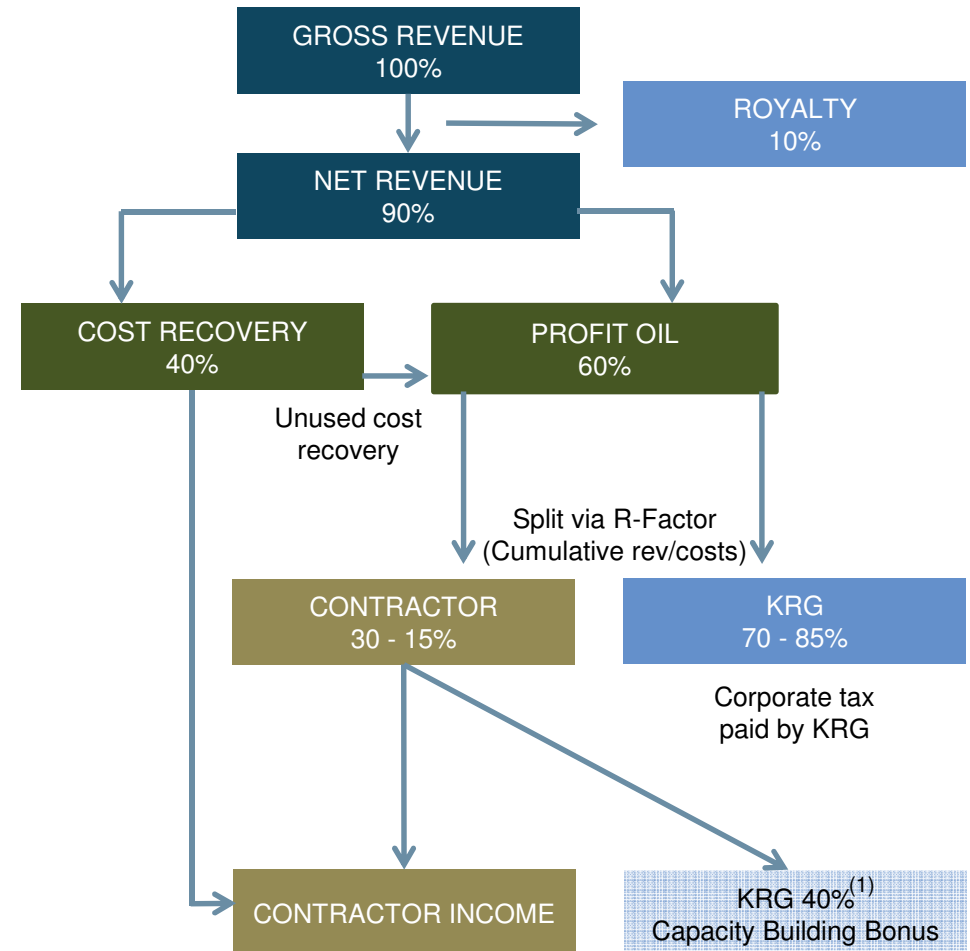
# PSC decouples production costs from contractor returns

## Sensitivity analysis

- Returns are highly insensitive to capex and opex
- Higher costs keep R-Factor lower for longer



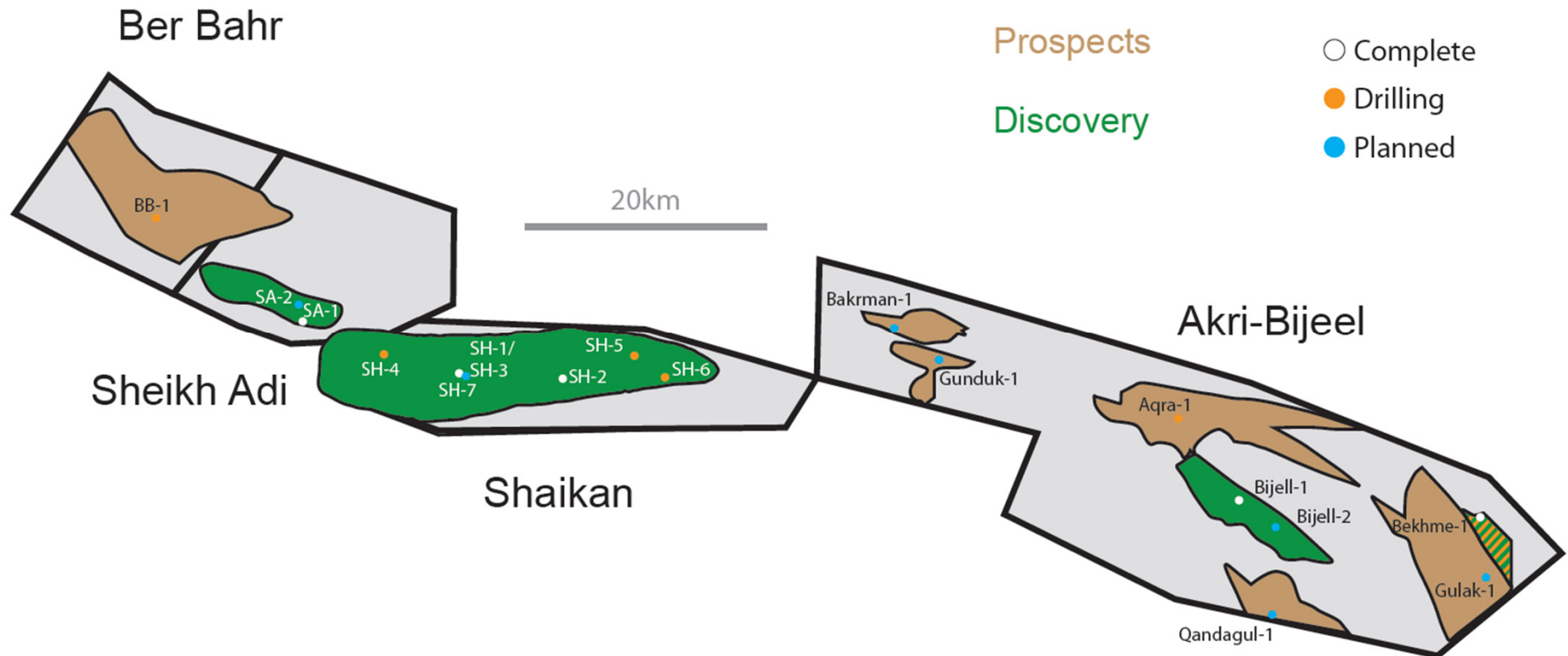
## Shaikan oil PSC



Source: GKP analysis  
Note: (1) Applies to GKP and TKI only

# Shaikan is just the start

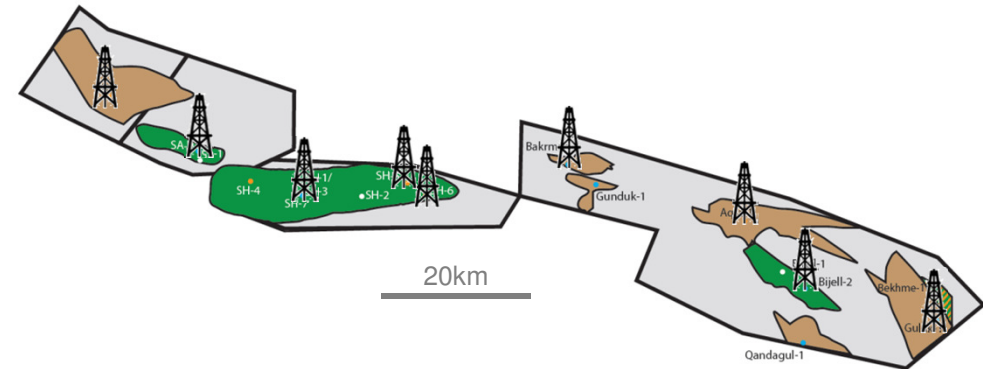
- Incremental billion barrel potential across three other blocks
- Targeted by the 2012 exploration program and beyond



# Exploration programme

- High impact drilling campaign planned and funded through 2012/13 based on current plans
- Targeting 6 exploration wells and 3 appraisal wells
- 7 rigs across 4 blocks (3 x GKP, 3 x MOL and 1 x Genel Energy)















## 2011-2012 Drilling program



Well spud



Expected completion

Field / Prospect	Activity	Well	2011	2012				2013		Comments	
			Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Shaikan	Appraisal	Shaikan-5		----->						Jurassic and Triassic eastward extension of known oil	
	Appraisal	Shaikan-6		----->						Jurassic and Triassic with possible OWC definition	
	Exploration	Shaikan-7					----->			Deeper Triassic and Permian targets	
Akri-Bijee	Appraisal	Bijell-2							----->		Test southern extent of accumulation proved by Bijell-1
	Exploration/ Appraisal	Aqra-1			----->						To prove North extension of Bijell structure targeting Cretaceous & Jurassic
	Exploration	Gulak-1				----->					Large footwall prospect south of Bekhme
	Exploration	Bakrman-1				----->					Testing large undrilled anticline on trend with Shaikan
Sheikh Adi	Exploration	Sheikh Adi-2			----->						Jurassic, Triassic targets in hanging wall of Sheikh Adi structure
Ber Bahr	Exploration	Ber Bahr-1		----->							Jurassic, Triassic reservoirs in major undrilled anticline

## Government relations

- Long-standing partnership with the Kurdistan Regional Government (KRG)
- Recognised as an early believer in the Kurdistan story
- Shaikan field important for the KRG's 1 million bopd production target
- Expectation of near-term positive outcome on the Iraq federal oil and gas law

## Excellent operating team and record on the ground

- Recognised operating record focused on Kurdistan
- GKP Kurdistan is led by Adnan Samarrai, a geologist with over 45 years experience with Iraq Petroleum Co. and the Iraq National Oil Company
- Support of local employment and training initiatives
- 688 Kurdistan based personnel including local staff, expats and contractors

## Erbil, November 2011



## Regional development initiatives

- Spirit of cooperation with local communities
- Local community infrastructure initiatives programme
- Training seminars for KRG officials
- Supporting UK Parliamentary Group for KRG promoting business links and awareness
- Facilitation of media visits to promote regional economic development (The Times, CNN)

# Concluding remarks

Multi-billion barrel  
discovered resources

Clear path to 400,000  
bpd production

Proven operating  
capability & leading  
Kurdistan brand

High-probability  
exploration prospect  
inventory



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## **•Risks relating to the Group's business**

### **•Operating in Kurdistan**

Kurdistan is a region in northern Iraq. The political situation in Iraq is unsettled and volatile. The political issues of federalism and the autonomy of regions in Iraq are matters about which there are major differences between the various political factions in Iraq. The current situation could create uncertainty for the Group, in particular with regard to validity of title of the Group's assets in Kurdistan and the allocation of revenue generated by those assets.

### **•Title matters**

The Group has the right to explore its assets in Algeria and Kurdistan and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of the applicable exploration and development authorisations and that such exploration and development authorisations will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for or re-applied for will be granted or renewed on terms satisfactory to the Company. There can be no assurances that claims by third parties against the Group's assets or other rights will not be asserted at a future date.

No federal Iraq legislation has yet been agreed to or enacted by the Iraq Council of Ministers (Cabinet) and/or Council of Representatives (Parliament) to address the future organisation of Iraq's petroleum industry or the sharing of petroleum and other revenues within Iraq. The production sharing contracts which relate to the Group's assets in Kurdistan (the "**Kurdistan PSCs**") are between, amongst others, the Group and the Kurdistan Regional Government (the "**KRG**"). The KRG has assumed authority to manage the oil and gas resources of Kurdistan, in the manner set out in the Oil and Gas Law of the Kurdistan Region ("KROGL"), on the basis of its interpretation of the Constitution of Iraq. However, the conflicting view, which is held by certain officials within the Federal Government of Iraq (the "FGI"), the Iraq Minister of Oil and many Iraqi politicians, is that the power to manage and grant licences in respect of oil and gas resources in Kurdistan has not been delegated to the KRG and remains under the control of the FGI. The division of power between the KRG and the FGI regarding the oil and gas resources in Kurdistan is currently in dispute and is unlikely to be settled in the foreseeable future and, in any event, until after the next general election in Iraq has taken place.

Depending on the outcome of the current dispute between the KRG and the FGI, there is a risk that the Kurdistan PSCs may be deemed to be invalid or may be successfully challenged by third parties and/or that federal legislation contradictory to Kurdistan legislation could be enacted. If any of the Group's Kurdistan PSCs are found to be invalid or are successfully challenged by third parties, and/or if such federal legislation is enacted, this could have a material adverse effect on the Group's business, financial condition or results of operations. In addition, the Group may incur significant costs, including legal fees, in defending any claims or participating in any legal proceedings relating to the validity of the Kurdistan PSCs.

### **•Need for additional capital**

The exploration for and production of oil and gas resources is a capital intensive business. The Company will need to raise additional funds in the future in order to fully develop its drilling programmes. Additional equity financing will be dilutive to the Company's existing shareholders and could contain rights and preferences superior to the existing shares. Debt financing may involve restrictions on the Company's financing and operating activities. In either case, additional financing may not be available to the Company on acceptable terms. If the Company is unable to raise additional funds as needed, the scope of its operations may be reduced and, as a result, the Company may be unable to fulfill its long-term expansion programme.

Failure to carry out minimum work obligations or generally to comply with undertakings in production sharing contracts or similar agreements in relation to exploration and production of fields could mean that the Group's rights to explore and produce are terminated and /or that compensation is due. Where joint operating or other similar agreements are in place, failure to pay cash calls could give the other partners the right to claim that the Group's interest in forfeited, without compensation.

### **•Limited diversification**

Generally, risk can be reduced through diversification. Diversification is maximised by drilling a large number of wells over a large area of prospects having different geological characteristics. The Company anticipates drilling a limited number of wells in a relatively limited area. The drilling and development programme, therefore, will have only a limited amount of diversification with a correspondingly higher degree of risk for investors. This diversification will be further limited should the number of prospects and/or regions being drilled be decreased.

### **•Insurance coverage**

There are significant exploration and operating risks associated with drilling oil and gas wells, including blowouts, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, environmental risks and fire, all of which can result in injury to persons as well as damage to or destruction of oil and gas wells, equipment, formations and reserves, production facilities and other property. In addition, the Company may be subject to liability for environmental risks such as pollution and abuse of the environment. Although the Company will exercise due care in the conduct of the Group's business and will maintain what it believes to be customary insurance coverage for companies engaged in similar operations, the Company is not fully insured against all risks in the Group's business. The occurrence of a significant event against which the Company is not fully insured could have a material adverse effect on its operations and financial performance. In addition, in the future some or all of the Company's insurance coverage may become unavailable or prohibitively expensive.

## **•Prospects in Algeria and Kurdistan**

•Both Société Par Actions Sonatrach, Algeria's national oil development enterprise ("SONATRACH") and international oil and gas companies have explored prospects throughout Algeria with varying degrees of success. Similarly, various international oil and gas companies have explored prospects throughout Kurdistan with varying degrees of success. The availability of third party data and the results of the Company's development activities may not be an accurate indication of the Company's success. The wells the Company has drilled and plans to drill may not produce any oil or gas, or may not produce commercially viable quantities of oil or gas to enable the Company to operate profitably or to enable investors to recover their investments. The Company cannot predict the life or production levels of its wells.

## **•Relationship with partners**

•The Group's success in developing its assets will depend materially upon the cooperation of its partners in carrying out the Group's obligations under its production sharing contracts. The failure to work cooperatively with its partners could curtail drilling and production activities and be detrimental to the Group's business.

•In developing the Group's assets, the Group will engage in joint activities with its partners, including exploration, development, production and transportation. As a result, the Group will not have complete independent decision-making authority for the development of its assets and will rely on its partners in making important decisions. In addition, there may be circumstances in which the Group's partners control or manage important aspects of a project. As a result, the Group will be relying on its partners for material contributions to the development of its assets. Should the Group's relationship with any of its partners be terminated or should the Company's partners be unable or fail to meet their responsibilities, or if the Group is unable to effectively work together with its partners, its success and profitability may be adversely affected.

•In particular, the bankruptcy, insolvency, financial distress of one of the partners or any failure by a partner to pay amounts due, may result in the Company assuming liability for a greater portion of obligations than it would otherwise bear in relation to the joint venture, or may result in the termination of the relevant petroleum rights, which, in turn, could adversely affect the Group's business, financial condition or results of operations.

## **•Cost-sharing arrangements**

•As a result of the Group's cost-sharing arrangements with its partners, the Group may bear the full exploration investment cost for wells that do not contain commercially exploitable deposits. The failure to identify and develop commercially exploitable deposits exposes the Group to the risk that it will bear the entire exploration cost. Bearing such costs would have a material adverse effect on the Group's business and operating results and, depending on their frequency and magnitude, could threaten the survival of the Group.

## **•Reliance on third parties**

•The Group and its partners may contract with third parties for equipment and services. The failure of a third party to perform its obligations adequately could subject the Group to additional costs and delays. In addition, failure of a subcontractor to pay for its equipment and services could adversely affect the Company's profitability. If a subcontractor fails to timely pay for equipment and services on time, the condition of the wells may suffer, the Company's profitability could be adversely affected and certain aspects of the Group's business could be subject to liens. As a result, the project in question could incur excessive costs to prevent adverse effects on the Group's wells or operations, to satisfy such liabilities or to discharge such liens.

## **•Requirement for permits and licences**

•The operations of the Group require licences, permits and in some cases renewals of existing licenses and permits from various governmental authorities. The board of directors of the Company (the "Board") believes that the Group has the benefit of all necessary licences and permits to carry on the activities which it conducts under applicable laws and regulations and also believes that the Group is complying in all material respects with the terms of such licences and permits. However, the Group's ability to obtain, sustain or renew such licences and permits on acceptable terms are subject to change in regulations and policies and to the discretion of the applicable governments.

## **•Foreign currency exchange rates**

•As an international operator, the Company's business transactions may not be denominated in the same currencies. To the extent that the Company's business transactions are not denominated in the same currency, the Company is exposed to foreign currency exchange rate risk. In addition, holders of the Company's shares are subject to foreign currency exchange rate risk to the extent the Company's business transactions are denominated in currencies other than the US Dollar. Fluctuations in foreign currency exchange rates may adversely affect the Company's profitability. At this time, the Company does not plan to actively hedge its foreign currency exchange rate risk.

## **•Conflicts of interests**

•Certain of the management team own or work for companies engaged in oil and gas activities in the United States and other countries. Although it is unlikely that any of these other activities will directly conflict with the Company's activities in Algeria and/or Kurdistan, it is possible that there may be some competition among them for available resources and management time. In addition, the Company uses the services of its subsidiaries to provide it with administrative and certain technical services and, although the Company has no current plans or agreements to do so, it may retain such companies to provide other services in the future. Whilst the Company will endeavour to, there can be no assurance that any transactions between the Company and such subsidiaries will be on terms as favourable as could have been negotiated with independent third parties.

## **•Attraction and retention of key personnel, including directors**

•The Company has a small management team, and the loss of a key individual or inability to attract suitably qualified staff could materially adversely impact the business. Difficulties may also be experienced in certain jurisdictions in obtaining suitably qualified staff and retaining staff who are willing to work in those jurisdictions. The success of the Company depends on the ability of the directors and other key personnel to interpret market and geological data correctly and to interpret and respond to economic, market and other conditions in order to locate and adopt appropriate investment opportunities, monitor such investments, and ultimately, if required, successfully divest such investments. No assurance can be given that individuals with the required skills will continue their association or employment with the Company or that replacement personnel with comparable skills can be found. The Board has sought to and will continue to ensure that directors and any key employees are appropriately incentivised. However, their services cannot be guaranteed.



## **•Tax treatment**

•Under current Bermuda law, the Company is not subject to tax on its income or capital gains, and its dividend payments are not subject to withholding tax in Bermuda. The Company has obtained from the Minister of Finance of Bermuda an undertaking that, under the Exempt Undertakings Tax Protection Act, 1966, in the event that Bermuda enacts any legislation imposing tax computed on income or capital gains, such taxes will not apply to the Company until 2016. It is possible that this exemption will not be extended beyond that date, or if extended, that it will be extended on less favourable terms.

## **•You may have difficulty enforcing in Bermuda courts judgments of U.S. courts against us.**

•The Company is organised pursuant to the laws of Bermuda. In addition, it is anticipated that some or all of the Company's directors and officers will reside outside the United States, and all or a substantial portion of the Group's assets and their assets are or may be located in jurisdictions outside the United States. As a result, it may be difficult for you to effect process of service within the United States upon those persons or the Company to recover against them or the Company on judgments of United States courts, including judgments predicated upon civil liability provisions of the U.S. federal securities laws.

•The Company has been advised that there is doubt as to whether the court of Bermuda would enforce (1) judgments of U.S. courts obtained in actions against the Company or its directors and officers, or the experts named herein, who reside outside the United States predicated upon the civil liability provisions of the U.S. federal securities laws, or (2) original actions brought in Bermuda against the Company or those persons predicated solely upon U.S. federal securities laws. The Company has also been advised that there is no treaty in effect between the United States and Bermuda providing for such enforcement, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. Because judgments in U.S. courts are not automatically enforceable in Bermuda, it may be difficult for you to recover against the Company based upon such judgments. In addition, certain remedies available under the laws of U.S. jurisdictions, including certain remedies available under U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to Bermuda public policy.

## **•Exploration, production and operational risks relating to the Company's business**

•The exploration for and production of oil and other natural resources is speculative and involves a high degree of risk. In particular, the operations of the Group may be disrupted by a variety of risks and hazards which are beyond its control, including, but not limited to, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, earthquakes, unusual or unexpected geological formations, flooding, earthquake and extended interruptions due to inclement or hazardous weather conditions, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of wells or production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability.

•The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of oil discovered will be available for extraction. Delays in the construction and commissioning of projects or other technical difficulties may result in the Company's current or future projected target dates for production being delayed or further capital expenditure being required. If the Company fails to meet its work and/or expenditure obligations, the rights granted therein will be forfeited and the Company will be liable to pay large sums, which could jeopardise its ability to continue operations.

## **•Increase in drilling costs and the availability of drilling equipment**

•The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the Company's ability to invest in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside of Algeria and/or Kurdistan or in other areas of Algeria and/or Iraq may reduce the availability of equipment and services to the Group. The reduced availability of equipment and services may delay the Group's ability to exploit reserves and adversely affect its operations and profitability.

## **•Delays in production, marketing and transportation**

•Various production, marketing and transportation conditions may cause delays in oil production and adversely affect the Group's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify construction of the necessary transportation and production facilities. The Group's inability to complete wells in a timely manner would result in production delays.

•In addition, marketing demands, which tend to be seasonal, may reduce or delay production from wells. The marketability and price of oil and natural gas that may be acquired or discovered by the Group will be affected by numerous factors beyond its control. The ability of the Group to market natural gas and/or oil may depend upon the Group's ability to acquire space on pipelines that deliver natural gas and/or oil to commercial markets. The Group is also subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of its reserves to adequate pipeline and processing facilities and extensive government regulation relating to price, taxes, royalties, licences, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Moreover, weather conditions may impede the transportation and delivery of oil by sea.

## **•Decommissioning costs**

•The Company may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which it may use for production of oil and gas. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as "decommissioning". There are no immediate plans to establish a reserve account for these potential costs, rather, the costs of decommissioning are expected to be paid from the proceeds of production in accordance with the practice generally employed in onshore and offshore oilfield operations. Should decommissioning be required, the costs of decommissioning may exceed the value of reserves remaining at any particular time to cover such decommissioning costs. The Company may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could have a materially adverse effect on the Company's financial position and future results of operations.

## **•Risks relating to the oil and gas industry**

### **•Oil and gas drilling is speculative**

•Drilling oil and gas wells is speculative, may be unprofitable and may result in a total loss of your investment. The Company may never identify commercially exploitable deposits or successfully drill, complete or develop oil and gas reserves. Completed wells may never produce oil or gas, or may not produce sufficient quantities to be profitable or commercially viable.

## **•Oil and gas pricing and demand**

•The price of and demand for oil and gas is highly dependent on a number of factors, including both domestic and international supply and demand levels, energy policies, weather, competitiveness of alternative energy sources, global and domestic economic and political developments and the volatile trading patterns of the commodity futures markets. Natural gas prices also continue to be highly volatile. Changes in oil and gas prices can impact on the Company's valuation of reserves. International oil and gas prices have fluctuated widely in recent years and may continue to do so in the future. Lower oil and gas prices will adversely affect the Company's revenues, business or financial condition and the valuation of its reserves. In periods of sharply lower commodity prices, the Company may curtail production and capital spending projects and may defer or delay drilling wells because of lower cash flows. In addition, the demand for and supply of oil and gas in Algeria, Iraq and/or worldwide may affect the Company's level of production and profitability.

## **•Significant competition**

•The Company's competitors include major oil and gas companies and independent oil and gas companies. The oil and gas business is highly competitive in the search for and acquisition of reserves and in the gathering and marketing of oil and gas production and in the recruitment and employment of qualified personnel. In addition, in both Algeria and Kurdistan the Company will compete with oil and gas companies in the bidding for exploration and production licences. The Company's competitors may have significantly greater financial, technical, production and other resources than the Company and may be able to devote greater resources to the development of their business. If the Company is unable to successfully compete, its business will suffer.

## **•Risks relating to operating in foreign countries**

### **•General Risks**

•There are various risks inherent in foreign operations including, but not limited to, loss of revenue, property and equipment as a result of hazards such as expropriation, war, terrorism, insurrection and other political risks, increases in taxes and governmental royalties, renegotiation of contracts with governmental entities, changes in laws and policies governing operations of foreign-based companies, price or gathering rate controls, environmental protection regulation, currency restrictions and exchange rate fluctuations and other uncertainties arising from foreign governmental sovereignty over the Company's operations. These risks may adversely affect the Company's business and operations.

### **•Risks of operating in foreign jurisdictions**

•The Company's assets are located in Kurdistan and Algeria. As such, the Company is subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determinations or rulings by governmental authorities, changes in energy policies or in the personnel administering them, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and royalty and government revenue share increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, terrorism activities and insurrections.

•The Group's operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within its control including, among other things, adverse legislation in Algeria, Iraq and/or Kurdistan, a change in crude oil or natural gas pricing policy, the risks of war, terrorism, abduction, expropriation, nationalisation, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development and abandonment of fields.

•In the event of a dispute arising in connection with its foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of the courts in the Company's home jurisdiction or to international arbitration or enforcing judgments obtained in its home jurisdiction or arbitral awards obtained from international arbitration in such other jurisdictions.

•In addition, jurisdictions in which the Group operates may have relatively undeveloped legal systems than more established economies. Local business, judicial or regulatory customs and practice may not favour strict adherence to legal requirements or the negotiated terms of contractual agreements. As a result, the Group's operations may be subject to a higher degree of uncertainty, and legal redress, if needed, may be limited or uncertain.

### **•Terrorism and the uncertainty of war**

•Terrorist attacks and other acts of violence or war may affect the Company's operations and profitability. The consequences of any terrorist attacks or any armed conflicts which may result are unpredictable, and the Company may not be able to foresee events that could have an adverse effect on its business.

### **•Governmental regulation and control**

•Algerian, Kurdistan and Iraqi governmental, legal and regulatory restrictions may have a negative impact on the Company's profitability. Increased restraints on the ability of the Company to export funds may limit its ability to distribute profits. Changes in tax laws and tax withholding requirements may reduce the availability of funds to the Company. The government may freeze the Company's assets to collect taxes or as a penalty for the excessive repatriation of funds, which would limit the Company's ability to access its working capital and to distribute its profits. Restrictions on payments to intermediaries may make it more difficult to obtain equipment and supplies and to transport and market oil and gas. In addition, uncertainties arising from governmental sovereignty over the Group's operations creates additional risks, including the potential nationalisation of its operations. Regulations relating to labour may increase the Group's costs or otherwise alter the Group's relationships with its employees.

## **•Environmental regulation**

•The Group's operations are subject to environmental regulations promulgated by the Algerian and Kurdistan Governments and could, in the future, also be subject to environmental regulations promulgated by the Iraqi government. Should the Company initiate operations in other countries, such operations will be subject to environmental legislation in such jurisdictions. Current environmental legislation in Algeria and Kurdistan provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments.

•The Group's operations are subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards of enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a materially adverse effect on the Company's future financial condition or results of operations.

## **•Civil unrest**

•Both the Algerian and Kurdistan governments have attempted to implement deregulation and privatisation reforms. Both Algeria and Kurdistan continue, however, to suffer from, amongst other things, high unemployment, labour unrest and on-going civil unrest by certain political, religious and terrorist groups. Certain of the Company's assets are located in remote regions and may be exposed to additional risks. While the Company believes it has taken appropriate measures to protect its employees and operations, such conflict could endanger the employees of the Company and disrupt, delay or interrupt its operations and adversely affect its profitability.

## **•General economic conditions**

•Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors which may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of growth of Iraq's and/or Algeria's gross domestic product, interest rates and the rate of inflation.

## **•The Company's interests and business are subject to the risk of litigation**

•From time to time, the Company may be subject to litigation relating to its interests or operations maybe subject to an announcement(s) as appropriate. Claims and damages under such litigation may be material or may be indeterminate and the outcome of such litigation may materially impact the Company's business, results of operations or financial condition. While the Company assesses the merits of any litigation and defends itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, an adverse judgement(s) and/ or publicity surrounding such claims may have a material adverse effect on the Company's business.

## **•Risks relating to the Company's shares**

•The price of the Company's shares could fluctuate substantially, which could negatively impact the Company's shareholders.

•The Company's shares are currently traded on AIM, a market operated by the London Stock Exchange plc ("AIM") under the symbol GKP. The price at which the shares will trade will depend upon a number of factors, some of which are beyond the Company's control, including, but not limited to:

- decreased demand for the shares;
- changes in general market conditions;
- investor perception of the Company's industry or the Company's prospects;
- changes in financial estimates by securities analysts;
- fluctuations in the price of stock of companies in the Company's industry;
- general volatility in the stock market; or
- the general performance of AIM

•Such factors may negatively affect the market price of the shares. In addition, the risks described elsewhere in this Risk Factors section could materially and adversely affect the price of the shares.

•AIM is less liquid and more volatile than other major exchanges.

•The sole trading market for the Company's shares is AIM. AIM is less liquid than the Main Market in the UK. As a result, you may find it difficult to buy or sell shares, especially in large blocks. In addition, AIM has in the past experienced substantial fluctuations in the market prices of listed securities. This has in the past affected, and may in the future affect, the market price and liquidity of shares of companies listed on AIM, including the market price and liquidity of the Company's shares. The Company cannot give any assurances about the future liquidity of the market for shares.