



May 20, 2010

52-wk Range: £0.10-1.31

Market Cap (M): £418.5

12-month target: £2.00

EV (M): £418.5

## Oil & Gas

## Exports to be resumed in two days?

### Summary

Gulf Keystone is an independent company whose objectives are to explore, develop and produce oil and gas primarily in North Africa and the Middle East.



### Key Metrics

Shares Outstanding (M):	494.5
Current Price (GBP):	£0.81

### Event

"After two days we are going to export Kurdistan's oil once again", the Kurdistan government natural resources minister, Ashti Hawrami, was quoted in the press after participating in the Economic Forum between Kurdistan and the United Arab Emirates in the capital of Kurdistan, Erbil on Wednesday. It is reported that on Tuesday, the Iraqi government accepted a deal to allow the resumption of exports of Kurdish oil and agreed on bearing all the remuneration of producers.

### Comment

This follows a preliminary agreement between the KRG and Baghdad that we reported on May 7<sup>th</sup> regarding the costs oil portion of the revenue entitlement to producing oil companies. We believed this was a step in the right direction and the news today seems to indicate that a final agreement has been reached. As a reminder the exports were halted in October 2009, after the Iraqi government refused to pay the companies responsible for the extraction and exporting the oil. If exports are resumed this is a major news for all companies involved in Kurdistan and for the currently producing ones in particular.

Any such agreement between the KRG and Baghdad, if confirmed, also paves the way for companies that are involved in the South of Iraq to be free to have operations in Kurdistan. We believe the previous ban by Baghdad was a major impediment for bigger companies to enter Kurdistan. The only way to do so now for them is by acquiring assets in Kurdistan which will lead to a dramatic increase in asset prices and consolidation. We believe that companies active in the northern half of Kurdistan such as Gulf Keystone and Heritage have the best assets, i.e. better geology, more oil prone, and could be involved earlier in any M&A activities versus their southern peers.

### Recommendation

We reiterate our Buy rating and price target of £2.00.

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### Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil&Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.

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Research disclosure as of 20 May 2010

Company Name	Disclosure
Gulf Keystone	7

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Fox-Davies corporate client & coverage universe as of 20 May 2010

Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	22.04.10	£0.20	£0.04
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.61
Circle Oil	COP LN Equity	BUY	20.05.10	£0.90	£0.36
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.73
Enegi Oil	ENEG LN Equity	SELL	17.05.10	£0.10	£0.23
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£1.65
Gulf Keystone	GKP LN Equity	BUY	20.05.10	£2.00	£0.81
Gulfsands Petroleum	GPX LN Equity	HOLD	04.05.10	£3.00	£2.70
Hardy Oil & Gas	HDY LN Equity	BUY	26.04.10	£3.00	£1.86
Matra Petroleum	MTA LN Equity	BUY	26.01.10	£0.11	£0.05
Max Petroleum	MXP LN Equity	BUY	24.03.10	£0.50	£0.16
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.09
Po Valley	PVE AU Equity	BUY	29.04.10	A\$1.50	A\$0.35
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.04
Rockhopper Exploration	RKH LN Equity	HOLD	07.05.10	£1.10	£1.96
San Leon Energy	SLE LN Equity	BUY	18.09.09	£0.60	£0.18
Sterling Energy	SEY LN Equity	HOLD	01.02.10	£1.50	£1.20
Tower Resources	TRP LN Equity	HOLD	23.03.10	£0.02	£0.01
Victoria Oil & Gas	VOG LN Equity	BUY	21.04.10	£0.09	£0.03

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