



13 September 2010

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

Interim Results for the six months ended 30 June 2010

HIGHLIGHTS

Financial Summary

- Loss after tax \$3.1 million (1H09: \$5.6 million)
- Loss per share \$0.01 (1H09: \$0.01)
- Cash of \$161.7 million at 30 June 2010 (1H09: \$16.7 million)

Operational Summary – First Half

Kurdistan

- Significant increase in gross oil in place numbers for the Shaikan discovery with a range of 1.9 (P90) to 7.4 (P10) billion barrels, following independent evaluation by Dynamic Global Advisers
- Oil discovery announced on Bijeel-1 with flow rates of up to 3,200 barrels of oil per day ("bopd")
- 3D seismic acquisition commenced on the Shaikan structure

Algeria

- Settlement agreement negotiated with BG North Sea Holdings Limited ("BG") for the immediate stay of arbitration between the parties and the proposed withdrawal of the Company from the Hassi Ba Hamou Permit in consideration for a net cash payment of \$10.0 million from BG, subject to the necessary Algerian approvals
- During May 2010 Sonatrach exercised in its favour a guarantee of \$15.6 million in relation to the Ben Guecha Permit Blocks 108 and 128b as the exploration commitments were not satisfied

Corporate Developments – First Half

- 173.2 million new common shares issued to existing and new institutional investors raising gross proceeds of \$189.0 million
- 8.2 million new common shares issued as part of the Standby Equity Distribution Agreement ("SEDA") with YA Global Master SPV Ltd, an investment fund managed by Yorkville Advisors, LLC raising proceeds of \$10.8 million
- Reorganisation of the Company's interests held through its subsidiary, Gulf Keystone Petroleum International Limited ("GKPI"), following the exit of Etamic
- Establishment of the Employee Benefit Trust and grant there under of i) Long Term Incentive Performance Share Options ii) Executive Bonus, announced on 7 June 2010 and 25 June 2010
- Following the departure of Mr Jeremy Asher the Company is actively seeking an additional Non-Executive Director

Operational Summary – Post Period End

Kurdistan

- Additional testing of the Shaikan-1 Jurassic commenced on 12 July 2010:
 - the Butmah section resulted in flow rates of 4,650 bopd
 - the Mus section resulted in flow rates of 1,250 bopd – a ten fold increase over the 128 bopd measured during the initial test in 2009
 - Sargelu completed for long term production test
- Sheikh Adi-1 exploration well spudded on 4 August 2010
- Shaikan-3 appraisal well spudded on 2 September 2010
- Production facilities undergoing commissioning
- Sidetrack of Bijeel-1 completed and testing underway
- 3D seismic acquisition on the Shaikan structure 74% complete

Todd Kozel, Executive Chairman & Chief Executive Officer of Gulf Keystone said:

"2010 has seen an unprecedented level of activity for Gulf Keystone. Our extensive drilling programme is aimed at proving up last year's immense discovery, and we look forward to the first test production from Shaikan-1 in the coming weeks.

Gulf Keystone's outstanding progress could not have been achieved without the commitment of our staff, industry partners, the Kurdistan Regional Government and our shareholders, and I thank them all for their efforts and look forward to further success in the remainder of 2010."

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Notes to Editors:

- Gulf Keystone Petroleum Ltd. (AIM: GKP) is an independent oil and gas exploration company focused on exploration in the Kurdistan region of Northern Iraq.
- Gulf Keystone Petroleum International (GKPI) holds Production Sharing Contracts for four exploration blocks in Kurdistan.
- The Company's shares have traded on the AIM market since listing on 8 Sept 2004.
- Gulf Keystone Petroleum Limited is registered in Hamilton, Bermuda with offices in Erbil, Kurdistan, Algiers, Algeria and London, UK.
- Oil initially-in-place is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The range of uncertainty of the oil-in-place volumes is represented by a probability distribution with a low and high provided: P90 represents at least a 90% probability (high) that the quantities determined to be in place will equal or exceed the low estimate and P10 represents at least a 10% probability (low) that the quantities determined to be in place will equal or exceed the high estimate.

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GULF KEYSTONE PETROLEUM LIMITED

Executive Chairman and Chief Executive Officer's Statement

Gulf Keystone strives to be ahead of the pack, and the first six months of 2010 have seen us undertaking an unprecedented level of activity to successfully maintain that position in Kurdistan. Operationally and financially we have made significant progress positioning ourselves to exploit the upside of the potentially vast resource we have discovered in Northern Iraq.

This time last year we had an exploration team in place in the region. Now we employ close to 100 people, and our exploration team is supplemented by appraisal and production teams, working as three cohesive units to implement our strategy and prove up our resources. While we actively recruit from the local talent pool, Gulf Keystone continues to attract top international experts, a sign that we are not alone in recognising the potential of our assets.

Following the success of last year's exploration and discovery testing on Shaikan, the majority of our recent efforts have been focussed on an extensive drilling campaign aimed at increasing and providing greater certainty and understanding of the extent of the resource. Full 3D seismic data collection over the Shaikan structure is largely complete with the subsequent processing and evaluation taking place well into 2011. There are currently two operated drill rigs in place (Shaikan-3 and Sheikh Adi-1) with a third due to commence operation on Shaikan-2 in the fourth quarter of 2010. We eagerly await commencement of the extended production test on the Sargelu formation due in September, with production to be sold to the local market. This is the culmination of an intensive work programme involving tendering, procurement, civil works, engineering and construction of production facilities.

The first six months of the year also saw preparatory work for Gulf Keystone's first exploration well on the Sheikh Adi Block. The initial drilling campaign, which is expected to take six months, commenced in August 2010. Full 3D seismic data collection will be undertaken upon the arrival of the equipment from Shaikan should the initial indications from Sheikh Adi prove encouraging.

Our partners have been progressing their campaigns. Initial exploration activities conducted by MOL on the Bijeeel structure in the Akri-Bijeeel Block have produced very encouraging results. We eagerly await the results of further testing currently underway. Genel is evaluating data from Ber Bahr and we look forward to reviewing their drilling plans.

Whilst we have focussed our efforts on exploring the massive potential of the Kurdistan Region we also continue with our orderly exit from Algeria. Gulf Keystone signed an agreement with BG North Sea Holdings Limited in early 2010 for our withdrawal from the Hassi Ba Hamou Permit. The Company also continues to work on options with regard to Ferkane Permit Block 126a containing the GKN/GKS oil fields.

For a small independent, sustaining this level of activity and delivering results is an immense achievement and on behalf of the Company, I thank all our staff for their extraordinary efforts and commitment.

None of this could be achieved without assistance from the Kurdistan Regional Government ("KRG"), which in addition to being our host is now our strategic partner, following the exit of Etamic as announced in March and finalised in August. We continue to work closely with the KRG to ensure that the interests of the Kurdistan Region of Iraq and its people are well served.

The support shown by our shareholders, both retail and institutional, has also been instrumental to achieving our impressive progress. The successful fundraising of \$165 million in May provided the capital to substantially fund our extensive drilling campaign through to the end of 2010 and early 2011. We believe the significant amount raised was a vote of confidence from new and existing investors in the high potential of our assets and is evidence of management's ability to take the assets forward from their initial discovery.

TF Kozel
Executive Chairman
& Chief Executive Officer

GULF KEYSTONE PETROLEUM LIMITED

Chief Operating Officer's Review

Kurdistan

On the heels of the giant oil field discovery in Gulf Keystone's-operated Shaikan Block during the second half of 2009, our 2010 work program is one of exploration and appraisal in Shaikan and exploration drilling in the Gulf Keystone-operated Sheikh Adi Block immediately to the west of Shaikan and in the MOL-operated Akri-Bijeel Block to the north east of Shaikan.

The Genel-operated Ber Bahr Block is currently expected to spud during the first quarter of 2011.

Shaikan

The resounding success of the Shaikan-1 exploration and discovery well during August and September of 2009 (aggregate well test rates from five zones in excess of 20,000 barrels of oil equivalent per day ("boepd")) must, of course, be followed by a comprehensive program of appraisal and further evaluation.

During the first half of 2010 the work program to properly appraise the Shaikan discovery was initiated as follows:

- Full 3D seismic coverage of the Shaikan structure began in early April with a targeted completion for the data acquisition phase of October 2010. Full processing and evaluation of the acquired 3D seismic data will extend well into 2011.
- During the first half of 2010, in order to re-test additional Jurassic age productive zones in the Shaikan-1 (the Butmah at 1,783 metres to 1,814 metres and the Mus at 1,627 metres to 1,667 metres) and complete the well in the Sargelu formation, Gulf Keystone contracted a workover rig and all the necessary support services. The workover rig has subsequently arrived and successfully executed the mentioned re-tests and installed the Sargelu formation completion equipment. Forward plans for the rig were to move slightly to the north east and drill the shallow Shaikan-3 appraisal well through the Cretaceous age intervals that were not adequately evaluated during the initial drilling of Shaikan-1 due to lost circulation problems. Shaikan-3 spudded in early September.
- The Jurassic age Sargelu formation (1,450 metres to 1,510 metres) which was initially tested at 7,450 bopd through a limited and restrictive test facility during the initial drilling of Shaikan-1 will be put on extended well test to gain valuable reservoir performance and oil recovery data. Oil from this test will be trucked to Erbil and sold into the domestic Kurdistan market. Initial test production is now targeted to start in September 2010.
- In preparation for the extended production test of the Sargelu formation a facility site was selected and site preparations were completed approximately two kilometres south of the Shaikan-1 location. The construction of the production facilities, storage tanks, production flowlines and truck loading facilities were contracted for and commenced during the first half of 2010. Both domestic construction, and the facilities and equipment being built in Canada, are on schedule for a September 2010 start-up.

GULF KEYSTONE PETROLEUM LIMITED

Chief Operating Officer's Review continued

- Drilling locations were selected and constructed for the drilling of the Shaikan-2 and Shaikan-4 deep appraisal wells. The Shaikan-2 location is nine kilometres to the east of Shaikan-1 and Shaikan-4 is six kilometres to the west. Even this 15 kilometre spread in exploration and appraisal well coverage only accounts for about half the length of the potential Shaikan oil field. Additional appraisal drilling will be necessary in 2011. Both appraisal wells are designed to safely penetrate the Cretaceous age formations, the Jurassic intervals as well as the high pressure Triassic formations that forced a halt to the drilling of the Shaikan-1 discovery well. All casing and wellhead equipment necessary for the drilling of these wells has been purchased.
- The Shaikan-2 well will be drilled first and is located on the flank of the Shaikan structure in order to find the Jurassic-level oil water contact and give us valuable data as well as the possibility of a regional water level that would have significant upside oil volume implications for all four exploration blocks in which Gulf Keystone has an interest. Shaikan-2 will be drilled by the same drilling rig that drilled Shaikan-1. The initiation of drilling is contingent on final testing of MOL's successful exploration well in the Akri-Bijeel Block (GKPI working interest of 20%). Well spud is now expected in late October 2010.
- The Shaikan-4 well will either be drilled following Shaikan-2 or a third drilling rig is currently being considered. A further drilling rig would likely result in a fourth quarter 2010 spud date for Shaikan-4.

Sheikh Adi

At the date of writing, the drilling rig is onsite and drilling operations were initiated on 4 August 2010. The well is designed to penetrate and evaluate all formations through the Triassic and is expected to take about six months to drill (80% GKPI working interest).

Akri-Bijeel

The operator of the Akri-Bijeel Block, Kalegran (a subsidiary of the Hungarian E&P company MOL) drilled a discovery well in the Bijeel structure during the first half of 2010. The initial discovery zone tested at 3,200 bopd in March 2010. The presence of additional prospective oil intervals led to the need for additional testing.

A series of subsurface problems necessitated that the well be sidetracked through the prospective interval in order to safely conduct the needed testing and evaluation program. Drilling of the sidetrack is complete and evaluation activities are ongoing. When the rig is released it will move to the Shaikan-2 location.

The success of the first exploration well will be followed up by additional exploration wells on the potentially much larger Bekhme and Bakrman structures in the north east and north west corners (respectively) of the Akri-Bijeel Block. At the very least, the presence of significant hydrocarbon volumes in the Bijeel-1 structure serve to de-risk the exploration potential of the much larger Bekhme structure immediately to the north.

Ber Bahr

Genel is continuing to evaluate seismic and geological data for the Ber Bahr structure in advance of exploration drilling location selection and construction with an anticipated spud date during 2011.

GULF KEYSTONE PETROLEUM LIMITED

Chief Operating Officer's Review continued

Algeria

In Algeria, our limited activities continue to focus on a full exit from our involvement in both the small GKN/GKS oil fields in the Ferkane area of northern Algeria and from the HBH/RM gas development operated by BG in central Algeria.

Summary

The first half of 2010 has been a time of preparation, both financially and operationally, for the execution of an exploration and appraisal effort in Kurdistan that is designed to prove up resources and add value as quickly and efficiently as possible as a follow up to the Company's successful discovery well at Shaikan. The results of the Shaikan-1 well and the subsequent MOL discovery on Akri-Bijeel, not only open the door to the huge potential of those individual discoveries but also carry major de-risking implications for all the other exploration prospects in that area of Kurdistan.

JB Gerstenlauer

Chief Operating Officer

GULF KEYSTONE PETROLEUM LIMITED

Finance Director's Financial Review

General and administrative expenses during the period were \$2.7 million (1H09 \$6.0 million). Adjusting for a foreign exchange gain of \$5.6 million (1H09 \$0.2 million), Algerian oil field operating costs of \$nil (1H09 \$0.6 million) and share-based payment expense \$3.0 million (1H09 \$0.2 million) underlying costs overall were flat.

Other losses of \$0.2 million (1H09 \$nil) relate to the change in the fair value of the Standby Equity Distribution Agreement ("SEDA") with YA Global Master SPV Ltd, which has been treated as a derivative financial instrument.

Interest revenue of \$0.03 million (1H09 \$0.6 million) declined due to reduced cash balances and lower rates of interest.

Finance costs of \$0.2 million (1H09 \$0.1 million) relate to the interest charge on the decommissioning provision and bank guarantee.

Taxation

The tax expense of \$0.02 million (1H09 \$0.01 million benefit) is related to UK activities.

Profit after tax

The results for the first half of 2010 show a reduced loss after tax of \$3.1 million (1H09 \$5.6 million) reflecting the foreign exchange gain during the period.

Issue of equity

Between January and May 2010, 8,179,645 new common shares were issued under the SEDA at a weighted average price of £0.84 per share for a total value of \$10.8 million.

On 10 March 2010 the Company announced a reorganisation of its assets in Kurdistan. In order to meet the anticipated \$52.0 million payment associated with the Sheikh Adi and Ber Bahr PSC acquisitions and to fund the envisaged work programme during the remainder of 2010 and into the second quarter of 2011, the Company issued shares to existing and new institutional shareholders. On 25 May 2010 the Company placed 152.3 million new common shares of \$0.01 each at a price of £0.75 each, raising gross proceeds of \$165.0 million.

On 15 March 2010 the Company placed 20,915,034 new common shares of \$0.01 each at a price of £0.765 each, raising gross proceeds of \$24.0 million.

Cash flow

Net cash outflow from cash used in operations was \$15.5 million (1H09 inflow of \$5.8 million).

Capital expenditure of \$39.0 million (1H09 \$29.4 million with expenditure also in Algeria) relates mainly to exploration activities in the Kurdistan region of Iraq.

The issue of new common shares during the period raised net proceeds of \$192.1 million (1H09 \$6.8 million).

Taking into account the net cash used in operations, capital expenditure and proceeds from the issue of shares, the net cash inflow during the half year was \$137.6 million (1H09 outflow of \$16.9 million).

Cash and cash equivalents at the end of the period were \$161.7 million (1H09 \$16.7 million). As at 6 September 2010 they were approximately \$91.9 million.

GULF KEYSTONE PETROLEUM LIMITED

Finance Director's Financial Review continued

Other and recent events

During May 2010 Sonatrach exercised a guarantee of \$15.6 million in relation to the Ben Guecha Permit Blocks 108 and 128b in Algeria as the exploration commitments were not satisfied. This guarantee had been provided for from existing cash resources prior to the \$165.0 million share placing.

Gulf Keystone announced in February of this year an agreement with BG North Sea Holdings Limited ("BG") for the proposed withdrawal of the Company from the Hassi Ba Hamou ("HBH") Permit in consideration for a net cash payment of \$10.0 million from BG. The agreement is subject to the conclusion of separate withdrawal documentation which will require the approval of Sonatrach and the necessary Algerian governmental authorities.

During April Gulf Keystone upgraded its American Depository Receipt ("ADR") programme in the United States and began trading on the prestigious OTCQX International under the symbol "GFKSY", where each ADR represents 20 ordinary shares listed on the AIM market under the symbol "GKP". US investment bank Madison Williams and Company LLC acted as sponsor and Principal American Liaison ("PAL") for Gulf Keystone.

The Company established an Employee Benefit Trust and there under i) granted Long Term Incentive Performance Share Options and awarded ii) an executive bonus, all of which are detailed in an announcement on 7 June 2010 and 25 June 2010. Full details are also provided in the 2009 Annual Report and Accounts.

During August 2010 the Company paid \$52.0 million to complete the reorganisation of its interests in Kurdistan.

At the Annual General Meeting in early August approval was obtained to increase the authorised share capital of the Company and to issue up to 900 million new common shares of \$0.01 each of which 676,215,161 are currently in issue.

Outlook

With the successful equity fundraising of \$165.0 million in May 2010, Gulf Keystone is now following through on its stated exploration and appraisal activity. The scale of the operations on the ground reflects this ambitious programme with the seismic crews active over Shaikan, the recent spudding of both Sheikh Adi-1, the shallow Shaikan-3 and extended well test due to commence from Shaikan-1. The eagerly awaited Shaikan-2 well location is fully prepared for commencement of drilling currently planned for the fourth quarter of 2010 and the Shaikan-4 well location largely complete. The pipeyard is stocked with casing, wellheads and equipment. The office in Erbil has in turn expanded to provide the technical and logistics support required.

It will take a few months to reach a steady oil rate from the testing of Shaikan-1 as the production facilities are fully commissioned, personnel trained and the testing programme executed. The first deliveries of test production for sale are imminent and greatly anticipated and the associated revenues will further bolster the Company's finances.

The Board, along with its shareholders, partners and the KRG await the results of this extensive campaign which offers the potential for significant further value creation.

KE Ainsworth
Finance Director

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Income Statement for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 Unaudited \$'000	Six months ended 30 June 2009 Unaudited \$'000	Year ended 31 December 2009 Audited \$'000
Other operating expenses				
Impairment of intangible exploration assets		-	-	(57,418)
Impairment of tangible oil and gas properties		-	-	(12,182)
Impairment of inventories		-	-	(4,343)
General and administrative expenses		(2,714)	(6,000)	(21,180)
Loss from operations		(2,714)	(6,000)	(95,123)
Other gains and losses				
Other gains and losses		(234)	-	(442)
Interest revenue		27	558	318
Finance costs		(153)	(139)	(1,027)
Loss before tax		(3,074)	(5,581)	(96,274)
Tax (expense)/benefit	4	(20)	12	(28)
Loss after tax		(3,094)	(5,569)	(96,302)
Loss per share (cents)				
Basic	5	(0.57)	(1.48)	(22.80)
Diluted	5	(0.57)	(1.48)	(22.80)

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2010

	Six months ended 30 June 2010 Unaudited \$'000	Six months ended 30 June 2009 Unaudited \$'000	Year ended 31 December 2009 Audited \$'000
Loss for the period	(3,094)	(5,569)	(96,302)
Foreign currency translation differences	(26)	6	27
Total comprehensive loss for the period	(3,120)	(5,563)	(96,275)

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Balance Sheet as at 30 June 2010

	Notes	30 June 2010 Unaudited \$'000	30 June 2009 Unaudited \$'000	31 December 2009 Audited \$'000
Non-current assets				
Intangible assets	6	163,422	123,309	90,482
Property, plant and equipment	7	3,729	15,621	3,433
Deferred tax asset	4	1,078	19	960
		168,229	138,949	94,875
Current assets				
Inventories		7,463	5,846	574
Trade and other receivables	8	14,028	1,382	2,214
Cash and cash equivalents		161,708	16,722	19,156
Derivative financial instruments		340	-	574
		183,539	23,950	22,518
Total assets		351,768	162,899	117,393
Current liabilities				
Trade and other payables		85,317	21,137	44,117
Current tax liabilities	4	255	7	524
		85,572	21,144	44,641
Non-current liabilities				
Trade and other payables		-	14,857	113
Provisions		4,641	2,985	3,545
		4,641	17,842	3,658
Total liabilities		90,213	38,986	48,299
Net assets		261,555	123,913	69,094
Equity				
Share capital	9	5,807	3,071	3,985
Share premium account	9	430,175	211,443	239,813
Share option reserve		15,142	5,136	11,745
Exchange translation reserve		(183)	(178)	(157)
Accumulated losses		(189,386)	(95,559)	(186,292)
Total equity		261,555	123,913	69,094

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2010

	Attributable to equity holders of the Group					
	Share capital \$'000	Share premium account \$'000	Share option reserve \$'000	Exchange translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2009	2,765	204,919	4,890	(184)	(89,990)	122,400
Share-based payment expense	-	-	246	-	-	246
Share issue	306	6,524	-	-	-	6,830
Foreign currency translation differences	-	-	-	6	-	6
Net loss for the period	-	-	-	-	(5,569)	(5,569)
Balance at 30 June 2009 (unaudited)	3,071	211,443	5,136	(178)	(95,559)	123,913
Share-based payment expense	-	-	6,115	-	-	6,115
Deferred tax on share-based payment transactions	-	-	494	-	-	494
Share issue	914	28,370	-	-	-	29,284
Foreign currency translation differences	-	-	-	21	-	21
Net loss for the period	-	-	-	-	(90,733)	(90,733)
Balance at 31 December 2009 (audited)	3,985	239,813	11,745	(157)	(186,292)	69,094
Share-based payment expense	-	-	2,995	-	-	2,995
Deferred tax on share-based payment transactions	-	-	402	-	-	402
Share issue	1,822	190,362	-	-	-	192,184
Foreign currency translation differences	-	-	-	(26)	-	(26)
Net loss for the period	-	-	-	-	(3,094)	(3,094)
Balance at 30 June 2010 (unaudited)	5,807	430,175	15,142	(183)	(189,386)	261,555

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 Unaudited \$'000	Six months ended 30 June 2009 Unaudited \$'000	Year ended 31 December 2009 Audited \$'000
Operating activities				
Cash (used in)/generated by operations	10	(15,572)	5,194	(1,663)
Tax refunded		-	-	56
Interest received		27	558	318
Net cash (used in)/generated by operating activities		(15,545)	5,752	(1,289)
Investing activities				
Proceeds on sale of property, plant and equipment		-	15	37
Purchase of intangible assets		(38,376)	(29,343)	(48,984)
Purchase of property, plant and equipment		(582)	(116)	(279)
Net cash used in investing activities		(38,958)	(29,444)	(49,226)
Financing activities				
Proceeds on issue of share capital		192,124	6,830	35,657
Net cash generated by financing activities		192,124	6,830	35,657
Net increase/(decrease) in cash and cash equivalents		137,621	(16,862)	(14,858)
Cash and cash equivalents at beginning of period		19,156	33,606	33,606
Effect of foreign exchange rate changes		4,931	(22)	408
Cash and cash equivalents at end of the period		161,708	16,722	19,156
being bank balances and cash on hand		161,708	16,722	19,156

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010

1. General information

Gulf Keystone Petroleum Limited (the "Company") was incorporated and registered in Bermuda on 29 October 2001 as an exempted company limited by shares. The common shares of the Company were admitted to trading on the Alternative Investment Market ("AIM") on 8 September 2004. The Company maintains its registered office in Bermuda. In 2008 the Company established a Level 1 American Depositary Receipt ("ADR") programme in the United States in conjunction with the Bank of New York Mellon which has been appointed as the depositary bank. The ADRs trade under the symbol "GFKSY", where each ADR represents 20 ordinary shares listed on the AIM market under the symbol "GKP". During April 2010 Gulf Keystone upgraded this ADR programme and began trading on the OTCQX International.

This consolidated interim financial information of Gulf Keystone Petroleum Limited for the six months ended 30 June 2010, comprises the Company and its subsidiaries (together the "Group"). The interim report was authorised for issue by the directors on 13 September 2010. The financial information has not been audited or reviewed by auditors.

The financial information for the year ended 31 December 2009 does not constitute the Company's Annual Report for that year, but it is derived from those accounts and is consistent with the accounting policies described therein. The auditors have reported on those accounts and their opinion was unqualified with an emphasis of matter relating to the Group's ability to continue as a going concern.

2. Accounting policies

Basis of preparation

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRSs"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Going concern

In the absence of current production revenues, the Group is currently dependent upon its existing financial resources which include approximately \$91.9 million of cash and cash equivalents at 6 September 2010 and the Standby Equity Distribution Agreement facility to satisfy its obligations and finance its exploration and evaluation programme in Kurdistan. Failure to meet these exploration and evaluation commitments could put the related licence interests at risk of forfeiture.

The Directors believe that based on the forecasts and projections they have prepared, the resources available will be sufficient for the Company and its subsidiaries to continue as a going concern for the foreseeable future. However, due to high levels of planned expenditure as a result of the significant drilling campaign following the Group's recent exploration success in Kurdistan, the Group may require additional finance through production revenue streams, fund raisings, or other methods of finance. In this regard the Company is currently on track to commence first production in September 2010, and has a number of financing possibilities which it believes it would be able to pursue, if and when required. Nevertheless, the possibility remains that the Group's operations, and the availability of additional finance, could be significantly affected by adverse exploration and appraisal results, geopolitical events in the region, macroeconomic conditions or other risks.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010 continued

2. Accounting policies continued

Going concern continued

The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless after making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the interim financial statements.

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

3. Segment information

For management purposes, the Group is organised into three business segments which are based on their geography. The chief operating decision maker is the Executive Chairman and Chief Executive Officer. He is assisted by the Chief Operating Officer, the Finance Director and the Vice President of Operations as well as the Country Managers in Kurdistan and Algeria.

The accounting policies of the reportable segments are consistent with the Group's accounting policies which are described in the Group's latest annual financial statements.

Each segment is described in more detail below:

- Algeria: the Algerian segment consists of the Algiers office and the Group's operations in Algeria. In 2009 the remaining Algerian assets, being Block 126a, which includes the GKN and GKS oil fields and the HBH gas field, were impaired.
- Kurdistan: the Kurdistan segment consists of the Shaikan, Akri-Bijeel, Sheikh Adi and Ber Bahr Blocks and the Erbil office which provides support to the operations in Kurdistan.
- United Kingdom: the UK segment provides geological, geophysical and engineering services to the Gulf Keystone Group.

Corporate manages activities that serve more than one segment. It represents all overhead and administration costs incurred that cannot be directly linked to one of the above segments.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010 continued

3. Segment information continued

30 June 2010	Algeria \$'000	Kurdistan \$'000	United Kingdom \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Revenue						
Inter-segment sales	-	-	1,730	-	(1,730)	-
Total revenue	-	-	1,730	-	(1,730)	-
Allocated general and administrative expenses	(457)	(950)	(1,778)	(631)	1,413	(2,403)
Depreciation and amortisation expense	(145)	(106)	(59)	(1)	-	(311)
Loss from operations	(602)	(1,056)	(107)	(632)	(317)	(2,714)
Other gains and losses	-	-	-	(234)	-	(234)
Interest revenue	-	1	-	26	-	27
Finance costs	(153)	-	-	-	-	(153)
Loss before tax	(755)	(1,055)	(107)	(840)	(317)	(3,074)
Tax expense	-	-	(20)	-	-	(20)
Loss after tax	(755)	(1,055)	(127)	(840)	(317)	(3,094)
Total assets	13,363	176,164	4,268	405,604	(247,631)	351,768

30 June 2009	Algeria \$'000	Kurdistan \$'000	United Kingdom \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Revenue						
Inter-segment sales	-	-	1,255	-	(1,255)	-
Total revenue	-	-	1,255	-	(1,255)	-
Allocated general and administrative expenses	(2,093)	(534)	(1,214)	(2,875)	904	(5,812)
Depreciation and amortisation expense	(44)	(58)	(85)	(1)	-	(188)
Loss from operations	(2,137)	(592)	(44)	(2,876)	(351)	(6,000)
Interest revenue	-	-	-	558	-	558
Finance costs	(139)	-	-	-	-	(139)
Loss before tax	(2,276)	(592)	(44)	(2,318)	(351)	(5,581)
Tax benefit	-	-	12	-	-	12
Loss after tax	(2,276)	(592)	(32)	(2,318)	(351)	(5,569)
Total assets	95,832	50,414	1,790	134,432	(119,569)	162,899

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010 continued

3. Segment information continued

31 December 2009	Algeria \$'000	Kurdistan \$'000	United Kingdom \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Revenue						
Inter-segment sales	-	-	3,991	-	(3,991)	-
Total revenue	-	-	3,991	-	(3,991)	-
Impairment of intangible assets	(57,418)	-	-	-	-	(57,418)
Impairment of tangible oil and gas properties	(12,182)	-	-	-	-	(12,182)
Impairment of inventories	(4,343)	-	-	-	-	(4,343)
Allocated general and administrative expenses	(6,667)	(2,126)	(3,622)	(11,791)	3,409	(20,797)
Depreciation and amortisation expense	(88)	(122)	(171)	(2)	-	(383)
(Loss)/profit from operations	(80,698)	(2,248)	198	(11,793)	(582)	(95,123)
Other gains and losses	-	-	-	(442)	-	(442)
Interest revenue	-	4	96	218	-	318
Finance costs	(1,027)	-	-	-	-	(1,027)
(Loss)/profit before tax	(81,725)	(2,244)	294	(12,017)	(582)	(96,274)
Tax expense	-	-	(28)	-	-	(28)
(Loss)/profit after tax	(81,725)	(2,244)	266	(12,017)	(582)	(96,302)
Total assets	13,591	82,769	4,813	227,393	(211,173)	117,393

4. Taxation

Under current Bermuda laws, the Group is not required to pay taxes in Bermuda on either income or capital gains. The Group has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2016.

Any corporate tax liability in Algeria is settled out of Sonatrach's share of oil under the terms of the Production Sharing Contracts ("PSCs") and is therefore not reflected in the tax charge for the period.

In Kurdistan, the Group is subject to corporate income tax on its income from petroleum operations. The rate of corporate income tax is currently 15% on total income. However, any corporate income tax arising from petroleum operations will be paid from the Kurdistan Regional Government of Iraq's share of petroleum profits.

The tax currently payable is based on taxable profit for the period earned in the United Kingdom by the Group's subsidiary. UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the period of the UK subsidiary.

Deferred tax is provided for due to the temporary differences which give rise to such a balance in jurisdictions subject to income tax. During the current period no taxable profits were made in respect of the Group's Kurdistan PSCs, nor were there any temporary differences on which deferred tax is required to be provided. As a result, no corporate income tax has been provided in the period.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010 continued

5. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 30 June 2010 Unaudited \$'000	Six months ended 30 June 2009 Unaudited \$'000	Year ended 31 December 2009 Audited \$'000
Loss			
Loss for the purposes of basic and diluted loss per share	(3,094)	(5,569)	(96,302)
	30 June 2010 Number Unaudited	30 June 2009 Number Unaudited	31 December 2009 Number Audited
Number of shares			
Weighted average number of common shares for the purposes of basic loss per share	539,590,220	375,604,421	422,471,016
Adjustments for:			
-bonus shares	n/a	n/a	n/a
-share options	n/a	n/a	n/a
Weighted average number of common shares for the purposes of diluted loss per share	539,590,220	375,604,421	422,471,016

There is no difference between basic and diluted earnings per share as the Group was loss making in each period and hence the effect of bonus shares and share options is anti-dilutive.

6. Intangible assets

The additions to oil and gas exploration and evaluation costs in the period include seismic acquisition and interpretation, the drilling of the Shaikan-1B workover well and 1drilling of the Bijeel-1 exploration well in Kurdistan.

7. Property, plant and equipment

During the period, the Group spent approximately \$0.6 million on plant and equipment, including \$0.2 million on motor vehicles, for the Kurdistan operations.

8. Trade and other receivables

The trade and other receivables balance includes \$10.0 million receivable from BG North Sea Holdings Limited for the immediate stay of arbitration between the parties and the proposed withdrawal of the Company from the Hassi Ba Hamou Permit which is subject to the necessary Algerian approvals.

It also includes \$3.5 million in net receivables from Joint Venture Partners for the Shaikan, Akri-Bijeel and Ber Bahr Blocks in Kurdistan.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010 continued

9. Share capital

Share capital as at 30 June 2010 amounted to \$436.0 million. During the period, 182.2 million common shares were issued including:

- 814,036 common shares issued as part of the Company's bonus share scheme, increasing the value of share capital by \$8,140;
- 8.2 million common shares issued as part of the Standby Equity Distribution Agreement ("SEDA") increasing the value of share capital by \$10.8 million; and
- 173.2 million common shares issued to private investors, increasing the value of share capital by \$181.4 million.

10. Reconciliation of loss from operations to net cash (used in)/generated by operating activities

	Six months ended 30 June 2010 Unaudited \$'000	Six months ended 30 June 2009 Unaudited \$'000	Year ended 31 December 2009 Audited \$'000
Loss from operations	(2,714)	(6,000)	(95,123)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	294	178	363
Amortisation of intangible assets	16	10	20
Impairment of intangible exploration assets	-	-	57,418
Impairment of tangible oil and gas properties	-	-	12,182
Loss on disposal of property, plant and equipment	-	11	14
Impairment of inventories	-	24	4,343
Foreign exchange gain	(5,579)	(247)	(336)
Share-based payment expense	2,995	246	6,361
(Increase)/decrease in inventories	(6,889)	52	1,005
(Increase)/decrease in receivables	(1,814)	6,475	5,643
Decrease in payables related to 108/128b cash guarantee	(15,600)	-	-
Increase in payables	13,719	4,445	6,447
Net cash (used in)/generated by operating activities	(15,572)	5,194	(1,663)

11. Guarantees

Cash-backed guarantees

As part of the contractual terms of the Algerian contracts, the Group was required to give a bank guarantee to Sonatrach of \$15.6 million for the Ben Guecha ("108/128b Contract"). The guarantee was exercised in favour of Sonatrach in May 2010 as the exploration commitments for these blocks were not satisfied before the expiration of the licence in January 2010.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010 continued

12. Related party transactions

Transactions with related parties

Transactions between the Company and its subsidiaries are disclosed below.

During the period the Parent Company entered into the following transactions with its subsidiary, Gulf Keystone Petroleum (UK) Limited.

	Six months ended 30 June 2010 Unaudited \$'000	Six months ended 30 June 2009 Unaudited \$'000	Year ended 31 December 2009 Audited \$'000
Purchases of services in period	1,666	1,255	2,621
Amounts owed to related parties at period end	283	-	200

These amounts relate to the provision of geological, geophysical and engineering services by Gulf Keystone Petroleum (UK) Limited.

Texas Keystone Inc.

Texas Keystone Inc is a related party of the Group because Mr Todd Kozel, a Director of the Company, is also a Director of Texas Keystone, Inc. ("TKI").

On 21 December 2007, Gulf Keystone Petroleum International Limited ("GKPI") entered into a Joint Operating Agreement ("the Agreement") for the Shaikan Block in Kurdistan in which TKI holds a 5% participating interest. TKI initially led the pursuit of opportunities in the Kurdistan region and participated in the successful signature of the Production Sharing Contract ("the PSC") for the Shaikan Block. In return for this and TKI's continuing participation, GKPI was liable to pay for TKI's share of the costs of the Exploration Work Programme and all costs ancillary to the Joint Operations up until the drilling of the first exploration well. TKI elected not to participate in the drilling of the Shaikan-1 well and by failing to exercise this election agreed to assign its interest under the PSC to GKPI. Consequently TKI holds its interest in trust for GKPI pending transfer of its interest under the PSC which is subject to the approval of the Kurdistan Regional Government.

No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Opus Executive Partners

Opus Executive Partners ("Opus"), a specialist recruitment company, is a related party of the Group because Lord Peter Truscott, a Director of the Company, is an Associate Partner of Opus. Opus provided the Remuneration and Appointments Committee with information with regard to structuring Directors' remuneration packages and searching for suitable candidates in the first half of 2010. The total value of services rendered in the first half of 2010 was \$72,840. Opus did not provide any other services to the Group.

13. Subsequent events

In the 2009 Annual Report and Accounts, the Company disclosed proposals to reorganise its interests in Gulf Keystone Petroleum International ("GKPI") and in its four PSCs, which required, inter alia, KRG approval. On 9 August 2010 the Company announced that certain Production Sharing Contract ("PSC") amendments were approved and executed by the Kurdistan Regional Government ("KRG") and all the other parties in each of the respective PSCs, with an effective date of 1 August 2010.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2010 continued

13. Subsequent events continued

In the 2009 Annual Report and Accounts, the Company disclosed proposals to reorganise its interests in Gulf Keystone Petroleum International ("GKPI") and in its four PSCs, which required, inter alia, KRG approval. On 9 August 2010 the Company announced that certain Production Sharing Contract ("PSC") amendments were approved and executed by the Kurdistan Regional Government ("KRG") and all the other parties in each of the respective PSCs, with an effective date of 1 August 2010.

Key changes to the proposals announced on 10 March 2010 are:

- Previously announced payment dates for the Infrastructure Support Payments have been revised so that such payments are fully payable on 15 August 2010.
- The parties to the Shaikan Block and Akri-Bijeel Block PSCs have agreed to extend the period that the KRG may exercise the Option of Third Party Participation to enable the KRG to nominate a Third Party Participant until 30 June 2011.
- Clarification that the existing Ber Bahr Capacity Building Payment of \$10 million is now due on declaration of the first commercial discovery.
- There are no other material changes to the proposals or to the post re-organisation interests announced on 10 March 2010 or to the terms of the PSCs other than as set out above.

14. Further information

An electronic version of the Interim Financial Statements has been posted on the Group's website www.gulfkeystone.com. Hard copies are available by writing to Gulf Keystone Petroleum Limited, C/- Gulf Keystone Petroleum (UK) Limited, 16 Berkeley Street, London, W1J 8DZ.