FOR IMMEDIATE RELEASE **30 SEPTEMBER 2005**

GULF KEYSTONE PETROLEUM LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

Gulf Keystone Petroleum Limited ("Gulf Keystone" or the "Company"), the independent oil & gas exploration company operating in the Republic of Algeria, today announced its interim results for the period ending 30 June 2005.

Highlights

- Award of 8 new exploration and appraisal blocks in Algeria
- Presidential Decrees approving contracts on 6 of the new blocks
- Much improved test results on GKS-2 after a successful workover
- Successful completion of contractual commitments on Block 126a
- Cash balance of $79m as at 30 June 2005
- Loss per share down to 1.15c from 2.5c
- First time adoption of IFRS in line with best practice

Todd Kozel, CEO of Gulf Keystone said:

"Gulf Keystone has made significant operational progress. We were successful in being awarded new acreage in Algeria and have already had the majority of the new contracts ratified. Our excellent test results on block 126a are a major step towards moving the GKS structure into commercial production."

Enquiries

Gulf Keystone Petroleum**:** 020 7514 1400
Todd Kozel, CEO
Caroline Brown, CFO

Evolution Securities: 020 7071 4300
Rob Collins

Citigate Dewe Rogerson: 020 7638 9571
Media: Martin Jackson / Rachel Lankester
Analysts: Nina Soon

or visit: www.gulfkeystone.com

Gulf Keystone Petroleum Limited

Chairman's Statement

The first half of 2005 has seen further significant growth and development of the Company. We have successfully acquired eight new exploration and appraisal blocks in Algeria and the contracts on six of these blocks have already been approved by Presidential Decree. We have completed our contractual commitments on block 126a and successful new test results from this block have moved the GKS structure closer to commercial production.

Following its flotation on AIM in September 2004, Gulf Keystone has now established a UK service company based in London. The Company has also chosen to adopt International Financial Reporting Standards early in line with all listed companies in the EU and with best practice.

New Blocks 129, 108/128 and HBH

In April 2005, Gulf Keystone expanded its acreage position in Algeria by acquiring the exploration and appraisal rights to eight additional blocks in Algeria upon signing three new contracts with the Algerian Ministry of Energy and Mines. The new contracts cover the Bottena (Block 129), Ben Guecha (Block 108 and 128b) and Hassi Ba Hamou Perimeters (Blocks 317b1, 322b3, 347b, 348 and 349b, collectively HBH). Gulf Keystone will have the benefit of the existing discoveries on these blocks and will actively pursue the perceived exploration upside of all the new blocks. Significantly, these contracts are for blocks that third party estimates indicate may have the potential of an additional 2.5 billion barrels of oil equivalent in place.

Two of the new contracts, for six new blocks comprising the Hassi Ba Hammou Perimeter and the Bottena Perimeter, have now been approved by Presidential Decrees. Gulf Keystone is currently developing and preparing to implement a new work programme to appraise and explore its new blocks.

Progress on existing Block 126a

During the first half of 2005, Gulf Keystone successfully completed its contractual commitments on block 126a with the acquisition of 600km of seismic data and the drilling of one additional exploration well, RTBW-1. RTBW-1 was unsuccessful in terms of discovering commercial quantities of hydrocarbons and has been abandoned. During the period, the Company also successfully sidetracked its GKS-3 well and submitted an application for a production licence for GKN and a provisional exploitation authority to produce from GKS.

This month, a Halliburton snubbing unit completed a successful test on the GKS-2 well which was discovered by SONATRACH in 1994. Initial testing for production at GKS-2 by SONATRACH at that time showed maximum flow rates of 2,737 bopd and 2,241 mcfd. A workover of the well by Gulf Keystone was necessary to re-complete the well because it was temporarily abandoned. Gulf Keystone conducted flow tests over a three day period from perforations over the Turonian and Cenomanian reservoirs, at intervals between 3,685 meters and 3,794 meters. Production testing of the well resulted in a measured flow rate of 4,586 barrels of oil per day and 4.61 million cubic feet of gas per day at a flowing wellhead pressure of 1,774 pounds per square inch through a 40/64 inch choke. The Halliburton snubbing unit has now moved from GKS-2 to the Company's GKS-3 discovery well, a distance of 1 kilometre, for acid stimulation, testing, and completion of the pay zone.

Finally, Gulf Keystone has now successfully spudded the GRJ-2 appraisal and exploration well. Drilling is currently at almost 2,000m and the well is expected to complete at 3,300m.

Results for the six months ended 30 June 2005

The results for the period have been prepared under International Financial Reporting Standards ("IFRS") for the first time and all numbers presented for comparative periods are also under IFRS. The largest impact of the adoption of IFRS on the financial results is the inclusion of an expense calculated on the basis of the fair value of employee share options, amounting to a charge of $108,000 against the 2004 year end income statement. The full financial effects of these changes on the previously reported results are contained in the detailed financial section of this Interim Statement.

In the six months ended 30 June 2005, general and administration costs were $4.1m compared with $2.2m for the same period last year. This was due to the higher level of drilling and operating activity, set up and maintenance costs for the UK subsidiary and its London office, and the expense of share option grants made since flotation. After interest receivable of $1.2m (-), the loss for the half year was $2.9m ($2.2m). The loss per share was reduced to 1.15c (2.5c) reflecting the increased number of shares outstanding for the period.

Intangible assets have increased to $44.3m ($30.2m) due to the Company's programme of drilling, testing and evaluation on the existing block 126a. Net assets have increased significantly to $125.0m from ($29.7m as at 30 June 2004), principally due to the proceeds of £60m raised at the time of flotation to provide working capital. Net cash has declined over the period by $10.6m ($4.0m) and as at 30 June 2005 cash balances totalled $79.3m ($2.9m as at 30 June 2004).

Outlook

I believe that Gulf Keystone is well positioned to exploit its strategy as an independent exploration and production company operating in Algeria by continuing to grow its proven and probable reserves by a programme of drilling, testing and evaluation.

Concurrent with our planned exploration and appraisal activities, we will be endeavouring to pursue partnership opportunities with new and existing operators in Algeria and elsewhere in North Africa and the Middle East.

Roger Parsons
Non-executive Chairman
29 September 2005

Consolidated Income Statement

	Note	**6 months ended 30 June 2005**	6 months ended 30 June 2004	12 months ended 31 December 2004
			Restated	*Restated*
		$000	$000	$000
Revenue		**-**	-	-
Operating expenses				
General and administration costs		**(4,071)**	(2,246)	(5,669)
Operating Loss		**(4,071)**	(2,246)	(5,669)
Interest receivable		**1,161**	-	1,928
Loss before taxation		**(2,910)**	(2,246)	(3,741)
Taxation	3	**-**	-	-
Loss for the period		**(2,910)**	(2,246)	(3,741)
Loss per share (cents)	4			
Basic		**(1.15)**	(2.5)	(2.71)
Diluted		**(1.15)**	(2.5)	(2.71)

Note: The operating loss for the period arises from the Group's continuing operations.

Consolidated Balance Sheet

	6 months ended 30 June 2005	6 months ended 30 June 2004	12 months ended 31 December 2004
		Restated	*Restated*
	$000	$000	$000
Non-current assets			
Intangible assets	**44,321**	30,180	38,973
Property, plant and equipment	**761**	43	80
Total non-current assets	**45,082**	30,223	39,053
Current assets			
Inventory	**3,208**	448	2,485
Trade and other receivables	**1,076**	64	425
Cash and cash equivalents	**79,322**	2,931	89,882
Total current assets	**83,606**	3,443	92,792
Total assets	**128,688**	33,666	131,845
Current liabilities			
Trade and other payables	**(3,648)**	(3,925)	(4,068)
Total liabilities	**(3,648)**	(3,925)	(4,068)
Net assets	**125,040**	29,741	127,777
Equity			
Share capital	**1,638**	37,564	1,626
Share premium	**135,349**	-	135,349
Other reserve	**297**	-	120
Exchange translation reserve	**(16)**	-	
Retained deficiency	**(12,228)**	(7,823)	(9,318)
Total equity	**125,040**	29,741	127,777

Consolidated Cash Flow Statement

	6 months ended 30 June 2005	6 months ended 30 June 2004	12 months ended 31 December 2004
		Restated	*Restated*
	$000	$000	$000
Cashflows from operating activities			
Loss for the period	**(4,071)**	(2,246)	(5,669)
Depreciation	**54**	6	12
(Increase)/decrease in inventories	**(723)**	-	(1,616)
(Increase)/decrease in trade and other receivables	**(651)**	421	(361)
(Decrease)/increase in trade and other payables	**(420)**	(7,509)	311
(Decrease)/increase currency revaluation	**(16)**	-	-
(Decrease)/increase share option charge	**189**	-	108
Interest receivable	**1,161**	-	1,928
Net cash outflow from operating activities	**(4,477)**	(9,328)	(5,287)
Cashflows from Investing activities			
Purchase of property, plant and equipment	**(708)**	-	(43)
Purchase of intangible assets	**(5,375)**	(7,787)	(24,257)
Net cash outflow from investing activities	**(6,083)**	(7,787)	(24,300)
Cashflows from financing activities			
Proceeds from the issue of share capital	**-**	13,071	112,494
Net cash generated from financing activities	**-**	13,071	112,494
Net (decrease)/increase in cash and cash equivalents	**(10,560)**	(4,044)	82,907
Cash and cash equivalents at start of period	**89,882**	6,975	6,975
Cash and cash equivalents at end of period	**79,322**	2,931	89,882

Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Share premium	Other reserve	Cumulative translation adjustment	Retained deficit	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2004	24,493	-	-	-	(5,577)	18,916
Loss for the period	-	-	-	-	(2,246)	(2,246)
Preferential shares	13,072	-	-	-	-	13,072
Balance at 30 June 2004	37,565	-	-	-	(7,823)	29,742
Loss for the period	-	-	-	-	(1,495)	(1,495)
Share conversion and issue	(35,939)	135,349	-	-	-	99,410
Warrants issued	-	-	12	-	-	12
Employee share options scheme	-	-	108	-	-	108
Balance at 31 December 2004	1,626	135,349	120	-	(9,318)	127,777
Loss for the period	-	-	-	-	(2,910)	(2,910)
Employee share option scheme	-	-	189	-	-	189
Exercise of warrants	12	-	(12)	-	-	-
Currency translation adjustments	-	-	-	(16)	-	(16)
Balance at 30 June 2005	1,638	135,349	297	(16)	(12,228)	125,040

Notes to the interim accounts

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 with the name Gulf Keystone Petroleum Algeria, Ltd. It changed its name to Gulf Keystone Petroleum Limited on 20 May 2004. The common shares of the Company were listed on AIM, a market operated by the London Stock Exchange, on 8 September 2004. The Company maintains its registered office in Bermuda.

These consolidated interim financial statements of Gulf Keystone Petroleum Limited for the six months ended 30 June 2005, comprise the Company and its subsidiary (together the "Group"). The interim report was authorised for issue by the directors on 29 September 2005. The financial statements are unaudited but have been reviewed by Baker Tilly and their report is set out below.

2. Principal Accounting Policies of the Group

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS's in issue that either are endorsed by the EU and effective (or available for early adoption) at 30 June 2005 or are expected to be endorsed and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting under IFRS. Based on these adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied, which are as set out below, when the first annual IFRS financial statements are prepared for the year ending 31 December 2005.

The adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for the annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

BASIS OF PREPARATION

From January 1 2005, the Group has adopted International Financial Reporting Standards ("IFRS") and the IFIRC interpretations in the preparation of its consolidated financial statements. The financial statements have been prepared under the historical cost basis. Information on the impact on accounting policies and financial results resulting from the conversion from UK Generally Accepted Accounting Practice ("UK GAAP") to IFRS is provided later in this report.

The comparative figures for the financial year ended 31 December 2004 are based on the audited financial statements for that year, adjusted for the effects of IFRS. Those accounts, which were prepared under UK GAAP, have been reported on by the Company's auditors. The report of the auditors was unqualified.

The financial information is presented in US dollars being the functional currency of the Group because it is the currency of the primary economic environment in which the Group operates. Operations denominated in other currencies are included in this financial information in accordance with the policies set out below.

BASIS OF CONSOLIDATION

The consolidated financial information incorporates the financial information of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities, and generally assumes a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date at which control is transferred to the Group and are de-consolidated from the date on which control ceases. The Group uses the purchase method of accounting to account for the acquisition of subsidiaries.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of the transaction. Exchange differences arising are taken to the consolidated income statement for the period.

The assets and liabilities of foreign operations are translated to US dollars at foreign exchange rates at the balance sheet date. The revenues and expenses of foreign operations are translated to US dollars at rates approximating the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arise on retranslation and are recognised directly in the translation reserve.

SHARE BASED PAYMENTS

The Group has applied the requirements of IFRS 2 to share option schemes allowing certain employees within the Group to acquire shares of the company. For all grants of share options, the fair value as at the date of grant is calculated using an appropriate option pricing model and the corresponding expense is recognised over the expected life of the option.

INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS - OIL AND GAS INTERESTS

It should be noted that guidance on certain aspects of full cost accounting has not yet been provided by the IASB or IFRIC and the timing and outcome of such guidance is uncertain. Consequently, the Group has continued to apply UK GAAP full cost accounting policies that were in effect immediately prior to the Group's transition to IFRS, subject to changes in accounting policy specifically required under IFRS 6. Accordingly, amendments may be required to the accounting policies set out in future periods.

Under full cost accounting all costs relating to the exploration for and development of oil and gas interests, whether productive or not, are accumulated and capitalised as non-current assets. These costs, which are initially classified as intangible non-current assets, are only carried forward to the extent that they are expected to be recouped through the successful development of an area or where activities in an area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Costs dealt with in this way include seismic data, licence acquisition costs, technical work, exploration and appraisal drilling, general technical support and a proportion of directly attributable administrative and overhead costs.

Costs are transferred to depreciable pools within tangible non-current assets in each regional cost pool upon declaration of commerciality or upon cessation of exploration on each license and amortised over the life of the area according to the rate of depletion of the economically recoverable costs. Any proceeds arising from the sale or farm-out of assets are deducted from the relevant cost pool.

Depreciation and depletion of costs in depreciable pools is provided under the unit of production method which uses the estimated commercial reserves in the cost pool and the sum of the total costs in the pool and any further anticipated costs to develop such reserves.

At the end of each year, an assessment is made as to whether the economic value of interests is in excess of costs capitalised as intangible assets. Any impairment is transferred to depreciable regional cost pools within tangible non-current assets and depreciated. Where a project is terminated, which is ascertained on a country basis, the related exploration costs are written off immediately.

PROPERTY, PLANT AND EQUIPMENT OTHER THAN OIL AND GAS ASSETS
Other property, plant and equipment is stated at historical cost.

Depreciation is provided on all other property, plant and equipment at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:-

Furniture and equipment - 20% straight line

INTANGIBLE ASSETS OTHER THAN OIL AND GAS ASSETS
Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:-

Computer software - 33% straight line

LEASES
Rental payable under operating leases is charged to the income statement on a straight line basis over the lease term.

INVENTORY
Stock relates to materials acquired for the use in exploration activities. These are valued at the lower of cost and net realisable value.

TAXATION
Bermuda and Algeria currently impose no taxes on corporate income or capital gains.

FINANCIAL INSTRUMENTS
The company's financial instruments comprise cash together with various items such as other debtors and trade creditors etc, that arise directly from its operations, are not interest bearing and are stated at their nominal value. The main purpose of these financial instruments is to provide working capital.

3. Taxation

Under current laws in Bermuda and Algeria, the Group is not required to pay taxes on either income or capital gains.

4. Loss per share

Loss per share have been calculated in accordance with IAS 33 Earnings per share, by dividing the loss attributable to shareholders by the weighted average number of shares in issue during the financial period. The calculation of basic and diluted loss per share is based on the following losses and number of shares:

	6 months to 30 June 2005	6 months to 30 June 2004	12 months to 31 December 2004
Loss for the financial period ($'000)	2,910	2,246	3,741
Weighted average number of shares	253,388,732	90,000,000	138,101,277
Basic and diluted loss per share (cents)	1.15	2.50	2.71

5. Explanation of transition to IFRS

As required by IFRS 1, the impact of the transition from UK GAAP to IFRS is explained below.

The accounting policies set out above have been applied consistently to all periods presented in this interim financial information and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS.

IAS 1 – Presentation of Financial Statements. The form and presentation of the UK GAAP financial statements has been changed to be in compliance with IAS 1.

IFRS 2 – Share Based Payments. Under IFRS 2, share awards will be measured at fair value at grant date and recognised as an expense to the income statement over the expected term. The fair value of the incentives granted is measured using a stochastic model. The impact of this standard on the financial statements of the Group is a $108,000 charge to the year ended 31 December 2004 income statement and an equivalent increase in shareholder's funds. There is no impact to the period ended 30 June 2004.

IAS 7 – Cash Flow Statements. The IFRS Cash Flow Statement, prepared under IAS 7, presents cash flows in three categories; cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Other than the reclassification of cash flow into the new disclosure categories, there are no significant differences between the Group's Cash Flow Statement under UK GAAP and IFRS. Consequently, no cash flow reconciliations are provided. Purchases of tangible fixed assets under UK GAAP have been reclassified to purchases of intangible assets and purchases of property, plant and equipment under IFRS.

Details of the adjustments to the Group's financial performance is set out in the following table:

Reconciliation of Loss for the year ended 31 December 2004

Loss for the Period:	Note	30 June 2004 $'000	31 December 2004 $'000
Loss for the period as Reported under UK GAAP		(2,246)	(3,633)
Share based payments	5 IFRS 2	-	(108)
Total Loss Reported under IFRS		(2,246)	(3,741)

There is no change to the total equity other than the transfer between profit and loss account and other reserve as a result of the above charge.

6. Further information

Copies of the Interim Statement have been sent to shareholders. Further copies are available c/o Gulf Keystone Petroleum (UK) Limited, 16 Berkeley Street, London 1WJ 8DZ. In addition, an electronic version of the Interim Statement can be viewed on the Group's website: www.gulfkeystone.com.

Independent Review Report to Gulf Keystone Petroleum Limited

Introduction

We have been engaged by the Company to review the financial information set out on pages 4 to 11 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the AIM Rules. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those that will be adopted in the Group's annual financial statements.

As disclosed in note 2 to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRSs adopted for use in the European Union. The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 2, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Baker Tilly

Chartered Accountants

2 Bloomsbury Street, London WC1B 3ST

29 September 2005