12th SEPTEMBER 2007

GULF KEYSTONE PETROLEUM LIMITED
(“GULF KEYSTONE” OR THE “COMPANY”)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

Gulf Keystone Petroleum Limited (AIM: GKP), an independent oil & gas exploration company operating in the Republic of Algeria, today announces its interim results for the period ended 30 June 2007.

Highlights

- Management Committee approval of GKN/GKS development plan
- Successful workover and test of HEK-3, stabilised flow rate of 1,040 bopd
- Unsuccessful workover of GRJ-2 and subsequent impairment
- Ratification of the Block 108/128 licence in January
- Significant progress on the HBH seismic programme
- Drilling contract awarded for six well programme on HBH
- Gulf Keystone pursuing independent future post termination of RAK amalgamation
- Board restructured

Todd Kozel, Executive Chairman & CEO of Gulf Keystone said:

“I believe that Gulf Keystone is well positioned to grow as an independent oil & gas company. We have in place a highly experienced core management and technical team, on which we will build further, and we are confident of making strong and rapid progress towards our twin objectives of crystallising further value from our Algerian portfolio and diversifying our activities outside Algeria.”

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GULF KEYSTONE PETROLEUM LIMITED
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Executive Chairman and Chief Executive Officer’s Statement

I am pleased to be able to report on the progress made by Gulf Keystone in its exploration and production business during the first half of 2007.

On the 25th June 2007, the SONATRACH / Gulf Keystone Joint Management Committee for Block 126a unanimously approved the declaration of commerciality for GKN and GKS fields. Gulf Keystone now awaits the final approval of Al-Naft, the agency in charge of the exploration and production sector in Algeria.

Upon receipt of this final approval from Al-Naft, SONATRACH and Gulf Keystone will work together to establish a Groupement (partnership) to manage this field development. The field development plan envisages producing oil from the GKN-1 well (currently producing at approximately 1,000 barrels of oil per day (“bopd”) gross) and bringing the GKS-2 well on stream as soon as practicable. Gulf Keystone will be entitled to its share of production from GKN-1 following Al-Naft approval.

As part of the Development Plan, SONATRACH and Gulf Keystone intend to build a 2.3 kilometre pipeline to connect GKS-2 to the existing evacuation pipeline so that this well can begin production. The GKS-2 well produced 4,586 barrels of oil and 4.61 million cubic feet of gas per day when it was tested in 2005. The expected initial production rate for GKS-2 is an average of 2,000 bopd gross, which when combined with GKN-1 should initially provide total production of approximately 3,000 bopd gross. Under the new legislation introduced in 2005, flaring is now prohibited and the implementation of a gas management solution is required and has been presented to SONATRACH. The two fields will then be developed in a staged process through the acquisition of 3-D seismic survey and a developmental drilling program jointly conducted by SONATRACH and Gulf Keystone.

The Company completed a two well workover and testing operation of potential oil discoveries in Blocks 129 (well HEK-3) and 126a (well GRJ-2).

In Block 129, the HEK-3 well achieved a stabilised flow rate of 1,040 bopd, and the test produced a large amount of good quality engineering data. This, combined with the produced volume of oil and the long flow and shut in periods, will provide valuable data for reservoir evaluation and field development study purposes. Production optimisation studies are being carried out to analyse options for further increasing well productivity with a view to the possible early development of this discovery. In this regard, consideration will be given to pump and/or gas lift options to further improve both the rate and delivery pressure of the well.

The Company carried out a test of well GRJ-2, located on Block 126a, which was drilled by Gulf Keystone in late 2005. During initial drilling, the well encountered encouraging hydrocarbon indications, from both core and log data in Cenomanian / Turonian carbonates, the same reservoir interval that is producing in the GKN-1 well. Gulf Keystone tested two potential reservoir zones and performed an injectivity and step rate test followed by matrix acidisation (mini frac) in both zones. The aim of the test program was to connect the fracture and/or the matrix permeability in the surrounding reservoir, and thereby access moveable hydrocarbons. Whilst technically operations were performed successfully, no hydrocarbons flowed into the wellbore under test. Although there will be no further operations on the GRJ structure, we will, as part of our wider ongoing technical assessment of the northern blocks, now review all geological, geophysical and engineering data that was collected during this operation to establish the likely reasons for lack of commercial flow from this particular well.

Operationally, the Company continues to make important strides forward on its intensive programme of exploration and appraisal activities. On the regionally extensive HBH area, located in Central Algeria, significant progress has been made with the seismic acquisition programme. The acquisition of 2,000 line kms of 2D seismic is now 65% complete with 1,311 kms acquired by late August. It is expected that this programme will be completed by November. Early field processed, seismic lines from this first phase of 2D seismic acquisition remain encouraging. The acquisition of 3D seismic is now 33% complete with 177km^2 of the 533km^2 seismic acquired. There is a six well exploration and appraisal programme for the HBH licence area. The first drilling on the HBH area will be an appraisal well on the HBH discovery, scheduled for Q4 this year with the remaining 3 exploration wells and 2 appraisal wells being drilled during the course of 2008. To that end, a rig tender for this drilling programme has been undertaken and the HBH partners, SONATRACH, BG and Gulf Keystone Petroleum, have awarded the drilling contract to Saipem to drill all 6 wells on the HBH licence area. The partners are now in discussion as to whether there is a requirement for a second rig to further accelerate the exploration and appraisal programme on the HBH licence area.

The Company reports a loss after taxation of US$27.57 million (2006: loss US$6.88 million) for the six months ended 30 June 2007. This loss is after a charge of US$22.9 million as a result of an impairment test on Block 126a following the failure to find commercial levels of hydrocarbons in GRJ.

Net cash generated for the period of $37.6m, reflected the collection of $55m from the partial disposal of HBH in the prior year, which added significantly to the group's cash reserve. Net cash used in operating activities for the period was $10.8m. In common with many exploration companies, the Group raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for specific periods. The directors actively monitor the cash requirements of the business, and further funding is raised as and when required. The group's existing cash reserves, which stood at $97.0m at 30 June 2007, are expected to be sufficient to cover known commitments and requirements on existing projects, at least through to the latter part of 2008. When any of the projects move into development, specific financing may be required to enable development to take place.

The Block 108/128 licence, which was negotiated and agreed during July 2005, was ratified in January 2007 by publication in the Algerian official gazette. The publication marked the commencement of the first (three year) exploration and appraisal phase of the licence.

Following the termination of the Amalgamation with RAK Petroleum, Gulf Keystone will now continue to pursue its independent future. In addition to its existing activities in Algeria, Gulf Keystone continues to focus efforts on the further development of its business and the expansion of its portfolio in other selected areas of the Middle East and North Africa.

I would like to thank Bill Guest, Roger Parsons, Sheik Sultan, Jon Cooper and Iain Patrick for their respective contributions to the Company, during their tenures and to welcome Ali Al Qabandi as an Executive Board member. The Board intends to appoint two new independent non-executive directors and a new Finance Director. These new appointments will complete the restructuring of the Board, and no further appointments are being contemplated at this time. The Board is actively searching for suitable candidates to these positions and will update shareholders in due course.

Todd Francis Kozel
Executive Chairman & Chief Executive Officer

Condensed Consolidated Income Statement
For the six months ended 30 June 2007

	Note	**6 months ended 30 June 2007**	6 months ended 30 June 2006 *(Restated – Note 5)*	12 months ended 31 December 2006
		$000	$000	$000
Continuing Operations				
Other Income/(expense):				
Gain on sale of assets		**269**	-	61,103
Impairment of intangible exploration assets	3	**(22,932)**	-	-
General and administration expenses		**(7,226)**	(7,653)	(16,589)
Profit/(Loss) from operations		**(29,889)**	(7,653)	44,514
Interest expense		**(22)**	-	(229)
Interest revenue		**2,601**	892	2,160
Profit/(Loss) before tax		**(27,310)**	(6,761)	46,445
Tax expense	4	**(258)**	(120)	(136)
Profit/(Loss) after tax for the period		**(27,568)**	(6,881)	46,309
Profit/(Loss) per share (cents)				
Basic	6	**(10.09)**	(2.71)	17.69
Diluted	6	**(10.09)**	(2.71)	16.74

Condensed Consolidated Balance Sheet
As at 30 June 2007

	30 June 2007	30 June 2006 *(Restated – Note 5)*	31 December 2006
	$000	$000	$000
Non-current assets			
Property, plant and equipment	**27,821**	27,066	26,782
Intangible assets	**3,875**	19,066	19,955
Financial assets	**5,866**	-	5,597
	37,562	46,132	52,334
Current assets			
Inventories	**5,897**	5,091	4,711
Trade and other receivables	**4,543**	2,772	59,999
Cash and cash equivalents	**97,017**	39,208	59,328
	107,457	47,071	124,038
Total assets	**145,019**	93,203	176,372
Current liabilities			
Trade and other payables	**(4,046)**	(7,415)	(10,835)
Tax liabilities	**(258)**	(120)	(136)
Provisions	**(3,530)**	(2,050)	(2,050)
Total liabilities	**(7,834)**	(9,585)	(13,021)
Net assets	**137,185**	83,618	163,351
Equity			
Share capital	**1,853**	1,638	1,853
Share premium account	**159,063**	135,349	159,063
Share option reserve	**4,883**	872	3,535
Exchange translation reserve	**11**	6	(43)
Accumulated losses	**(28,625)**	(54,247)	(1,057)
Total equity	**137,185**	83,618	163,351

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Share capital	Share premium account	Share option reserve	Exchange translation reserve	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2006	1,638	135,349	502	(57)	(47,366)	90,066
Loss for the period as previously reported	-	-	-	-	(8,253)	(8,253)
Prior period adjustment	-	-	-	-	1,372	1,372
Loss for the period (restated – Note 5)	-	-	-	-	(6,881)	(6,881)
Share based payment expense	-	-	370	-	-	370
Currency translation adjustments	-	-	-	63	-	63
Balance at 30 June 2006	1,638	135,349	872	6	(54,247)	83,618
Share conversion and issue	215	-	-	-	-	215
Profit for the period	-	-	-	-	53,190	53,190
Share issue August 2006	-	23,714	-	-	-	23,714
Share based payment expense	-	-	2,663	-	-	2,663
Currency translation adjustments	-	-	-	(49)	-	(49)
Balance at 31 December 2006	1,853	159,063	3,535	(43)	(1,057)	163,351
Loss for the period	-	-	-	-	(27,568)	(27,568)
Share based payment expense	-	-	1,348	-	-	1,348
Currency translation adjustments	-	-	-	54	-	54
Balance at 30 June 2007	**1,853**	**159,063**	**4,883**	**11**	**(28,625)**	**137,185**

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2007

	6 months ended 30 June 2007	6 months ended 30 June 2006 *(Restated – Note 5)*	12 months ended 31 December 2006
	$000	$000	$000
Cash flows from operating activities			
Profit/(Loss) from operations	**(29,889)**	(7,653)	44,514
Adjustments for:			
Depreciation of property, plant & equipment	**148**	110	212
Amortisation of intangibles	**36**	24	64
Impairment of intangibles	**22,932**	-	-
Share based payment expense	**1,348**	370	3,033
Unwinding of decommissioning provision	**(22)**	-	-
(Decrease) in inventories	**(1,186)**	(1,619)	(1,239)
Decrease / (increase) in receivables	**187**	615	(62,210)
(Decrease)/increase in payables	**(6,925)**	(18,020)	2,208
Cash used in operations	**(13,371)**	(26,173)	(13,418)
Operating Activities			
Cash used in operations	**(13,371)**	(26,173)	(13,418)
Interest received	**2,601**	892	2,160
Net cash used in operating activities	**(10,770)**	(25,281)	(11,258)
Investing activities			
Proceeds on prior period sale of assets	**55,000**	-	-
Purchase of intangible assets	**(5,987)**	9,561	(3,166)
Purchase of property, plant and equipment	**(608)**	(1,583)	(1,401)
Net cash generated / (used) in investing activities	**48,405**	7,978	(4,567)
Financing activities			
Interest paid	**-**	-	(229)
Short term loan	**-**	5,009	23,929
Net cash generated in financing activities	**-**	5,009	23,700
Net increase/(decrease) in cash and cash equivalents	**37,635**	(12,294)	7,875
Cash and cash equivalents at beginning of period	**59,328**	51,439	51,439
Effect of foreign exchange rate changes	**54**	63	14
Cash and Cash equivalents at end of period being bank balances and cash	**97,017**	39,208	59,328

Notes to the interim financial information

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 listed on the Alternative Investment Market ("AIM") on 8 September 2004. The Company maintains its registered office in Bermuda.

This consolidated interim financial information of Gulf Keystone Petroleum Limited for the six months ended 30 June 2007, comprises the Company and its subsidiary (together the "Group"). The interim report was authorised for issue by the directors on 12 September 2007. The financial information is un-audited but has been reviewed by Deloitte & Touche LLP and their report is set out below.

The financial information for the year ended 31 December 2006 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.

2. Principal Accounting Policies of the Group

While the financial information contained in this statement has been completed in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS.

This interim financial information has been prepared on the basis of existing accounting policies and practices consistent with those adopted in the annual financial statements for the year ended 31 December 2006 and are also consistent with those which will be adopted in the 2007 annual financial statements.

3. Impairment of Intangible Exploration Assets

During the current period, an impairment loss was recognised in respect of intangible exploration assets relating to Block 126a following the failure to find commercial levels of hydrocarbons in GRJ.

	6 months to 30 June 2007	6 months to 30 June 2006 (Restated)	12 months to 31 December 2006
Impairment loss recognised in respect of assets ($'000)	**(22,932)**	-	-

4. Taxation

Under current laws in Bermuda and Algeria, the Group is not required to pay taxes on either income or capital gains. The tax charge relates to the profit of the United Kingdom subsidiary.

Notes to the interim financial information (continued)

5. Restatement of prior year exploration and evaluation costs

Under the terms of various of the Group's production sharing agreements, SONATRACH is entitled to receive an amount of any future production to the value of $11.8m as cost recovery for past exploration expenditures. However, if no commercially exploitable deposits are discovered, the Group does not owe SONATRACH for the data acquired. In June 2006, such obligations had been recorded as liabilities with the associated cost included in non-current assets. In these interims, the Group has restated its results to derecognise this liability and associated asset, on the basis that these amounts are more appropriately regarded as an integral part of the future production attributable to SONATRACH under the production sharing contract. This is consistent with the treatment at 31 December 2006.

The effect of the restatement of prior year exploration and evaluation costs on the 30 June 2006 comparatives is as follows:

Income Statement

	Half year as previously reported 30 June 2006 ($'000)	Impact of restatement ($'000)	As restated ($'000)
Operating loss	(9,025)	1,372	(7,653)

Balance Sheet

	Half year as previously reported 30 June 2006 ($'000)	Impact of restatement ($'000)	As restated ($'000)
Non-current assets			
Property, plant and equipment	27,066	-	27,066
Intangible assets	29,494	(10,428)	19,066
	56,560	(10,428)	46,132
Current assets			
Inventories	5,091	-	5,091
Trade and other receivables	2,772	-	2,772
Cash and cash equivalents	39,208	-	39,208
	47,071	-	47,071
Total assets	103,631	(10,428)	93,203
Current liabilities			
Trade and other payables	(19,215)	11,800	(7,415)
Tax liabilities	(120)	-	(120)
Provisions	(2,050)	-	(2,050)
Total liabilities	(21,385)	11,800	(9,585)
Net assets	82,246	1,372	83,618

6. Loss per share

Loss per share has 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 2007	6 months to 30 June 2006 (Restated)	12 months to 31 December 2006
Profit/(Loss) for the financial period ($'000)	**(27,568)**	(6,881)	46,309
Weighted average number of shares	**273,247,694**	253,732,140	261,769,050
Weighted average number of shares (diluted)	**273,247,694**	253,732,140	276,679,257
Basic Profit/(loss) per share (cents)	**(10.09)**	(2.71)	17.69
Diluted Profit/(loss) per share (cents)	**(10.09)**	(2.71)	16.74

7. Bank guarantee

As part of the contractual terms of the Algerian contracts, the Group has given bank guarantees to SONATRACH of $21.6 million. These are cash backed guarantees which effectively reduce the free cash available that the Group has on its balance sheet. That is $6 million for the Bottena ("129 Contract") work programme and $15.6 million for the Ben Guecha ("108/128b Contract") work programme. These guarantees are against the exploration and evaluation programmes stipulated in the contracts and are reduced as the work programmes are completed.

8. Subsequent events

On 23 July 2007, five directors declared their intention to leave the company. Under the terms of the company's Share Option Plan any options granted that had not vested at the date of resignation will be forfeited. As a result, the share based payment expense relating to these options was reversed in the income statement in July 2007.

9. Further information

An electronic version of the Interim Statement has been sent to the London Stock Exchange and posted to the Group's website: www.gulfkeystone.com. Hard copies of the Interim Statement are available c/o Gulf Keystone Petroleum (UK) Limited, 16 Berkeley Street, London 1WJ 8DZ.

INDEPENDENT REVIEW REPORT TO GULF KEYSTONE PETROLEUM LTD

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and related notes 1 to 9. 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 Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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 formed.

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 also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 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 excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) 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 2007.

Deloitte & Touche LLP
Chartered Accountants
London

11 September 2007

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.