25 SEPTEMBER 2008

GULF KEYSTONE PETROLEUM LIMITED
("GULF KEYSTONE" OR THE "COMPANY")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

Gulf Keystone Petroleum Limited (AIM: GKP), an independent oil & gas exploration and production company operating in the Republic of Algeria and the Kurdish Region of Iraq, today announces its interim results for the six months ended 30 June 2008.

Financial Highlights

- Turnover of $4.6 million (6 months to 30 June 2007: $nil)
- Loss after tax of $18.2 million (6 months to 30 June 2007: $27.6 million)
- Loss per share 6.55 cents (6 months to 30 June 2007: 10.09 cents)

Operational Highlights

Algeria
- Oil sales from GKN-1 during the period of 44,355 barrels (bbls)
- RM-1 discovery well tested gas at 8.7 million standard cubic feet per day (mmscf/d)
- HBH-4 appraisal well tested gas at 10.8 mmscf/d
- Elected with partners to enter Phase 2 of the HBH concession committing to one exploration well, two appraisal wells and 500 square kilometres of 3D seismic
- GKN-1 shut in since early June. Work programme in preparation for the workover of GKN-1 and to prepare GKS-2 for the start of production in addition to facilities upgrade and maintenance and repair to handle expected increased production
- HBHN-1 plugged and abandoned

Kurdistan
- Completion of 171 kilometres of 2D seismic on Shaikan block
- Completion of 442 kilometres of 2D seismic on Akri-Bijeel block
- Pipe yard in Maraiba established in preparation for drilling phase of operations
- Drilling contract signed for a minimum of two exploration wells with spudding of first well, Shaikan-1, planned for January 2009

Corporate
- Appointment of Mr Kristian 'Ewen' Ainsworth as Finance Director
- Appointment of Lord Truscott, Mr Jeremy Asher and Mr Mehdi Varzi as Non-Executive Directors

Recent Events and Outlook

Placing
- Fully subscribed share placing of £25.1 million (approximately $50 million) before expenses
- Directors and management participated in the placing for £3.0 million (approximately $6.0 million)

Algeria

- Restart production from GKN-1 and commence production from GKS-2, both in Q4 2008 with a combined target of 3,000 barrels of oil per day gross (bopd), 882 bopd net
- FEG-1 well plugged and abandoned
- Two appraisal wells to be drilled during the remainder of 2008 on the HBH gas field. HBH-5 and HBH-6 to complete the Phase 1 HBH concession work commitments
- Commencement of Phase 2 work commitments on the HBH concession with the acquisition of seismic in late Q3/ early Q4 2008

Kurdistan

- Kurdistan drilling contract signed for two firm exploration wells, with a further three optional wells, the first well Shaikan-1 is expected to spud in early 2009
- Completion of 2D seismic acquisition of over 400 kilometres and commencement of seismic interpretation on Akri-Bijeel block

Corporate

- Appointment of Mr John Gerstenlauer as Chief Operating Officer

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

“Gulf Keystone is making rapid progress in Kurdistan, where our prospects have real company making potential, and we are successfully focusing our Algerian interests on those assets offering the best upside potential. The months ahead will be very exciting for Gulf Keystone with at least two exploration wells drilling in Kurdistan while the recent drilling success in Algeria, on the HBH concession, has encouraged us to move quickly towards the development of both the HBH gas field and RM-1 gas discovery.”

Enquiries

Gulf Keystone Petroleum: **+44 (0) 20 7514 1400**
Todd Kozel, Executive Chairman & Chief Executive Officer
Ewen Ainsworth, Finance Director

RBC Capital Markets: **+ 44 (0) 20 7653 4667**
Andrew Smith
Sarah Wharry

Tristone Capital Limited: **+44 (0) 20 7355 5800**
Simon Ashby-Rudd
Majid Shafiq

Citigate Dewe Rogerson: **+44 (0) 20 7638 9571**
Media enquiries Martin Jackson / George Cazenove
Analyst enquiries Emma Woollaston

or visit: www.gulfkeystone.com

Executive Chairman and Chief Executive Officer's Statement

I am pleased to be able to report on the continued good progress made by Gulf Keystone in its exploration and production business during the first half of 2008 and near term outlook.

Algeria

Hassi Ba Hamou ("HBH")

A six well drilling programme (Phase 1) commenced on 16 December 2007 following the successful acquisition of 2,047 kilometres of 2D seismic across large parts of the block and 533 square kilometres of 3D seismic across the HBH field / discovery. To date, four wells have been completed and the rig is now moving to drill appraisal well HBH-5.

A summary of the results from the four wells drilled to date is given below:

- HBH-4 field appraisal well successfully flowed at a rate equivalent to 10.8 mmscf/d.
- RM-1 exploration well, on a separate prospect some 50 kilometres to the South East of the HBH gas field, found gas shows during drilling and logging results indicated a 61 metre gas column in sands of Siegenian age. During a production test the well flowed gas at a stabilised flow rate of equivalent to 8.7 mmscf/d through a 94/64-inch choke. The Company and partners (BG Group and Sonatrach) subsequently declared RM-1 a discovery.
- HBHN-1 exploration well, on an untested deeper structure to the North West of the HBH gas discovery, did not encounter commercial gas and was plugged and abandoned.
- FEG-1 exploration well, on an untested trap to the South West of the HBH gas discovery, did not encounter commercial gas and was plugged and abandoned.

The Phase 1 work programme will be completed before the end of 2008 with two further appraisal wells, HBH-5 and HBH-6, on the HBH gas discovery. The HBH-5 well will test the southern extent of the HBH gas field whilst HBH-6 will be drilled in the heart of the field with the aim of determining an optimal well design for the development/ production phase.

With the success of HBH-4 and RM-1, the partners have agreed to go into the second prospecting period (Phase 2) of the HBH Permit with a work programme obligation of 500 square kilometres of 3D seismic, one exploration well and two appraisal wells. It is anticipated that the Phase 2 work will be completed by mid 2009. The Phase 2 seismic acquisition is expected to commence in late Q3/ early Q4 2008 with the exploration well and two appraisal wells following on from the last well HBH-6 in Phase 1 and using the same rig.

It is currently anticipated that, subject to partner and governmental approvals, detailed project definition for both the HBH gas field and RM-1 discovery will commence in 2009 with front end engineering and design ("FEED") and commercialisation work.

GKN and GKS Field

Gulf Keystone's oil revenue from GKN-1 was $4.3 million representing 44,355 bbls on a net entitlement basis (95,165 bbls on a gross basis). Of this, $1.6 million represents the Company's entitlement for the recovery of past costs.

A detailed work programme, in partnership with Sonatrach, is currently in preparation to complete the workover of the GKN-1 well and to prepare the GKS-2 well for commencement of production in addition to facilities upgrades, maintenance and repairs. When both wells are in production the gross flow rate is estimated at 3,000 bopd gross, with 882 bopd net to Gulf Keystone on an entitlement basis.

We expect capital and operating expenditures to be funded from field production with a net positive cash flow for corporate operations.

Executive Chairman and Chief Executive Officer's Statement continued

Northern Blocks

On Bottena Block 129 we have let the exploration licence expire.

On Ben Guecha Block 108 / 128B seismic interpretation is complete and drilling targets are currently being assessed.

Kurdistan, the Kurdish Region of Northern Iraq

Shaikan Block

The Shaikan Block is situated near the city of Dihok, approximately 90 kilometres North West of Erbil and covers an area of 283 square kilometres. The Shaikan Block is operated by Gulf Keystone Petroleum International Limited, a wholly owned subsidiary of Gulf Keystone Petroleum Limited with a working interest of 75% in partnership with both Kalegran Limited ("Kalegran"), a subsidiary of MOL Hungarian Oil and Gas Public Company Limited ("MOL") and Texas Keystone Inc. with working interests of 20% and 5% respectively.

The 2D seismic programme, which was completed in April 2008, acquired 171 kilometres using a combination of vibrator and dynamite sources and satisfies the seismic acquisition obligation under the Exploration Phase of the Production Sharing Contract ("PSC"). A preliminary interpretation by the Company's internal technical team of the processed data has confirmed the existence in the subsurface, at the depth of prospective reservoir zones, a large anticline which is visible at the surface outcrop and is, at the surface, some 26 kilometres in length and five kilometres in width.

The Company is planning a well on the crest of the anticline in early 2009 which will complete the obligations under the PSC. The well will target reservoir zones where oil has been discovered elsewhere in Kurdistan and Northern Iraq, namely the Qamchuqa, Sehkaniyan and Kurre Chine. Other zones targeted by the Company as having reservoir potential are the Chia Gara/Najmah and Chia Zairi. Based on the preliminary seismic mapping, reservoir parameters from analogues in Kurdistan and Northern Iraq and estimates of reservoir parameters made by Gulf Keystone personnel[a], the Company estimates that, should it drill a discovery well, the five zones combined have potential un-risked, in-place contingent oil volumes of up to 2 billion reservoir barrels[b].

Akri-Bijeel Block

The Akri-Bijeel Block is operated by Kalegran, which is the holder of an 80% working interest in partnership with Gulf Keystone with a working interest of 20%. The Akri-Bijeel Block is adjacent to the Shaikan Block and covers an area of 889 square kilometres. The initial commitment is for 400 kilometres of 2D seismic and one optional exploration well.

Acquisition of 442 kilometres of 2D seismic began in early April 2008. This was completed in August and interpretation is underway. This satisfies the seismic acquisition obligation. In addition, extensive field mapping has been undertaken to map the surface geology of the licence areas and sample oil seeps have been discovered during the field work.

Drilling Programme

I am delighted with the rapid progress that we and our partners have made on the Shaikan and Akri-Bijeel Blocks. This is a credit to the close co-operation between Gulf Keystone and MOL, as well as the valuable support we enjoy from the Kurdistan Regional Government. The early acquisition of seismic on Shaikan has allowed us to move quickly forward towards drilling the first exploration well.

(a) Where relevant analogue data was not available, the reservoir parameters used are "best estimates" made by GKP personnel based on their current understanding of the regional geology.

(b) Potential oil in place volumes are quoted in reservoir barrels as there is insufficient data to allow estimation of an oil shrinkage factor and a recovery factor.

Executive Chairman and Chief Executive Officer's Statement continued

A drilling rig has been contracted jointly by Gulf Keystone and Kalegran and is expected to arrive in country in late 2008 with the drilling of exploration well Shaikan-1 expected to start in early 2009. The rig will then mobilise to the Akri-Bijeel Block and begin the first exploration well there.

Placing

On 25 July 2008, the Company announced a fully subscribed placing of 89,509,488 new ordinary shares at a placing price of £0.28 per share, raising gross proceeds of approximately $50 million (£25.1 million).

These shares were placed by the Company's brokers, Tristone Capital Limited and RBC Capital Markets, with institutional clients and certain of the Company's Directors, management and associates.

Directors and management participated in the placing for £3.0 million (approximately $6.0 million).

Together with the Company's existing cash balances, forecast cash flow from oil production and the proceeds of the Placing (approximately $50 million before deduction of expenses), available funds will be used for further exploration and appraisal of the HBH Permit in Algeria and the drilling of an additional well in Kurdistan.

Financial

The Company reports a loss after taxation of $18.2 million for the six months ended 30 June 2008 (2007: $27.6 million loss). This loss is after an impairment charge of $11.5 million on intangible assets as a result of an impairment test on Block 129 following the failure to find commercial levels of hydrocarbons and the Company's decision to let the licence expire.

General

I was delighted to welcome Lord Truscott, Mr Jeremy Asher and Mr Mehdi Varzi as Non-Executive Directors of the Company. I was also delighted to welcome Mr Ewen Ainsworth who joined the Board as Finance Director and Mr John Gerstenlauer who will join the Board as Chief Operating Officer with effect from 1 October 2008.

Outlook

With our interests in Kurdistan, Gulf Keystone has taken a major step towards its strategic objective of building a diverse international portfolio of highly prospective assets. We are continuing to look at opportunities to build further.

The exploration results to date have proved our initial prognosis of the up-side potential in the HBH concession and long term plans are now being prepared to develop the HBH gas field and RM-1 discovery. The Kurdistan blocks are moving along at pace and the encouraging results to date will be tested with our first exploration wells planned for 2009.

Production revenue from the GKN and GKS fields, and the July placing, have financially strengthened the Company and enable us to meet on-going commitments and take advantage of the opportunities that lie ahead. I am confident that the following months will further add to the Company's growing potential.

TF Kozel
Executive Chairman
& Chief Executive Officer

Condensed Consolidated Income Statement
for the six months ended 30 June 2008

	Notes	**Six months ended 30 June 2008 Unaudited $'000**	Six months ended 30 June 2007 Unaudited $'000	Year ended 31 December 2007 (restated) Audited $'000
Continuing Operations				
Revenue	4	**4,642**	-	5,414
Cost of sales		**(4,250)**	-	(3,257)
Gross profit		**392**	-	2,157
Other income/(expense)				
Gain on sale of assets		**-**	269	-
Impairment of intangible exploration assets	5	**(11,489)**	(22,932)	(20,585)
General and administrative expenses		**(8,468)**	(7,226)	(14,640)
Loss from operations		**(19,565)**	(29,889)	(33,068)
Interest revenue		**1,083**	2,601	5,183
Finance costs		**(51)**	(22)	(101)
Loss before tax		**(18,533)**	(27,310)	(27,986)
Tax benefit / (expense)	7	**290**	(258)	(377)
Loss after tax for the year		**(18,243)**	(27,568)	(28,363)
Loss per share (cents)				
Basic	8	**(6.55)**	(10.09)	(10.24)
Diluted	8	**(6.55)**	(10.09)	(10.24)

Condensed Consolidated Balance Sheet
as at 30 June 2008

	Notes	**30 June 2008 Unaudited $'000**	30 June 2007 Unaudited $'000	31 December 2007 (restated) Audited $'000
Non-current assets				
Property, plant and equipment	9	**21,753**	27,821	24,097
Intangible assets	5,6	**68,996**	3,875	43,528
Financial asset		**6,455**	5,866	6,155
		97,204	37,562	73,780
Current assets				
Inventories		**4,936**	5,897	5,526
Trade and other receivables		**11,874**	4,543	6,047
Deferred tax asset	7	**84**	-	-
Cash and cash equivalents		**29,593**	97,017	88,286
		46,487	107,457	99,859
Total assets		**143,691**	145,019	173,639
Current liabilities				
Trade and other payables		**24,808**	4,046	36,684
Tax liabilities	7	**151**	258	377
Provisions		**1,106**	3,530	1,054
Total liabilities		**26,065**	7,834	38,115
Net assets		**117,626**	137,185	135,524
Equity				
Share capital	10	**1,853**	1,853	1,853
Share premium account	10	**159,080**	159,063	159,076
Share option reserve		**4,468**	4,883	3,988
Exchange translation reserve		**(112)**	11	27
Accumulated losses		**(47,663)**	(28,625)	(29,420)
Total equity		**117,626**	137,185	135,524

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2008

	Attributable to equity holders of the Group					
	Share capital $'000	Share premium account $'000	Share option reserve $'000	Accumulated losses $'000	Exchange translation reserve $'000	Total equity $'000
Balance as at 1 January 2007	1,853	159,063	3,535	(1,057)	(43)	163,351
Share based payment expense	-	-	1,348	-	-	1,348
Exchange differences arising on translation of overseas operations	-	-	-	-	54	54
Net loss for the period	-	-	-	(27,568)	-	(27,568)
Balance at 30 June 2007 (unaudited)	1,853	159,063	4,883	(28,625)	11	137,185
Share based payment expense	-	-	(895)	-	-	(895)
Exchange differences arising on translation of overseas operations	-	-	-	-	16	16
Share conversion and issue	-	13	-	-	-	13
Net loss for the period (restated)	-	-	-	(795)	-	(795)
Balance at 31 December 2007 (restated) (audited)	1,853	159,076	3,988	(29,420)	27	135,524
Share based payment expense	**-**	**-**	**480**	**-**	**-**	**480**
Exchange differences arising on translation of overseas operations	**-**	**-**	**-**	**-**	**(139)**	**(139)**
Share conversion and issue	**-**	**4**	**-**	**-**	**-**	**4**
Net loss for the period	**-**	**-**	**-**	**(18,243)**	**-**	**(18,243)**
Balance at 30 June 2008 (unaudited)	**1,853**	**159,080**	**4,468**	**(47,663)**	**(112)**	**117,626**

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2008

	Notes	**Six months ended 30 June 2008 Unaudited $'000**	Six months ended 30 June 2007 Unaudited $'000	Year ended 31 December 2007 (restated) Audited $'000
Operating activities				
Cash used in operations	11	**(2,213)**	(13,371)	(14,384)
Tax paid		**-**	-	(136)
Interest received		**784**	2,601	4,625
Net cash used in operating activities		**(1,429)**	(10,770)	(9,895)
Investing Activities				
Proceeds from prior year sale of assets		**-**	55,000	55,000
Purchase of intangible assets		**(57,086)**	(5,987)	(10,716)
Purchase of property, plant and equipment		**(175)**	(608)	(455)
Net cash (used in) / generated by investing activities		**(57,261)**	48,405	43,829
Financing activities				
Repayment of loan		**-**	-	(5,000)
Proceeds on issue of share capital		**4**	-	13
Net cash generated by / (used in) financing activities		**4**	-	(4,987)
Net (decrease) / increase in cash and cash equivalents		**(58,686)**	37,635	28,947
Cash and cash equivalents at beginning of period		**88,286**	59,328	59,328
Effect of foreign exchange rate changes		**(7)**	54	11
Cash and cash equivalents at end of the period being bank balances and cash on hand		**29,593**	97,017	88,286

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008

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 2008, comprises the Company and its subsidiaries (together the "Group"). The interim report was authorised for issue by the directors on 9 September 2008. The financial information has not been audited or reviewed by auditors.

The financial information for the year ended 31 December 2007 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. Accounting policies

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 Standards 34 'Interim Financial Reporting'.

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

3. Business and geographical segments

Business and geographical segments

For management purposes, the Group is currently organised into three legal entities – Gulf Keystone Petroleum Limited and its subsidiaries Gulf Keystone Petroleum International Limited and Gulf Keystone Petroleum (UK) Limited.

Geographical segments

For the purposes of segmental reporting, the primary segment reporting format is determined to be geographical segments. The Group's main exploration and production activities take place in Algeria and the Kurdistan region of Northern Iraq with corporate support functions in Bermuda and the United Kingdom.

Business segments

The secondary segment reporting format is business segments of which the Group has one segment being the exploration and production of oil and gas.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008 continued

3. Business and geographical segments continued

Segment information for each geographical location is presented below:

Six months ended 30 June 2008	**Algeria 2008 $'000**	**Kurdistan 2008 $'000**	**United Kingdom 2008 $'000**	**Bermuda 2008 $'000**	**Eliminations 2008 $'000**	**Total 2008 $'000**
Revenue	4,486	-	156	-	-	4,642
Inter-segment sales	-	-	2,006	-	(2,006)	-
Total revenue	**4,486**	**-**	**2,162**	**-**	**(2,006)**	**4,642**
Cost of sales						
Production costs	(4,301)	-	-	-	51	(4,250)
Gross profit	**185**	**-**	**2,162**	**-**	**(1,955)**	**392**
Impairment of intangible exploration assets	(12,552)	-	-	-	1,063	(11,489)
General and administration expenses	(2,725)	(243)	(2,284)	(4,229)	1,013	(8,468)
Segment result	**(15,092)**	**(243)**	**(122)**	**(4,229)**	**121**	**(19,565)**
Interest revenue						1,083
Finance costs						(51)
Loss before tax						**(18,533)**
Tax benefit						290
Loss after tax						**(18,243)**

Six months ended 30 June 2007	**Algeria 2007 $'000**	**Kurdistan 2007 $'000**	**United Kingdom 2007 $'000**	**Bermuda 2007 $'000**	**Eliminations 2007 $'000**	**Total 2007 $'000**
Revenue	-	-	-	-	-	-
Inter-segment sales	-	-	3,782	-	(3,782)	-
Total revenue	**-**	**-**	**3,782**	**-**	**(3,782)**	**-**
Gross profit	**-**	**-**	**3,782**	**-**	**(3,782)**	**-**
Gain on sale of assets	269	-	-	-	-	269
Impairment of intangible exploration assets	(22,932)	-	-	-	-	(22,932)
General and administration expenses	(892)	-	(3,357)	(5,877)	2,900	(7,226)
Segment result	**(23,555)**	**-**	**425**	**(5,877)**	**(882)**	**(29,889)**
Interest revenue						2,601
Finance costs						(22)
Loss before tax						**(27,310)**
Tax expense						(258)
Loss after tax						**(27,568)**

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008 continued

3. Business and geographical segments continued

Year ended 31 December 2007 (restated)	**Algeria 2007 $'000**	**Kurdistan 2007 $'000**	**United Kingdom 2007 $'000**	**Bermuda 2007 $'000**	**Eliminations 2007 $'000**	**Total 2007 $'000**
Revenue	5,414	-	-	-	-	5,414
Inter-segment sales	-	-	6,639	-	(6,639)	-
Total revenue	**5,414**	**-**	**6,639**	**-**	**(6,639)**	**5,414**
Cost of sales						
Production costs	(3,257)	-	-	-	-	(3,257)
Gross profit	**2,157**	**-**	**6,639**	**-**	**(6,639)**	**2,157**
Impairment of intangible exploration assets	(20,585)	-	-	-	-	(20,585)
General and administration expenses	(1,902)	(1,289)	(7,423)	(10,115)	6,089	(14,640)
Segment result	**(20,330)**	**(1,289)**	**(784)**	**(10,115)**	**(550)**	**(33,068)**
Interest revenue						5,183
Finance costs						(101)
Loss before tax						**(27,986)**
Tax expense						(377)
Loss after tax						**(28,363)**

4. Revenue

Included within revenue was production revenue of $4.3 million for the six months to 30 June 2008 for the sale of oil from GKN-1 to SONATRACH (30 June 2007: $nil).

5. Impairment of intangible exploration assets

During the current period, an impairment loss was recognised in respect of intangible exploration assets relating to Block 129 in Algeria, following the failure to find commercial levels of hydrocarbons and the expiration of the exploration permit on 23 September 2008. The total impairment loss recognised in the income statement for the six months ended 30 June 2008 was $11.5 million (2007: $22.9 million impairment loss relating to the write off of the GRJ wells in Block 126a).

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008 continued

6. Restatement of prior year exploration and evaluation costs

In 2007, not all of the directly attributable administrative and overhead costs were capitalised in line with the Group's accounting policy. In order to rectify this, these costs have been capitalised and the 2007 balances restated.

The effect of the restatement of prior year exploration and evaluation costs on the 2007 comparatives is summarised below:

Income Statement	**Year ended 31 December 2007**		
	As previously reported $'000	**Impact of restatement $'000**	**As restated $'000**
Operating loss	(34,600)	1,532	(33,068)

This restatement does not impact the 30 June 2007 comparatives as the adjustment relates to the second half of the 2007 financial year.

Balance Sheet	**As at 31 December 2007**		
	As previously reported $'000	**Impact of restatement $'000**	**As restated $'000**
Non-current assets			
Property, plant and equipment	24,097	-	24,097
Intangible assets	41,996	1,532	43,528
Financial asset	6,155	-	6,155
	72,248	**1,532**	**73,780**
Current assets			
Inventories	5,526	-	5,526
Trade and other receivables	6,047	-	6,047
Cash and cash equivalents	88,286	-	88,286
	99,859	**-**	**99,859**
Total assets	**172,107**	**1,532**	**173,639**
Current liabilities			
Trade and other payables	36,684	-	36,684
Tax liabilities	377	-	377
Provisions	1,054	-	1,054
Total liabilities	**38,115**	**-**	**38,115**
Net assets	**133,992**	**1,532**	**135,524**
Equity			
Share capital	1,853	-	1,853
Share premium account	159,076	-	159,076
Share option reserve	3,988	-	3,988
Exchange translation reserve	27	-	27
Accumulated losses	(30,952)	1,532	(29,420)
Total equity	**133,992**	**1,532**	**135,524**

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008 continued

7. Taxation

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

Any corporate tax liability in Algeria is settled out of SONATRACH's share of oil under the terms of the Production Sharing Contracts and is therefore not reflected in the tax charge for the year.

In Kurdistan, the Group is subject to corporate income tax on its income from petroleum operations. The rate of corporate income tax is currently 40% for all taxable profits in excess of 9 million Iraqi Dinar (equivalent to $7,317 at the 30 June 2008 exchange rate). 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 year earned in the United Kingdom by the Group's subsidiary. UK corporation tax is calculated at 30% of the estimated assessable profit for the year of the UK subsidiary.

8. Loss per share

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

	Six months ended 30 June 2008 $'000	Six months ended 30 June 2007 $'000	Year ended 31 December 2007 (restated) $'000
Loss			
Loss for the purposes of basic and diluted loss per share	**(18,243)**	(27,568)	(28,363)

	30 June 2008 Number	30 June 2007 Number	31 December 2007 Number
Number of shares			
Weighted average number of ordinary shares for the purposes of basic loss per share	**278,364,660**	273,247,694	276,963,270
Adjustments for:			
-bonus shares	**n/a**	n/a	n/a
-share options	**n/a**	n/a	n/a
Weighted average number of ordinary shares for the purposes of diluted loss per share	**278,364,660**	273,247,694	276,963,270

On 27 July 2008, the Company completed a fully subscribed placing of 89,509,488 new ordinary shares at a placing price of £0.28 per share.

9. Property, plant and equipment

During the period, the Group spent approximately $134,000 on plant and equipment, including motor vehicles, for the new office in Kurdistan and $41,000 on plant and equipment in Algeria.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008 continued

10. Share capital

Share capital as at 30 June 2008 amounted to $160,933,000. During the period, 450,304 new shares were issued as part of the Company's bonus share scheme, increasing the value of share capital by $4,103.

11. Reconciliation of loss from operations to net cash used in operating activities

	Six months ended 30 June 2008 $'000	Six months ended 30 June 2007 $'000	Year ended 31 December 2007 (restated) $'000
Loss from operations	**(19,565)**	(29,889)	(33,068)
Adjustments for:			
Depreciation of property, plant and equipment	**2,497**	148	2,568
Amortisation of intangible assets	**77**	36	64
Impairment of intangible exploration assets	**11,489**	22,932	20,585
Stock write off	**-**	-	249
Foreign exchange loss	**70**	-	229
Share based payment expense	**480**	1,348	453
Decrease / (increase) in inventories	**590**	(1,186)	(1,063)
Decrease in provisions	**-**	(22)	(996)
(Increase) / decrease in receivables	**(6,127)**	187	(1,048)
Increase / (decrease) in payables	**8,276**	(6,925)	(2,357)
Net cash used in operating activities	**(2,213)**	(13,371)	(14,384)

12. Guarantees

Cash backed guarantees
As part of the contractual terms of the Algerian contracts, the Group has given bank guarantees to Sonatrach of $21.6 million. In relation to Block 129, $6 million bank guarantees will be exercised. An accrual was recorded at 30 June 2008 to reflect this payment.

Other guarantees
Gulf Keystone Petroleum International Limited, a wholly owned subsidiary of Gulf Keystone Petroleum Limited, has provided a letter of guarantee of $3.75 million to the Kurdistan Regional Government to state it will meet the minimum financial commitment and / or the minimum exploration obligations as required under the terms of the PSC.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008 continued

13. Related party transactions

Transactions with related parties
Transactions between the Company and its subsidiaries are disclosed below.

During the year the parent Company entered into the following transactions with its subsidiary, Gulf Keystone Petroleum (UK) Ltd:

	Six months ended 30 June 2008 $'000	Six months ended 30 June 2007 $'000	Year ended 31 December 2007 $'000
Purchases of services in year	**2,006**	3,782	6,639
Amounts owed to related parties at year end	**201**	503	597

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

On 9 June 2006 the Group signed loan agreements with GIBCA Limited and Falcon Partners Trust, both related parties, to provide an unsecured debt facility drawn down in aggregate by $5 million at an interest rate of 7% and for a term of 12 months. Sheikh Sultan Al-Qassimi is a shareholder in GIBCA Limited and Mr Todd Kozel has a relationship with Falcon Partners Trust. On 13 January 2007 the Group repaid in full these loans on the completion of the BG deal. The interest expense paid and accrued for in the year was nil (2007: nil).

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, the Company 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 for the Shaikan Block. In return for this and TKI's continuing participation, Gulf Keystone Petroleum International Limited will be liable and pay for TKI's share of the costs of the Exploration Work Programme and all costs ancillary to the Joint Operations until the first exploration well is drilled.

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

14. Subsequent events

On 25 July 2008, the Company completed a fully subscribed placing of 89,509,488 new ordinary shares at a placing price of £0.28 per share (equivalent to $0.56 per share) raising gross proceeds of approximately $50 million.

These shares were placed by the Company's brokers, Tristone Capital Ltd and RBC Capital Markets, with institutional clients and certain of the Company's Directors, management and associates.

Together with the Company's existing cash balances and forecast cash flow from oil production the net proceeds of the placing will be used to fund the further exploration and appraisal of the HBH Permit in Algeria and the drilling of an additional well in Kurdistan.

On 23 September 2008, the exploration licence for Block 129 in Algeria expired and $6 million of bank guarantees in relation to this Block will be exercised.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2008 continued

14. Subsequent events continued

On 18 September 2008 it was announced that Mr John Gerstenlauer had been appointed as Chief Operating Officer ("COO") with effect from 1 October 2008. Mr Ibrahim Al-Khaldi, currently COO of Gulf Keystone, will become Vice President, MENA region.

15. Further information

An electronic version of the Interim Statement has been posted on the Group's website www.gulfkeystone.com. Hard copies of the Half Yearly Report are available C/- Gulf Keystone Petroleum (UK) Limited, 16 Berkeley Street, London, W1J 8DZ or by emailing info@gulfkeystone.co.uk.