GULF KEYSTONE PETROLEUM LTD.

19 September 2017

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

2017 Half Year Results Announcement

Gulf Keystone Petroleum, a leading independent operator and producer in the Kurdistan Region of Iraq ("Kurdistan" or "Kurdistan Region"), today announces its results for the half year ended 30 June 2017.

Highlights to 30 June 2017 and post reporting period

Operational

- Gulf Keystone's operations in the Kurdistan Region remained safe and secure throughout H1 2017 with plant uptime at PF-1 and PF-2 of over 99% with no lost-time incidents.
- Shaikan achieved average daily production of 36,664 bopd.
- Cumulative production from Shaikan has now exceeded 40 million barrels.
- In March 2017, Shaikan-8 ("SH-8") was brought back on-stream.
- In April 2017, ERC Equipoise verified remaining gross Shaikan 2P reserves of 615 MMstb, as at 31 December 2016.
- With gross production of c.35,350 bopd in Q3 2017 so far, gross production guidance for 2017 remains at 32,000-38,000 bopd.
- Operational strategy for investment into Shaikan has been matured throughout 2017.

Financial

- Cash flow positive through H1 2017.
- The Group has continued to receive regular payments from the Ministry of Natural Resources ("the MNR") of $15 million gross ($12 million net to GKP) with cash receipts of $84 million net to GKP year to date.
- Continued cost control with gross operating costs per barrel of $3/bbl (H1 2016:$4/bbl).
- Profit after tax of $0.7 million (H1 2016 (as restated): loss after tax of $232.6 million).
- As at 30 June 2017, the Group estimates an unrecognised revenue receivable of $33 million net to GKP with regards to unpaid export sales (December 2016: $25 million) and $76 million net to GKP for the past costs associated with the Shaikan Government Participation Option (December 2016: $71 million).
- Cash balance at 30 June 2017 of $118.8 million against $100 million debt principal.
- Cash balance at 18 September of $133.8 million.
- April 2017, decision taken to pay Reinstated Notes coupon of $5.1 million at 10% interest rate. The decision regarding the October 2017 coupon will be communicated to the market in due course.

Outlook

- The Company is progressing in its ongoing discussions with the MNR regarding commercial and contractual conditions, in particular those around regular payments conforming to the Shaikan Production Sharing Contract ("PSC") and crude marketing arrangements.
- GKP is preparing to make further investments to maintain plateau production at the nameplate capacity of 40,000 bopd with a view to increasing to 55,000 bopd, and beyond, subject to MOL and MNR approvals, a regular payment cycle from the MNR and a commercially acceptable investment environment.

Jón Ferrier, Gulf Keystone's Chief Executive Officer, said:

"The first half of the year was a period of solid operational delivery, which has seen the Shaikan field continue to perform in line with expectations.
The Company continues its dialogue with the MNR with the objective of achieving contractual and commercial clarity. Whilst continuing to maintain a rigorous and disciplined approach to its cost base, Gulf Keystone remains cash flow positive and well placed to continue to invest in increasing production from Shaikan."

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The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

Notes to Editors:

- Gulf Keystone Petroleum Ltd. (LSE: GKP) is a leading independent operator and producer in the Kurdistan Region of Iraq and the operator of the Shaikan field with current production capacity of 40,000 barrels of oil per day
- Further information on Gulf Keystone is available on its website www.gulfkeystone.com

Disclaimer

This announcement contains certain forward-looking statements that are subject to the risks and uncertainties associated with the oil & gas exploration and production business. These statements are made by the Company and its Directors in good faith based on the information available to them up to the time of their approval of this announcement but such statements should be treated with caution due to inherent risks and uncertainties, including both economic and business factors and/or factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. This announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. This announcement should not be relied on by any other party or for any other purpose.

Chairman and CEO Statement

The first half of the year has been a period of solid operational delivery, which has seen the Shaikan field continue to perform in line with expectations. This has been against a backdrop which, despite some more positive developments, such as the recently announced defeat of Daesh in nearby Mosul, remains challenging. The oil price has continued to be somewhat volatile and was most recently adversely impacted by both US shale production and questions over OPEC's influence over pricing. However, now in the region of $50 per barrel, the price of crude has continued to show some signs of recovery from the lows of 2016. These macro factors are highly relevant as they have been part of the turbulence that has buffeted Gulf Keystone's recent past and, frustratingly, continue to overlay some uncertainty with regards to our future.

We are pleased to report first half average gross daily production of 36,664 bopd and c.35,350 bopd in Q3 2017 so far, as well as confirming that we remain on track to meet our guidance for the full year for average gross daily production of between 32,000-38,000 bopd.

Compared to the second half of 2016, which saw the completion of the Company's balance sheet restructuring and the associated high number of market disclosures, this reporting period has been more a time of quiet delivery. In April, the Company was pleased to announce that ERC Equipoise verified gross Shaikan 2P reserves of 615 million barrels of oil (as at 31 December 2016), which reaffirms Shaikan's prominent position in the Kurdistan Region.

The negotiations around the amendment to the Shaikan PSC have continued throughout the period and beyond. Whilst progress is being made, the Board recognises that these discussions are taking time to conclude. The lack of commercial visibility is a hindrance and prevents us from progressing our preferred strategic direction of further investing in Shaikan, in order to increase production. However, the Board notes the recent positive developments regarding the commercial terms agreed between the Ministry of Natural Resources ("the MNR") and other international producers and draws comfort from this positive momentum. The ongoing geo-political uncertainty of the region is clearly one factor to impact these negotiations. The Board will continue to keep progress around the amendment to the Shaikan PSC under close scrutiny.

The MNR has continued to pay Gulf Keystone for its Shaikan crude oil sales, however the recent payment delays have been disappointing. Whilst recognising that a conventional payment cycle in accordance with the Shaikan PSC is yet to be fully established, the Company has now received 20 payments since September 2015. During the reporting period, and post period end, a total of $84 million net has been paid to Gulf Keystone.

As you will read in the Chief Financial Officer's report, Gulf Keystone's balance sheet remains healthy with a cash balance as at 18 September 2017 of $133.8 million. Whilst continuing to maintain a rigorous and disciplined approach to its cost base, Gulf Keystone remains cash flow positive and well placed to invest in increasing production from Shaikan, once the required commercial framework exists for that to happen.

The safety of Gulf Keystone personnel, contractors, partners and those living close to our operations remains our utmost priority and this most important goal was achieved throughout the period. There is no room for complacency and training and education remain central to our HSSE policy implementation.

Shaikan remains a stable and predictable asset which is set to produce for many decades to come. The Board believes that Gulf Keystone has a strong stand-alone future, working with its partners to continue to increase production and therefore create value for all stakeholders. However, the Board also recognises its fiduciary duty to consider approaches from interested parties.

We would again like to thank those working in the field and in our offices in both Erbil and London, as well as our partner, MOL, and our partner and host, the Kurdistan Regional Government ("KRG") and the MNR. In addition, we would like to thank our shareholders for their ongoing support and patience.

Keith Lough
Chairman

Jón Ferrier
Chief Executive Officer

Operations Review

The six months ended 30 June 2017 saw the Shaikan field continue to perform well, and predictably. Shaikan achieved an average daily production of 36,664 barrels of oil per day during the period. Cumulative production from Shaikan has now exceeded 40 million barrels. This is a significant milestone and highlights the field's now established and stable production. During the period, ERC Equipoise estimated gross Shaikan's 2P remaining reserves of 615 MMstb (as at 31 December 2016). This not only puts Shaikan in the top class of producing assets, but also highlights that, despite operational progress enjoyed to date, Shaikan's long life as a producing field has only just begun.

With such milestones, Gulf Keystone's knowledge of the reservoir continues to improve. The encouraging trend is that as production increases the reservoir continues to perform well. Pressure data gathered from downhole gauges which were installed in each well were recovered in April. Furthermore we recently completed a detailed characterisation study of the reservoir fracturing which is a key parameter that affects our future predictions of field performance. Both the pressure data and the reservoir fracture study were in line with previous forecasts of performance from the Upper Jurassic Reservoir (from where most of the oil is produced) and have helped to underpin the Company's confidence in its understanding of Shaikan's subsurface geology.

In March, the SH-8 well was successfully brought back on-stream. This followed a temporary shut in due to an amount of drilling fluids being lost into the reservoir and being produced back from the well. Since production from SH-8 recommenced, the well has continued to produce at a rate of approximately 1,800 bopd. With only traces of drilling fluids showing since its return to production, it is likely that the drilling fluids have drained away from SH-8 and we are very pleased to have been able to keep the well on production. As part of our investment programme however we are looking at facilities improvements that could allow us to clean-up wells such as SH-8 more quickly and reduce the associated production deferrals.

During the period the Company was made aware of a change in the export route for Shaikan crude as the MNR announced that it would commence exporting all Shaikan crude production via trucks to Turkey, as opposed to the previous export route of Shaikan crude being injected into the Kirkuk-Ceyhan export pipeline at Fishkhabour. This was part of the MNR's overall crude export strategy and saw no change in economic terms to the Company, which continues to receive a fixed payment of gross $15 million per month for sales of Shaikan crude. The Company is continuing its discussions with the MNR regarding commercial and contractual conditions.

Throughout the period, and subsequently, a focus has been on the operational strategy for investment into Shaikan. This is in order to maintain production at the 40,000 bopd capacity level, and then to expand production to 55,000 bopd and to subsequent medium term production targets beyond that. The development of these plans has been matured throughout 2017 and remains one of the key workstreams of the operations team. This focus of effort is designed to ensure that as soon as the commercial framework is agreed with the MNR and our partner MOL, the necessary investment can be made and the operational plan executed as quickly as possible.

With production operations continuing to run well, Gulf Keystone remains on track to meet full year gross production guidance of between 32,000 - 38,000 bopd.

HSSE

The safety of those working with us and of the communities living close to our operations remains our number one priority. During the first half of the year, with plant availability of more than 99%, there were zero Lost-time Incidents reported and zero vehicle accidents. Our safety performance ranks well amongst peers in the international oil & gas industry. However, whilst the safety culture remains strong, there is no room for complacency. This was brought home with two recordable safety incidents during the period and one High Potential near-miss Incident. We continue to invest time and resource in training to ensure safe working practices.

Stuart Catterall
Chief Operating Officer

Financial Review

Summary of key financial highlights

	Six months ended 30 June 2017 Unaudited	Six months ended 30 June 2016 Unaudited/ As restated (note 16)
Gross average production (bopd)[1]	**36,664**	33,000
Revenue	**78.3**	102.1
Cash receipts assured ($m)[1]	**72.0**	52.9
Offset of payables to the MNR ($m)[1]	**6.3**	49.2
Underlying gross field cash operating costs per bbl ($/bbl)[1]	**3**	4
Profit from operations ($m)	**6.3**	14.0
Finance costs ($m)	**(5.9)**	(35.7)
Impairment expense ($m)	**-**	(215.7)
Profit/ (loss) after tax ($m)	**0.7**	(232.6)
Basic earnings /(loss) per share (cents)	**0.29**	(2,413.78)
Net increase in cash and cash equivalents	**25.7**	31.3
Additions to oil and gas properties ($m)	**4.1**	3.8
Net debt ($m)[1]	**(2.0)**	(500.3)

[1] *Gross average production, revenue categories, underlying gross field cash operating costs per bbl and net debt are non-IFRS measures and are explained later in this section.*

Revenue and production

Gross liftings for the period were 6.7 million barrels (H1 2016: 6.0 million barrels). Shaikan oil was trucked to Fishkhabour for injection into the export pipeline until February 2017. At the end of February, the MNR began exporting all Shaikan crude production via trucks to Turkey, an arrangement that still stands. While this temporary route is in place, the MNR has confirmed that the economic benefit to the Group will remain unchanged and that they intend to take full responsibility for any additional transportation costs.

During the period, the Group received five payments of $12 million net from the MNR for oil sales, three of the payments related to 2016 oil sales. As at 30 June 2017, the Group recognised four months of revenue receivables of $48 million (H1 2016: $12.5 million) on its balance sheet in relation to liftings from March to June 2017.

Due to continued uncertainty relating to the payment mechanism for sales to the export market, the Group recognises its revenues when the cash receipt is assured (see note 4). Based on this, revenues recognised in the six month period to 30 June 2017 amounted to $78.3 million (H1 2016: $102.1 million) including $72.0 million (H1 2016: $52.9 million) for assured receipts and $6.3 million (H1 2016: $49.2 million) recognised by offsetting payables to the MNR against amounts due for previously unrecognised revenue. Unrecognised revenue arrears at 30 June 2017 are estimated at $33 million (H1 2016: $28 million).

The Group's production is sold under its oil export arrangements with the KRG at a field-specific quality discount to the price of Brent crude oil and after transportation costs. The Group continues to assume Shaikan quality discount at $14.7/bbl and transportation costs at $5.2/bbl. Based on these assumptions, the realised price for 2017 export sales is estimated at $32/bbl (H1 2016: $20/bbl). This remains subject to audit and reconciliation, and the establishment of a retroactive quality bank for Kurdistan crude oil.

Financial Review continued

Operating costs, depreciation and expenses

Underlying cash operating costs (defined in the non-IFRS measures section), amounted to $14.1 million or $3/bbl on a gross field basis (H1 2016: $16.0 million; $4/bbl). The decrease in operating costs per barrel is a result of the disciplined management of operating costs and stable production and liftings achieved in 2017.

DD&A charges on production and development assets amounted to $41.1 million (H1 2016: $39.9 million), the increase being attributed to the increase in production volumes.

General and administrative expenses during the period were $9.7 million (H1 2016: $15.7 million). The decrease has been generated through efforts to further increase efficiencies and reduce costs and the absence of professional costs associated with restructuring.

Impairment of property plant and equipment

Management carried out an impairment review of the Group's oil and gas assets as at 30 June 2017 with no impairment identified as at 30 June 2017. The impairment expense in H1 2016 resulted from the change in accounting policy for oil and gas assets from full costs to successful efforts (note 16) and the relinquishment of the Sheikh Adi block in March 2016.

Finance costs

Finance costs of $5.9 million (H1 2016: $35.7 million) mainly consist of the interest payment in respect of the Reinstated Notes in H1 2017 and Convertible Bonds and Guaranteed Bonds in H1 2016 (note 6).

Taxation

Substantially all of the Group's operations are in Kurdistan. No tax charge has been recognised for operations in Kurdistan as, under the terms of the Shaikan PSC, the KRG will settle Iraq tax obligations out of its share of profit oil. The Group's subsidiary presence in the UK gave rise to the tax credit for the period of $0.04 million (H1 2016: charge of $0.3 million).

Cash flow

Net cash generated in operating activities was $30.1 million (H1 2016: $46.9 million). The decrease is due to lower cash receipts for revenue, repayment of certain trade and other payables and the payment of $5.1 million interest (H1 2016: $nil) on the Reinstated Notes.

Capital expenditure for the period amounted to $4.4 million (H1 2016: $15.7 million), leading to the net overall increase in cash and cash equivalents during the period of $25.7 million (H1 2016: $31.3 million increase).

Cash and cash equivalents totalled $118.8 million at 30 June 2017 (30 June 2016: $74.7 million; FY 2016: $92.9 million). Cash and cash equivalents at 18 September 2017 amounted to $133.8 million.

Corporate Activities

Second Shaikan PSC Amendment

The Group continues to work towards the execution of the Second Shaikan PSC Amendment implementing the terms of the agreement signed by the MNR and Gulf Keystone Petroleum International Limited ("GKPI") on 16 March 2016 (the "Bilateral Agreement"). For the avoidance of doubt, MOL was not party to the Bilateral Agreement. The Bilateral Agreement, inter alia, records the MNR's approval to reduce the Group's capacity building charge from 40% to 30% of profit petroleum, and the MNR's approval of the 2010 assignment to GKPI of the 5% participating interest in the Shaikan PSC from Texas Keystone International Limited. It also documents the MNR and GKPI's intention to implement the Third Party Participation Option so that a 7.5% participating interest in the Shaikan PSC in aggregate shall be allocated in favour of GKPI and MOL pro rata to their respective participating interests and a 7.5% carried interest in the Shaikan PSC shall be allocated to the MNR. In addition, the MNR and GKPI stated their intention to recognise the allocation to the MNR of the Shaikan Government Participation Option in the Shaikan PSC with effect from 1 August 2012 (subject to the satisfaction of certain conditions, including the payment by the MNR of associated past costs attributable to the Shaikan Government Participation Option).

Financial Review continued

Corporate Activities continued

Completion of the Ber Bahr block relinquishment

The Group, together with the MNR and Genel Energy International Limited, finalised the terms of relinquishment and termination of its rights and obligations under the Ber Bahr PSC, which has been completed in accordance with the executed Relinquishment and Termination Agreement on 13 July 2017 (note 17).

Algerian assets

The Group continues its work on an orderly exit from its Algerian interests.

Financial outlook

The Group will work to sustain its strong liquidity position and continue its efforts to manage costs prudently whilst maintaining safe and secure operations. We have successfully reduced our operating costs in H1 2017 to $3/bbl from $4/bbl in H1 2016. Our operating costs guidance for the year has been revised downwards to $3-$3.5/bbl from $4/bbl communicated in the 2016 Annual report and accounts. We are ready to invest in the Shaikan asset, subject to achieving satisfactory clarity on a number of commercial and contractual conditions with the MNR (as discussed in the Corporate Activities section).

Sami Zouari
Chief Financial Officer

Non-IFRS measures

The Group uses certain measures to assess the financial performance of its business. Some of these measures are termed “non-IFRS measures” because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include financial measures such as revenue categories and net debt and non-financial measures such as underlying gross field cash operating costs per bbl and gross average production (bopd).

The Group uses such measures to measure operating performance and liquidity, in presentations to the Board and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of its operating cash flow and liquidity. The Directors believe that these and similar measures are used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group’s operating results as reported under IFRS. An explanation of the relevance of each of the non-IFRS measures and a description of how they are calculated is set out below. Additionally, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out below, where applicable. The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

Revenue categories

The Group’s revenue recognition policy is detailed in note 2. The Group recognises revenues once the receipt of cash is assured as well as once it incurs costs payable to the MNR that can be offset against unrecognised revenue arrears.

Underlying gross field cash operating costs per bbl

Underlying gross field cash operating costs per bbl is defined as gross operating costs which, in comparison with cost of sales, exclude depletion and amortisation of oil and gas assets, capacity building charge, production bonuses, oil stock movements and certain other cost of sales. Underlying gross field cash operating costs per bbl is not a measurement of performance under IFRS and prospective investors should not consider underlying cash operating costs as an alternative to cost of sales (as determined in accordance with IFRS) as a measure of the Group’s underlying cash operating costs or any other measures of performance under IFRS.

Non-IFRS measures continued

Underlying gross field cash operating costs per bbl (continued)

The Directors believe that underlying gross field cash operating costs per bbl is a useful indicator of the operating costs incurred to produce oil from the Shaikan field.

Net debt

Net debt is defined as current and non-current borrowings plus unamortised arrangement fees and the equity component of convertible bonds less cash and cash equivalents. The Directors believe that net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of unamortised arrangement fees and the equity component of any convertible bonds (which represent amounts that the Group is required to repay to its lenders) and cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding borrowings.

	Six months ended 30 June 2017 Unaudited	Six months ended 30 June 2016 Unaudited
Current Borrowings[1]	**-**	(239.8)
Non-current borrowings[1]	**(99.3)**	(314.3)
Unamortised arrangement fees, PIK interest and equity component of convertible bonds [2]	**(21.5)**	(20.9)
Add: cash and cash equivalents	**118.8**	74.7
Net debt	**(2.0)**	(500.3)

[1] *Includes Reinstated Notes in H1 2017 and Guaranteed Notes and Convertible Bonds in H1 2016.*

[2] *Unamortised arrangement fees are incurred on creation or amendment of borrowing facilities. They are capitalised as incurred, set against the associated liability, and amortised over the life of the borrowing facility to which they relate.*

Under the terms of the Reinstated Notes, the Group has the option to defer its interest payments until the maturity of the Reinstated Notes in Payment in Kind ("PIK") at 13% or pay in cash at 10% until 18 October 2018 (note 13). The net debt calculation assumes PIK option is elected for the next three interest payments. The interest payment method will be reassessed prior to each interest payment date.

On initial recognition the Convertible Bonds were measured at fair value and included as a component of equity.

Principal risks and uncertainties

The Board determines and reviews the key risks for the Group on a regular basis. The principal risks and how the Group seeks to mitigate them, at half year are consistent with those detailed in the management of principal risks and uncertainties section of the 2016 Annual Report and Accounts. The summary is listed below:

Strategic	**HSSE and CSR**	**Operational**	**Financial**
Political, social and economic instability	HSSE risks	Field delivery risks	Liquidity and funding capability
Disputes regarding title or exploration and production rights	Gas flaring	Reserves	Export payment mechanism
Business conduct and anti-bribery	Security		Commodity prices
Export route availability	Corporate social responsibility risks		
Stakeholder expectation			

Responsibility statement

The Directors confirm that to the best of their knowledge:

(a) the condensed set of financial statements, which has been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and loss of the Group as a whole as required by DTR 4.2.4R;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months of the year and a description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Sami Zouari
Chief Financial Officer
18 September 2017

Independent Review Report to Gulf Keystone Petroleum Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 it 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. 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" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor
London, United Kingdom
18 September 2017

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Income Statement
for the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 Unaudited $'000**	Six months ended 30 June 2016 Unaudited/ as restated (note 16) $'000	Year ended 31 December 2016 Audited $'000
Continuing operations				
Revenue	4	78,308	102,068	194,409
Cost of sales	5	(62,388)	(72,369)	(142,827)
Gross profit		15,920	29,699	51,582
General and administrative expenses		(9,659)	(15,666)	(25,536)
Profit from operations		6,261	14,033	26,046
Interest income	4	80	46	100
Finance costs	6	(5,892)	(35,684)	(60,182)
Impairment expense	16	-	(215,658)	(215,658)
Gain on debt extinguishment		-	-	222,455
Other gains	7	170	4,962	9,931
Profit/ (loss) before tax		619	(232,301)	(17,308)
Tax credit/ (expense)		37	(254)	(127)
Profit/ (loss) after tax		656	(232,555)	(17,435)
Profit/ (loss) per share (cents)				
Basic	8	0.29	(2,413.78)	(30.82)
Diluted	8	0.28	(2,413.78)	(30.82)

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2017

	Six months ended 30 June 2017 Unaudited $'000	Six months ended 30 June 2016 Unaudited/ As restated (note 16) $'000	Year ended 31 December 2016 Audited $'000
Profit/ (loss) for the period	656	(232,555)	(17,435)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	744	(1,648)	(2,901)
Total comprehensive income/ (loss) for the period	1,400	(234,203)	(20,336)

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Balance Sheet
as at 30 June 2017

	Notes	**30 June 2017 Unaudited $'000**	30 June 2016 Unaudited/ As restated (note 16) $'000	31 December 2016 Audited $'000
Non-current assets				
Intangible assets		**82**	80	99
Property, plant and equipment	10	**452,295**	525,761	489,379
Deferred tax asset		**364**	199	310
		452,741	526,040	489,788
Current assets				
Inventories		**15,531**	18,410	15,971
Trade and other receivables	11	**51,624**	13,553	41,565
Cash and cash equivalents		**118,848**	74,749	92,870
		186,003	106,712	150,406
Total assets		**638,744**	632,752	640,194
Current liabilities				
Trade and other payables	12	**(51,532)**	(114,513)	(56,284)
Provisions		**(7,190)**	(7,457)	(7,461)
Other borrowings		**-**	(239,795)	-
		(58,722)	(361,765)	(63,745)
Non-current liabilities				
Convertible bonds		**-**	(314,253)	-
Other borrowings	13	**(99,312)**	-	(98,886)
Provisions		**(24,200)**	(23,445)	(23,794)
		(123,512)	(337,698)	(122,680)
Total liabilities		**(182,234)**	(699,463)	(186,425)
Net assets/ (liabilities)		**456,510**	(66,711)	453,769
Equity				
Share capital	14	**229,430**	9,781	229,430
Share premium account	14	**920,728**	834,619	920,728
Convertible bonds reserve		**-**	7,359	-
Exchange translation reserve		**(3,555)**	(3,046)	(4,299)
Accumulated losses		**(690,093)**	(915,424)	(692,090)
Total equity		**456,510**	(66,711)	453,769

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2017

	Notes	Share capital $'000	Share premium account $'000	Exchange translation reserve $'000	Accumulated losses $'000	Convertible bond reserve $'000	Total equity $'000
Balance at 1 January 2016 (audited/ as restated (note 16))		9,781	834,619	(1,398)	(686,520)	10,179	166,661
Net loss for the period		-	-	-	(232,555)	-	(232,555)
Other comprehensive loss for the period		-	-	(1,648)	-	-	(1,648)
Total comprehensive loss for the period		-	-	(1,648)	(232,555)	-	(234,203)
Share-based payment charge		-	-	-	831	-	831
Convertible bond equity amortisation		-	-	-	2,820	(2,820)	-
Balance at 30 June 2016 (unaudited/ as restated (note 16))		9,781	834,619	(3,046)	(915,424)	7,359	(66,711)
Net profit for the period (as restated (note 16))		-	-	-	215,120	-	215,120
Other comprehensive loss for the period		-	-	(1,253)	-	-	(1,253)
Total comprehensive income/(loss) for the period (as restated (note 16))		-	-	(1,253)	215,120	-	213,867
Share-based payment charge		-	-	-	855	-	855
Share conversion and issue, net of issue cost		219,649	86,109	-	-	-	305,758
Transfer of convertible bond reserve		-	-		7,359	(7,359)	-
Balance at 31 December 2016 (audited)		229,430	920,728	(4,299)	(692,090)	-	453,769
Net profit for the period		-	-	-	656	-	656
Other comprehensive income for the period		-	-	744	-	-	744
Total comprehensive income for the period		-	-	744	656	-	1,400
Share-based payment charge		-	-	-	1,341	-	1,341
Balance at 30 June 2017 (unaudited)		**229,430**	**920,728**	**(3,555)**	**(690,093)**	**-**	**456,510**

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2017

	Note	**Six months ended 30 June 2017 Unaudited $'000**	Six months ended 30 June 2016 Unaudited $'000	Year ended 31 December 2016 Audited $'000
Operating activities				
Cash generated in operations	9	**35,148**	46,868	49,619
Interest received		**80**	46	100
Interest paid		**(5,111)**	-	-
Net cash generated in operating activities		**30,117**	46,914	49,719
Investing activities				
Purchase of intangible assets		**-**	(1,371)	(123)
Purchase of property, plant and equipment		**(4,397)**	(14,284)	(9,557)
Net cash used in investing activities		**(4,397)**	(15,655)	(9,680)
Financing activities				
Proceeds on issue of share capital		**-**	-	23,535
Cost incurred on the Restructuring		**-**		(13,884)
Net cash generated by financing activities		**-**	-	9,651
Net increase in cash and cash equivalents		**25,720**	31,259	49,690
Cash and cash equivalents at beginning of period		**92,870**	43,641	43,641
Effect of foreign exchange rate changes		**258**	(151)	(461)
Cash and cash equivalents at end of the period being bank balances and cash on hand		**118,848**	74,749	92,870

Notes to the Condensed Consolidated Financial Statements
for the six months ended 30 June 2017

1. General information

The condensed Group financial statements for the six months period ended 30 June 2017, comprising Gulf Keystone Petroleum Ltd and its subsidiaries (together, "the Group"), have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) in the United Kingdom as applicable to interim financial reporting.

Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, have been omitted or condensed as is normal practice and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2016. The condensed Group interim financial statements for the six months ended 30 June 2017 have not been audited, but have been reviewed by the Company's external auditor and their report to the Company is attached. The condensed interim financial statements were approved by the Board of Directors on 18 September 2017. An electronic version of the half year report has been posted on the Group's website www.gulfkeystone.com. Hard copies are available by writing to Gulf Keystone Petroleum Limited, c/o Gulf Keystone Petroleum (UK) Limited, 6th Floor, New Fetter Place, 8-10 New Fetter Lane, London, EC4A 1AZ, UK.

The financial information for the year ended 31 December 2016 does not constitute the Group's financial statements for that year, but it is derived from those accounts. The auditor's report on these accounts was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter.

2. Accounting policies

Basis of preparation

The Annual Report and Accounts of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied by the Group in its Annual Report and Accounts for the year ended 31 December 2016.

The nature of the critical accounting judgements and key sources of estimation uncertainty made by management of the Group and applied in the accompanying condensed consolidated interim financial statements for the six months ended 30 June 2017 are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2016.

The following new accounting standards are in issue but are not yet effective.

- IFRS 9 Financial Instruments, effective from 1 January 2018
- IFRS 15 Revenue from contracts with customers, effective from 1 January 2018
- IFRS 16 Leases, effective from 1 January 2019

The Group is currently evaluating the impact of adopting these new accounting standards.

Going concern

The Group closely monitors and manages its liquidity risk. Regular cash forecasts are produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Shaikan Block and costs contingencies. The Group has taken appropriate action to reduce its cost base and has $133.8 million of free cash at 18 September 2017. The Group's forecasts, taking into account the risks applicable to the Group, show that the Group will be able to have sufficient financial headroom for the 12 months from the date of approval of the half year results.

Based on the analysis performed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the half year results.

2. Accounting policies (continued)

Sales revenue and interest income

The recognition of revenue, particularly the recognition of revenue from export sales, is considered to be a key accounting judgement. For all sales, the goods are considered to be delivered and the title passed at the point of loading at the Shaikan field. For sales into the local market, it is clear that, at this point of delivery, economic benefit will flow to the Group and that revenue and costs can be measured reliably and therefore revenue is recognised. As the payment mechanism for sales to the export market is developing within the Kurdistan Region of Iraq, the Group currently considers that revenue can best be reliably measured when the cash receipt is assured. The assessment of whether cash receipt is reasonably assured is based on management's evaluation of the reliability of the MNR's payments to the international oil companies operating in the Kurdistan Region of Iraq in line with the KRG's announcement in February 2016 of its intention to apply the PSC terms.

Management makes the following assumptions in arriving at the value of sales revenue:

- point of sale is the Shaikan facility;
- cash is received and revenue is recognised for all sales, net of royalty, as the royalty is taken "in-kind" by the KRG;
- cash receipts from the MNR represent the non-governmental contractors' share of revenue; and,
- where appropriate, payables to the MNR are offset against amounts due for previously unrecognised revenue in line with the terms of the Shaikan PSC.

To the extent that revenue arises from test production during an evaluation programme, an amount is charged from evaluation costs to cost of sales so as to reflect a zero net margin.

Under IAS 12 'Income Taxes', where income tax arising from the Group's activities under production sharing contracts is settled by a third party on behalf of the Group, and where the Group would otherwise be liable for such income tax, the associated sales are required to be shown gross including the notional tax, and a corresponding income tax charge shown in the statement of comprehensive income. However, due to the uncertainty over the payment mechanism for oil sales in Kurdistan and the fact that there is no sufficiently well-established tax regime in place in the Kurdistan Region of Iraq, it has not been possible to measure reliably the taxation due that has been paid on behalf of the Group by the KRG. Therefore the notional tax amounts have not been included in revenue or in the tax charge. This is an accounting presentational issue and there is no taxation to be paid.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate of interest applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Oil and gas assets

The Group changed its accounting policy for oil and gas assets from modified full cost to successful efforts in 2016. This change resulted in the write off of the costs associated with the Sheikh Adi and Ber Bahr blocks by the Group. The benefit of this voluntary change in the accounting policy is ensuring that the balance sheet reflects only the assets that will bring future economic benefits to the Group. In addition, the successful efforts method is more widely adopted by listed oil companies and therefore the change in the policy will make the Group's financial statements more comparable to those of its peers (note 16).

Adoption of new and revised accounting standards

As of 1 January 2017, a number of accounting standard amendments and interpretations became effective, as noted in the 2016 Annual Report and Accounts (pages 82 and 83). The adoption of these amendments and interpretations has not had a material impact on the financial statements of the Group for the six months ended 30 June 2017.

3. Segment information

There has been no change in the basis of segmentation or in the basis of measurement of segments' profit or loss during the period. The accounting policies of the reportable segments are consistent with the Group's accounting policies, which are described in the Group's latest Annual Report.

The operations of the Group comprise one class of business: oil and gas exploration, development and production and the sale of hydrocarbons and related activities. The reportable segments in accordance with IFRS 8 are therefore the three geographical regions that the Group operates within as described below:

- Kurdistan Region of Iraq: the Kurdistan segment consists of the Shaikan Block and the Erbil office which provides support to the operations in Kurdistan, as well as segmental information relating to the previously held Ber Bahr block (note 16);

- United Kingdom: the UK segment provides geological, geophysical and engineering services to the Gulf Keystone Group; and

- Algeria: the Algerian segment consists of the Algiers office and the Group's operations in Algeria.

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

30 June 2017 (unaudited)	**Algeria $'000**	**Kurdistan $'000**	**United Kingdom $'000**	**Corporate $'000**	**Elimination $'000**	**Total $'000**
Revenue						
Oil sales	-	78,308	-	-	-	78,308
Inter-segment sales	-	-	2,578	-	(2,578)	-
Total revenue	-	78,308	2,578	-	(2,578)	78,308
Profit/ (loss) before tax	20	13,095	(398)	(11,788)	(310)	619
Tax credit	-	-	37	-	-	37
Profit/ (loss) after tax	20	13,095	(361)	(11,788)	(310)	656
Total assets	20	553,739	13,794	66,582	4,609	638,744

30 June 2016 (unaudited/ as restated (note 16))	Algeria $'000	Kurdistan $'000	United Kingdom $'000	Corporate $'000	Elimination $'000	Total $'000
Revenue						
Oil sales	-	102,068	-	-	-	102,068
Inter-segment sales	-	-	3,868	-	(3,868)	-
Total revenue	-	102,068	3,868	-	(3,868)	102,068
Loss before tax	(56)	(188,681)	(58)	(43,334)	(172)	(232,301)
Tax expense	(1)	-	(253)	-	-	(254)
Loss after tax	(57)	(188,681)	(311)	(43,334)	(172)	(232,555)
Total assets	66	578,773	14,422	1,237,908	(1,198,417)	632,752

3. Segment information continued

31 December 2016 (audited)	Algeria $'000	Kurdistan $'000	United Kingdom $'000	Corporate $'000	Elimination $'000	Total $'000
Revenue						
Oil sales	-	194,409	-	-	-	194,409
Inter-segment sales	-	-	5,542	-	(5,542)	-
Total revenue	-	194,409	5,542	-	(5,542)	194,409
(Loss)/profit before tax	(662)	(170,330)	(1,164)	154,964	(116)	(17,308)
Tax expense	-	-	(127)	-	-	(127)
(Loss)/profit after tax	(662)	(170,330)	(1,291)	154,964	(116)	(17,435)
Total assets	38	546,163	12,864	75,675	5,454	640,194

4. Revenue

	Six months ended 30 June 2017 Unaudited $'000	Six months ended 30 June 2016 Unaudited $'000	Year ended 31 December 2016 Audited $'000
Oil Sales	**78,308**	102,068	194,409
Interest revenue	**80**	46	100
	78,388	102,114	194,509

During the period to 30 June 2017, the Group sold Shaikan oil to the export market generating revenue of $72.0 million (H1 2016: $52.9 million). The Group also recognised $6.3 million (H1 2016: $49.2 million) of revenue arrears by offsetting payables to the MNR against amounts due for previously unrecognised revenue. Revenue for commercial sales is recognised in line with the terms of the Shaikan PSC, the applicable sales contracts and the Group's accounting policy.

Management has used the following assumptions in arriving at the value of sales revenue during the year:

- point of sale is the Shaikan facility;
- cash is received and revenue is recognised for all sales, net of royalty, as the royalty is taken "in-kind" by the KRG;
- deductions for transportation costs as well as the discount to Brent, for the quality of the crude, have been estimated at c.$20/bbl based on the discussions with the MNR and are subject to audit and reconciliation, and the establishment of a retroactive quality bank for Kurdistan crude exports delivered through the international pipeline to Turkey;
- cash receipts by GKPI as the operator represent the non-governmental contractors' share of revenue; and
- the Group's current working interest in the Shaikan Block is 80%.

5. Cost of Sales

	Six months ended 30 June 2017 Unaudited $'000	Six months ended 30 June 2016 Unaudited $'000	Year ended 31 December 2016 Audited $'000
Production costs	**21,309**	32,453	61,191
Depreciation of oil & gas properties	**41,079**	39,916	81,636
	62,388	72,369	142,827

Production costs represent the Group's share of gross production expenditure for the Shaikan field for the period and include capacity building charges of $7.2 million (H1 2016: $8.5 million) and Shaikan PSC production bonus of $nil (H1 2016: $8.0 million). There is no deferral of costs associated with unrecognised sales in accordance with the Group's revenue policy. Production and depreciation, depletion and amortisation ("DD&A") costs related to revenue arrears recognised in 2017 have been charged to the income statement in prior periods when the oil was lifted.

A unit-of-production method, based on full entitlement production, commercial reserves and costs for Shaikan full field development, has been used to calculate the DD&A charge for the period. Commercial reserves are proven and probable ("2P") reserves, estimated using standard recognised evaluation techniques. Production and reserves entitlement associated with unrecognised sales in accordance with the Group's revenue policy have been included in the full year DD&A calculation.

6. Finance costs

	Six months ended 30 June 2017 Unaudited $'000	Six months ended 30 June 2016 Unaudited $'000	Year ended 31 December 2016 Audited $'000
Interest payable in respect of convertible bonds	**-**	13,908	22,203
Interest payable in respect of guaranteed bonds	**-**	21,862	35,232
Effective interest on reinstated notes (Note 13)	**5,537**	-	2,481
Unwinding of discount on provisions	**355**	346	699
Capitalised finance costs	**-**	(432)	(433)
	5,892	35,684	60,182

7. Other gains

Other gains consist of foreign exchange gains.

8. Profit/ (loss) per share

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

	Six months ended 30 June 2017 Unaudited $'000	Six months ended 30 June 2016 Unaudited/ As restated (note 16) $'000	Year ended 31 December 2016 Audited $'000
Profit/ (loss)			
Profit/ (loss) after tax for the purposes of basic and diluted loss per share	**656**	(232,555)	(17,435)
Weighted average number of shares used:			
Basic ('000)	**229,232**	9,634	56,565
Diluted ('000)	**230,964**	9,634	56,565

On 9 December 2016, all common shares have been consolidated on a 100:1 basis. As a result, prior interim weighted average number of shares has been restated.

	30 June 2017 Number ('000) Unaudited	30 June 2016 Number[1] ('000) Unaudited	31 December 2016[1] Number ('000) Audited
Number of shares			
Share options	1,534	-	1,761
Warrants outstanding	-	400	400
Common shares held by the EBT	98	36	98
Common shares held by the Exit Event Trustee	100	100	100
Total potentially anti-dilutive shares	**1,732**	536	2,359

[1]For the periods ended 30 June 2016 and 31 December 2016, the impact of share options, warrants, and common shares held by the Employee Benefit Trust ("EBT") and the Exit Event Trustee has an anti-dilutive effect on the loss per share. As a result, there is no difference between basic and diluted earnings per share.

The calculation of diluted earnings per share excludes 0.4 million (H1 2016: 0.4 million) share options that were non-dilutive for the period because the exercise price of these options exceeded the average fair value of the shares during the period. These share incentives could potentially dilute earnings per share in the future.

9. Reconciliation of profit from operations to net cash generated in operating activities

	Six months ended 30 June 2017 Unaudited $'000	Six months ended 30 June 2016 Unaudited $'000	Year ended 31 December 2016 Audited $'000
Profit from operations	**6,261**	14,033	26,046
Adjustments for:			
Depreciation of property, plant and equipment	**41,293**	40,195	82,176
Amortisation of intangible assets	**24**	5	38
Share-based payment expense	**1,293**	809	1,255
Decrease in inventories	**440**	134	2,573
Reversal of provisions	**(271)**	-	-
Write off of exploration costs	**-**	875	-
(Increase)/decrease in receivables	**(10,109)**	462	(22,129)
Decrease in payables	**(3,783)**	(9,827)	(40,522)
Net cash generated by operations	**35,148**	46,686	49,437
Income tax received	**-**	182	182
Net cash generated in operating activities	**35,148**	46,868	49,619

10. Property, plant and equipment

The net book value at 30 June 2017 includes property, plant and equipment relating to the Shaikan Block with a carrying value of $451.6 million (30 June 2016: $524.7 million; FY 2016: $488.6 million). The remainder of the balance, with a carrying value of $0.7 million (30 June 2016: $1 million; FY 2016: $0.7 million), comprises fixtures and equipment.

The additions to the Shaikan assets of $4.1 million during the period include the costs of various studies and production facilities improvement projects.

Associated with production, a DD&A charge of $41.1 million was recognised on the Shaikan oil and gas asset (30 June 2016: $39.9 million; FY 2016: $81.6 million), which has been included within cost of sales. A depreciation charge of $0.2 million was recognised on fixtures and equipment (30 June 2016: $0.3 million; FY 2016: $0.5 million), which has been included in general and administrative expenses.

11. Trade and other receivables

	30 June 2017 Unaudited $'000	30 June 2016 Unaudited $'000	31 December 2016 Audited $'000
Trade receivables	**48,000**	12,494	36,000
Other receivables	**3,335**	525	4,976
Prepayments and accrued income	**289**	534	589
	51,624	13,553	41,565

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and no amounts are provided against them.

12. Trade and other payables

	30 June 2017 Unaudited $'000	30 June 2016 Unaudited $'000	31 December 2016 Audited $'000
Trade payables	**2,478**	10,152	2,922
Other creditors	**26,769**	35,015	26,917
Accrued expenses	**22,285**	69,346	26,445
	51,532	114,513	56,284

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

In accordance with the Bilateral MNR Agreement signed between GKPI and the MNR on 16 March, 2016, the Group has received cumulative payments on account for back-costs of approximately $16.2 million (FY 2016: $16.2 million) in recognition of the Group and MNR's intention, subject to the satisfaction of certain conditions, to recognise the allocation to MNR of the Shaikan Government Participation Option with effect from 1 August 2012. The treatment of the Shaikan Government Participation Option is subject to the execution of a revised Shaikan PSC and the amounts received have been included in Other creditors until this has been finalised.

13. Other borrowings

On 14 October 2016, the Company issued $100 million of new guaranteed notes ("Reinstated Notes"). The unsecured Reinstated Notes are guaranteed by Gulf Keystone Petroleum International Limited, the Company's subsidiary and their terms are the same as the Guaranteed Notes subject to the following amendments:

- Maturity date is 18 October 2021. At any time prior to maturity, the Reinstated Notes are redeemable in part or full at par and can therefore be refinanced without any prepayment penalty;
- The Company has the option to defer its interest payments until the maturity of the Reinstated Notes in PIK at 13% or pay in cash at 10% until 18 October 2018. From 19 October 2018, the Company is mandatorily liable to pay interest in cash at 10%;
- The aggregate principal amount of the Reinstated Notes shall be increased by the amount of such PIK interest on the date such interest is due and interest will accrue on the increased principal amount from such date;
- The Company will be permitted to raise up to $45 million of additional debt at any time on market terms to fund capital and operating expenditure;
- Certain other amendments, including inter alia, the removal of security, removal of the Debt Service Reserve Account requirement and the extension of the grace periods in respect of certain events of default under the Reinstated Notes

The liabilities associated with Reinstated Notes are presented in the following tables:

	30 June 2017 Unaudited $'000	30 June 2016 Unaudited $'000	31 December 2016 Audited $'000
Liability at the beginning of the period	**98,886**	555,374	555,374
Interest charged during the period		35,770	57,435
Effective interest on Reinstated Notes	**5,537**	-	2,481
Interest paid during the period	**(5,111)**	-	-
Extinguishment of liability and related interest during the year	**-**	-	(612,809)
Issue of Reinstated Notes	**-**	-	96,405
Liability at the end of period	**99,312**	591,144	98,886

13. Other borrowings (continued)

Liability reported in:

	30 June 2017 Unaudited $'000	30 June 2016 Unaudited $'000	31 December 2016 Audited $'000
Current liabilities	**-**	276,891	-
Non -current liabilities	**99,312**	314,253	98,886
	99,312	591,144	98,886

For the period ended 30 June 2017, the Company recognised $0.4 million of interest expense on the Reinstated Notes which was capitalised into the Reinstated Notes within Other borrowings (H1 2016: $nil; FY 2016: $2.4 million). The interest payment method will be reassessed prior to each interest payment date. Any difference from what was capitalised or accrued for the period ended 30 June 2017 and the actual interest payment method selected will be adjusted prospectively.

The Reinstated Notes are actively traded on the Luxembourg Stock Exchange and the fair value at the prevailing market price as at the close of business on the reporting date was:

	Market price	**30 June 2017 $'000**
Reinstated Notes	**$1.002**	100,198

As of 30 June 2017, the Group's remaining contractual liability comprising principal and interest based on undiscounted cash flows at the maturity date of the Reinstated Notes is as follows:

	30 June 2017 Unaudited $'000	30 June 2016 Unaudited $'000	31 December 2016 Audited $'000
Within one year	**-**	329,219	-
Within two to five years	**157,033**	335,156	167,241
	157,033	664,375	167,241

On 18 April 2017, the remaining warrants of 0.4 million at $1.0 each have expired.

14. Share capital

	Common shares		**Share**	**Share**
	No. of shares	**Amount**	**capital**	**premium**
	000	**$'000**	**$'000**	**$'000**
Issued and fully paid				
Balance 1 January 2017 and 30 June 2017	**229,430**	**1,150,158**	**229,430**	**920,728**

15. Contingent Liabilities

The Group has a contingent liability of $27 million (net to GKP) in relation to the proceeds from the sale of test production in the period prior to the approval of the Shaikan Field Development Plan in July 2013. The Shaikan PSC does not appear to expressly address any party's rights to this pre-Development Plan petroleum. This suggests strongly that there must have been some other agreement, understanding or arrangement between GKP and the KRG as to how this pre-Development Plan petroleum would be lifted and sold. The sales were made based on sales contracts with domestic offtakers which were approved by the KRG. The Group believes that the receipts from these sales of pre-Development Plan petroleum are for the account of the Contractor (GKP and MOL), rather than the KRG and accordingly recorded them as test revenue in prior years. However, the KRG has requested a repayment of these amounts and we are currently involved in discussions with them to resolve this matter.

16. Change in accounting policy

As noted in the 2016 Annual Report and Accounts (page109), the Group changed its accounting for its oil and gas assets from modified full cost to successful efforts in the second half of 2016. As a result, the Group has restated its H1 2016 and FY 2015 Consolidated Financial statements.

The effect of the change in accounting policy has been adjusted by restating each of the affected financial statement line items for the prior interim period, as follow:

	31 December 2015 $'000	30 June 2016 $'000
Consolidated Balance Sheet		
Intangible assets (decrease)	(78,987)	(172,681)
Consolidated Income Statement		
Impairment expense (increase)	(78,987)	(175,658)
Cost of sales (decrease)	-	3,852
General and administrative expenses (increase)	-	(875)
Loss per share (increase)		
Basic (cents)	(843.07)	(1792.33)
Diluted (cents)	(843.07)	(1792.33)

17. Events after the balance sheet date

The Group, together with the MNR and Genel Energy International Limited, finalised the terms of relinquishment and termination of its rights and obligations under the Ber Bahr PSC, which has been completed in accordance with the executed Relinquishment and Termination Agreement on 13 July 2017. As stated in the agreement, no party will have any further rights, duties, liabilities or other interest. The KRG fully and finally released each contractor from any and all obligations, costs, liabilities, claims, actions, proceedings and demands. The Ber Bahr exploration asset was fully written off in 2015.

GLOSSARY (See also the glossary in the 2016 Annual Report)

Bilateral MNR Agreement	the bilateral agreement between GKPI and the MNR dated 16 March 2016
Capex	any expenditure or obligation in respect of expenditure which, in accordance with accounting principles applied by the Company in the preparation of its audited accounts, is treated as capital expenditure (and including the capital element of any expenditure or obligation incurred in connection with any finance lease)
CSR	corporate social responsibility
First Shaikan Amendment	First amendment to the Shaikan PSC executed on 1 August 2010.
General Debt Basket	the provision in the Reinstated Notes that will permit the Company or GKPI to incur up to $20 million of additional indebtedness at any time outstanding
HSSE	health, safety, security and environment
KRG	Kurdistan Regional Government
Majority Participating Holders	Participating Holders holding in aggregate at least 50.01% of the aggregated principal amount of the Notes and the convertible bonds held by the Participating Holders at the relevant time
MNR	Kurdistan's Ministry of Natural Resources
MOL	MOL Hungarian Oil and Gas Plc
OPEC	The Organisation of the Petroleum Exporting Countries
PSC	production sharing contract
Reinstated Notes	the $100 million of guaranteed notes issued pursuant to the Notes Reinstatement
Second Shaikan Amendment	the second proposed amendment to the Shaikan PSC formally implementing the terms of the Bilateral MNR Agreement (including the First Shaikan Amendment)
Shaikan Government Participation Option	under the terms of the Shaikan PSC, the KRG has the option (the "**Shaikan Government Participation Option**") to participate through a public company duly registered and incorporated in Kurdistan and regulated by the KRG under the Kurdistan Oil and Gas Law in an undivided interest in the petroleum operations (and all other rights, obligations and liabilities of the Shaikan Contractors) of the Shaikan Block as a component of the Shaikan Contractors (a "**Shaikan Contractor Entity**"). The Shaikan Government Participation Option is over an interest of between 5 and 20% and (subject to such extension as may be agreed by the parties) within 180 days of the first Commercial Discovery being declared. Pursuant to the Second Shaikan Amendment the Shaikan Government Participation Option will be formally exercised and the implementation of the First Shaikan Amendment will be formally recognised
Third Party Participation Option	the option under the terms of the Shaikan PSC allowing the KRG to nominate a third party as a Shaikan Contractor Entity, resulting in such party having an undivided interest in the petroleum operations of the Shaikan Block (such interest referred to as the "**Third Party Interest**").
Third Party Interest	an undivided interest of between 5% and 15% in Shaikan Block's petroleum operations, to be taken up by an entity nominated by the KRG, who has the option to do so (such option referred to as the "Third Party Participation Option")