

**GULF KEYSTONE
PETROLEUM LTD.**



14 September 2011

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

Half Year Report for the six months ended 30 June 2011

HIGHLIGHTS

Operational Summary – First Half

Kurdistan Region of Iraq

- 150% (P90) – 45% (P10) increase in gross oil in place numbers for the Shaikan discovery with a range of 4.9 billion (P90) to 10.8 billion (P10) barrels, following independent evaluation by Dynamic Global Advisors
- Shaikan-2 appraisal well drilling with test, core and log data indicating a net oil column of 126 metres and an aggregate flow rate of over 8,000 bopd, with additional flow tests still to be completed
- Shaikan-4 appraisal well spudded on 27 May 2011 and is currently drilling in the top of the Triassic. Only the Cretaceous and upper Jurassic have been logged thus far with 278 metres of net oil column
- Shaikan-1 & -3 production wells are tied into the Company's Extended Well Test facility and are capable of producing up to 18,000 bopd following acid treatment. Entitlement sales during 1H 2011 total 37,203 barrels
- Sheikh Adi-1 exploration well drilling with core and log data indicating 256 metres of net oil column
- Bekhme-1 exploration well spudded on 21 March 2011 on the Akri-Bijeel block
- A dedicated Development team has been recruited and begun the initial work of preparing the Shaikan Field Development Plan, which will be submitted to the Kurdistan Regional Government of Iraq in 2013

Financial Summary

- Loss after tax \$10.3 million (1H10: \$3.1 million)
- Loss per share \$0.01 (1H10: \$0.01)
- Cash, cash equivalents and liquid investments of \$137.6 million at 30 June 2011 (1H10: \$161.7 million; 2010: \$211.4 million)

Operational Summary – Post Period End

Kurdistan Region of Iraq

- Gross oil in place numbers announced for Sheikh Adi following independent evaluation by Dynamic Global Advisors assessed at 1 billion (P90) to 3 billion (P10) barrels
- Sheikh Adi-1 exploration well reached TD in the Kurre Chine C section of the middle Triassic and will now be suspended pending further testing once fracture treatment parameters and logistics have been finalised. The rig will now move to the Shaikan-5 location
- Shaikan-2 reached TD in the Kurre Chine C section of the middle Triassic. Extensive flow testing has been undertaken in the Triassic giving an aggregate flow rate of over 15,000 bopd with additional Jurassic testing to follow. The rig will then move to the Shaikan-6 location
- Shaikan-4 appraisal well currently drilling below 2,880 metres in the top of the Triassic. Cretaceous and Jurassic log and core data indicates 278 metres of net pay above the Butmah formation in the Jurassic
- Shaikan-5 appraisal well drilling location completed and awaiting the arrival of the Discoverer I rig from Sheikh Adi
- Bekhme-1 exploration well drilling below 4,800 metres

Forward Strategy

- Explore and appraise aggressively the Shaikan, Sheikh Adi and Ber Bahr blocks in the Kurdistan Region of Iraq to prove up the resource base with increased production to follow
- Complete the preparation of the Shaikan Field Development Plan for submission and approval by the Ministry of Natural Resources of the Kurdistan Regional Government
- A route has been selected for a dedicated pipeline to connect the Shaikan Field to the Kirkuk-Ceyhan export pipeline. The Company has completed a feasibility study on a pipeline capable of transporting a minimum of 440,000 bopd, which is being submitted for necessary comments and approvals. Once the necessary approvals have been obtained, Front End Engineering and Design (“FEED”) work and ordering of long lead items will commence
- Actively pursuing a move from AIM to a Premium Listing on the Official List of the London Stock Exchange, subject to obtaining necessary approvals
- Appointment to the Board of three additional high-calibre Non-Executive Directors
- The Company has made a strategic decision to rationalize its asset portfolio and is to seek a buyer for its 20% interest in the Akri-Bijeel block. This decision will facilitate an increased focus on the ambitious programme of appraisal and Extended Well Test production at Shaikan and the Shaikan pipeline project, as well as on the exploration and appraisal of Sheikh Adi and the drilling of the first exploration well on Ber Bahr

Todd F Kozel, Executive Chairman and CEO of Gulf Keystone, commented:

“During the first half of 2011 Gulf Keystone has overseen a number of major developments in its operations in the Kurdistan Region of Iraq. In addition to two remarkable sets of independently audited gross oil-in-place numbers for Shaikan and Sheikh Adi, we have seen significant progress in our ambitious exploration and appraisal programme across the four blocks in Kurdistan. At the same time, we have witnessed a number of positive developments in the oil sector of Iraq, including the resumption of oil exports from the Kurdistan Region of Iraq and the arrival in the region of several large international oil companies. Given our success to date, and with a clear forward strategy mapped out, Gulf Keystone is set to grow as a company. In addition to its already firm position as a leading E&P player in the Kurdistan Region of Iraq, as at 12 September 2011, the Company had a market capitalisation of £1.2 billion which would place it comfortably in the higher echelons of the FTSE 250 index if it were currently eligible.”

Following the release of Gulf Keystone’s Half Year Report for the six months ended 30 June 2011, the management will be hosting an analyst presentation with a dial in facility at 2pm (UK time) today. The dial-in number for analysts and investors unable to attend in person is +44 (0) 20 8515 2302.

The accompanying slides will be available on the Company’s website at www.gulfkeystone.com from 1pm UK time.

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John Gerstenlauer, the Company's Chief Operating Officer, who has 31 years of relevant experience within the sector and meets the criteria of a qualified person under the AIM note for mining, oil and gas companies, has reviewed and approved the technical information contained in this announcement. Mr. Gerstenlauer is a member of the Society of Petroleum Engineers.

Notes to Editors:

- Gulf Keystone Petroleum Ltd. (AIM: GKP) is an independent oil and gas exploration company focused on exploration in the Kurdistan Region of Iraq.
- Gulf Keystone Petroleum International (GKPI) holds Production Sharing Contracts for four exploration blocks in Kurdistan.
- The Company's shares have traded on the AIM market since listing on 8 September 2004.
- Gulf Keystone Petroleum Limited is registered in Hamilton, Bermuda with further offices in Erbil, Kurdistan Region of Iraq, Algiers, Algeria and London, UK.
- Oil initially-in-place (or petroleum-initially-in-place) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The range of uncertainty of the oil-in-place (petroleum-initially-in-place) volumes is represented by a probability distribution with a low, mid and high provided: P90 represents at least a 90% probability (high) that the quantities determined to be in place will equal or exceed the low estimate; P50 represents at least a 50% probability (mid) that the quantities determined to be in place will equal or exceed the mid estimate; and P10 represents at least a 10% probability (low) that the quantities determined to be in place will equal or exceed the high estimate. A P1 estimate of quantities determined to be in place represents at least a 1% probability that this estimate will be equalled or exceeded.

Disclaimer

This Half Year Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to inherent uncertainties, including both economic and business factors, underlying such forward-looking information. This Half Year Report 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 report should not be relied on by any other party or for any other purpose.

Not for release, publication or distribution, directly or indirectly, in or into the United States or jurisdictions other than the United Kingdom and Bermuda where to do so would constitute a contravention of the relevant laws of such jurisdiction. This document (and the information contained herein) does not contain or constitute an offer of securities for sale, or solicitation of an offer to purchase securities, in the United States or jurisdictions other than the United Kingdom and Bermuda where to do so would constitute a contravention of the relevant laws of such jurisdiction. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States unless the securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. No public offering of the securities will be made in the United States

GULF KEYSTONE PETROLEUM LIMITED

Executive Chairman and Chief Executive Officer's Statement

During the first half of 2011 Gulf Keystone has overseen a number of major developments in its operations in the Kurdistan Region of Iraq. If we were to choose only one highlight for this period, that would have to be the significant upward revision of the estimated gross oil-in-place volumes for the Shaikan Field announced in April 2011. According to an independent report by Dynamic Global Advisors, our Houston-based analysts, it is now estimated that the Shaikan Field may ultimately contain as much as 10.8 billion barrels of oil, which is a 45% increase over the previous P10 estimate, further confirming that the Shaikan Field is one of the most significant discoveries in the world over the last ten years.

In addition to the world class oil-in-place volumes for Shaikan, in August 2011 we announced results of the first preliminary resource evaluation for Sheikh Adi, which is also operated by Gulf Keystone. Based on initial results obtained from Sheikh Adi-1, the first exploration well drilled on the block, Dynamic Global Advisors estimate that Sheikh Adi contains between 1 billion and 3 billion barrels of gross oil-in-place, which are P90 and P10 estimates respectively. Our independently audited numbers for Shaikan and Sheikh Adi in combination with the current P50 estimate of 2.4 billion barrels of gross oil-in-place released by MOL Hungarian Oil & Gas plc, our partner and Operator of the Akri-Bijeel block, mean that at the moment Gulf Keystone has a share of gross, P50 oil-in-place resources of up to 12 billion barrels across the Company's three licences in the Kurdistan Region of Iraq. These numbers are as remarkable as the massive size of the structures of Shaikan, Sheikh Adi and Akri-Bijeel.

The main objective of the Board of Directors and the management team has been to focus on operations in the Kurdistan Region of Iraq. We strive to achieve continuous drilling success and prove up the value of our assets, which currently include two confirmed and one expected discovery, which have transformed Gulf Keystone into a leading E&P player in the Kurdistan Region of Iraq and generated value for our shareholders. Based on the impressive Shaikan Field P90 to P10 range of 4.9 billion to 10.8 billion barrels of gross oil-in-place, our finding costs for the Shaikan Field are between 0.04 and 0.02 USD per barrel respectively. Assuming an average recovery factor of 30% combined with Gulf Keystone's fully diluted working interest in Shaikan of 51%, our finding costs for a net recoverable barrel range between 0.20 and 0.10 USD per barrel, estimated on a P90 to P10 range basis. In 2010, international majors' oil finding costs ranged from 5.00 USD to almost 20.00 USD per barrel of oil equivalent for proved reserves. It means that Gulf Keystone is currently finding barrels of oil (P90) at under 5% of the international majors' costs.

Gulf Keystone's outstanding drilling success is a result of our ambitious exploration and appraisal programme across the four blocks where significant progress has been achieved. Similar to the Shaikan-1 discovery well, the Shaikan-3 shallow appraisal well was completed as a Jurassic producer and tied to the nearby Extended Well Test ("EWT") facility achieving a stabilized flow rate of 9,800 barrels of oil per day ("bopd"). In May 2011, the Shaikan-4 deep appraisal well was spudded with drilling operations progressing throughout the summer and early results from the Jurassic indicating a significant oil column. In August 2011, we made a new Triassic discovery with the Shaikan-2 appraisal well, which had been previously tested from the Jurassic in March 2011 at a stabilised flow rate of over 8,000 bopd. As a result of the promising early results with Shaikan-4, the successful well tests in the newly discovered Kurre Chine C zone with Shaikan-2 and the continuing testing programme for this well in the Triassic and Jurassic, new oil volumes are likely to be added to the already impressive resources discovered in the Shaikan field. Firmly focused on further proving the world-class potential of the Shaikan discovery, we plan to drill Shaikan-5 later in 2011, while building a location for yet another appraisal well Shaikan-6, which will also commence drilling in 2011.

On the Sheikh Adi block, the first exploration well reached its total depth ("TD") with early results providing a basis for the confident independent resource estimate of 1 billion to 3 billion of gross oil-in-place. Following the discovery made with Bijell-1 on the Akri-Bijeel block, in March 2011 our partner MOL Hungarian Oil & Gas plc spudded Bekhme-1, the second exploration well, which is currently approaching its TD. Genel Energy International Ltd, Operator of the Ber Bahr block, which is adjacent to Sheikh Adi, plans to spud the first exploration well later this year.

GULF KEYSTONE PETROLEUM LIMITED

Executive Chairman and Chief Executive Officer's Statement (continued)

Gulf Keystone's operations have not been affected by the political unrest that occurred in some parts of the Middle East and continued in Libya and Syria throughout the summer 2011. Once again, the Kurdistan Region of Iraq has confirmed its status as one of the most stable and welcoming places for international business in Iraq and the wider region. An impressive number of international oil companies, including bigger players, have recently decided to enter Kurdistan, one of the most attractive upstream destinations in the world today. Gulf Keystone has been present in the region since 2007 and while many of the new entrants have succeeded in bidding for minority stakes in existing projects in Kurdistan, Gulf Keystone was able in 2007 to bid for prime acreage under more favourable terms. It is worth remembering that Gulf Keystone has a majority working interest in two out of four licences and is the Operator of the Shaikan and Sheikh Adi Production Sharing Contracts. We enjoy an outstanding relationship of friendship and partnership with the Kurdistan Regional Government and the people of Iraq who are not only our hosts but also strategic partners. There is no doubt that Gulf Keystone's consistent story of success in Kurdistan has significantly de-risked further exploration drilling in the region, contributing to the recent investment decisions by new entrants and establishing Shaikan as the benchmark for other fields.

Another important development in the period was the resumption of oil exports from the Kurdistan Region of Iraq in February 2011 and the subsequent confirmation of the payment mechanism to international oil producers for such exports. Today, Gulf Keystone's Shaikan-1 and Shaikan-3 wells are capable of producing up to 18,000 bopd. Following the commencement of oil sales into the domestic market in Kurdistan in October 2010, Gulf Keystone is currently focused on increasing sales in order to move towards our near term production target of 5,000 bopd, increasing to over 10,000 bopd once the existing EWT facility has been upgraded and new facilities have been put in place. In addition to contributing to the development of Gulf Keystone's substantial marketing expertise, oil sales will generate extra cash flow to assist with our operations.

Following the injunction obtained in the English Commercial Court by Gulf Keystone and its two subsidiaries ("Companies") on 8 April 2011 restraining Excalibur Ventures LLC ("Excalibur") from pursuing the ICC Arbitration in New York, on 26 July 2011 Excalibur confirmed that it no longer intends to pursue the ICC Arbitration against the Companies. Excalibur also confirmed that it is content that all its claims against the Companies should be determined in the English Commercial Court. A provisional date of October 2012 has been set for a trial in London of all Excalibur's claims. The Companies are confident of being able to defeat all the claims asserted by Excalibur, even though it may take some time due to the lengthy preparation time required and the protracted nature of legal proceedings.

Given the progress made to date and with a clear forward strategy mapped out, Gulf Keystone is once again confirming its position as a leading E&P player in the Kurdistan Region of Iraq while continuing to generate value for our shareholders. Our plan is to ambitiously and aggressively explore and appraise our assets to quickly prove up the resource base. As part of the Shaikan appraisal programme, we decided to commence work on the Shaikan Field Development Plan. A dedicated, highly-skilled Development team was recruited and has been operational at our office in London throughout the summer. This team will lead the Company's effort to fully realise the potential of the giant Shaikan Field, which is eagerly awaited by Gulf Keystone's shareholders, the international oil and gas industry and the people of Iraq alike.

In the near to medium term, Gulf Keystone will be seeking to move to a Premium Listing on the Official List of the London Stock Exchange, subject to necessary approvals, aiming to become a FTSE 250 company. Our plan is to bring the Company into production at 5,000 bopd, and increase our initial production target to over 10,000 bopd. In parallel with the growth of our production capabilities, we will build a dedicated pipeline connecting the Shaikan Field with the existing Kirkuk-Ceyhan export pipeline from Iraq to the world markets. A feasibility study for such a pipeline has already been completed and we are in the process of submitting it for all necessary approvals. In the longer term, our aim is to develop the Shaikan processing facilities to achieve plateau production of at least 300,000 bopd with a potential of achieving 500,000 bopd.

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Executive Chairman and Chief Executive Officer's Statement (continued)

The Company has made a strategic decision to seek a buyer for its 20% interest in the Akri-Bijeel block in order to rationalize its asset portfolio in the Kurdistan Region of Iraq, increasing the focus on the ambitious programme of appraisal and EWT production at the Shaikan Field, the Shaikan Field Development Plan and pipeline project, as well as on the exploration and appraisal of Sheikh Adi and the drilling of the first exploration well on Ber Bahr.

We look forward to adding new chapters to Gulf Keystone's success story.

TF Kozel

Executive Chairman
& Chief Executive Officer

GULF KEYSTONE PETROLEUM LIMITED

Chief Operating Officer's Review

Kurdistan Region of Iraq

Thus far, 2011 has seen the oil-in-place resources for the giant oil field discovery in the Gulf Keystone operated Shaikan Block increase from a P90 value of 1.9 billion barrels of gross oil in place to 4.9 billion barrels and the P10 volumes move from 7.4 billion barrels to 10.8 billion barrels, with the P50 numbers moving from 4.9 billion to 7.5 billion barrels gross. On the Sheikh Adi block, which is also operated by Gulf Keystone, the initial oil-in-place resources have been set at 1 billion to 3 billion barrels on a P90 to P10 basis with a P50 estimate of 1.9 billion barrels (this can be compared to the initial range of 1 billion to 5 billion barrels of oil-in-place for Shaikan, immediately following the drilling of the Shaikan-1 discovery well).

Thus, on a P50 basis, the Company has gone from 4.9 billion barrels to a total of 9.4 billion barrels of gross oil-in-place (on a net fully diluted basis, the increase is 2.5 billion to 5.35 billion barrels) on its own-operated blocks with a further P50 value of 2.4 billion barrels gross oil in place (0.31 billion net fully diluted) on the Kalegran (100% subsidiary of the Hungarian E&P company MOL) operated Akri Bijeel block. Thus the net P50 resources of the Company have more than doubled from 2.81 billion barrels of oil-in-place to 5.66 billion barrels on a net fully diluted basis. This means that the Company is finding in place barrels of oil for 5 cents (US) per barrel in Kurdistan.

In addition to this remarkable string of results, one must take into consideration the fact that the discovery and appraisal effort on the Company's four blocks in Kurdistan is still far from over and the future looks bright for addition of still more oil volumes during the coming months.

Shaikan

During the first half of 2011 the work program to properly appraise the Shaikan discovery has achieved the following:

- Full 3D seismic coverage of the Shaikan structure began in early April 2010 with a targeted completion for the data acquisition phase of October 2010. This target was achieved. Full processing and evaluation continues and should be completed in November 2011. The complicated nature of the Shaikan geology and the difficulties created by the rugged surface topography have necessitated a significant amount of processing of the seismic data so as to eliminate noise without losing the overall picture of the subsurface strata.
- The Shaikan-2 appraisal well (9 kilometres south east of the Shaikan-1 discovery well) has been drilled to a final depth of 3,300 metres. A new reservoir was discovered and tested, this Kurre Chine C reservoir appears to be the same zone that necessitated a halt to the drilling of Shaikan-1 and has been tested in the Shaikan-2 well at a maximum rate of 4,450 barrels of 36 degree API oil per day. This zone, which came in at an unexpectedly high bottomhole pressure on Shaikan-1, surprised us again with an even higher bottomhole pressure at Shaikan-2. This unexpectedly high pressure, combined with several other difficulties further uphole, prevented the continuation of drilling all the way to the top of the Permian formation.
- The Shaikan-2 well results, combined with early 3D seismic interpretations, were responsible for the massive increase in oil-in-place projections for the Shaikan Field. In addition to the current range of 4.9 billion to 10.8 billion barrels of gross oil-in-place on a P90 to P10 basis, the new Kurre Chine C interval will add additional volumes of light (36 degree API) crude to the range after well test and seismic data have been evaluated. This mid-Triassic successful test also points to additional prospectivity deeper in the Triassic.

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Chief Operating Officer's Review continued

- The Shaikan-4 appraisal well (6 kilometres to the west of the Shaikan-1 well) is currently drilling below 2,880 metres in the top of the Triassic. Well logs and core data thus far in the mid to upper Jurassic show a massive oil column with net pay intervals of 278 metres, even better than those seen on Shaikan-1. In addition, this well drilled through the very difficult Cretaceous interval many weeks faster than any of the Company's previous efforts and demonstrates the present and, hopefully, future benefits of the local area learning curve and bodes well for the reduction of future drilling costs, especially for the massive amount of drilling that will eventually be required for full field development. A further upgrade of the Shaikan oil-in-place range will be issued once this well has reached TD and the well log and possible flow test data has been analysed.
- With respect to future drilling at Shaikan, the Shaikan-5 location (a further 6 kilometres east of Shaikan-2, 15 kilometres from Shaikan-1) has been built and is currently awaiting the arrival of the Discoverer I rig from Sheikh Adi. The Shaikan-6 location is being built and will be drilled by the Weatherford Rig 842 (currently on Shaikan-2). This will appraise the Shaikan structure down the flank and help to better define the width of the overall structure. The Shaikan-7 well location and rig option is currently under consideration.
- Planning and initial work on the Shaikan Field Development Plan has been initiated. A core Development team has been assembled in Gulf Keystone's London office and planning has commenced. The Shaikan Field represents a world class discovery with respect to overall field size and is also geologically complex. The challenges involved in the preparation of the Development Plan will reflect these complexities, thus it was deemed appropriate to begin work on the project forthwith.
- The past and current operations at the Shaikan extended well test ("EWT") facility reflect some of these complexities and difficulties. The EWT was initially designed to process Shaikan-1 and Shaikan-3 crude oil from the upper Jurassic, Sargelu formation for the Kurdistan domestic market. Crude oil output requirements quickly altered to include a need to provide export quality crude oil as well as crude for domestic sales. This additional requirement will require some major mechanical changes to the process equipment at the EWT and this work is currently being executed with full implementation expected by year end.
- A route has been selected for the Company's dedicated pipeline to connect the Shaikan Field with the existing Kirkuk-Ceyhan oil export line. We have completed an appropriate feasibility study which is being submitted for necessary comments and approvals, following which we expect to expedite appropriate Front End Engineering and Design ("FEED") work.

Sheikh Adi

- The Sheikh Adi-1 exploration well also reached a depth where further drilling was not possible due to hole size and casing integrity limitations combined with high formation pressures. Total depth was called at 3,800 metres measured depth or 3,780 metres true vertical depth. Sheikh Adi-1, like Shaikan-2, stopped drilling after reaching the newly designated Kurre Chine C formation. While casing pressure integrity issues prevented a flow test of this interval, a complete set of well logs was obtained. Based on these well logs, plus those from the Cretaceous, Jurassic and the upper Triassic, oil-in-place resources of 1 billion to 3 billion barrels (P90 to P10) with a mean of 1.9 billion barrels of oil-in-place have been assigned to the western portion of the Sheikh Adi Field by Dynamic Global Advisors ("DGA"), the Company's independent analysts in Houston. The gross pay interval in Sheikh Adi-1 is 2,790 metres, 35% more than Shaikan-1.

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Chief Operating Officer's Review continued

Sheikh Adi continued

- The well will now be suspended pending a further series of flow tests, likely to involve artificial fracture treatments, to determine the flow potential of some of the pay zones. The western side of the Sheikh Adi Field does not appear to have the well-developed system of natural fractures that is evident at the Shaikan Field. Thus, the natural flow characteristics of many of the pay zones are much poorer than the same zones at the Shaikan Field and artificial fracturing will be necessary. The upcoming series of flow tests will help to confirm this theory. In addition, the eastern side of the field appears to be more folded and thus more likely to be naturally fractured than the western side. Thus, a second exploration well is currently being considered for 2012, prior to commencing an appraisal program for Sheikh Adi. While the design and logistics of the treatment and test programme are worked out, the drilling rig will suspend the well and move to the Shaikan-5 location.

Akri-Bijeel

- The Bekhme-1 exploration well in the Kalegran operated Akri Bijeel block is currently drilling below 4,800 metres. The well is near final TD, which will be followed by a series of well evaluation and flow tests, prior to moving the drilling rig to the next exploration well on Akri Bijeel, which will drill the huge Aqra anticline. Both the Bekhme and the Aqra anticlines are close to the size of Shaikan structurally speaking and have massive hydrocarbon potential. Bekhme results will be announced once Kalegran have reach final TD and completed the upcoming series of tests. It is likely that the Aqra-1 exploration well will spud before the end of 2011. The Company has made a strategic decision to seek a buyer for its 20% interest in this block.

Ber Bahr

- The operator for this block, Genel, is proceeding with location construction, rig contracting and material purchases in preparation for the drilling of the Ber Bahr-1 exploration well. This block, in which Gulf Keystone has a 40% interest, lies immediately to the north west of Sheikh Adi. Drilling results thus far in Shaikan, Akri Bijeel and Sheikh Adi all serve to de-risk the chance for oil content in this massive structure. Ultimately, the full potential of this block will have to be evaluated by drilling and the first exploration well is scheduled to spud by Mid-October.

Algeria

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

Summary

The first half of 2011 has seen a significant increase in Gulf Keystone's share of oil-in-place resources and there remains the possibility of further resource additions following the drilling of Shaikan-4, a further step out to the east associated with Shaikan-5 and the pending Shaikan-6 to look further down the flank of the structure. A location for Shaikan-7 has yet to be confirmed. Bekhme-1 (to be followed by Aqra-1) has entered the testing and evaluation phase and the massive potential of the Ber Bahr structure will finally be tested with the imminent spud of Ber Bahr-1.

JB Gerstenlauer
Chief Operating Officer

GULF KEYSTONE PETROLEUM LIMITED

Financial Review

Operating results

Following the commissioning of Gulf Keystone's Extended Well Test facility ("EWT") in 2010, the Group has made further sales of crude oil from Shaikan-1 and Shaikan-3 during the first half of 2011. These sales have generated revenues net to the Group of \$1.6 million during the period (FY2010: \$0.8 million). The Group's net entitlement to sales during 1H 2011 was 37,203 barrels (FY2010: 30,193 barrels) and the average price realised was \$44.23 per barrel. Operating costs, excluding inventory movements, depreciation, depletion and amortisation costs and share based payment charges were \$29.59 per barrel (FY2010: \$8.84 per barrel).

As the Group is still in the early stages of producing oil from the Shaikan Field and production rates are variable, revenue continues to be shown in the income statement with an equal and offsetting amount against cost of sales and a nil gross profit. An amount equal to the revenue is credited to intangible assets against exploration and evaluation costs reducing the net book value in the balance sheet.

Non-operating results

General and administrative expenses during the period were \$16.6 million (1H10 \$8.3 million). Foreign exchange gains have been reclassified for 1H10 to other income consistent with the 2010 Annual Report and Accounts. The increase in administrative costs of \$8.3 million results from the 2010 share bonus awards and the options awarded under the long term-term incentive plan in February 2011 (1H11: \$8.4m; 1H10: \$3.0m) as well as the general ramp up of operations associated with the appraisal of the Shaikan Field and increased advisors fees relating to the Group's response to the Excalibur claim. For further details of the Group's response to the claim refer to the Corporate activities section.

Other gains of \$6.0 million (1H10: \$5.3 million) comprise foreign exchange gains of \$5.5 million (1H10: \$5.6 million) and a mark-to-market valuation gain on forward exchange contracts entered into to mitigate the risk associated with converting sterling to U.S. dollars (1H11: \$0.5 million; 1H10: \$nil). In 1H10, other gains included losses of \$0.2 million arising from the change in the fair value of the Standby Equity Distribution Agreement ("SEDA").

Interest revenue has increased to \$0.4 million (1H10 \$0.03 million) due to a higher average cash, cash equivalents and liquid investment balance during the period.

Finance costs of \$0.2 million (1H10 \$0.2 million) relate to the accretion charge on the decommissioning provision. The tax benefit of \$0.03 million (1H10 \$0.02 million expense) is related to UK activities.

The results for the first half of 2011 show an increased loss after tax of \$10.3 million (1H10 \$3.1 million) reflecting the increase in administrative expenses discussed above.

Cash flow

Net cash outflow from oil and gas operations after general and administrative expenses was \$16.5 million (1H10: \$15.6 million). The adjustment for non-cash expenditure relating to share-based payments and depreciation (\$8.7 million) is offset by working capital adjustments (\$8.6 million outflow) resulting in cash used being comparable to loss from operations. The working capital adjustments result from drilling activities - increased prepayments to joint venture partners and increased inventories held by the Group at period end - and a decrease in payables following payment of the cash element of the 2010 bonus. Tax paid in 1H11 was \$0.3 million (1H10: \$nil) and interest received was \$0.4 million (1H10: \$0.03 million). Net cash outflow from operating activities after tax and interest was \$16.4 million.

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Financial Review continued

Cash flow continued

Cash used in investing activities totalled \$57.2 million, which comprises \$63.9 million spent on intangibles assets, \$0.3 million spent on property, plant and equipment and a reduction in liquid investments of \$7.0 million. The majority of the \$63.9 million spent on intangible assets relates to the Group's exploration activities in the Kurdistan Region of Iraq, including the drilling of Shaikan-2, Shaikan-4, Sheikh Adi-1 and Bekhme-1 as well as preparation for drilling Shaikan-5. The expenditure on property, plant and equipment reflects the London office expansion to accommodate the Shaikan Field Development Plan team.

During the period, a total of \$1.0 million has been raised through the exercise of options under the Company's share option plan and subscription costs paid for bonus shares vesting at the end of 2010 associated with performance over the period 2008 to 2010.

Taking into account the net cash used in operations, capital expenditure, short-term liquid investments and proceeds from the issue of shares, the net overall decrease in cash and cash equivalents during the period was \$72.6 million (1H10: \$137.6 million increase). Foreign exchange gains on cash balances were \$5.7 million (1H10: \$4.9 million).

Cash and cash equivalents totalled \$134.4 million at 30 June 2011 (31 Dec 2010: \$201.3 million; 30 Jun 2010: \$161.7 million). Inclusive of liquid investments, cash, cash equivalents and liquid investments totalled \$137.6 million (31 Dec 2010: \$211.4 million; 30 Jun 2010: \$161.7 million).

Corporate activities

The Group continues vigorously to dispute and contest the allegations and claims asserted by Excalibur in December 2010. On 8 April 2011, Gulf Keystone and two of its subsidiaries ("the Companies") obtained an injunction in the English Commercial Court restraining Excalibur from pursuing the International Chamber of Commerce ("ICC") Arbitration proceedings and an interim payment was made to the Group by Excalibur in July 2011 as directed by the Court. In July 2011, Excalibur confirmed in the English Commercial Court in London that it no longer intends to pursue the ICC Arbitration in New York against the Companies and that it is content that all its claims against the Companies should be determined in the English Commercial Court in London. A provisional date of October 2012 has been set for a trial in the English Commercial Court of Excalibur's claims. Further details are given in note 8 to the half year report.

As reported in the 2010 Annual Report and Accounts, discretionary grants of 8.5 million common shares were made by the Gulf Keystone Employee Benefit Trust ("EBT") to Directors and employees as part of the 2010 Executive Bonus Scheme. In addition, direct grants of 1.8 million shares were made by the Company under this Bonus Scheme.

During February 2011, the EBT made grants of options with stretching long term incentive performance conditions to incentivize the Directors and employees of the Group to create further shareholder value. A total of 9,490,000 options were granted at a price of 175 pence per share (the "2010 LTIP Options").

The 2010 LTIP Options are available for exercise in equal tranches over three financial years subject to one third vesting on the share price reaching 275 pence per share, one third vesting on the share price reaching 325 pence per share and the final third vesting on the share price reaching 375 pence per share. Further option grants have been made over 800,000 common shares during the period, and post-period end, over 1,000,000 common shares, to new employees.

GULF KEYSTONE PETROLEUM LIMITED

Financial Review continued

Corporate activities continued

As part of the Group's bonus share scheme, 7.0 million new common shares were issued during the period including 5.9 million shares to the EBT to satisfy vested bonus share awards. A further 1.0 million shares were issued during the first half of the year by the Company in response to options exercised under the Group's Share Option Plan. Subsequent to 30 June 2011, 3,000 additional shares have been issued in response to an option exercise. The total number of shares in issue at the date of this report is 762.2 million, of which 8.8 million are held by the EBT.

At the Annual General Meeting in Paris on 16 June 2011, approval was obtained to increase the authorised share capital of the Company and to issue up to 950 million new common shares of \$0.01 each.

Other and recent events

The Group continues to effect an orderly exit from its Algerian operations and is awaiting the conclusion of the necessary withdrawal documentation for the transfer of its interest in the Hassi Ba Hamou Permit to BG North Sea Holdings Limited. The Directors remain confident that the necessary approvals will be forthcoming. However, there is no guarantee this will be the case.

Outlook

The Group, together with its partners, continues to actively explore the prospects identified in the Sheikh Adi, Akri Bijeel and Ber Bahr blocks and realise the potential of the licence interests it holds. It has a strong balance sheet at 30 June 2011 and the previously stated drilling programme is being funded through existing resources together with sales revenues.

Further valuable technical and commercial information has been gained from operating the Shaikan EWT, with the current focus being to achieve stabilized production rates of 5,000 bopd from Shaikan-1 and Shaikan-3. The output from the EWT is also providing financing support for the Group's continuing drilling programme.

So far, the Group has made significant progress in appraising the Shaikan Field. With preparations underway for the Shaikan Field Development Plan and the associated dedicated pipeline, we are now entering a new phase of realising the potential of our assets, which offers significant further value creation for shareholders.

KE Ainsworth
Finance Director

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Income Statement for the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 Unaudited \$'000	Six months ended 30 June 2010 Unaudited \$'000	Year ended 31 December 2010 Audited \$'000
Continuing operations				
Revenue	3	1,645	-	808
Cost of sales		(1,645)	-	(808)
Gross profit		-	-	-
Other operating expenses				
General and administrative expenses		(16,559)	(8,293)	(32,595)
Loss from operations		(16,559)	(8,293)	(32,595)
Other gains and losses				
Interest revenue		418	27	192
Finance costs		(227)	(153)	(348)
Loss before tax	3	(10,377)	(3,074)	(26,811)
Tax benefit/(expense)		31	(20)	819
Loss after tax		(10,346)	(3,094)	(25,992)
Loss per share (cents)				
Basic	4	(1.37)	(0.57)	(4.17)
Diluted	4	(1.37)	(0.57)	(4.17)

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2011

	Six months ended 30 June 2011 Unaudited \$'000	Six months ended 30 June 2010 Unaudited \$'000	Year ended 31 December 2010 Audited \$'000
Loss for the period	(10,346)	(3,094)	(25,992)
Foreign currency translation differences	235	(26)	154
Total comprehensive loss for the period	(10,111)	(3,120)	(26,146)

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Balance Sheet as at 30 June 2011

	Notes	30 June 2011 Unaudited \$'000	30 June 2010 Unaudited \$'000	31 December 2010 Audited \$'000
Non-current assets				
Intangible assets	5	288,066	163,422	223,824
Property, plant and equipment		4,167	3,729	4,102
Deferred tax asset		3,488	1,078	4,106
		295,721	168,299	232,032
Current assets				
Assets held for sale		10,441	10,441	10,441
Inventories		16,726	7,463	14,423
Trade and other receivables		7,755	3,587	3,663
Liquid investments		3,211	-	10,177
Cash and cash equivalents		134,364	161,708	201,268
Derivative financial instruments		1,082	340	659
Current tax receivable		34	-	-
		173,613	183,539	240,631
Total assets		469,334	351,768	472,663
Current liabilities				
Trade and other payables		(34,996)	(85,317)	(39,103)
Current tax liabilities		-	(255)	(320)
		(34,996)	(85,572)	(39,423)
Non-current liabilities				
Provisions		(7,168)	(4,641)	(6,399)
		(7,168)	(4,641)	(6,399)
Total liabilities		(42,164)	(90,213)	(45,822)
Net assets		427,170	261,555	426,841
Equity				
Share capital	6	6,708	5,807	6,628
Share premium account	6	594,496	430,175	593,470
Share option reserve		29,856	15,142	20,468
Exchange translation reserve		(76)	(183)	(311)
Accumulated losses		(203,814)	(189,386)	(193,414)
Total equity		427,170	261,555	426,841

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2011

	Attributable to equity holders of the Group					
	Share capital \$'000	Share premium account \$'000	Share option reserve \$'000	Exchange translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2010 (audited)	3,985	239,813	11,745	(157)	(186,292)	69,094
Share-based payment expense	-	-	2,995	-	-	2,995
Deferred tax on share-based payment transactions	-	-	402	-	-	402
Share issue	1,822	190,362	-	-	-	192,184
Foreign currency translation differences	-	-	-	(26)	-	(26)
Net loss for the period	-	-	-	-	(3,094)	(3,094)
Balance at 30 June 2010 (unaudited)	5,807	430,175	15,142	(183)	(189,386)	261,555
Transfer relating to share-based payments	-	-	(18,904)	-	18,904	-
Share-based payment expense	-	-	18,735	-	-	18,735
Deferred tax on share-based payment transactions	-	-	1,655	-	-	1,655
Share issue	821	163,295	3,840	-	-	167,956
Foreign currency translation differences	-	-	-	(128)	-	(128)
Own shares held	-	-	-	-	(34)	(34)
Net loss for the period	-	-	-	-	(22,898)	(22,898)
Balance at 31 December 2010 (audited)	6,628	593,470	20,468	(311)	(193,414)	426,841
Share-based payment expense	-	-	10,117	-	-	10,117
Deferred tax on share-based payment transactions	-	-	(729)	-	-	(729)
Share issue	80	1,026	-	-	-	1,106
Foreign currency translation differences	-	-	-	235	-	235
Own shares held	-	-	-	-	(54)	(54)
Net loss for the period	-	-	-	-	(10,346)	(10,346)
Balance at 30 June 2011 (unaudited)	6,708	594,496	29,856	(76)	(203,814)	427,170

GULF KEYSTONE PETROLEUM LIMITED

Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 Unaudited \$'000	Six months ended 30 June 2010 Unaudited \$'000	Year ended 31 December 2010 Audited \$'000
Operating activities				
Cash used in operations	7	(16,505)	(15,572)	(26,225)
Tax paid		(331)	-	(503)
Interest received		418	27	192
Net cash used in operating activities		(16,418)	(15,545)	(26,536)
Investing activities				
Purchase of intangible assets		(63,944)	(38,376)	(145,877)
Purchase of property, plant and equipment		(261)	(582)	(1,132)
Decrease/(increase) in liquid investments		6,966	-	(10,177)
Net cash used in investing activities		(57,239)	(38,958)	(157,186)
Financing activities				
Proceeds on issue of share capital		1,047	192,124	359,895
Net cash generated by financing activities		1,047	192,124	359,895
Net (decrease)/increase in cash and cash equivalents		(72,610)	137,621	176,173
Cash and cash equivalents at beginning of period		201,268	19,156	19,156
Effect of foreign exchange rate changes		5,706	4,931	5,939
Cash and cash equivalents at end of the period being bank balances and cash on hand		134,364	161,708	201,268

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

1. General information

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

This half year financial report of Gulf Keystone Petroleum Limited for the six months ended 30 June 2011 has not been audited or reviewed by auditors and was approved by the Directors on 13 September 2011. 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, 16 Berkeley Street, London, W1J 8DZ, United Kingdom.

The financial information for the year ended 31 December 2010 does not constitute the Company's financial statements for that year, but it is derived from those accounts. The auditors have reported on those accounts and their report was not modified but drew attention by way of emphasis to uncertain outcome of legal proceedings.

2. Accounting policies

Basis of preparation

The condensed set of financial statements included in this half year financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', 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 Company in its Annual Report and Accounts for the year ended 31 December 2010. The Annual Report and Accounts of the Company are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Executive Chairman and Chief Executive Officer's Statement and Chief Operating Officer's Operating Review. The financial position of the Group and its cash flows are described in the Financial Review.

The Group is currently dependent upon its existing financial resources and early production revenues from its operations in the Kurdistan Region of Iraq. The Group may require additional finance through fund raisings, farm-out or sale of its oil and gas interests or other methods. The Group has a number of financing possibilities which the Directors believe the Group will be able to pursue if required and has access to a further £10 million of funding through the Standby Equity Distribution Agreement. However, the possibility remains that the Group's operations, and the availability of additional finance, could be significantly affected by adverse exploration and appraisal results, geopolitical events in the region, macroeconomic conditions or other risks.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011 continued

2. Accounting policies continued

Going concern continued

Based on the forecasts and projections prepared at the time of preparation of this half year report and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, the Directors continue to adopt the going concern basis in preparing this half year report.

3. Segment information

There has been no change in the basis of segmentation or in the basis of measurement of segment 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 financial statements.

For the purposes of resource allocation and assessment of segment performance, the Group is organised into three business segments based on geography as described below:

- Algeria - the Algiers office and the Group's operations in Algeria.
- Kurdistan Region of Iraq - the Group's operations in the Kurdistan Region, comprising the Shaikan, Akri-Bijeel, Sheikh Adi and Ber Bahr Blocks and the Erbil office.
- United Kingdom - the United Kingdom office, which provides geological, geophysical and engineering services to the Group.

Corporate 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.

	Algeria \$'000	Kurdistan Region \$'000	United Kingdom \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
30 June 2011 (unaudited)						
Revenue						
Oil sales	-	1,645	-	-	-	1,645
Inter-segment sales	-	-	3,821	-	(3,821)	-
Total revenue	-	1,645	3,821	-	(3,821)	1,645
(Loss)/profit before tax	(899)	(297)	(223)	(9,163)	205	(10,377)
Total assets	15,104	329,040	20,028	628,688	(523,526)	469,334
30 June 2010 (unaudited)						
Revenue						
Inter-segment sales	-	-	1,730	-	(1,730)	-
Total revenue	-	-	1,730	-	(1,730)	-
Loss before tax	(755)	(1,055)	(107)	(840)	(317)	(3,074)
Total assets	13,363	176,164	4,268	405,604	(247,631)	351,768

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011 continued

3. Segment information continued

31 December 2010 (audited)	Algeria \$'000	Kurdistan \$'000	United Kingdom \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Revenue						
Oil sales	-	808	-	-	-	808
Inter-segment sales	-	-	7,434	-	(7,434)	-
Total revenue	-	808	7,434	-	(7,434)	808
(Loss)/profit before tax	(1,663)	(761)	(2,926)	(24,173)	2,712	(26,811)
Total assets	14,837	245,902	14,691	567,268	(370,035)	472,663

4. Loss per share

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

	Six months ended 30 June 2011 Unaudited \$'000	Six months ended 30 June 2010 Unaudited \$'000	Year ended 31 December 2010 Audited \$'000
Loss			
Loss for the purposes of basic and diluted loss per share	(10,346)	(3,094)	(25,992)
	30 June 2011 Number (000s) Unaudited	30 June 2010 Number (000s) Unaudited	31 December 2010 Number (000s) Audited
Number of shares			
Weighted average number of common shares for the purposes of basic loss per share	752,929	539,590	622,613
Adjustments for:			
-bonus shares	n/a	n/a	n/a
-share options	n/a	n/a	n/a
-warrants	n/a	n/a	n/a
-ordinary shares held by the Employee Benefit Trust	n/a	n/a	n/a
Weighted average number of common shares for the purposes of diluted loss per share	752,929	539,590	622,613

There is no difference between basic and diluted earnings per share as the Group was loss making in each period and hence the effect of bonus shares, share options, warrants and ordinary shares held by the Employee Benefit Trust is anti-dilutive. As at 30 June 2011, 40.3 million share options (2010: 31.2 million), 11.5 million un-issued bonus shares (2010: 18.6 million), 2.5 million warrants (2010: 2.5 million) and 8.8 million shares held by the Employee Benefit Trust (2010: 3.4 million) were excluded from the loss per share calculation.

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011 continued

5. Intangible assets

Additions to oil and gas exploration and evaluation costs in the period were \$64.0 million and included interpretation of the 3D-seismic acquired during 2010, the drilling of Shaikan-2 and Shaikan-4 and work-overs on Shaikan-1 and Shaikan-3 as well as the drilling of Sheikh Adi-1B and the drilling of the Bekhme-1 exploration well in the Kurdistan Region of Iraq. Exploration and evaluation costs include intangible assets relating to: Shaikan \$152.9 million (2010: \$117.8 million); Sheikh Adi \$83.8 million (2010: \$58.6 million); Akri Bijeel \$22.4 million (2010: \$19.4 million) and Ber Bahr \$28.6 million (2010: \$27.9 million). Additions to other intangible assets (computer software) were \$0.3 million.

6. Share capital

Share capital and share premium as at 30 June 2011 amounted to \$601.2 million (2010: \$600.1 million). During the period, 8.0 million common shares were issued to satisfy awards made under the Company's bonus share scheme and an exercise of options under the Company's Share Option Plan. Subsequent to 30 June 2011, a further 3,000 shares have been issued following an exercise of options under the Share Option Plan.

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

	Six months ended 30 June 2011 Unaudited \$'000	Six months ended 30 June 2010 Unaudited \$'000	Year ended 31 December 2010 Audited \$'000
Loss from operations	(16,559)	(8,293)	(32,595)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	195	294	464
Amortisation of intangible assets	28	16	30
Share-based payment expense	8,444	2,995	16,873
Increase in inventories	(2,303)	(6,889)	(13,849)
Increase in receivables	(4,092)	(1,814)	(1,449)
(Decrease)/increase in payables	(2,218)	(1,881)	4,301
Net cash used in operating activities	(16,505)	(15,572)	(26,225)

GULF KEYSTONE PETROLEUM LIMITED

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011 continued

8. Contingent liabilities

On 23 December 2010, the Company and two of its subsidiaries ("the Companies") received notice that an International Chamber of Commerce ("ICC") arbitration was commenced by Excalibur Ventures LLC ("Excalibur") in New York and similarly commenced proceedings in the English Commercial Court in London on the same grounds asserting certain contractual and non-contractual claims against the Companies and claiming that Excalibur is entitled to an interest of up to 30% of the Companies' blocks in the Kurdistan Region of Iraq, which comprise the substantial majority of the Group's petroleum operations.

On 8 April 2011 Gulf Keystone and two of its subsidiaries obtained an injunction in the English Commercial Court restraining Excalibur from pursuing the ICC arbitration proceedings instituted. The English Commercial Court gave the reasons for this judgment in favour of the Companies during June 2011 with costs being awarded to the Companies. Excalibur made the required interim payment of £250,000 to the Companies in July 2011.

On 26 July 2011, Excalibur confirmed in the English Commercial Court in London that it no longer intends to pursue the ICC Arbitration in New York against the Companies. Excalibur also confirmed that it is content that all its claims against the Companies should be determined in the English Commercial Court in London. Consequently, there will not be a trial in the English Commercial Court in London to determine whether the Companies are required to take part in the ICC Arbitration.

A provisional date of October 2012 has been set for a trial in the English Commercial Court of Excalibur's claims.

The Companies continue vigorously to dispute and contest the allegations and claims asserted by Excalibur. As the ultimate outcome of the matter cannot presently be determined, the Group continues to recognise no provision in the financial statements for any liability that may result.