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GULF KEYSTONE PETROLEUM LTD.

17 March 2016

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

2015 Results Announcement

Gulf Keystone Petroleum, a leading independent operator and producer in the Kurdistan Region of Iraq, today announces its results for the year ended 31 December 2015.

Highlights to 31 December 2015 and post reporting period

Operational

- Gulf Keystone's operations in the Kurdistan Region remained safe and secure throughout 2015. The Company achieved a milestone of one million man hours without a lost time injury in early March 2016

- 2015 gross production of 11.1 million barrels of oil, an increase of 71% on 2014, an average of 30,500 barrels of oil per day ("bopd"), with no formation water

- The maximum sustained production achieved at Shaikan was 39,773 bopd in September 2015. Intermittent restrictions around offtake and export infrastructure availability resulted in some periods of reduced production throughout the year

- Access to the Kirkuk-Ceyhan export pipeline achieved in July 2015 securing improved netbacks, reduced transportation costs and significantly lower HSSE exposure

- Shaikan production for the period from 1 January to 16 February 2016 averaged 37,080 bopd before exports through the Kirkuk-Ceyhan export pipeline were temporarily suspended until 11 March 2016, when the Company's crude oil export operations resumed and continue at c. 37,000-39,000 bopd today

- The Competent Person's Report ("CPR") update in October 2015 increased gross 2P Proven and Probable Reserves at the Shaikan field by 114% to 639 million barrels and the management's view remains aligned with the October 2015 CPR

- Shaikan Field Development Plan ("FDP") has been updated and submitted in draft form to the Kurdistan Regional Government's Ministry of Natural Resources ("KRG" and "MNR") for review in late 2015

- In parallel, investment plans have been developed which bridge to and are complementary to the FDP and have the potential to maintain the current nameplate capacity of 40,000 bopd with the option to increase production up to 55,000 bopd. These interim investments will require review by MOL Hungarian Oil and Gas plc., our partner in the Shaikan Block, and approval by the MNR

Payments

- The Company generated gross cash receipts of $92.8 million ($74.2 million net to GKP) in 2015. This is made up of $26 million gross prepayment for export deliveries by truck to the Turkish coast received in February 2015, $21.7 million gross received under the direct contract with a domestic offtaker for similar export sales and $45 million gross received from the KRG from September to December 2015 for oil exported through the Kirkuk-Ceyhan pipeline

- In January and March 2016, the Company received two further payments from the KRG of $15 million gross each
- On 1 February 2016, the KRG issued a press release committing to a regular payment cycle to international oil companies for oil exports based upon monthly contractual entitlements in line with the terms of the relevant Production Sharing Contract (PSC)

Financial – as at 31 December 2015

- Revenues of $86.2 million (FY14: $38.6 million)
- Loss after tax of $135.0 million (FY14: $248.2 million)
- Gross proceeds of $40.7 million raised from the issue of equity securities in April 2015 following the successful guaranteed note consent solicitation to remove the book equity ratio covenant
- Operating costs per barrel on a gross field basis reduced to $5/bbl from $7/bbl in 2014
- Cash balance at 16 March 2016 of $50.6 million (31 Dec 2015: $43.6 million)

Agreement with the MNR and other corporate developments

- Following the KRG's press release of 1 February 2016, discussions commenced with the MNR on a number of issues related to the application of the terms of the Shaikan PSC, including the 15% Third Party Interest, the 20% Government Participation Option, the associated past costs, as well as revenue arrears, and the capacity building charge
- On 16 March 2016, an Agreement between the Company and the MNR was signed addressing the Company's agreement to the MNR's exercise of the 20% Government Participation Option and the settlement of the associated past costs together with the reduction of the capacity building charge from 40% to 30% to be the subject of an amendment agreement to the Shaikan PSC
- The Company and the MNR have also confirmed their intention to implement the First Amendment to the Shaikan PSC dated 1 August 2010, in particular the provision regarding the assignment of the 15% Third Party Interest, and also the assignment of the 5% Texas Keystone Inc interest in the Shaikan PSC to Gulf Keystone to be the subject of an amendment agreement to the Shaikan PSC, which will result in an increase in the Company's fully diluted working interest in the Block to 58%
- The Agreement provides clarity on the past costs and revenue arrears and constitutes the MNR's commitment to a forward programme of monthly payments, including contract entitlement and additional payments towards the amounts in arrears
- As at 31 December 2015, the Company estimates an unrecognised receivable of $93 million net to GKP on a diluted basis with regards to the unpaid export sales and $85 million net to GKP for the past costs associated with the Shaikan Government Participation Option. Further details are provided in the Financial Review
- As a result of a detailed review of the Company's portfolio with emphasis on capital discipline and focusing on Shaikan, the operated producing asset, a decision has been made by the Company to relinquish the Sheikh Adi block given the project's potential capital demands and performance risk of the development; the relinquishment and the termination of the Sheikh Adi PSC has been agreed subject to the execution by the Regional Council for Oil and Gas Affairs of the Kurdistan Region of Iraq
- As previously announced in agreement with its partners MOL Hungarian Oil and Gas plc. and Genel Energy Plc, Gulf Keystone decided to exit the non-core assets of the Akri-Bijeel Block, which was relinquished on 31 December 2015, and the Ber Bahr Block, the relinquishment of which is ongoing
- On 25 February 2015, the Company announced a Strategic Review of its financing options, which included discussions with a number of interested parties in relation to possible asset transactions or a corporate sale. Over the course of 2015 and to date, interest has been expressed by various parties.

While there are ongoing discussions with them, we believe given the current sector dynamics (low and volatile oil prices and geo-political issues in the region), a transaction is unlikely in the near term

- As announced on 23 October 2015 and as required under the terms of the guaranteed notes, the Company entered into and is continuing discussions with the representatives for the Company's bondholders

- The Board has been strengthened through the appointments of Cuth McDowell and Keith Lough, Non-Executive Directors in December 2015

Outlook

- Forecast to achieve the 2016 average production target of 31,000 to 35,000 bopd, subject to offtake and export infrastructure availability

- Continue to aggressively manage the cost base and, building on savings realised in 2015, deliver a reduced operating cost of $4.5/bbl (from $5/bbl)

- Without additional capital expenditure and in line with the 2015 CPR, Shaikan wells may begin to exhibit natural declines later in 2016. An interim project to maintain Shaikan production at 40,000 bopd and potentially increase up to 55,000 bopd, which bridges to the FDP, has been prepared and can be implemented subject to a period of regular payments, available finances and final partner and MNR approval

- This interim project can be completed within a year under a capex programme of between $71 million and $88 million, including 30% contingency.

- The Company continues to actively review options to secure new funding and restructure the Company's balance sheet, to ensure it is able to continue as a going concern.

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

"The reasons behind my initial attraction to Gulf Keystone remain my motivation today. We have a superb subsurface asset, which continues to perform well, and a motivated workforce dedicated to realising Shaikan's full potential. We started 2015 with installed capacity to produce 40,000 bopd and achieved our guidance with a 30,500 bopd average rate, as well as record levels of over 45,000 bopd achieved during the year.

"Against a well-publicised challenging backdrop, both across the industry and in the region, the team is actively managing all aspects of the business over which we can assert control. To that end we are further rationalising the portfolio, in order to focus on Shaikan with its lower risk profile and ability to generate the greatest near term return on investment. We are encouraged that we are now awaiting our sixth consecutive payment for Shaikan crude oil exports, and that we have also been able to bring forward an agreement with the MNR on a number of important factors, including the settlement of the amount owed in arrears and the reduction of the capacity building charge, which results in material improvement of the commercial terms for GKP in Shaikan. We see these developments as positive as we are striving for much greater certainty and transparency at a crucial time for GKP. In the interest of all stakeholders, strenuous efforts are currently underway to strengthen the balance sheet, not only to ensure our ability to remain as a going concern, but also to be able to provide new capital to increase production and as a solid foundation for the longer-term future of the Company. I look forward to delivering a stronger business in 2016 with stable production, commercial discipline, value realisation and growth."

A live webcast of the call for analysts and investors will be available at 14:00 GMT today on the Company's website www.gulfkeystone.com.

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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 block, which is a major producing field.
- Following the establishment of a regular payment cycle for all oil sales and arrears, and a positive economic outlook, Gulf Keystone plans to move into the large-scale phased development of the Shaikan field targeting 110,000 bopd of production capacity.

Disclaimer

This announcement contains certain forward-looking statements. These statements are made by the Company's 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 uncertainties, including both economic and business factors, underlying such forward-looking information. 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.

GULF KEYSTONE PETROLEUM LIMITED

Chairman's Statement

Over the past year, your company has continued to make substantial progress across many areas of the business that are within its control. However, as with the rest of the oil & gas sector, we have been subjected to the considerable headwinds resulting from the collapse of the oil price. In addition, those of us operating in the Kurdistan Region of Iraq all continue to feel the adverse effects of the geopolitics of this area as the military activity against Daesh in Iraq and the broader conflicts within the region continue.

Encouraging progress was made with two of the Company's key priorities, which were to maintain stable production and establish a regular payment cycle for Shaikan crude oil sales. Throughout 2015, stable production was maintained at Shaikan and we met our production guidance with 30,500 bopd. Payments for current production, which have continued on a regular basis since September 2015, continue to be our top priority to ensure the survival of your business, and we welcome the KRG and MNR commitment to regular and predictable payments to international oil companies in respect of current production and historic arrears.

Whilst we operate one of the finest oilfields in the Kurdistan Region, which is currently producing very effectively, the future of your company is inextricably tied up with three interlinked issues. Firstly, resolution of some of the difficult geopolitical issues facing the region in general and the KRG in particular. Secondly, the strengthening and restructuring of the Company's balance sheet to enable us to confidently invest in order to maintain, and increase, production and deliver value. And thirdly, it is the support of all of our stakeholders.

There have been a number of changes in the top management of the Company. In 2015 we welcomed Jón Ferrier and Sami Zouari as our new CEO and CFO. Jón brings a lifetime of experience in the sector, as well as considerable experience in the region where we operate. In a short period of time he has already made a considerable mark on the business, operationally, in our relations with our host government and with our institutional and private shareholder base. Sami brought a wealth of experience following a career in both oil industry operations and investment banking. His track record in the debt markets and in the Middle East has already proven to be extremely positive attributes.

The executive team was also strengthened by the appointment of Nadhim Zahawi as Chief Strategy Officer, whose knowledge and understanding of the Kurdistan Region is extremely important to us, in particular at this time.

I was asked to take over as interim Chairman in March 2015. Subsequently the Board asked me to stay on to provide a period of stability and continuity whilst we planned for orderly succession. I am pleased to report a substantial rebuilding of the Board, which is now both fit for purpose, and in keeping with the overall focus on cost reduction. I was delighted to welcome two new Non-Executive Directors, Cuth McDowell and Keith Lough. Both bring career long experience in the E&P sector, with large and small companies and we are very pleased to have secured their services.

The commitment of all of our colleagues, both on the ground in the Kurdistan Region, and in our small office in London, has been considerable. This has been all the more appreciated given the current challenges of operating in the region, as well as against the macro economic backdrop that has seen such steep falls in the price of oil. It is my pleasure to thank all of our colleagues on behalf of the Board and the shareholders.

We remain grateful to all of our stakeholders for their ongoing support, in particular our partners within the KRG's Ministry of Natural Resources. We will continue to strengthen our relationships with our shareholders and bondholders as we strive to ensure the future financial stability of the Company. For the current financial year, we will continue to work closely with our host government, ensuring the trend of payments for past and future Shaikan crude oil sales. This will provide financial strength to enable us to prudently invest in increasing production, an essential requisite for the many people who stand to benefit from further realising the significant potential of Shaikan.

Andrew Simon
Chairman

Chief Executive Officer's Statement

The strategic priorities I outlined on joining the Company in June 2015 remain relevant: safe, secure and reliable operations, the commercial health of the business and effective stakeholder engagement. Although good progress has been made in 2015, this can be easy to forget when we consider our share price alone and it has undoubtedly been a challenging year for Gulf Keystone Petroleum.

We have shouldered the weight of rapidly falling global oil prices along with our peers in the region and the wider industry. Meanwhile the Kurdistan Region has continued to fight and protect its borders in a war against the terrorist group Daesh, while supporting nearly two million refugees and internally displaced persons, meaning resources have been stretched far and wide. Geopolitics and the depressed commodity and capital markets are issues over which we have no direct influence but we continue to work very closely with the Ministry of Natural Resources of the Kurdistan Regional Government and our other stakeholders to navigate these challenges in a particularly difficult sector of the industry.

I first want to touch on the issues within our control and what I consider to be our license to operate: delivering Health, Safety, Security and Environment (HSSE) performance. Working in a business that has the potential to be hazardous by its very nature, the welfare of our employees, contractors, partners and communities neighbouring our operations is at the very top of my agenda. I am satisfied with our performance in this area, with continuous improvements evident over the past year as a result of engagement with the workforce, open and honest incident reporting, and indeed training and development, but there is always room for improvement. I visit the Kurdistan capital of Erbil and take trips to the field regularly and I am always impressed with what I see; the working environment is safe, secure and exactly what I would expect to see at an oilfield anywhere else in the world. The team on the ground run the operation efficiently and to exacting safety standards - the high plant availability and performance reflecting a safe and well-run operation. But as I said, there is always room for improvement and the bar has been raised for improved HSSE performance in 2016.

The reasons behind my initial attraction to Gulf Keystone remain my motivation today. We have a superb subsurface asset and a motivated workforce dedicated to realising its full potential. We started the year with a functioning installed capacity to produce 40,000 bopd and achieved our guidance for 2015 with a 30,500 bopd average rate and record levels of over 45,000 bopd reached during the year. The annual average was driven to the low end of guidance by sporadic availability of offtake and export infrastructure and a period of depressed pricing in early 2015. To date, which is March 2016, we have produced over 21 million barrels of oil from Shaikan or 4% of the developed reservoir 2P Reserve total. In other words, we have just scratched the surface of this giant field and considerable development potential remains.

In October, we were pleased to announce the findings of an updated independent third-party audit of the Company's Reserves, Contingent Resources and Prospective Resources. 2P Reserves at Shaikan increased by 114% from 299 to 639 million barrels gross, significantly de-risking the field's commerciality and thereby reaffirming its place as one of the largest and most important onshore fields in the region. Shaikan has evolved from an oil in place to a reserves story. We have updated our Field Development Plan (FDP) to reflect this in order to develop the asset with fewer wells, lower capex per barrel and greater reserves per well.

Another major milestone was achieved in July when we gained access to the export pipeline. One hundred percent of our crude oil is now trucked a distance of some 120 km to Fishkhabour on the Turkish border for injection into the international export pipeline, which runs to the port of Ceyhan on the Turkish coast. This means improved netbacks and reduced operational risk; a particularly welcome development in a depressed oil price environment.

In a capital restricted business it is important to focus on core assets in order to reduce costs. Having analysed potential capital demands and performance risk of the development of the Sheikh Adi Block, we have decided to relinquish this licence, which has been agreed with the MNR. It has not been an easy decision but today it is paramount to focus our resources on Shaikan where immediate value can be realised with greater certainty. In agreement with the operator MOL Hungarian Oil & Gas plc, we took the decision to relinquish the Akri-Bijeel Block. Together with the operator Genel Energy, we are currently in the process of relinquishment of the Ber Bahr Block.

At Shaikan, where we finished the year with stable average daily production rates of above 36,000 bopd in December, I am eager to move forward with the further development of the field and increase production from 40,000 bopd to deliver further value. To get to the next stage requires additional investment, so our priority is to strengthen the balance sheet to allow this forward move. While the updated Shaikan FDP has been completed and submitted in draft to the MNR, we have also identified opportunities to bridge to the FDP through developing an interim and complimentary project to the FDP to maintain Shaikan production at 40,000 bopd and potentially increase up to 55,000 bopd. This project will require additional capex of between $71 million and $88 million and is subject to a period of regular payments, available finances and all required approvals.

A welcome step towards further development is the new payment structure we have in place with the MNR. In a statement released on 1 February 2016, plans were outlined to pay producing international oil companies in accordance with the terms of the Production Sharing Contracts and within a specific time frame. Prior to this under a temporary arrangement, the Company received four consecutive monthly payments totalling $60 million starting in September 2015. Under the new arrangement, a payment made for January 2016 exports also included contributions towards arrears. We understand the importance of predictability and regularity of payments, so we welcome the KRG's public commitment, which we expect to provide reassurance to the market in 2016.

The KRG's statement on 1 February also catalysed our discussions with the MNR relating to the application of the Shaikan PSC terms and such issues as the Third Party Interest, the Government Participation Option and the associated past costs, as well as revenue arrears, the capacity building charge and the assignment of the 5% Texas Keystone Inc interest in the Shaikan PSC to Gulf Keystone. We have now been able to achieve a broad agreement and clarity on these issues through completing an Agreement with the MNR.

This Agreement addresses the proposed exercise of the 20% Government Participation Option and the settlement of the associated past costs together with the reduction of the capacity building charge from 40% to 30%, which is a particularly important development that contributes additional material value to us and brings Shaikan PSC more in line with contracts of our peers in the Kurdistan Region.

The Company and the MNR have also re-affirmed their intention to implement the First Amendment to the Shaikan PSC dated 1 August 2010, in particular the provision regarding the assignment of the 15% Third Party Interest, and also the assignment of the 5% Texas keystone Inc interest in the Shaikan PSC to Gulf Keystone.

On 25 February 2015, the Company announced a Strategic Review of its financing options, which included discussions with a number of interested parties in relation to possible asset transactions or a corporate sale. Over the course of 2015 and to date, interest has been expressed by various parties. While there are ongoing discussions with certain parties, we believe given the current sector dynamics (low and volatile oil prices and geo-political issues in the region), a transaction is unlikely in the near term.

The financial situation facing Gulf Keystone is clear: payment arrears for past costs and revenue arrears coupled with reduced near term income because of low oil prices have resulted in a weak balance sheet to service the existing debt obligations of the guaranteed notes and convertible bonds in terms of coupon payments due in April and October 2016, as well as bond maturities in 2017. The management is committed to address these issues in the interest of all stakeholders. Strenuous efforts are underway to strengthen the balance sheet, provide new capital for investment to deliver production and value growth, and ultimately restructure the balance sheet as a foundation for the long-term future of the Company.

One of my objectives for the year was to bring stability to Gulf Keystone by establishing a solid leadership team who would be aligned and co-ordinated and I believe this has been achieved. Since the beginning of 2015 the management has undergone significant changes with three new executives, including myself, and two new Non-Executive Directors brought into the Company. We have in place now a revitalised management team and Board I am happy to be working with and I would like to take this opportunity thank them for bringing their expertise and energy to the table.

I extend my thanks to all Gulf Keystone employees and contractors for their dedication and hard work throughout the year and to all stakeholders for your continued support of the Company. Finally, my thanks go to the KRG, the MNR, and the Kurdistan Region, as the home of our operations and many of our employees, our thoughts are with the people of a nation facing many challenges.

In closing I would like to reiterate our focus on maintaining safe, secure and reliable operations and exports from our world-class Shaikan field. Having agreed a forward programme of monthly payments with the MNR with whom we have always enjoyed a constructive relationship and whose support is important for the Company's financial health, I look forward to delivering a stronger business in 2016 with stable production, commercial discipline, value realisation and growth.

Jón Ferrier
CEO

Operational Review

Operationally 2015 was a year of stabilisation and consolidation marked by achieving production guidance and maintaining safe and reliable operations. Despite another challenging set of external factors, Gulf Keystone's major operational targets have all been achieved.

The focus of 2014 was largely on the operational challenges of bringing both production facilities online and the subsequent ramping up of production. In 2015 an updated CPR, including updated Reserves numbers, meant the principal operational challenge was sustaining the production and validating the increased 2P Reserves.

Health, Safety, Security, and Environment (HSSE)

We have achieved continuous improvements across all HSSE measures in 2015. Total recordable incidents reduced from 22 in 2014 to 9 in 2015, lost time incidents (LTI's) reduced from 7 to 2, motor vehicle accidents reduced from 7 to 3 and there was a 50% reduction in minor oil spills. The only reported increase was in reports of High Potential Incidents (HiPo's) which rose from 5 to 9, a sign of the enhanced safety culture that is being embedded across the organisation. With the safety of our operations being of paramount importance, we designed, fabricated and installed loading bay canopies to improve safety and working conditions for loading arm operators at the production facilities.

From March 2015 to March 2016, a period which includes final construction and handover of the facilities from the construction to operations team, PF-2 achieved 12 months and 400,000 man-hours worked without an LTI. In addition, the Company passed the milestone of one million man-hours worked without an LTI over a rolling year, a further mark of the dedication to safety and HSSE performance by all involved with the Shaikan operations. Nevertheless, we can never be fully satisfied with safety performance so during 2015 we developed a new HSSE policy to be rolled out in 2016. The policy includes Board level assurance and senior management visibility within the HSSE framework, which requires regular meetings held in the field as well as our offices in London and Erbil while challenging safety targets across the organisation.

Our Competency Based Framework (CBF) continues to grow with localisation of the Company's workforce increasing from 72% in 2014 to 80% in 2015 including recruitment and promotions to senior and management positions.

Production

Our two Shaikan facilities are both fully operational and have been throughout the course of 2015, each with a nameplate capacity of 20,000 bopd, PF-1 and PF-2 availability stands at 98.8%, and 98.5% for the year respectively. All production has been black oil with no formation water.

We achieved a production average for the year of 30,500 bopd in line with our market guidance of between 30,000 to 34,000 bopd. The figure is at the lower end of the guidance largely due to factors outside the Company's control. Of total deferment, 84% was owing to external factors, mainly offtake and export pipeline infrastructure availability. Only 16% of total deferment related to operational issues, the most significant of these being a blocked fired heater coil at PF-2 which began in November and is currently being remedied. Our production average for 1 January to 16 February 2016 was 37,080 bopd but due to the unprecedented interruption of the export pipeline operations from 16 February 2016 to 11 March 2016 our guidance for this year sits at 31,000 to 35,000 bopd.

Surface operations delivered some exceptional performance in 2015 with combined production levels reaching maximum daily production of 45,063 bopd; maximum oil loading in any one day reaching 52,308 barrels equating to almost 8,000 tons; and maximum average sustained production over a month of 39,773 bopd achieved in September. The number of Shaikan truck deliveries for the 12 month period totals 63,061 and total oil loaded 11.1 million barrels or 1.7 million tons. Our total production for 2015 increased 71% compared with 2014 to 11.1 million barrels, with the cumulative production figure to date a little over 21 million barrels or just over 4% of the developed reservoir 2P Reserve total.

Providing reduced HSSE exposure and a much more efficient and cost effective transportation route for our crude, from mid-September 2015 we have been trucking 100% of Shaikan crude a distance of 120 km to Fishkhabour on the Turkish border where it is injected into the Kirkuk-Ceyhan export pipeline.

Reserves

Our data gathering and knowledge of field behaviour continues to increase with further production from Shaikan, this knowledge is constantly fed back into our models in order to achieve full value of the asset. We released an updated CPR on 1 October prepared by independent auditor ERC Equipoise, which followed their initial report in March 2014. The information available in the preparation of this updated report was far greater than that of the previous version owing to a cumulative production level standing at around 15 million barrels at the time of publication. The focus on the Shaikan field has evolved from oil-in-place to recoverable reserves with increased 1P Reserves to 306 MMstb and a more than doubling of 2P Reserves to 639 MMstb. We are pleased to confirm that the management's view today remains fully aligned with the October 2015 CPR.

As predicted much of our 2C resources have been converted into 2P Reserves which largely accounts for this increase. The CPR also includes 142 MMstb of 'Technically Recoverable Reserves' outside of the license period bringing the total combined 2P+2C reserves to 1,020 MMstb.

We now recognise a positive change from the time of the original FDP and CPR regarding the drive mechanism. Data demonstrate a lack of aquifer influx which envisages water rising up maintaining pressure and displacing oil, while some of that oil inevitably remains in the matrix. We see no such response from the aquifer. The major recovery process is now gas expansion drive - so as we pull oil out of the structure, pressure in the reservoir falls allowing us to drop pressure in the fractures which, sat against a high pressure matrix, maximises our potential recovery.

Shaikan is producing dry oil and the observed pressure reduction is in line with predicted field performance and consistent with the CPR reserves and resources. This decline does not affect the 2P reserve estimate but will require intervention to maintain current production levels. Subject to available financing, plans are in place for an interim project to stabilise Shaikan production at 40,000 bopd and potentially increase up to 55,000 bopd, which we consider a bridge to the FDP. This project can be executed within a year of committing to a capex programme of $71MM for the stabilisation case or $88MM for bridge to 55,000 bopd (both including 30% contingency). No further investment will result in losing wells in the next two years either by gassing out, thus requiring a new drill, or by ceasing to flow naturally and requiring an electric submersible pump (ESP). In either circumstance, early investment will prevent this and allow all facilities to operate at full capacity.

As a consequence of continued production and pressure data gathering our confidence in field performance and predictions has markedly improved meaning reduced risk and allowing for a proposed full field development plan appreciating the optimum recovery drive mechanism and reducing well count. An updated draft of the Shaikan FDP based on our findings, which includes the next FDP production target of 110,000 bopd and the development of the Jurassic reservoirs, was submitted to the MNR for approval in December 2015. In parallel, the bridge to the FDP, which is subject to review by our partners and final approval by the MNR, has been produced.

John Stafford
Vice President Operations

Financial Review

Results for the Year

Operating Results

2015 has been a period of significant progress in many areas for Gulf Keystone. The Group has maintained strong production rates despite a difficult operating environment. The Group also continued its efforts to achieve a regular payment cycle for its oil sales. Further to the KRG's statement in August 2015 regarding expected regular payments from September 2015 for oil exports to the international oil companies (IOCs), Gulf Keystone received five consecutive monthly payments for Shaikan crude oil export sales, with the payment for January liftings being included in the amount received in March 2016. In February 2016, the MNR announced its intention to make payments to IOCs in accordance with the terms of the PSC and to address the arrears. The Group has since engaged in constructive discussions with the MNR on the amounts due and payment mechanisms and has continued to progress the application of the terms of the Shaikan PSC by signing, on 16 March 2016, an Agreement with the MNR addressing the Company's position regarding the MNR's proposed exercise of the 20% Government Participation Option and the settlement of the associated past costs together with the reduction of the capacity building charge from 40% to 30% of the Group's profit oil, all to be subject of an amendment agreement to the Shaikan PSC. Further details are provided in the "Financial Strategy and Outlook for 2016" section of this review.

The Group had another operationally successful year. Gross production for the year totalled 11.1 million barrels of oil (2014: 6.5 million barrels of oil). Gross daily production rates averaged 30,500 barrels of oil per day, and we achieved record rates of over 45,000 bopd at times during the year. Gross liftings were 11.1 million barrels of oil (2014: 6.5 million barrels of oil), of which 8.6 million barrels (2014: 6.0 million barrels) were lifted for the export market and 2.5 million barrels (2014: 0.5 million barrels) delivered to a domestic offtaker.

During 2015, the Group delivered oil via three different marketing arrangements. Between January and June 2015, the Group sold oil via trucking to the port of Dortyol in Turkey. In early 2015, this marketing arrangement attracted a high transportation cost and as a result, in February 2015, the Group suspended production and trucking from the Shaikan block pending renegotiation of the trucking costs and Shaikan quality differential. Production and exports under this arrangement were resumed on 18 March 2015 following the receipt of a $26 million gross ($20.8 million net to Gulf Keystone) prepayment from the KRG. The deliveries under this arrangement continued until the end of June 2015. In mid-May 2015, the Group entered into a contract with a domestic offtaker under which Shaikan crude oil was delivered by truck to the Turkish coast generating revenue of $21.7 million gross ($17.4 million net to Gulf Keystone). This fixed term contract expired in September 2015. In July 2015, in addition to the sales to a domestic offtaker, the Group commenced trucking Shaikan crude oil a distance of 120 km to Fishkhabour on the Turkish border for injection into the export pipeline to Ceyhan in Turkey. This marketing route continues and is expected to prevail in the future as it generates better returns to the Group, attracts regular payments from the KRG and is consistent with the MNR's stated export strategy.

Revenue recognised for the period was $86.2 million (2014: $38.6 million), of which $68.8 million arose from export sales (2014: $28.2 million) and $17.4 million from sales to a domestic offtaker (2014: $10.4 million). As there continued to be uncertainty regarding the payment mechanism for sales to the export market in 2015, the Group considered that revenue could only be measured reliably, and therefore recognised, when the cash receipt was assured. This represents an amendment to the approach adopted in previous years, when revenue for export deliveries was only recorded at the point of cash receipt, and reflects a partial improvement in the pattern and reliability of receipts that has occurred during the year. Entitlement sales to a domestic offtaker are recognised based on cash receipts, being 50% of the gross sales proceeds. Both export and domestic sales for the period have been recognised net of royalty, with the KRG deemed to have taken the royalty "in-kind". The revenue recognition policy for export sales will be re-evaluated going forward following the new arrangements with the KRG. Further details on revenue, and the related judgements and assumptions, can be found in the "Summary of Significant Accounting Policies", "Critical accounting estimates and judgements" and note 2 to the financial information.

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. Sales of production to a domestic offtaker were made under a separate contract and attracted a further discounted price. 2015 saw continuation of the decline in Brent prices. The realised price for the sales to a domestic offtaker was $18/bbl. The Group has been involved in discussions with the MNR to review the Shaikan quality discount and transportation costs on the Group's export sales to date. Based on these discussions, the realised price for 2015 export sales is estimated at $22/bbl. The realised prices on export sales remain subject to audit and the establishment of a retroactive quality bank for Kurdistan crude exports delivered through the international pipeline to Turkey.

In August 2015, the KRG acknowledged the impact that the lack of payment for crude oil production was having on oil companies in the region and announced that from September 2015 onwards, it would allocate, on a monthly basis, a portion of the revenue from direct crude oil sales to the producing oil companies, to cover their ongoing expenses. Furthermore, in early 2016, the KRG announced its intention to apply the PSC terms and make additional revenue available to enable oil companies to begin to catch up on the past receivables due under their PSCs. Prior to 2016, cash payments received for exports have not followed the strict terms of the PSC. As part of its dialogue with the MNR, the Group made a significant effort to reconcile the outstanding revenue receivables due from the MNR under the terms of the Shaikan PSC as well as payables due to the MNR in relation to the Shaikan block. Following this review, the Group has estimated unrecognised revenue arrears of $93 million net to Gulf Keystone as at 31 December 2015 on a diluted basis (based on Government back-in which will be subject of an amendment agreement to the Shaikan PSC). The 31 December 2015 unrecognised revenue arrears estimate is lower than 30 June 2015 estimate of $117 million due to a higher than anticipated Shaikan crude quality discount and the deduction of the MNR share of profit oil due for past revenues resulting from the MNR's back-in. The Group also estimates its payables to the MNR in respect of the Shaikan block at $49 million, subject to reconciliation. This amount includes Shaikan capacity building payments, security invoices, PSC charges, Shaikan production bonuses and MNR royalty and profit oil due on pre-2015 sales to domestic offtakers and has remained unpaid due to the lack of revenue receipts from the MNR. In addition, the Group has a contingent liability of $27 million (net to GKP) in relation to the sale of test production in the period prior to the approval of the Shaikan Field Development Plan, as described in note 12 to the financial information. The Group intends to offset the payables against the revenue arrears, as permitted by the Shaikan PSC. As per the MNR announcement on 1 Feb 2016, the settlement of the net revenue arrears is expected to be received in increments on a monthly basis alongside future monthly entitlement revenues and will equate to 5% of the gross netback revenues for each month.

Operating costs, excluding royalty, inventory movements, and depreciation, depletion and amortisation costs were $5 per barrel on gross field basis (2014: $7 per barrel). Operating costs per barrel were higher than Group guidance for 2015 of $5 per barrel in the first half of the year due to the facility shut-in in February and March. We continued to improve efficiency and reduce costs throughout the year and achieved lower than budgeted costs in the second half, achieving our overall target on average for the year. Royalty costs were $nil in 2015 (2014: $1.7

million) as all sales were made net of royalties in 2015. In 2014, the sales to a domestic offtaker were made gross.

The unit of production method, based on entitlement production, reserves and costs for the Shaikan development, has been used to calculate the depreciation, depletion and amortisation (DD&A) charge for the year. Production associated with unrecognised export sales revenue has been included in the DD&A calculation. The depreciation charge for 2015 was $74.1 million (2014: $38.4 million), and is recorded in cost of sales; see notes 3 and 8 to the financial information for further details.

The Gross loss for the year was $50.7 million (2014: $43.3 million). The increased loss was mainly due to higher production rates as operating costs and DD&A are recognised on a production basis while export revenue is recognised only when the cash receipt is assured.

Non-Operating Results

In January 2016, the Group announced its intention to relinquish the Akri Bijeel block, effective 31 December 2015 and has signed a PSC Relinquishment Agreement to that effect. An impairment of $3.6 million (2014: $144.1 million) has been recognised during the year to write off the asset held for sale balance and the associated liabilities as at 31 December 2014 together with the additions to the decommissioning asset during 2015. The Contractor parties (MOL and the Group) have agreed that, following the execution of the PSC Relinquishment Agreement, they will negotiate a JOA Termination Agreement which will allow for the final settlement of any costs between the parties. It is expected that this agreement will be concluded by 1 July 2016. Current liabilities at 31 December 2015 include a decommissioning provision of $3.7 million for Akri Bijeel. Further details of the asset, including details of a contingent liability of $39.9 million for 2014 and 2015 billed expenditure, are given in note 9 to the financial information.

General and administrative expenses for 2015 were $31.0 million (2014: $39.0 million), a decrease of $8.0 million. The reduction in costs was due to lower listing and advisors fees as 2014 included the cost of raising additional debt finance, and costs related to the move from an AIM to a Main Market listing. 2014 also included costs of a community relations initiative whereby Gulf Keystone pledged $1 for each barrel of oil produced in the year from September 2013 to assist the KRG in the humanitarian relief effort. Costs associated with the share bonus awards and the options awarded under the Group Share Options Plan and Long Term Incentive Plan decreased from $4.0 million in 2014 to $2.5 million in 2015, reflecting the fact that a number of options became fully vested in 2014 and early 2015. Of these costs, $0.2 million has been capitalised in intangible assets and property plant and equipment (2014: $0.7 million), as these employment costs are directly attributable to technical staff working on capital oil and gas projects.

Other gains of $3.1 million (2014: $0.1 million) comprise foreign exchange gains, primarily realised gains generated on the translation of sterling funds to USD following the share capital issue, and unrealised gains on the re-translation of sterling denominated monetary assets and liabilities.

Finance costs of $52.1 million (2014: $19.8 million) include interest payable in respect of the Convertible Bonds of $27.5 million (2014: $26.9 million); interest payable on the 2014 Bonds of $42.6 million (2014: $29.1 million) and the accretion charge on the decommissioning provision of $0.8 million (2014: $0.5 million). Interest expense of $18.8 million (2014: $36.7 million) was capitalised within tangible and intangible assets.

The tax charge for the year was $0.7 million (2014: $2.1 million) resulting in a loss after tax of $135.0 million (2014: $248.2 million). The tax charge comprises corporate income tax and deferred tax charge, see note 5. All corporate income tax arises on UK activities. The Group has obtained a tax exemption in Bermuda until 2035. No tax charge has been recognised for operations in Kurdistan as, under the terms of the PSC, the KRG will settle Iraq tax obligations out of its share of profit oil.

Review of impairment

In line with the Group's accounting policy on impairment, management carried out an impairment review of the Group's oil and gas assets as at 31 December 2015 in view of the reduction in the short to medium-term oil price assumption and the Group's decision to relinquish the Ber Bahr exploration block. The future cash flows were estimated using an oil price assumption equal to the Dated Brent forward curve in 2016 and 2017, $65/bbl in 2018 to 2020 and $80/bbl in 'real' terms thereafter and were discounted using a pre-tax discount rate of 15 per cent. The outcome of the review was that under the Group's current modified full cost accounting policy under which exploration assets are assessed for impairment based on one Kurdistan cost pool, no impairment was required for any of the Group's oil and gas assets.

In accordance with our accounting policies as described in the "Statement of Significant Accounting Policies", any unsuccessful exploration and evaluation costs are retained within intangible non-current assets and are depreciated by reference to the commercial reserves of the wider geographic cost pool. As a result, the exploration and evaluation costs of $79 million relating to the Ber Bahr block will be depleted prospectively on a unit-of-production basis based on the wider Kurdistan pool of commercial reserves and production.

Cash Flow

Net cash inflow from oil and gas operations after operational and administrative expenses was $20.1 million (2014: outflow $0.8 million). The loss from operations of $85.3 million (2014: $226.4 million) was adjusted for non-cash charges of $80.9 million (2014: $190.2 million), that includes share-based payments, impairment charges and DD&A costs. See note 11 to the financial information for further details. Working capital adjustments result in a $24.5 million cash inflow (2014: $35.4 million) increasing operational cash inflow relative to accounting loss from operations.

Bond coupon payments of $52.9 million were made during 2015 (2014: $36.6 million) and are included within cash used in operating activities.

Tax refunded in 2015 was $0.6 million (2014: $0.2 million tax paid) and interest received was $0.04 million (2014: $0.1 million). Net cash outflow from operating activities after tax and interest was $32.2 million (2014: $37.4 million).

Cash used in investing activities totalled $ 52.1 million (2014: $197.4 million), which comprises $ 5.6 million spent on intangible assets (2014: $86.8 million) and $46.5 million (2014: $110.6 million) spent on property, plant and equipment. Expenditure on the Shaikan asset included costs for drilling the SH-11 development well, automation of three additional flowlines, the Shaikan FDP update, the design of the central processing facility, and workover and de-bottlenecking activity. The majority of the cash spent on intangible assets relates to the Group's exploration activities on the Sheikh Adi and Ber Bahr block. Overall, cash spend on intangible assets and property plant and equipment was lower than 2014 (2015: $52.1 million; 2014: $197.4 million) reflecting the Group's strategic decision to limit its spend on capital activities until a regular and predictable payment cycle is established and outstanding entitlements from the KRG are addressed.

Cash generated by financing activities amounted to $39.4 million (2014: $240.1 million). In March 2015, the Group raised gross proceeds of $40.7 million through a placing of 85,900,000 new Common Shares of $ 0.01 each in the Group, at a placing price of 32p per share. Issue costs were $1.3 million. The placing became unconditional in April 2015 following the successful guaranteed bonds consent solicitation to remove the book equity ratio covenant from the Trust Deed constituting the guaranteed bonds and from the conditions contained therein. In April 2014, the Group raised funds from the placing of $250 million 13.0 percent guaranteed notes.

The net overall decrease in cash and cash equivalents during the period was $45.0 million (2014: $5.2 million increase). Foreign exchange gains on cash balances were $0.8 million (2014: $0.6 million). Cash and cash equivalents totalled $43.6 million at 31 December 2015 (31 December 2014: $87.8 million).

Corporate Activities

In March 2015, the Group raised gross proceeds of US$40,693,235 through a placing of 85,900,000 new Common Shares of $0.01 each in the Group at a placing price of 32p per share. The placing became unconditional on 8 April 2015 following the successful guaranteed bonds consent solicitation (see note 10). The Placing Shares represent 8.78 per cent of the enlarged issued share capital of the Group. The Placing Shares were fully paid and rank pari passu in all respects with the existing Common Shares including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

Following the share placing in March 2015 and the successful guaranteed bonds consent solicitation to remove the book equity ratio covenant from the Trust Deed constituting the guaranteed bonds and from the conditions contained therein, the Group agreed to the following terms: (i) retaining the Group's Debt Service Reserve Account at one year of scheduled interest payments for the guaranteed notes (instead of stepping down to six months of interest payments in October 2015); (ii) granting a security interest in favour of the holders of the guaranteed notes and the convertible bonds over the shares of Gulf Keystone Petroleum International Limited, which holds all of the Group's Kurdistan assets; and (iii) reducing certain of the Group's grace periods under the Trust Deed for certain events of default and including additional notifications to the Trustee; and (iv) beginning a dialogue with a committee of holders of the guaranteed bonds if and when the Group's cash balance drops below $50 million (including amounts in the Debt Service Reserve Account) for a period of five consecutive business days.

Financial Strategy and Outlook for 2016

Given the current oil price environment and the geo-political challenges affecting Gulf Keystone and the Kurdistan Region, our immediate focus is on ensuring safe and reliable operations and achieving the production guidance of 31,000-35,000 bopd for 2016, while postponing any additional investment until the Group has secured more stable funding arrangements. The Group's budgeted Shaikan capital expenditure for 2016 is $6 million. Subject to available finance, regular revenue payments and receipt of all required approvals, the Group has identified an interim project to maintain Shaikan production at 40,000 bopd or potentially increase up to 55,000 bopd at a cost of between $71 million and $88 million (including 30% contingency).

Building on our operational success in 2015, we have carried out an extensive cost review and further reduced our guidance for 2016 operating costs from $5/bbl to $4.5/bbl. The management team will continue to seek opportunities to improve efficiency and reduce costs.

The KRG's 1 February 2016 announcement on reverting to the PSC terms for revenue payments and addressing the arrears will generate some stability and additional finance for the Group. The Group used this announcement as an opportunity to progress the dialogue with the MNR regarding the uncertainties around the implementation of the Shaikan PSC. In line with these discussions the Group assumed a $14.7 per barrel quality discount and $5.7 per barrel transportation cost for January 2016 oil sales. This remains subject to audit and the establishment of a retroactive quality bank for Kurdistan crude exports delivered through the international pipeline to Turkey.

Agreement with the MNR

The Company has continued to progress the application of the terms of the Shaikan PSC by signing, on 16 March 2016, an Agreement with the MNR addressing the Company's position regarding the MNR's proposed exercise of the 20% Government Participation Option and the settlement of the associated past costs together with the reduction of the capacity building charge from 40% to 30% of the Group's profit oil, all to be the subject of an amendment agreement to the Shaikan PSC.

The reduction of 10% in the capacity building bonus is an important change that will bring the Shaikan PSC closer in line with the PSCs of our peers in Kurdistan and will improve the economic value of the Shaikan project to the Group.

Under the Agreement, the Company and the MNR agree, subject to an amendment agreement to the Shaikan PSC, to treat the Shaikan Government Participation Option of 20% as if validly exercised with effect from 1 August 2012 in favour of the MNR. As at 31 December 2015, the Group estimates unrecognised receivables from the MNR of $85 million net to GKP (30 June 2015: $76 million) for past costs associated with this Option. To address the past costs, the MNR committed to continue monthly top up payments of $15 million starting from the date of the Agreement until the full amount of the past costs is repaid in full. The receipt of these amounts is a significant element in unlocking further investment and realising the potential of our asset.

The Group previously disclosed a potential cash inflow of $90 million as at 30 June 2015 from the exercise of the Shaikan Third Party Interest ("TPI") Option. As part of the Agreement, the Company and the MNR have confirmed their intention to implement the First Amendment to Shaikan PSC dated 1 August 2010, in particular the provision regarding the assignment of the TPI, whereby the 15% TPI interest is split equally between the Government and Contractor (GKP and MOL on a pro rata basis) with the Government's 7.5% interest being fully carried by the Contractor. As a result of this arrangement, which will be the subject of an amendment agreement to the Shaikan PSC, the Company will increase its fully diluted Shaikan interest from 54.4% to 58% for working interest and to 64% for paying interest, however, the cash inflow from the TPI option will no longer be receivable.

As part of the Group's strategy to focus on its core assets, after careful consideration, management decided to relinquish the Sheikh Adi block and terminate the Sheikh Adi PSC. Further details are provided in the Chief Executive Officer's Statement and Operational Review. To address the outstanding contractual obligation of $20 million related to the PSC bonuses due on the declaration of commerciality, the Company negotiated a 50% reduction to the amount with the remaining $10 million to be offset against the past costs associated with the Shaikan Government Participation Option. No further liabilities in relation to the Sheikh Adi relinquishment are payable by the Group to the MNR.

Capital Structure

Looking forward, the Group faces material uncertainties relating to its ability to meet the significant coupon payments in April and October 2016, as well as the debt repayment of $250 million in April 2017 and $325 million in October 2017, as discussed further in the going concern section of the "Summary of Significant Accounting Policies". Continuing the wide-ranging Strategic Review which began in February 2015, we are actively considering our options to strengthen our balance sheet and secure new funding, including balance sheet restructuring, capital raise, and acceleration of MNR arrears payments. Separately, and in accordance with our commitment under the terms of the guaranteed notes, from 23 October 2015, the Company entered and is continuing discussions with the representatives for the noteholders.

We recognise that, given the Group's debt burden, the current oil price environment, the geopolitical challenges in Iraq and, as a result, the low likelihood of an asset transaction in the near future, obtaining alternative funding and restructuring the Group's balance sheet is essential to the Group's ability to continue as a going concern.

S Zouari
Chief Financial Officer

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Continuing operations			
Revenue	2	**86,165**	38,560
Cost of sales	3	**(136,872)**	(81,845)
Gross loss		**(50,707)**	(43,285)
Other operating expenses			
Impairment expense	9	**(3,609)**	(144,119)
General and administrative expenses		**(30,990)**	(39,034)
Loss from operations		**(85,306)**	(226,438)
Other gains		**3,051**	73
Interest revenue		**42**	103
Finance costs		**(52,075)**	(19,812)
Loss before tax		**(134,288)**	(246,074)
Tax charge	5	**(689)**	(2,129)
Loss after tax for the year		**(134,977)**	(248,203)
Loss per share (cents)			
Basic	6	**(14.41)**	(28.51)
Diluted	6	**(14.41)**	(28.51)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	2015 $'000	2014 $'000
Loss for the year	**(134,977)**	(248,203)
Items that may subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(1,139)**	(987)
Total comprehensive loss for the period	**(136,116)**	(249,190)

Consolidated Balance Sheet
As at 31 December 2015

	Notes	**2015 $'000**	2014 $'000
Non-current assets			
Intangible assets	7	**314,696**	276,290
Property, plant and equipment	8	**562,178**	593,604
Deferred tax asset		**483**	732
		877,357	870,626
Current assets			
Assets classified as held for sale	9	**-**	8,587
Inventories		**18,544**	22,854
Trade and other receivables		**16,527**	16,380
Cash and cash equivalents		**43,641**	87,835
		78,712	**135,656**
Total assets		**956,069**	**1,006,282**
Current liabilities			
Trade and other payables		**(127,399)**	(103,985)
Provisions		**(11,151)**	(7,197)
Liabilities directly associated with assets classified as held for sale	9	**-**	(8,587)
		(138,550)	(119,769)
Non-current liabilities			
Convertible bonds	10	**(310,444)**	(303,278)
Other borrowings	10	**(234,094)**	(224,071)
Provisions		**(27,333)**	(19,559)
		(571,871)	(546,908)
Total liabilities		**(710,421)**	(666,677)
Net assets		**245,648**	339,605
Equity			
Share capital		**9,781**	8,922
Share premium account		**834,619**	796,099
Share option reserve		**47,085**	51,017
Convertible bonds reserve		**10,179**	15,834
Exchange translation reserve		**(1,398)**	(259)
Accumulated losses		**(654,618)**	(532,008)
Total equity		**245,648**	339,605

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

	Attributable to equity holders of the Company						
	Share capital $'000	Share premium account $'000	Share option reserve $'000	Exchange translation reserve $'000	Accumulated losses $'000	Convertible bonds reserve $'000	Total equity $'000
Balance at 1 January 2014	**7,975**	**796,099**	**33,486**	**728**	**(297,409)**	**21,488**	**562,367**
Net loss for the year	-	-	-	-	(248,203)	-	(248,203)
Other comprehensive loss for the year	-	-	-	(987)	-	-	(987)
Total comprehensive loss for the year	**-**	**-**	**-**	**(987)**	**(248,203)**	**-**	**(249,190)**
Transfer relating to share-based payments	-	-	(8,897)	-	8,897	-	-
Share-based payment expense	-	-	4,885	-	-	-	4,885
Deferred tax on share-based payment transactions	-	-	(619)	-	-	-	(619)
Share conversion and issue	947	-	-	-	(914)	-	33
Own shares held by EBT	-	-	-	-	(33)	-	(33)
Issue of warrants	-	-	22,162	-	-	-	22,162
Convertible bond equity amortisation	-	-	-	-	5,654	(5,654)	-
Balance at 31 December 2014	**8,922**	**796,099**	**51,017**	**(259)**	**(532,008)**	**15,834**	**339,605**
Net loss for the year	-	-	-	-	(134,977)	-	(134,977)
Other comprehensive loss for the year	-	-	-	(1,139)	-	-	(1,139)
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,139)**	**(134,977)**	**-**	**(136,116)**
Transfer relating to share-based payments	-	-	(6,712)	-	6,712	-	-
Share-based payment expense	-	-	2,723	-	-	-	2,723
Deferred tax on share-based payment transactions	-	-	57	-	-	-	57
Share issue	859	38,520	-	-	-	-	39,379
Convertible bond equity amortisation	-	-	-	-	5,655	(5,655)	-
Balance at 31 December 2015	**9,781**	**834,619**	**47,085**	**(1,398)**	**(654,618)**	**10,179**	**245,648**

Consolidated Cash Flow Statement
For the year ended 31 December 2015

	Notes	**2015** **$'000**	2014 $'000
Operating activities			
Cash generated/(used) in operations	11	**20,064**	(760)
Tax refunded/(paid)		**599**	(210)
Interest received		**42**	103
Bond coupon payments		**(52,903)**	(36,563)
Net cash used in operating activities		**(32,198)**	(37,430)
Investing activities			
Purchase of intangible assets		**(5,607)**	(86,822)

Purchase of property, plant and equipment	**(46,542)**	(110,623)
Net cash used in investing activities	**(52,149)**	(197,445)
Financing activities		
Proceeds on issue of share capital	**39,379**	-
Proceeds on issue of convertible bonds	**-**	240,114
Net cash from financing activities	**39,379**	240,114
Net (decrease)/increase in cash and cash equivalents	**(44,968)**	5,239
Cash and cash equivalents at beginning of year	**87,835**	81,972
Effect of foreign exchange rate changes	**774**	624
Cash and cash equivalents at end of the year being bank balances and cash on hand(1)	**43,641**	87,835

(1) This amount includes $32.5 million held within a Debt Service Reserve Account as stipulated by the 2014 Notes (2014: $32.5 million).

Summary of Significant Accounting Policies

General information

The Company is incorporated in Bermuda (registered address: Cumberland House, 9th Floor, 1 Victoria Street, Hamilton, Bermuda). On 25 March 2014, the Company's common shares were admitted, with a standard listing, to the Official List of the United Kingdom Listing Authority ("UKLA") and to trading on the London Stock Exchange's Main Market for listed securities. Previously the Company was quoted on AIM, a market operated by the London Stock Exchange. In 2008, the Company established a Level 1 American Depositary Receipt programme in conjunction with the Bank of New York Mellon which has been appointed as the depositary bank. The Company serves as the holding company for the Group, which is engaged in oil and gas exploration and production, operating in the Kurdistan Region of Iraq and the Republic of Algeria.

The financial information for the year ended 31 December 2015 set out in this announcement does not constitute statutory accounts within the meaning of the Bermuda Companies Act 1981 but has been extracted from those statutory accounts. Statutory accounts for the year ended 31 December 2014 were approved by the Board on 8 April 2015 and have been delivered to the Registrar of Companies and those for 2015 were approved by the Board of Directors on 16 March 2016 and will be delivered to the Registrar following the company's Annual General Meeting. The auditor has reported on the 2015 accounts; the report was unqualified, but did include a reference to a matter to which the auditor drew attention by way of emphasis of matter around going concern.

Basis of preparation

The financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) adopted for use in the European Union. However, this announcement does not itself contain sufficient information to comply with IFRS. The company will publish full financial statements that comply with IFRS on 6 April 2016.

Basis of accounting

The financial information has been prepared under the historical cost basis, except for the valuation of hydrocarbon inventory and the valuation of certain financial instruments, which have been measured at fair value, and on the going concern basis. Equity-settled share-based payments were initially recognised at fair value, but have not been subsequently revalued. The accounting policies applied in this announcement are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements. A number of amendments to existing standards and interpretations were applicable from 1 January 2015. The adoption of these amendments did not have a material impact on the group's financial statements for the year ended 31 December 2015.

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 Chairman's Statement, the Chief Executive Officer's Statement and Operational Review. The financial position of the Group at the year end and its cash flows and liquidity position are included in the Financial Review.

The Group's cash balances at 16 March 2016, including $32.5 million of restricted cash relating to the Debt Service Reserve Account (see note 10 to the financial statements) were $50.6 million. The Group's core asset is its participating interest in the Shaikan field and it requires working capital to continue its operations. The Group is also obliged to make significant bi-annual coupon payments on its convertible bonds and Guaranteed Notes and to finance the repayment of the Guaranteed Notes due in April 2017. The Group's budgeted capital expenditure for 2016 is focussed on achieving the production guidance of 31,000-35,000 bopd for 2016, while postponing any additional investment until the Group has secured more stable funding arrangements.

In order to continue the Group's operations in accordance with the stated strategy for the foreseeable future, being 12 months from the date of the approval of this announcement, it has been assumed that the Group is able to maintain a reliable pattern of cash receipts from oil sent for export and address some of the arrears due from the KRG. A regular payment cycle was established from September 2015 for oil exports and, to date, the Group has received its fifth consecutive monthly payment which included a top up payment towards the recovery of arrears. The KRG also announced on 1 February 2016 that monthly payments to IOCs would be made on the basis of the monthly contractual revenue entitlement under the PSC. On 16 March 2016, an Agreement between the Company and the MNR was signed addressing the Company's agreement to the MNR's exercise of the 20% Government Participation Option and the settlement of the associated past costs together with the reduction of the capacity building charge from 40% to 30% of the Group's profit oil, all to be the subject of an amendment agreement to the Shaikan PSC. The Agreement also provided a mechanism for gradually addressing the arrears through a series of monthly payments in addition to the monthly contractual entitlement under the PSC. The arrears include $93 million net to GKP for past Shaikan crude oil sales on a diluted basis and $85 million net to GKP for the Government 20% Interest costs paid by the Shaikan PSC holders on behalf of the Government since 1 August 2012 ("Shaikan Government option past costs"), subject to execution. The Company also engaged in discussions with the MNR regarding commercial terms, including the Shaikan quality discount and transportation costs, for near term Shaikan crude oil export sales until an independent audit of these terms is conducted and an industry standard quality bank has been established.

Notwithstanding the Agreement with the MNR and the Group's efforts to reduce its ongoing costs, the Directors recognise that there is significant uncertainty as to whether cash receipts between the date of this report and 18 April 2016 will be sufficient to enable the Company to make its coupon payments of $26.4 million due on that date without being unable to top up the Debt Service Reserve Account ("DSRA") to the amount of $32.5 million within five business days, as required by the terms and conditions of the Guaranteed Notes, or being unable to do so within the further 15 business days grace period. If the Company is unable to do this, the holders of the Guaranteed Notes would have the right to request that repayment of the outstanding Guaranteed Note debt is declared immediately due and repayable, which declaration would in turn give the holders of the convertible bonds the right to request that the convertible bonds are declared immediately due and repayable. If sufficient cash is received to avoid being unable to top up the DSRA in April 2016, based on current forecasts, the directors expect the Group to require additional funding in order to be able to meet the subsequent coupon payments in October 2016 and the repayment of the Guaranteed Notes due in April 2017. In order to address this potential shortfall, the Group has been actively considering options including a possible restructuring of its debt facilities and further fundraising (together the "mitigating actions").

The Directors have concluded that the current low oil price environment, the political situation in Iraq, the fact that the Agreement with the MNR is subject to an amendment agreement to the Shaikan PSC, and the early stages of the mitigating actions outlined above create a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern. Nevertheless, based on the forecasts and projections prepared at the time of preparation of this announcement and after making enquiries, and considering the uncertainties and mitigating actions described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing this announcement. The financial information does not include any adjustments that might be required if they were prepared on a basis other than that of a going concern.

Critical accounting estimates and judgements

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Carrying value of producing assets
Oil and gas assets within property, plant and equipment are held at historical cost value, less accumulated depreciation and impairments.

Producing assets are tested for impairment whenever indicators of impairment exist. Management assesses whether such indicators exist, with reference to the criteria specified in IAS 36, at least annually.

The calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. Key assumptions and estimates in the impairment models include:

- Commodity prices that are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts and the long-term corporate economic assumptions thereafter.

- Discount rates that are adjusted to reflect risks specific to individual assets and the region

- Commercial reserves and the related production and payment profiles.

Operating costs and capital expenditure are based on financial budgets and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Underlying input cost assumptions are consistent with related output price assumptions.

In line with the Group's accounting policy on impairment, management carried out an impairment review of the Group's oil and gas assets as at 31 December 2015 in view of the reduction in the short to medium-term oil price assumption and the Group's decision to relinquish the Ber Bahr exploration block. The future cash flows were estimated using an oil price assumption equal to the Dated Brent forward curve in 2016 and 2017, US$65/bbl in 2018 to 2020 and US$80/bbl in 'real' terms thereafter and were discounted using a pre-tax discount rate of 15 per cent. The outcome of the review was that under the Group's current modified full cost accounting policy, under which exploration assets are assessed for impairment based on one overall Kurdistan cost pool including the Shaikan producing asset, no impairment was required for any of the Group's oil and gas assets. See note 8 for further details of amounts capitalised at year end.

In particular, although the Group has decided at the end of 2015 to relinquish the Ber Bahr exploration licence with effect from 31 December 2015, the level of impairment headroom available in respect of the Shaikan block was in excess of the $79 million capitalised on Ber Bahr, and hence no impairment of the overall Kurdistan cost pool was required. The Ber Bahr capitalised costs will be depleted prospectively from the beginning of 2016 on a unit of production basis, based on the overall production and commercial reserves relating to the Kurdistan cost pool, including Shaikan.

The Company also assessed the likelihood of achieving a sale of its Akri Bijeel asset. Having received limited enquiries from interested parties and taking into consideration the $144.1 million impairment recorded at 31 December 2014, a prolonged period of lower oil prices and the on-going challenges faced by the Kurdistan Region of Iraq, an impairment was recognised to write off the remaining intangible asset. Further details are provided in note 9.

Revenue
The recognition of revenue, particularly the recognition of revenue from exports, is considered to be a key accounting judgement. The Group began commercial production from the Shaikan field in July 2013 and makes sales to both the domestic and export market. 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. However, as the payment mechanism for sales to the export market is currently developing within the Kurdistan Region of Iraq, the Group considers that revenue can be only reliably measured when the cash receipt is assured. This represents an amendment to the approach adopted in previous years, when revenue for export deliveries was only recorded at the point of cash receipt, and reflects a partial improvement in the pattern and reliability of receipts that occurred during the year. This change in accounting estimate has resulted in an additional $12 million being recognised as revenue in the year. It is not possible to quantify the effect on future periods as it will depend on the timing and amount of invoices issued around subsequent year ends.

Notes to the Consolidated Financial Statements

1. Segment information

For the purposes of resource allocation and assessment of segment performance, the Group is organised into three regional business units – Algeria, Kurdistan and the United Kingdom. These geographical segments are the basis on which the Group reports its segmental information. The chief operating decision maker is the Chief Executive Officer. He is assisted by the Chief Financial Officer and senior management team.

The accounting policies of the reportable segments are consistent with the Group's accounting policies.

Each segment is described in more detail below:

- Kurdistan Region of Iraq: the Kurdistan segment consists of the Shaikan, Akri-Bijeel, Sheikh Adi and Ber Bahr blocks and the Erbil office which provides support to the operations in Kurdistan;

- 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.

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

31 December 2015	**Algeria**	**Kurdistan**	**United Kingdom**	**Corporate**	**Elimination**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue						
Oil sales	-	86,165	-	-	-	**86,165**
Inter-segment sales	-	-	8,478	-	(8,478)	**-**
Total revenue	**-**	**86,165**	**8,478**		**(8,478)**	**86,165**
Cost of sales						
Production costs	-	(63,227)	-	-	406	**(62,821)**
Royalty Costs	-	(1)	-	-	-	**(1)**
Oil and gas properties depreciation expense	-	(74,050)	-	-	-	**(74,050)**
Gross profit/(loss)	**-**	**(51,113)**	**8,478**	**-**	**(8,072)**	**(50,707)**
General and administrative expenses						
Impairment charge	-	(3,614)	-	-	4	**(3,609)**
Allocated general and administrative expenses	(460)	(11,092)	(8,586)	(17,297)	7,136	**(30,300)**
Depreciation and amortisation expense	-	(437)	(253)	-	-	**(690)**
Loss from operations	**(460)**	**(66,256)**	**(361)**	**(17,297)**	**(932)**	**(85,306)**
Other gains and (losses)						
Interest revenue	-	-	7	35	-	**42**
Finance costs	-	(803)	-	(70,055)	18,783	**(52,075)**
Other gains/(losses)	238	(124)	-	2,937	-	**3,051**
(Loss)/profit before tax	**(222)**	**(67,183)**	**(354)**	**(84,380)**	**17,851**	**(134,288)**
Tax expense	-	-	(689)	-	-	**(689)**
(Loss)/profit after tax	**(222)**	**(67,183)**	**(1,043)**	**(84,380)**	**17,851**	**(134,977)**

Capital expenditure	-	81,406	613	-	-	**82,019**
Total assets	53	931,027	16,047	1,242,554	(1,233,611)	**956,069**

31 December 2014	**Algeria**	**Kurdistan**	**United Kingdom**	**Corporate**	**Elimination**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue						
Oil sales	-	38,560	-	-	-	**38,560**
Inter-segment sales	-	-	10,661	-	(10,661)	**-**
Total revenue	**-**	**38,560**	**10,661**	**-**	**(10,661)**	**38,560**
Cost of sales						
Production costs	-	(42,238)	-	-	454	**(41,784)**
Royalty costs	-	(1,672)	-	-	-	**(1,672)**
Oil and gas properties depreciation expense	-	(38,389)	-	-	-	**(38,389)**
Gross profit/(loss)	**-**	**(43,739)**	**10,661**	**-**	**(10,207)**	**(43,285)**
General and administrative expenses						
Impairment charge	-	(132,903)	-	-	(11,216)	**(144,119)**
Allocated general and administrative expenses	(3,924)	(11,277)	(9,613)	(22,384)	8,920	**(38,278)**
Depreciation and amortisation expense	-	(548)	(207)	(1)	-	**(756)**
(Loss)/profit from operations	**(3,924)**	**(188,467)**	**841**	**(22,385)**	**(12,503)**	**(226,438)**
Other gains and (losses)	(4)	(249)	-	326	-	**73**
Interest revenue	-	-	5	98	-	**103**
Finance costs	-	(534)	(2)	(55,933)	36,657	**(19,812)**
(Loss)/profit before tax	**(3,928)**	**(189,250)**	**844**	**(77,894)**	**24,154**	**(246,074)**
Tax expense	-	-	(2,129)	-	-	**(2,129)**
(Loss)/profit after tax	**(3,928)**	**(189,250)**	**(1,285)**	**(77,894)**	**24,154**	**(248,203)**
Capital expenditure	-	236,599	377	-	-	**236,976**
Total assets	52	946,313	21,074	1,271,385	(1,232,542)	**1,006,282**

Geographical information

The Group's information about its segment assets (non-current assets excluding deferred tax assets and other financial assets) by geographical location is detailed below:

	2015	2014
	$'000	$'000
Algeria	**-**	-
Kurdistan	**876,061**	869,420
Bermuda	**-**	1
United Kingdom	**811**	473
	876,874	869,894

Information about major customers

Included in revenues arising from the Kurdistan segment are revenues of approximately $68.8 million which arose from sales to the Group's largest customer (2014: $28.2 million and $10.4 million from two customers).

2. Revenue

	2015 $'000	2014 $'000
Oil sales	**86,165**	38,560
Interest revenue	**42**	103
	86,207	38,663

During 2015, the Company sold Shaikan oil domestically and on the export market. Revenue from domestic sales for the year amounted to $17.4 million (2014: $10.4 million) and revenue from export sales amounted to $68.8 million (2014: $28.2 million). 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.

The gross price achieved on domestic sales in 2015 was $18/bbl (2014: $43/bbl). In 2015, the Group received, and recognised as revenue, 50% of the cash proceeds from any domestic offtake sales agreement. The Group has been involved in discussions with the MNR to review the Shaikan quality discount and transportation costs on the Group's export sales to date. Based on these discussions, the realised price for 2015 export sales is estimated at $22/bbl.

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

- point of sale is the Shaikan facility;
- export revenue is recognised when payment is assured, whilst any sales to a domestic offtaker are recognised on an accruals basis;
- cash is received and revenue is recognised for all sales, net of royalty, as the royalty is taken "in-kind" by the KRG (In 2014, revenue from domestic sales was recognised gross of any royalty due in accordance with the terms of the Shaikan PSC);
- deductions for trucking and port storage costs as well as the discount to Brent, for the quality of the crude, have been estimated based on the discussions with the MNR and are subject to audit 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 Company's current working interest in the Shaikan block is 80%.

3. Cost of Sales

	2015 $'000	2014 $'000
Production costs	**62,822**	41,784
Royalty costs	**-**	1,671
Depreciation of Oil & Gas Properties	**74,050**	38,390
	136,872	81,845

A unit-of-production method, based on full entitlement production, commercial reserves and costs for Shaikan field full development, has been used to calculate the depreciation, depletion and amortisation (DD&A) charge for the year. Production and reserves entitlement associated with sales unrecognised in accordance with our revenue policy have been included in the full year DD&A calculation. A depreciation charge of $74.1 million has been recorded within cost of sales for the year (2014: $38.4 million).

Production costs represent the Group's share of gross production costs for the Shaikan field for the period; all costs are included with no deferral of costs associated with sales unrecognised in accordance with our revenue policy.

4. Loss from operations

	2015 $'000	2014 $'000
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**74,707**	39,019
Amortisation of intangible assets	**35**	111

Credit in relation to Excalibur litigation	**-**	(2,138)
Staff costs	**26,772**	25,381
Auditor's remuneration for audit services	**179**	155
Operating lease rentals	**3,765**	2,051

5. Tax

	2015 $'000	2014 $'000
Corporation tax		
Current year (charge)/credit	**-**	445
Adjustment in respect of prior years	**(433)**	(400)
Deferred UK corporation tax expense	**(256)**	(2,174)
Tax expense attributable to the Company and its subsidiaries	**(689)**	(2,129)

Under current Bermudian laws, the Group is not required to pay taxes in Bermuda on either income or capital gains. The Group has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2035.

Any corporate tax liability in Algeria is settled out of Sonatrach's share of oil under the terms of the Algerian PSCs and is therefore not reflected in the tax charge for the year.

In the Kurdistan Region, the Group is subject to corporate income tax on its income from petroleum operations under the Kurdistan PSCs. The rate of corporate income tax is currently 15% on total income. Under the PSC, any corporate income tax arising from petroleum operations will be paid from the KRG's share of petroleum profits. Due to the uncertainty over the payment mechanism for oil sales in Kurdistan, it has not been possible to measure reliably the taxation due that has been paid on behalf of the Group by the KRG and 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.

The tax currently payable is based on taxable profit for the year earned in the United Kingdom by the Group's UK subsidiary. UK corporation tax is calculated at 20.25% (2014: 21.49%) of the estimated assessable profit for the year of the UK subsidiary.

On 20 March 2013, the UK Government announced a reduction in the main rate of UK corporation tax from 21% to 20% effective from 1 April 2015 in the Finance Bill 2013. On 8 July 2015, the UK Government announced a reduction in the rate to 19% for the financial years beginning 1 April 2018 and 2019, and a further reduction of 1% to 18% for the financial year beginning 1 April 2020.

Deferred tax is provided for due to the temporary differences which give rise to such a balance in jurisdictions subject to income tax. During the current period no taxable profits were made in respect of the Group's Kurdistan PSCs, nor were there any temporary differences on which deferred tax is required to be provided. As a result, no corporate income tax or deferred tax has been provided for Kurdistan in the period.

In addition to the deferred tax charge to the income statement, a $0.06 million deferred tax credit (2014: $0.6 million) relating to estimated excess tax deductions related to share-based payments has been recognised directly in equity. All deferred tax arises in the UK.

The expense for the year can be reconciled to the loss per the income statement as follows:

	2015 $'000	2014 $'000
Loss before tax	**(134,288)**	(246,074)
Tax at the Bermudian tax rate of 0% (2014: 0%)	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(689)**	(2,129)
Tax charge for the year	**(689)**	(2,129)

6. Loss per share

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

	2015 $'000	2014 $'000
Loss		
Loss after tax for the purposes of basic and diluted loss per share	**(134,977)**	(248,203)

	2015 Number (000s)	2014 Number (000s)
Number of shares		
Basic weighted average number of shares	**936,934**	**870,578**

The Group followed the steps specified by IAS 33 in determining whether potential Common Shares are dilutive or anti-dilutive. It was determined that all of the potential Common Shares including share options, convertible bonds, warrants and Common Shares held by the Employee Benefit Trustee ("EBT") and the Exit Event Trustee have an anti-dilutive effect on loss per share. As a result, there is no difference between basic and diluted earnings per share.

As at 31 December 2015, 36.0 million share options (2014: 35.8 million), 6.4 million common shares held by the EBT (2014: 10.3 million), 10 million common shares held by the Exit Event Trustee (2014: 10.0 million), 40 million warrants (2014: 40.0 million) and 74.9 million common shares to be issued if the convertible bonds are converted at the adjusted conversion price of $4.34 (see note 10) (2014: 74.0 million) were excluded from the loss per share calculation as they were anti-dilutive.

Reconciliation of anti-dilutive shares:

	2015 Number (million)	2014 Number (million)
Number of shares		
Share Options	**36.0**	35.8
Common Shares held by the EBT	**6.4**	10.3
Common Shares held by the Exit Event Trustee	**10.0**	10.0
Warrants outstanding	**40.0**	40.0
Common Shares to be issued on conversion of convertible bonds	**74.9**	74.0
Total potentially anti-dilutive shares	**167.3**	170.1

7. Intangible assets

	Exploration & evaluation costs $'000	Computer software $'000	Total $'000
Year ended 31 December 2014			
Opening net book value	220,756	207	220,963
Additions	55,487	(45)	55,442
Amortisation charge	-	(111)	(111)
Foreign currency translation differences	-	(4)	(4)
Closing net book value	**276,243**	**47**	**276,290**
At 31 December 2014			
Cost	276,243	928	277,171
Accumulated amortisation	-	(881)	(881)
Net book value	**276,243**	**47**	**276,290**
Year ended 31 December 2015			
Opening net book value	276,243	47	276,290
Additions	38,439	2	38,441
Amortisation charge	-	(35)	(35)
Closing net book value	**314,682**	**14**	**314,696**
At 31 December 2015			
Cost	314,682	930	315,612
Accumulated amortisation	-	(916)	(916)
Net book value	**314,682**	**14**	**314,696**

The net book value at 31 December 2015 includes intangible assets relating to: Ber Bahr $79.0 million (2014: $74.2 million), and Sheikh Adi $235.7 million (2014: $202.1 million). At year end, the Group decided to relinquish the Ber Bahr block, the accounting implications of which are outlined in the “Critical accounting estimates and judgments” section of the Summary of Significant Accounting Policies. Subsequent to the year end, the Group decided to relinquish the Sheikh Adi block, as described in note 13.

The additions to oil and gas exploration and evaluation costs in the year include the drilling, testing and workovers of wells on the of Sheikh Adi block.

The amortisation charge of $35,000 (2014: $111,000) for computer software has been included in general and administrative expenses.

8. Property, plant and equipment

	Oil & Gas Properties $’000	Fixtures & Equipment $’000	Total $’000
Year ended 31 December 2014			
Opening net book value	514,638	1,799	516,437
Additions	115,684	547	116,231
Disposals	-	-	-
Depreciation charge	(38,390)	(629)	(39,019)
Foreign currency translation differences	-	(45)	(45)
Closing net book value	**591,932**	**1,672**	**593,604**
At 31 December 2014			
Cost	632,699	5,620	638,319
Accumulated depreciation	(40,767)	(3,948)	(44,715)
Net book value	**591,932**	**1,672**	**593,604**
Year ended 31 December 2015			
Opening net book value	591,932	1,672	593,604
Additions	42,953	625	43,578
Disposals	-	(364)	(364)
Depreciation charge	(74,050)	(657)	(74,707)
Accumulated depreciation eliminated on disposals	-	87	87
Foreign currency translation differences	-	(20)	(20)
Closing net book value	**560,835**	**1,343**	**562,178**
At 31 December 2015			
Cost	675,652	5,801	681,453
Accumulated depreciation	(114,817)	(4,458)	(119,275)
Net book value	**560,835**	**1,343**	**562,178**

The net book value of Oil & Gas properties at 31 December 2015 is comprised of property, plant and equipment relating to the Shaikan block and has a carrying value of $560.8 million (2014: $591.9 million).

The additions to the Shaikan asset during the year included costs for drilling the SH-11 development well, automation of three additional flowlines, the Shaikan FDP update, the design of the central processing facility and workover and de-bottlenecking activity.

The depreciation, depletion and amortisation charge of $74.1 million on oil and gas properties (2014: $38.4 million) has been included within cost of sales (note 3). The depreciation charge of $0.7 million on fixtures and equipment (2014: $0.6 million) has been included in general and administrative expenses.

For details of the key assumptions and judgements underlying the impairment assessment and the depreciation, depletion and amortisation charge, refer to the “Critical accounting estimates and judgments” section of the Summary of Significant Accounting Policies.

9. Asset classified as held for sale

In 2011, as part of the Group's strategy to rationalise its asset portfolio, the Board resolved to sell the Group's 20% working interest in the Akri-Bijeel block in the Kurdistan Region of Iraq. The Group appointed Joint Corporate Advisers responsible for coordinating the sale and this process has been ongoing since that date with the operator, MOL, announcing in November 2014 that the field development plan had been agreed with the

MNR. However, the Company has received limited enquiries from interested parties during 2015 relating to the sale of Akri-Bijeel. In December 2015, the Company, in agreement with its partners MOL Hungarian Oil and Gas Plc. (MOL) and the Kurdistan Regional Government's Ministry of Natural Resources, decided to relinquish the Akri-Bijeel Block and signed a PSC Relinquishment Agreement to that effect.

As a result, an impairment of $3.6 million (2014: $144.1 million) has been recognised in 2015 associated with the write off of the remaining intangible asset as at 31 December 2014 and additions to the decommissioning provision during 2015.

The Contractor Parties (being MOL and the Group) also agreed that, following the execution of the PSC Relinquishment Agreement, they will negotiate a JOA Termination Agreement which will allow for the final settlement of any costs between the parties. It is expected that this agreement will be concluded by 1 July 2016. Discussions are ongoing with MOL with respect to the 2014 and 2015 work programme and budget and the Company considers that it is not obliged to pay an amount of $39.9 million, which represents part of 2014 and 2015 billed expenditure. Accordingly, this contingent liability has not been recognised in the financial statements.

The 2014 asset held for sale comprised Akri-Bijeel intangible assets of $8.5 million. Amounts of $6.3 million and $2.2 million, representing respectively, amounts due to the operator and the net present value of the decommissioning costs associated with this asset, were presented separately on the balance sheet as a liability directly associated with assets classified as held for sale. The decommissioning provision has, following signature of the PSC Relinquishment Agreement, been reclassified to short term provisions , pending finalisation of the JOA Termination Agreement.

Akri-Bijeel Assets	**2015 $'000**	2014 $'000
Intangible assets	-	8,587
	-	8,587

Akri-Bijeel Liabilities	**2015 $'000**	2014 $'000
Decommissioning provisions	-	2,298
Payables/(prepayments) to operator	-	6,289
	-	8,587

10. Long term borrowings and warrants

The Company has in issue convertible debt securities issued in 2012 and 2013 consisting of $325 million convertible bonds due October 2017 carrying a coupon of 6.25% payable on a bi-annual basis (the "convertible bonds")

On 17 April 2014, the Company issued debt securities consisting of $250 million three-year senior guaranteed notes (the "Notes" or the "guaranteed notes"), carrying a coupon of 13% per annum payable on a bi-annual basis and freely tradeable and detachable warrants relating to 40 million Common Shares in the Company. The 2014 Notes are guaranteed by Gulf Keystone Petroleum International Limited and have a maturity date of 18 April 2017. Each warrant entitles the holder, subject to certain conditions, to purchase a common share in the Company on payment of the exercise price, which is currently $1.68. The warrants expire on 18 April 2017. The 2014 Notes and warrants have been listed on the Luxembourg Stock Exchange. The warrants were recorded within equity at their fair value at the date of issuance of $22.2 million and the remaining proceeds of the 2014 Notes, net of additional issue costs, were recorded as a non-current liability.

Guaranteed notes consent solicitation

At 31 December 2014, the terms and conditions of the 2014 Notes included a Book Equity Ratio (BER) Put Option. The BER is the ratio of Group total equity to total assets. Under the terms of this Put Option if the BER was below 0.4 for 60 days following the date the Company released its annual or half year accounts, the Company was required to make an offer to purchase the 2014 Notes. At 31 December 2014 the BER was below 0.4, which led the Company to commence discussions with holders of the 2014 Notes, seeking to remove the BER Put Option.

On 8 April 2015, the Company successfully completed a consent solicitation to remove the BER Put Option from the Trust Deed constituting the guaranteed notes and from the conditions contained therein. In addition, the Company agreed to the following terms: (i) retaining the Company's Debt Service Reserve Account at one year of scheduled interest payments for the guaranteed notes (instead of stepping down to six months of interest payments in October 2015); (ii) granting a security interest in favour of the holders of the guaranteed notes and the convertible bonds over the shares of Gulf Keystone Petroleum International Limited which holds all of the Group's Kurdistan assets; and (iii) reducing certain of the Company's grace periods under the guaranteed notes Trust Deed for certain events of default and including additional notifications to the guaranteed notes Trustee; and (iv) beginning a dialogue with a committee of holders of the guaranteed notes if and when the Company's cash balance drops below US$50 million (including amounts in the Debt Service Reserve Account) for a period of five consecutive business days.

Adjustment of conversion price

Following the issue of 85.9 million new Common Shares of US$ 0.01 each in the Company at a placing price of 32p per share, adjustments have been required to the conversion price of the convertible bonds and the warrants. The adjusted conversion price of the convertible bonds is $4.34 (initial conversion price: $4.39) and for the warrants the adjusted conversion price is $1.68 (initial conversion price: $1.70).

The liabilities associated with both the 2014 Notes and the existing convertible bonds are presented in the following tables:

	2015 $'000	**2014 $'000**
Liability component at 1 January	**538,221**	300,900
Liability component of the Notes at issue	**-**	217,952
Interest charged during the year		
- *on convertible bonds*	**27,479**	26,866
- *on 2014 Notes*	**42,577**	29,066
Interest paid during the year		
- *on convertible bonds*	**(20,313)**	(20,313)
- *on 2014 Notes*	**(32,590)**	(16,250)
Liability component at 31 December	**555,374**	538,221

Liability component reported in:

	2015 $'000	**2014 $'000**
Interest payable in current liabilities	**10,836**	10,872
Non-current liabilities		
- Convertible bond	**310,444**	303,278
- Other borrowings	**234,094**	224,071
	555,374	538,221

The interest charged for the year has been calculated by applying an effective interest rate on an annual basis to the liability component for the period since the convertible bonds were issued. The effective interest rate for the initial $275 million convertible bond issue in October 2012 is 9.26%. The effective interest rate for the $50 million tap issue is 7.20%. Each year, an amount equal to the difference between the total interest charge and the coupon rate charge (at 6.25% per annum) is transferred within equity from the convertible bonds reserve to accumulated losses. The effective interest rate for the 2014 Notes is 19.7%.

Both the 2014 Notes and the convertible bonds are actively traded on the Luxembourg Stock Exchange and the fair value at the prevailing market price as at the balance sheet date was:

	Market price	**2015 $'000**	**2014 $'000**
Convertible bonds	**$0.281**	91,325	196,489
2014 Notes	**$0.536**	134,000	193,138
		225,325	389,627

Assuming that the existing convertible bonds and the 2014 Notes are not purchased and cancelled, redeemed or converted prior to their respective maturity dates of October 2017 and April 2017, the Group's remaining contractual liability comprising principal and interest, based on undiscounted cash flows at the maturity date of the convertible bonds and 2014 Notes are as follows:

	2015 $'000	**2014 $'000**
Within one year	**52,813**	52,813
Within two to five years	**611,562**	664,375
	664,375	717,188

The Warrants
The warrants were recognised as an equity instrument in accordance with IAS 39. The warrants were measured at fair value as at the date of issue, which was determined to be $22.2 million. The fair value of the warrants was treated as part of the Notes' issue cost.

The assumptions used in the valuation of the warrants included a share price of 99.75p, an exercise price of $1.70 as per the issue prospectus, a risk free rate of 0.8%, a time to expiry of 36 months and a share price volatility of 50%.

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

	2015 $'000	2014 $'000
Loss from operations	**(85,306)**	(226,438)
Adjustments for:		
Depreciation, depletion and amortisation of property, plant and equipment	**74,707**	39,019
Amortisation of intangible assets	**35**	111
Increase in Algerian decommissioning provision	**-**	3,012
Share-based payment expense	**2,539**	3,971
Impairment of assets held for sale	**3,609**	144,119
Decrease/(Increase) in inventories	**4,310**	(2,200)
(Increase)/Decrease in receivables	**(2,554)**	21,291
Increase/(decrease) in payables	**22,724**	16,355
Net cash used in operating activities	**20,064**	(760)

12. 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 PSC does not appear to address expressly 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 Company 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 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.

The Group decided to relinquish the Akri Bijeel block with effect from 31 December 2015.Discussions are ongoing with MOL over the 2014 and 2015 work programme and budget and there is an amount of $39.9 million, which represents part of 2014 and 2015 billed expenditure, which the Company considers it is not obliged to pay. Accordingly, this amount has not been recognised in these financial statements.

13. Subsequent events

On 16 March 2016, the Company signed an Agreement with the MNR. Under the Agreement, the Company and the MNR agree, subject to an amendment agreement to the Shaikan PSC, to treat the Shaikan Government Participation Option of 20% as if validly exercised with effect from 1 August 2012 in favour of the MNR. As at 31 December 2015, the Group estimates unrecognised receivables from the MNR of $85 million net to GKP (30 June 2015: $76 million) for past costs associated with this Option. To address the past costs, the MNR committed to continue monthly top up payments of $15 million starting from the date of the Agreement until the full amount of the past costs is repaid in full. The receipt of these amounts will be the key to unlocking further investment and realising the potential of our assets.

Effective from the date of the agreement, the capacity building charge is reduced from 40% to 30% of the Group's profit oil, subject to an amendment agreement to the Shaikan PSC.

As part of the Agreement, the Company and the MNR have confirmed their intention to implement the First Amendment to Shaikan PSC dated 1 August 2010, in particular the provision regarding the assignment of the TPI, whereby the 15% TPI interest is split equally between the Government and Contractor (GKP and MOL on a pro rata basis) with the Government's 7.5% interest being fully carried by the Contractor. As a result of this arrangement, which will be the subject of an amendment agreement to the Shaikan PSC, the Company will increase its fully diluted Shaikan interest from 54.4% to 58% for working interest and to 64% for paying interest.

As part of the Group's strategy to focus on its core assets, after careful consideration, management decided to relinquish the Sheikh Adi block and terminate the Sheikh Adi PSC. The relinquishment and the termination of the Sheikh Adi PSC has been agreed subject to the execution by the Regional Council for Oil and Gas Affairs of the Kurdistan Region of Iraq. To address the outstanding contractual obligation of $20 million related to the PSC bonuses due on the declaration of commerciality, the Company negotiated a 50% reduction to the amount with the remaining $10 million to be offset against the past costs associated with the Shaikan Government Participation Option. No further liabilities in relation to the Sheikh Adi relinquishment are payable by the Group to the MNR.
At this stage, the Group cannot reliably estimate the financial impact of the Agreement with the MNR.

14. Publication of financial statements

It is anticipated that the full Annual Report and Financial Statements will be published on 6 April 2016. Copies will be available from this date at the group's UK office.