



11 May 2017

**GAS PLUS KHALAKAN ANNOUNCES MATERIAL INCREASE
IN RESERVES,
2016 YEAR END RESERVE AUDIT AND
SHEWASHAN OPERATIONS UPDATE**

Gas Plus Khalakan (“GPK”), the operator of the Shewashan oil field in the Kurdistan Region of Iraq, is pleased to report DeGolyer and MacNaughton (D&M) has provided a revised year end 2016 reserve audit for the Shewashan field which has led to a material increase in the estimated reserves and net present worth of the Shewashan oil field.

The D&M 2016 reserve report estimate of Shewashan’s 2P gross reserves is 113.8 Mbbbl, representing a 53% increase in 2P gross reserves above the 2015 D&M reserve audit. The increase to GPK’s reserves is attributed to the larger area mapped following seismic reprocessing.

	Reserves Summary								
	Oil			Condensate			Sales Gas		
	Proved (Mbbbl)	Probable (Mbbbl)	Possible (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Possible (Mbbbl)	Proved (MMcf)	Probable (MMcf)	Possible (MMcf)
Gross	37,237	76,576	67,726	0	0	0	0	0	0
Net	15,086	17,729	12,726	0	0	0	0	0	0

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

The present net worth (discounted at 10%), of the future net revenue attributed to GPK’s interest in the proved plus probable reserves of the Shewashan oil field, utilizing the Base Case price of U.S.\$55 per barrel escalated at 3% per year from 2018, increased substantially to U.S.\$ 422.5 million, an increase of 135% above the \$179.8 million valuation in the 2015 D&M reserve audit.

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Valuation Summary – Base Case

	Proved		Proved plus Probable	
	Future Net Revenue (M U.S.\$)	Present Worth at 10 Percent (M U.S.\$)	Future Net Revenue (M U.S.\$)	Present Worth at 10 Percent (M U.S.\$)
Base Case	299,830	218,912	660,182	422,494

Note: Values for probable reserves have not been risk adjusted to make them comparable to values for proved reserves.

Two oil price sensitivity cases (\$45 and \$65 per barrel) were evaluated by D&M to present alternatives outcomes to the future revenue estimates for the estimated reserves.

Valuation Summary – Sensitivity Cases

	Proved		Proved plus Probable	
	Future Net Revenue (M U.S.\$)	Present Worth at 10 Percent (M U.S.\$)	Future Net Revenue (M U.S.\$)	Present Worth at 10 Percent (M U.S.\$)
Low Case	199,532	141,401	572,197	359,528
High Case	335,887	252,167	731,911	473,089

Note: Values for probable quantities have not been risk adjusted to make them comparable to values for proved quantities. Reserves have been estimated using the Base Case scenario, and quantities in the sensitivity cases should not be confused with reserves.

It is important to note that key producing wells in nearby fields have exhibited high rates of decline as a result of water breakthrough. The Shewashan field remains in the early stages of development and any further increase in both reserves and present net worth should be viewed on the basis that only future well performance will determine the level of recovery possible from the matrix.

D&M’s estimates of the gross 1C, 2C and 3C contingent resources for the Shewashan Field are summarized as follows;

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	Gross Contingent Resources		
	Oil (Mbbbl)	Condensate (Mbbbl)	Sales Gas (MMcf)
1C	4,306	0	8,311
2C	2,903	0	23,386
3C	207,852	0	78,163

Notes:

1. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
2. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated herein.
3. The contingent resources estimated in this report have an economic status of Undetermined, since the evaluation of those contingent resources is at a stage such that it is premature to clearly define the ultimate chance of commerciality.
4. In certain categories, due to various field development and economic consideration, there may be a reduction to the aggregation of 2C and/or 3C contingent resources as described herein.

Operations Update: 1st Quarter 2017:

Shewashan #4:

The 4th well drilled on the Shewashan field, Shewashan #4, continues to drill forward in the Cretaceous reservoir. The well will now be completed as a deviated producer in the Cretaceous reservoir. This well is to increase the near term production of the Shewashan field.

Production Update:

Production of the Shewashan field has been limited to the 2,000 bbl/d level during the first quarter 2017 as a result of ongoing selective well testing and a water isolation program. The downhole modifications of the Shewashan #3 well have successfully eliminated the earlier water production and maintained oil production at approximately 1,500 bbl/day. Further work is to be done with the intent of increasing oil production.

The Shewashan #2 well is currently on restricted production as the water isolation program is ongoing and the well will be recompleted. The Shewashan #2 modifications are to be completed in the second quarter 2017.

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The Shewashan #1 well remains offline. The well is expected to be recompleted upon the conclusion of the Early Production Facility (EPF) construction and the Shewashan #2 well modifications.



Shewashan EPF under construction – April 2017

Oil Sales:

The Company continues to supply the Kurdistan Region's refining market and during the first quarter 2017 oil production averaged 2,097 bbl/d.

The recent stability of Brent oil prices has allowed GPK to operate profitably.

ENDS

Further Information

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