



11 January 2018

GAS PLUS KHALAKAN OPERATIONS UPDATE

Gas Plus Khalakan (“GPK”), the operator of the Shewashan oil field in the Kurdistan Region of Iraq, is pleased to provide an end 2017 update on the operations and activity that has occurred on the Shewashan oil field.

Oil Sales:

Total payments received by GPK for oil sales now amount to \$9.0 million representing 190,115 barrels of GPK entitlement oil sold through to the end of September 2017. Sales from October to December has been invoiced through the traditional operating procedures in place with the KRG Ministry of Natural Resources.

Oil Production:

In total, cumulative field production to date exceeds 1,300,000 barrels of oil. Current total field production is 1,000 barrels per day. Total oil production for the 3rd quarter 2017 was 81,207 barrels and 422,027 barrels have been produced in 2017, up to and including 1 December 2017.

These amounts are significantly below that required to meet forecast annual production targets and break-even economics. There are two main reasons for this lower production. Firstly, water production rates in the Qamchuga formation have limited oil production rates. The Qamchuqa formation is heavily fractured and many of these fractures are connected to the aquifer. Secondly, production rates from the Shiranish and Kometan reservoirs have been limited, due to these formations having a tight matrix, with their fracture network being not as developed and extensive as in the Qamchuqa reservoir. GPK continues to recomplete the four Shewashan wells to limit water production in the Qamchuga and stimulate the Kometan and Shiranish reservoirs to facilitate greater production rates. This activity is summarized below:

Shewashan #1:

Current production rate: 350 bopd and <5% water cut from the Qamchuqa reservoir.
Recompletion plans include: perforation and acid stimulation of the Kometan reservoir.

Shewashan #2:

Current production rate: 650 bopd and low water cut from the Kometan reservoir.
Recompletion plans include: Larger acid stimulation in the Kometan to increase the production from perforated intervals (45m) and a possible propped hydraulic frac in the Shiranish reservoir which has yet to be tried in the field.

Shewashan #3:

Current production rate: 200 bopd and 30% water cut from Kometan formation. Recompletion plans include: isolation of the Qamchuqa reservoir to reduce the water production and further stimulation of the Kometan reservoir.

Shewashan #4:

Currently producing at low, water free oil rates on a small (12/64”) choke from the Kometan. This well produced initially from the Qamchuqa reservoir but due to high water production it was recompleted and stimulated in the Kometan reservoir.

Recompletion plans include: much larger acid fracturing on the Kometan or alternatively this well is also a candidate for a propped hydraulic frac in the Shiranish reservoir.

2018 Production Forecast:

The production forecast for 2018 is 665,400 barrels of which 1,800 barrels per day is the forecasted average for the first half of 2018.

2018 Budget:

The Gross 2018 Operating Budget is \$20.8 million. which includes the fixed and variable costs for production, as well as recompletion activity to increase production rates.

Expenditure by quarter is as follows:

	Jan-Mar \$000	Apr-June \$000	July-Sep \$000	Oct-Dec \$000
TOTAL PSC BUDGET	5,045	5,045	5,369	5,369

Breakeven field economics are estimated at 2,152 barrels per day, at an assumed Brent price of \$50.00/barrel reducing to 1,761 barrels per day at an assumed Brent price of \$60/barrel.

Reserve Report:

GPk has engaged DeGolyer & MacNaughton to revise the 2017 Reserve Audit. This study commenced in November and is expected to be delivered in March 2018.

ENDS

Further Information**For media**

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