

Press Release

September 7

VALLARES MERGES WITH GENEL TO CREATE NEW OIL INDEPENDENT

Creation of London-listed oil and gas champion focused on the Kurdistan Region of Iraq

Just over two months after raising more than US\$2.0 billion to invest in promising oil and gas projects in developing markets, Vallares PLC (“Vallares” or the “Company”) today announces that it plans to merge with Genel Energy International Ltd (“Genel”), the largest oil producer in the Kurdistan Region of Iraq.

Genel has stakes in two world-scale producing oil fields, a major gas condensate discovery and significant exploration acreage, all in the Kurdistan Region of Iraq.

The merger will be achieved through an all-share reverse-takeover in which Vallares will issue new shares worth US\$2.1 billion at a price of £10 a share to acquire 100 per cent. of Genel, giving Vallares and Genel’s current owners equal stakes in the combined business.

The transaction is subject to the approval of the Kurdistan Regional Government which is expected to be given later this month.

The newly enlarged company, to be renamed Genel Energy PLC, intends to publish a prospectus in October in order to get the consideration shares admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. Vallares shares will be suspended from trading in the meantime.

Tony Hayward will be Chief Executive Officer and Julian Metherell will be Chief Financial Officer. Both will sit on the Board. Nathaniel Rothschild will be a Non-Executive Director.

Mehmet Karamehmet, Genel’s current majority owner with a stake of 56.18 per cent. will nominate his daughter, Gulsun Nazli Karamehmet Williams, as a Non-Executive Director. Mehmet Sepil, who has 29.06 per cent. and is currently Chief Executive of Genel will become President. Murat Yazici will be Mehmet Sepil’s nominee to the Board. Mehmet Karamehmet and Mehmet Sepil have committed to retain their interests in the newly enlarged company for one and two years respectively.

Rodney Chase, Non-Executive Chairman, said: “Genel Energy PLC will have a majority of independent directors and is expected to be fully compliant with UK corporate governance rules from closing. Our aim is to achieve a premium listing early in 2012.”

The other Non-Executive Directors include James Leng, Sir Graham Hearne, George Rose and Mark Parris, whose appointment to the Board (which will become effective from the completion of the merger) is also announced today. A further two Independent Non-Executive Directors are expected to be appointed with effect from the completion of the merger.

Announcing details of the deal in London today, Tony Hayward said: “I believe our investors are acquiring a strong existing business with excellent producing assets, a fine team of technical and operating staff already in

place, and immense potential for future growth. Most importantly, we are doing so at the attractive entry price of some US\$1.50 a barrel.”

Mehmet Sepil said: “The scale of recent hydrocarbon discoveries in the Kurdistan Region of Iraq has been significant and I think this trend will continue. Today’s combination gives us an internationally listed, well-capitalised and agile company which already has deep experience, good relationships and first-class assets in the region.”

As indicated at the time of the IPO, it is intended that the Company will move to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. The Company is expected to be among the top three independent UK listed E&P companies by 2P reserves, with an estimated unrisks resource base of 1.4 billion boe, including proved and probable reserves of 356 million barrels. Current production is 41,000 barrels a day, projected to rise to 90,000 barrels by 2013.

“The Kurdistan Region of Iraq is undoubtedly one of the last great oil and gas frontiers. Arguably, it is the last big onshore ‘easy’ oil province available for exploration by private companies anywhere in the world” Hayward said.

“The US Geological Survey estimates the Kurdistan Region of Iraq’s yet-to-find hydrocarbons at 40 billion barrels of oil and 60 trillion cubic feet of gas – which puts it on a par, for instance, with the UK North Sea. Of the 49 wells drilled there over the last six years, more than 70 per cent. have been successful.”

Hayward said finding and development costs were low – typically between US\$2 and US\$4 a barrel and predicted that the prevailing transportation fee of around US\$3 a barrel would fall as more pipeline infrastructure was built, particularly the planned South-North KICE link to the Kirkuk-Ceyhan pipeline.

Technical services and logistics will be run out of Ankara where Genel currently has a team of around 50 mainly technical and financial staff, with around a further 430 field and site employees on the ground in the Kurdistan Region of Iraq.

Genel’s biggest producing asset is the Taq Taq field where it has a 44 per cent. working interest and is joint operator. It holds a 25 per cent. stake in the smaller Tawke field, near the Turkish border which is operated by DNO. Their proven and probable gross reserves are estimated at 647 million and 286 million boe respectively under the McDaniel & Associates competent persons report to be included in the prospectus to be published in connection with the transaction.

Genel’s exploration portfolio, which Hayward described as “the most exciting element of this transaction”, comprises interests in six licences and runs from Peshkibir in the North of the region to Chia Surkh in the extreme South. Results from the Summail-1 well, which began drilling in April in the Dohuk prospect, are due before the end of the year.

A further five exploration wells are planned over the next 12 months to assess the full potential of the acreage. The exploration activity is targeting a total resource in excess of 750 million barrels net to Genel.

Hayward said that, net of cost recovery, the region’s fiscal terms left Genel with eight per cent. of gross sales income and that cashflow from the current producing assets would be sufficient to fund their continued development, together with the ongoing exploration programme.

This would leave substantial reserves of cash for the Company and the opportunity “to participate aggressively in the significant consolidation we expect to see in the region over the next few years and to expand elsewhere if good opportunities arise.”

Describing the Kurdistan Region of Iraq as “one of the calmest parts of Iraq, with a track-record of stability and security” Hayward said the democratically-elected Kurdistan Regional Government had worked hard to promote oil development and had already signed production-sharing agreements with more than 40 international companies.

He said the political relationship between the Kurdistan Region of Iraq and Baghdad was showing increasing alignment, oil exports were flowing again and Genel and other producers had received payment for first quarter export sales from the Federal Ministry of Finance and a second is in the process of being paid. Export prices at Ceyhan were at international levels. Sales into the domestic market made between US\$50 to US\$70 a barrel in August.

“The debate on Iraqi oil law continues but, while the outcome remains to be finalised, what is clear is that the Kurdistan Regional Government and their elected representatives in Baghdad will have a major influence on any legislation that is ultimately passed” Hayward added.

He concluded: “I believe Vallares is acquiring access to a world-class resource at a competitive entry cost at a time when Iraq’s politics are becoming more stable. The prospects for the Kurdistan Region of Iraq and its oil sector have never been brighter.”

This summary should be read in conjunction with the full announcement attached including the Appendix which includes certain defined terms used throughout this announcement.

A presentation to investors and analysts will be made at 2.00pm BST (GMT+1) today at the offices of J.P. Morgan Cazenove at 10 Aldermanbury, London EC2V 7RF. A webcast of the investor presentation will be available at www.vallares.je.

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Vallares PLC (“Vallares” or the “Company”) announces acquisition of Genel Energy International Ltd (“Genel”)

Introduction

Vallares is pleased to announce its intention to create a top three London-listed exploration and production player through the proposed acquisition of Genel for share-based consideration of approximately US\$2.1 billion made up of 130.6 million new Vallares Shares.

The Company intends to be the first major Kurdistan Region of Iraq focused company to have its shares admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. The Company aims to achieve a premium listing early in 2012.

The Acquisition will create a vehicle with exposure to the highly prospective Kurdistan hydrocarbon region. Genel has total resource potential of 1.4 billion boe comprising 589 million boe of 3P reserves and 777 million boe of significant near-term exploration potential.

The Kurdistan Region of Iraq represents one of the last great frontiers in oil and gas. The US Geological Survey estimated that the Kurdistan Region of Iraq holds approximately 40 billion barrels of oil and 60 trillion cubic feet of gas. In addition, it benefits from high sector discovery rates of greater than 70 per cent., low F&D costs and proximity to markets. The relative security and stability of the Kurdistan Region of Iraq has allowed it to focus on procuring investment in the oil sector. Currently, over 40 international companies have been awarded PSCs in the Kurdistan Region of Iraq.

The Kurdistan Region of Iraq’s economy is highly dependent on the successful development of the oil sector. In August 2007, the Kurdistan National Assembly passed the Kurdistan Region Oil and Gas Law, allowing the KRG the authority to manage its oil and gas resources. Exports from Kurdistan oil fields began in June 2009, but this was suspended in October 2009. Exports restarted in February 2011 after the KRG and the Iraq government reached an agreement on reimbursement of costs to the oil companies. A second payment is in the process of being made.

The proposed Acquisition will be treated as a “reverse takeover” for the purposes of the Listing Rules. Accordingly, following the release of this announcement, the Company’s Ordinary Shares will be suspended from trading on the Official List and on the London Stock Exchange. The newly enlarged company, to be renamed Genel Energy PLC, intends to publish a prospectus in October in order to get the consideration shares admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. Vallares’ Ordinary Shares will be suspended from trading in the meantime.

1. The Acquisition

On 7 September 2011, Vallares, Genel, Focus Investments and PRM entered into the Merger Agreement pursuant to which Vallares agreed to purchase 100 per cent. of the issued share capital of Genel in consideration for the issue of 130.6 million new Valerie Shares (comprised of approximately 56.0 million new Ordinary Shares and 74.6 million new Suspended Voting Ordinary Shares). 70 per cent. of these new Valerie Shares will be issued to the Sellers on the closing of the Acquisition. The remaining 30 per cent. of these new Vallares Shares (the “Deferred Consideration Shares”) will be issued subject to escrow arrangements to meet

future claims and will be released in due course as deferred consideration, in accordance with the Merger Agreement. This values the Genel Group at approximately US\$2.1 billion¹.

The proposed Acquisition is expected to complete in October 2011.

Due to the size of the interest the Sellers will acquire in Vallares, the Sellers have agreed that part of the consideration they receive will be in the form of Suspended Voting Ordinary Shares in order to ensure that their aggregate holding of Ordinary Shares will not exceed 29.9 per cent. The Suspended Voting Ordinary Shares will automatically convert into Ordinary Shares in the event of further equity issues by Vallares provided that following conversion the Sellers' aggregate holding of Ordinary Shares does not exceed 29.9 per cent. of the total number of issued Ordinary Shares.

Goldman Sachs International and J.P. Morgan Cazenove acted as financial advisers to Vallares in relation to the Acquisition.

The shareholding structure of the Company following the completion of the Acquisition is expected to consist of:

Shareholder	Shareholding	
	At closing of the Acquisition	Assuming all Deferred Consideration Shares released from escrow arrangements
Genel Holding	10.5 per cent.	15.0 per cent.
Focus Investments	19.7 per cent.	28.1 per cent.
PRM	4.8 per cent.	6.9 per cent.
Deferred Consideration Shares held in escrow	15.0 per cent.	-
Existing Vallares ordinary shareholders	46.9 per cent.	46.9 per cent.
Vallares management and Founders (pre-conversion of the Founder Shares into Ordinary Shares)	3.1 per cent.	3.1 per cent.
Total	100.0 per cent. ⁽¹⁾	100.0 per cent. ⁽²⁾

(1) Mehmet Sepil's beneficial interest in Vallares Shares (which will be held through Genel Holding and PRM) will be 10.2 per cent. Mehmet Karamehmet's beneficial interest in Vallares Shares will be held solely through Focus Investments, in which he will hold a 100 per cent. beneficial interest.

(2) Mehmet Sepil's beneficial interest in Vallares Shares (which will be held through Genel Holding and PRM) will be 14.5 per cent. Mehmet Karamehmet's beneficial interest in Vallares Shares will be held solely through Focus Investments, in which he will hold a 100 per cent. beneficial interest.

¹ Exchange rate of £1.00 = US\$1.60 has been used to determine the consideration.

2. Board of Directors

From the closing of the Acquisition, Mrs Gulsun Nazli Karamehmet Williams, Mr Murat Yazici and Mr Mark Parris will be appointed to the Board and Mr Mehmet Sepil will be appointed as President but will not sit on the Board of Directors. These individuals will further enhance the already strong Board of Directors in an effort to maximise shareholder value. In addition, Tony Hayward will be appointed Chief Executive Officer and Julian Metherell will be appointed as Chief Financial Officer. A further two Independent Directors are expected to be appointed to the Board from the closing of the Acquisition.

Following the completion of the proposed Acquisition, it is anticipated that the persons named below will sit on the Board of Directors:

Rodney Chase, Chairman
Tony Hayward, Chief Executive Officer
Julian Metherell, Chief Financial Officer
James Leng, Senior Independent Director
Nathaniel Rothschild, Non-Executive Director
Sir Graham Hearne, Independent Director
George Rose, Independent Director
Mark Parris, Independent Director
Gulsun Nazli Karamehmet Williams, Non-Executive Director
Murat Yazici, Non-Executive Director
Two further Independent Non-Executive Directors to be appointed prior to the completion of the Acquisition.

Executive Directors

The appointment of Tony Hayward as Chief Executive Officer and Julian Metherell as Chief Financial Officer will provide Vallares with a combination of sector and financial experience.

Tony Hayward – Chief Executive Officer

Mr. Hayward was Group Chief Executive of BP plc from 2007 to 2010 having joined BP in 1982 as a rig geologist in the North Sea. Following a series of technical and commercial roles in Europe, Asia and South America, he returned to London in 1997 as a member of the Upstream Executive Committee. He became Group Treasurer in 2000, Chief Executive for BP's upstream activities and member of the Main Board of BP in 2003.

Mr. Hayward is a Board Member of TNK-BP and a member of the European advisory board of AEA. He is also a Fellow of the Royal Society of Edinburgh and holds honorary doctorates from the University of Edinburgh, Aston University and the University of Birmingham. Mr. Hayward studied geology at Aston University in Birmingham and completed a PhD at Edinburgh University.

Julian Metherell – Chief Financial Officer

Julian Metherell was until recently a Partner at Goldman Sachs and CEO of their UK investment banking business. Mr. Metherell has 22 years' banking experience, primarily in the energy sector. Prior to joining Goldman Sachs, Mr. Metherell was a Director in the European energy group at Kleinwort Benson. He has a broad experience of company takeovers, IPOs and equity and debt financing for clients including BP, Shell, Conoco, Repsol, BG, Talisman, Anglo American, CNOOC, Sinopec and Statoil. Mr. Metherell holds an MBA from Cambridge University.

Non-Executive Directors

Rodney Chase – Chairman

Mr Chase brings a wealth of corporate experience to the enlarged company having helped steward numerous businesses to success in the past including BP Group. The Board of Directors believe Mr Chase will provide strategic guidance in the transitioning of the separate businesses to a single London listed major oil producer.

James Leng – Senior Independent Non-Executive Director

Jim Leng is a non-executive director of Alstom SA, a French engineering company where he chairs the nomination and remuneration committee; TNK-BP, the largest independent Russian oil & gas company; and is the European chairman of AEA, an American private equity partnership. He is lead non-executive director of the Ministry of Justice, a senior advisor to HSBC and a non-executive director of HSBC Bank Plc, J O Hambro Investment Management Ltd and a governor of Ashridge College. From 2001–2009 he was Chairman of Corus Group plc, a global steel company sold to Tata Steel of India where he was also Deputy Chairman until July 2009. Past non-executive directorships include Chairman of Doncasters Ltd. (precision engineering), Pilkington plc (glass), Hanson plc (aggregates & building products) and IMI plc (engineering).

In an executive capacity Mr. Leng was CEO of Laporte plc, an international speciality chemicals company and before that Low & Bonar plc, a diverse materials and packaging company. His early business years were spent at John Waddington plc where he was managing director of a number of their subsidiaries including consumer goods and packaging companies.

Nathaniel Rothschild – Non-Executive Director

Mr Rothschild is a founder of Vallares and has been instrumental in the delivery of the Acquisition.

Mr Rothschild previously served as Co-Chairman of Atticus Capital LP, and currently serves as Chairman of the international advisory board of UC Rusal Plc, Co-Chairman of Bumi plc and as a member of the board of Barrick Gold Corporation and Chairman of EN+.

Sir Graham Hearne, CBE – Independent Non-Executive Director

Sir Graham retired in 2002 as Chairman of Enterprise Oil PLC, a London Stock Exchange and NYSE listed oil and gas exploration and production company, where he had held that position since 1991, previously serving as Chief Executive from 1984 to 1991. Sir Graham currently serves as Chairman of Catlin Group Limited, an insurance company and Braemar Shipping Services Group PLC. Sir Graham is a non-executive director at Rowan Companies Inc., a drilling company. Sir Graham qualified as a solicitor in England and Wales in 1959 and practised law in England and the US from 1959 to 1967, following which he joined as an executive of the Industrial Reorganisation Corporation and then as an executive director of NM Rothschild & Sons Limited. He was subsequently appointed Finance Director of Courtaulds PLC and then as Chief Executive of two publicly listed oil and gas companies. He has variously served as a director of a number of public and private companies including Gallaher Group PLC, Wellcome PLC, Reckitt & Colman PLC and Novar PLC. Sir Graham was appointed a Commander of the Order of the British Empire in 1990 and a Knight Bachelor in 1998 for services to the oil industry.

George Rose – Independent Non-Executive Director

Mr. Rose is a non executive director of National Grid plc, one of the world's largest utilities, where he chairs the audit committee. He is a board member of The Industrial Development Advisory Board, providing advice

to the UK's Secretary of State for Business on applications for financial assistance. Past non executive directorships include Orange plc, a mobile telephone provider, and Saab AB, a Swedish based international defence contractor. Mr. Rose was previously a member of the UK's Financial Reporting Review Panel.

Mr. Rose retired from the board of BAE Systems plc, a global Defence and Security company, in March 2011 where he had served as Group Finance Director for 13 years. Mr. Rose's earlier career consisted of several financial management positions in the automotive sector, at Ford Motor Company, Leyland Vehicles Ltd and the Rover Group. Mr Rose is a fellow of the Chartered Institute of Management Accountants.

Mr Mark Parris, Mrs Gulsun Nazli Karamehmet Williams and Mr Murat Yazici will be appointed as Non-Executive Directors with effect from closing of the Acquisition.

Mark Parris – Independent Non-Executive Director

Mark Parris is, a retired career foreign service officer with service in the Near East and the former Soviet Union. Ambassador Parris is a magna cum laude graduate (BSFS) of the Georgetown University School of Foreign Service. He was U.S. ambassador in Turkey from 1997-2000 and also served as special assistant to the president and senior director for Near East/South Asian affairs at the National Security Council.

Since leaving government, he has been active in U.S.-Turkish NGO work and has written and spoken widely on Turkey, U.S.-Turkish relations and the state of the Turkish oil industry. In 2002, he acted as a Counsellor on the Turkish Research Program at the Washington Institute for Near East Policy. He was also a founding director of Brookings' "Turkey 2007" project and was later active in Brookings' ongoing work on Turkey.

Gulsun Nazli Karamehmet Williams – Non-Executive Director

Gulsun Nazli Karamehmet Williams has served as Chief Content Officer & Executive Board Member of Digital Platform İletişim Hizmetleri A.Ş from 2004 to the present day. Since 2007, she has been primarily responsible for overseeing all content acquisitions, production, creative services (including advertisements) and overall content strategy. She has also had responsibility for the packaging of all consumer offers and managing the negotiations with major international media companies.

Mrs. Karamehmet-Williams has served as a Board Member of Turkcell İletişim Hizmetleri A.Ş from 2010 to the present day. She worked as an Advertising Sales Specialist at BSkyB from 2002 -2004. Mrs. Karamehmet-Williams attended Sarah Lawrence College in New York, USA from 1996-1999 and has a B.A in Communication from Richmond University.

Murat Yazici – Non-Executive Director

Murat Yazici is the founding and managing partner of Yazici Law Offices which is one of Turkey's leading international law firms representing public and private commercial entities, financial institutions and state economic enterprises in Turkey and abroad since 1989.

He has practiced in oil and gas and energy industries for over forty years and has represented multinational clients in international transactions. Previously, Mr. Yazici worked as in-house lawyer in oil and gas industry in Turkey and taught corporate law at Middle East Technical University.

Mr. Yazici was the founding chairman of Petroleum Platform Association, founder of Energy and Climate Change Foundation and member of various other professional associations. He sits on the Board of various national and multinational companies operating in Turkey.

Two further Independent Non-Executive Directors are expected to be appointed prior to the closing of the Acquisition.

President

The appointment of Mehmet Sepil in the role of President will provide Vallares with a powerful combination of local expertise, industry knowledge and strategic relationships.

Mehmet Sepil – President

Mehmet Sepil is a graduate of the Civil Engineering Department of the Middle East Technical University in Ankara and holds a Master of Science Degree in Coastal and Harbor Engineering from the same university. Mr. Sepil has over 29 years of construction engineering, financial and administrative management experience in construction and high tech companies, which includes advanced field operations, international contracting and business development experience within NATO, the US and Turkish Government projects as well as private sector projects.

The Board of Directors remain committed to the principals of the Corporate Governance Code and from closing of the Acquisition the Company is expected to have a majority of Independent Directors and be fully compliant with the Corporate Governance Code. Further appointments to the Board will be considered in the future in-line with the highest corporate governance standards.

3. Information on Vallares

Vallares was formed through an IPO in June 2011 to acquire or establish a major company, business or asset that has significant operations in the resources sector (with a focus on the oil and gas industry).

Vallares was admitted to the standard listing segment of the Official List and is listed on the London Stock Exchange's main market for listed securities (ticker: VLRS) and has approximately US\$2.1 billion in cash resources.

Vallares set out the following strategy at the time of its IPO.

“The Company intends to acquire or establish, whether through a single transaction or a series of related or connected transactions, a major company, business or asset that has significant operations in the resources sector with an aggregate Enterprise Value of between £3 billion and £8 billion, although an opportunity with a smaller or larger Enterprise Value may be considered. The Company aims to achieve its objective through the identification and acquisition of interests in companies, businesses or assets where the existing owners are attracted to the Vallares proposition, namely the opportunity to hold an ownership interest in a London listed company, with cash, access to capital and the “know-how” to unlock the value of their acquired resource assets.

The Company intends to focus on acquiring operating businesses or assets where value is trapped by virtue of a capital or expertise deficit. The Directors believe such trapped value may often occur in family controlled businesses or companies with complex or diverse ownership structures, as well as bank-controlled assets. The Company can provide liquidity to owners, as well as management expertise to make any necessary management changes within the target which could potentially unlock further value.

In terms of geography, the Company intends to focus primarily on emerging and under-developed geographic regions where the Founders collectively have prior knowledge and experience. These include Russia, the CIS region, the Middle East, Africa, Asia and Latin America. However the Company will not exclude other geographic regions where an opportunity presents an appropriate investment proposition.

Following completion of the Acquisition, the Company intends to implement a strategy designed to maximise value by optimising the capital structure of the acquired business(es), implementing disciplined operational improvements and strengthening management, including through the services of Messrs. Hayward and Metherell who may assume executive roles. The Company may also undertake targeted investments within the operations of the acquired business(es) and pursue strategic “bolt-on” acquisitions to increase the scale of the Company’s operating business.”

4. Information on Genel

Genel is a private, independent oil exploration and production company which holds oil and gas assets in the Kurdistan Region of Iraq. Genel is, indirectly, 56 per cent. owned by Mehmet Karamehmet, 29 per cent. owned by Mehmet Sepil, 4 per cent. owned by Murat Yazici, 5 per cent. by Citrus Energy International Limited, 5 per cent. by UB Group FZE and 1 per cent. by others. Genel has been operating in the Kurdistan Region of Iraq since 2002, following its establishment as an autonomous region of Iraq. Genel’s interests are set out in the table below.

Licence	Working Interest (per cent.)	Operator	Date awarded to/acquired by Genel	Working Interest Reserves & Resources (mmbobe)			
				2P	3P	2C Contingent Resources	Unrisked Mean Prospective Resources
Production							
Taq Taq	44	TTOPCO (Addax/ Genel)	January 2004	284.6	458.4	-	109.1
Tawke	25	DNO	March 2009	71.4	130.5	-	53.2
Exploration							
Peshkabir	25	DNO	March 2009	-	-	-	76.0
Dohuk	40	DNO	March 2009	-	-	-	265.9
Miran	18.75 ⁽¹⁾	Heritage	March 2009	-	-	46.5	8.4
Ber Bahr	40	Genel	March 2009	-	-	-	203.3
Chia Surkh	20	Forbes	June 2009	-	-	-	61.1

Working Interest Reserves & Resources (mmboe)							
Licence	Working Interest (per cent.)	Operator	Date awarded to/acquired by Genel	2P	3P	2C Contingent Resources	Unrisked Mean Prospective Resources
Total				356.0	588.9	46.5	777.1

(1) Assuming third party back-in rights in favour of KRG are exercised in full. The KRG has a back-in right of between 5 and 25 per cent., exercisable within 180 days of first commercial discovery. The KRG would bear a *pro rata* share of further development costs following the exercise of such right.

5. Conversion of Founder Shares and possible future conversion of Founder Securities

Completion of the Acquisition gives the holders of the Founder Shares and the Founder Securities the right to exchange those shares and securities for Ordinary Shares, subject to, and in accordance with, the Articles of Association of the Vallares Subsidiary. The Founder Shares and the Founder Securities are designed to encourage the Vallares management team to achieve the Company's objectives and to create shareholder value following an acquisition. The Founder Shares and, dependent upon the future performance of the Group following the completion of the Acquisition, the Founder Securities may, therefore, be exchanged for Ordinary Shares to be issued to existing and future members of the Vallares management team.

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Exchange rate of £1.00 = US\$1.60 has been used to determine the consideration prices.

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The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.

Certain statements in this announcement are forward-looking statements which are based on the Company's, expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

APPENDIX

SECTION A: DEFINITIONS

The following definitions apply throughout this announcement, unless the context requires otherwise:

“ Acquisition ”	means the acquisition of 100 per cent. of the issued share capital of Genel;
“ Addax ”	means Addax Petroleum International Limited;
“ Board ” or “ Board of Directors ”	means the board of directors of Vallares from time to time;
“ Company ”	means Vallares PLC;
“ Corporate Governance Code ”	means the UK Corporate Governance Code (formerly the Combined Code) published in June 2010 by the Financial Reporting Council;
“ Directors ”	means the directors of Vallares from time to time;
“ DNO ”	means DNO Iraq AS;
“ E&P ”	means exploration and production;
“ Executive Director ”	means a Director who is also an employee of Vallares;
“ Focus Investments ”	means Focus Investments Limited, an investment vehicle for Mehmet Karamehmet;
“ Forbes ”	means Forbes & Manhattan (Kurdistan) Inc.;
“ Founder Shares ”	means the B ordinary shares in the capital of the Vallares Subsidiary as more fully described in the prospectus published by the Company on 17 June 2011;
“ Founder Securities ”	means the C ordinary shares in the capital of the Vallares Subsidiary as more fully described in the prospectus published by the Company on 17 June 2011;
“ Founders ”	means Nathaniel Rothschild, Tony Hayward, Tom Daniel and Julian Metherell;
“ FSA ”	means the UK Financial Services Authority;
“ Genel ”	means Genel Energy International Ltd;

“Genel Group”	means Genel and its subsidiaries;
“Genel Holding”	means Genel Energy Holding B.V., an investment vehicle for Mehmet Sepil;
“Group”	means Vallares and its subsidiaries and subsidiary undertakings from time to time;
“Heritage”	means Heritage Energy Middle East Limited;
“Independent Director”	means a Non-Executive Director who is independent for the purposes of the Corporate Governance Code;
“IPO”	means initial public offering;
“J.P. Morgan Cazenove”	means J.P. Morgan Limited (which conducts its UK investment activities as J.P. Morgan Cazenove);
“KRG”	means the Kurdistan Regional Government;
“Listing Rules”	means the Listing Rules published by the FSA;
“London Stock Exchange”	means London Stock Exchange plc;
“McDaniel & Associates”	means McDaniel & Associates Consultants Ltd.;
“Merger Agreement”	means the agreement between Vallares and the Sellers;
“Non-Executive Director”	means any Director who is not an Executive Director;
“Official List”	means the Official List of the FSA;
“Ordinary Shares”	means ordinary shares of £0.01 each in the share capital of the Company;
“PRM”	means Petroleum Resources Management N.V., an investment vehicle for Citrus Energy International Limited, UB Group FZE, Murat Yazici, Mehmet Sepil;
“Securities Act”	means the U.S. Securities Act of 1933 as amended;
“Sellers”	means Genel Holding, Focus Investments and PRM;
“Suspended Voting Ordinary Shares”	means the suspended voting ordinary shares of £0.01 each in the share capital of Vallares, the relevant restrictions as set out in the Merger Agreement which are designed to keep the Sellers combined voting interest in Vallares below 30 per cent.;
“TTOPCO”	means Taq Taq Operating Company Limited;

“UK” or “United Kingdom”	means the United Kingdom or Great Britain and Northern Ireland;
“Vallares”	means Vallares PLC;
“Vallares Shares”	means Ordinary Shares and Suspended Voting Ordinary Shares;
“Vallares Subsidiary”	means Vallares Holding Company Limited;
“£”, “GBP”, “sterling” and “pence”	means the lawful currency of the UK; and
“\$”, “US\$”, “USD” and “US Dollars”	means United States dollars, the lawful currency of the United States.

SECTION B: GLOSSARY OF TECHNICAL TERMS

The following is a glossary of technical terms used in this announcement:

“ 2P ”	means proved plus probable reserves;
“ 3P ”	means proved plus probable plus possible reserves;
“ barrel(s) ” or “ bbl(s) ”	means a unit of volume measurement used for petroleum and its products;
“ boe ”	means barrels of oil equivalent;
“ F&D ”	means finding and development;
“ mmbbl ”	means million barrels;
“ possible reserves ”	means an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proved plus probable plus possible (3P), which is equivalent to the high estimate scenario;
“ probable reserves ”	means an incremental category of estimated recoverable volumes associated with a defined degree of certainty. Probable reserves are those additional reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves (2P);
“ proved reserves ”	means in many cases, external regulatory reporting and/or financing requires that, even if only the proved reserves estimate for the project is actually recovered, the project will still meet minimum economic criteria;
“ PSC ”	means production sharing contract; and

“reserves”

means those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves include proved, probable and possible reserve categories, which are defined elsewhere in this glossary.