

## ShaMaran Q1 2016 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA-(Marketwired - May 19, 2016) -ShaMaran Petroleum Corp. ("ShaMaran" or the "Company") (TSX VENTURE:SNM)(OMX:SNM) is pleased to announce its financial and operating results for the three months ended March 31, 2016. Unless otherwise stated all currency amounts indicated as "\$" in this news release are expressed in thousands of United States dollars.

Construction of the 30,000 bopd Atrush Phase 1 Production Facility ("Production Facility") is nearing mechanical completion. Commissioning is scheduled to begin in May of 2016. Completion of the production facilities is targeted for mid 2016.

Work on the dedicated feeder pipeline to be constructed between the Production Facility and the tie-in point on the main export pipeline has started. The Atrush partnership is responsible for construction of the pipeline to the block boundary, which is progressing according to plan. The KRG is responsible for the construction of the section of the pipeline from the block boundary to the tie-in point on the main export pipeline. Originally it was planned to construct a 31 kilometre 12 inch pipeline from the block boundary to KCP2. It is now planned to construct a 12 inch pipeline to the location of a future blending station followed by a 36 inch pipeline. Delays in the commencement of this pipeline project have resulted in first oil being deferred until the fourth quarter of 2016.

The Operator plans to complete the Atrush-2 and Atrush-4 wells in June and July 2016. Four producing wells, all equipped with ESPs, will be available for production at start up.

Chris Bruijnzeels, President and CEO of ShaMaran, commented "Progress of the facilities construction is according to plan. Unfortunately, changes in the feeder pipeline scope outside the block boundary will result in a delay to first oil. However, the changed scope should result in increased flexibility of the KRG export pipeline system."

### FINANCIAL AND OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

During the reporting period the Company continued its appraisal and development campaign in respect of the Atrush petroleum property located in the Kurdistan Region of Iraq which constitutes the continuing operations of the Company. Atrush currently generates no revenues.

#### *Financial Results*

The Company reports a net loss of \$2.8 million in the first quarter of 2016 which was primarily driven by routine general and administrative expenses and expensed borrowing costs on the Company's senior secured bonds.

#### Condensed Interim Statement of Comprehensive Income

*(Unaudited, expressed in thousands of United States Dollars)*

	For the three months ended March 31,	
	2016	2015
Expenses from continuing operations		
Depreciation and amortisation expense	(11 )	(16 )
Share based payments expense	(76 )	(676 )
General and administrative expense	(1,302 )	(963 )
Loss before finance items and income tax expense	(1,389 )	(1,655 )
Finance income	21	542
Finance cost	(1,402 )	(1,346 )
Net finance cost	(1,381 )	(804 )
Loss before income tax expense	(2,770 )	(2,459 )
Income tax expense	(26 )	(27 )
Loss from continuing operations	(2,796 )	(2,486 )
Discontinued operations		

Net loss from discontinued operations	(2,796	)	(10,496	)
Loss for the period				
Other comprehensive income				
<i>Items that may be reclassified to profit or loss:</i>				
Currency translation differences	32		11	
Total other comprehensive income	32		11	
Total comprehensive loss for the period	(2,764	)	(2,485	)

#### Condensed Interim Consolidated Balance Sheet

*(Unaudited, expressed in thousands of United States Dollars)*

	At March 31, 2016	At December 31, 2015
Assets		
Non-current assets		
Property, plant and equipment	188,823	177,044
Intangible assets	89,477	88,645
	278,300	265,689
Current assets		
Cash and cash equivalents, unrestricted	18,411	30,409
Cash and cash equivalents, restricted	5,825	1,512
Other current assets	222	200
	24,458	32,121
Total assets	302,758	297,810
Liabilities and equity		
Current liabilities		
Accounts payable and accrued expenses	11,956	9,560
Accrued interest expense on bonds	6,612	2,252
Current tax liabilities	16	31
	18,584	11,843
Non-current liabilities		
Borrowings	148,416	148,263
Provisions	8,822	8,080
	157,238	156,343
Total liabilities	175,822	168,186
Equity		
Share capital	593,179	593,179
Share based payments reserve	6,311	6,235
Cumulative translation adjustment	(51	(83
Accumulated deficit	(472,503	(469,707
Total equity	126,936	129,624
Total liabilities and equity	302,758	297,810

Total assets increased during the first quarter of 2016 by \$4.9 million which corresponds to an increase in liabilities by \$7.6 million mainly due to an increase in accounts payable, accrued expenses and accrued interest and a decrease in equity by \$2.7 million principally due to the net loss recorded in the period.

Property, plant & equipment assets increased by \$11.8 million during the first three months of 2016 was due to

\$9.0 million of Atrush development costs incurred during the period and capitalised borrowing costs of \$2.8 million. The increase in intangible assets by \$0.8 million during the first quarter is due to \$0.4 million of Atrush exploration costs incurred in the period and capitalised borrowing costs of \$0.4 million.

## Condensed Interim Consolidated Cash Flow Statement

*(Unaudited, expressed in thousands of United States Dollars)*

	For the three months ended March 31,	
	2016	2015
Operating activities		
Net loss from continuing operations	(2,796 )	(2,486 )
Adjustments for:		
Interest expense on senior secured bonds - net	1,335	1,336
Share based payments expense	76	676
Foreign exchange loss / (gain)	41	(479 )
Unwinding discount on decommissioning provision	26	-
Depreciation and amortisation expense	11	16
Interest income	(21 )	(63 )
Changes in accounts payable and accrued expenses	2,396	(2,480 )
Changes in provisions	-	(76 )
Changes in current tax liabilities	(15 )	(8 )
Changes in other current assets	(22 )	1,290
Cash used in discontinued operations	-	(8 )
Net cash inflows from / (outflows to) operating activities	1,031	(2,282 )
Investing activities		
Interest received on cash deposits	21	63
Purchases of intangible assets	(361 )	(16,324 )
Purchase of property, plant and equipment	(8,365 )	(1 )
Net cash outflows to investing activities	(8,705 )	(16,262 )
Financing activities		
Shares issued on Rights Offering	-	60,462
Transaction costs on Rights Offering	-	(1,351 )
Net cash inflows from financing activities	-	59,111
Effect of exchange rate changes on cash and cash equivalents	(11 )	487
Change in cash and cash equivalents	(7,685 )	41,054
Cash and cash equivalents, beginning of the period	31,921	57,204
Cash and cash equivalents, end of the period	24,236	98,258

The decrease by \$7.7 million in the cash position of the Company during the first three months of 2016 was due to cash outflows of \$8.7 million on Atrush Block development activities, \$1.4 million of cash out on G&A and other cash expenses and \$2.4 million of positive cash adjustments from changes in working capital items.

### *Operating Results*

#### *Production Facility and Export Pipeline*

- Construction of the 30,000 bopd Atrush Phase 1 Production Facility (“Production Facility”) is nearing mechanical completion. Commissioning is scheduled to begin in May of 2016. Completion of the production

facilities is targeted for mid 2016.

- Work on the dedicated feeder pipeline to be constructed between the Production Facility and the tie-in point on the main export pipeline has started. The Atrush partnership is responsible for construction of the pipeline to the block boundary, which is progressing according to plan. The KRG is responsible for the construction of the section of the pipeline from the block boundary to the tie-in point on the main export pipeline. It is now planned to construct a 12 inch pipeline to the location of a future blending station, followed by a 36 inch pipeline. Delays in the commencement of this pipeline project have resulted in first oil being deferred until the fourth quarter of 2016.

### *Corporate Highlights*

- On February 15, 2016 the Company reported updates to estimated reserves and contingent resources for the Atrush block as of December 31, 2015. Total oil in place is estimated at 1.5 to 2.8 billion barrels, with Total Field Proven plus Probable ("2P") Reserves on a property gross basis increasing from 61.5 million barrels ("MMbbl") to 85.1 MMbbl, an increase of 38 percent. Total Field Unrisked Best Estimate Discovered Recoverable Resources ("2P + 2C")(1) on a property gross basis increased from 372 million barrels oil equivalent (MMboe)(2) to 389 MMboe.
- The Company closed a financing arrangement in early May 2016 (the "Financing Arrangement") with holders of the \$150 million bonds (the "Senior Bonds") of General Exploration Partners. Inc. ("GEP"), a wholly owned subsidiary of ShaMaran. The Financing Arrangement provides the Company with additional liquidity in 2016 of approximately \$33 million based on the issuance of \$17 million of additional super senior bonds (\$16.2 million proceeds net of transaction costs) and provides terms for the Company to pay bond coupon interest in kind by issuing additional bonds, including approximately \$17.9 million of 2016 coupon interest. Also under the Financing Arrangement the Company issued 218,863,000 common shares at a deemed price of CAD 0.105 per share to holders of the Senior Bonds who elected to convert Senior Bonds into ShaMaran shares which represented \$18 million of Senior Bonds at face value.

### OUTLOOK

The outlook for the remainder of the year 2016 is as follows:

#### *Production Facility*

Construction of the 30,000 bopd Atrush Phase 1 Production Facility will continue and commissioning is scheduled to be completed mid 2016.

Engineering and design of water injection facilities is planned to commence in 2016.

#### *Oil Export Pipeline*

Construction of the export pipeline has started. The scope of the pipeline has changed downstream of the Atrush Block boundary and it is now planned to consist of an 18 kilometre 12" section to the location of a future blending station and a 16 kilometre 36 inch section to the main export pipeline. First oil is now expected in the fourth quarter of 2016.

#### *Wells*

The Operator plans to complete the AT-2 and AT-4 wells prior to first production. Four producers, all equipped with ESPs, are planned to be available for production at start up.

This will be followed by the drilling and completion of a dedicated water disposal well and the drilling of an appraisal and development well in 2017.

### ANNUAL GENERAL MEETING

The Company also announces that the Annual General Meeting of Shareholders will be held on Wednesday, June 15, 2016, at 8:00 a.m. (Vancouver time) at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

### ABOUT SHAMARAN

ShaMaran Petroleum Corp. is a Kurdistan focused oil development and exploration company with a 26.8% direct interest in the Atrush oil discovery until such time that the Kurdistan Regional Government has completed the exercise of its right to acquire up to a 25% interest. The Atrush Block is currently undergoing an appraisal and development campaign.

ShaMaran is a Canadian oil and gas company listed on the TSX Venture Exchange and the NASDAQ OMX First

North Exchange (Stockholm) under the symbol "SNM". Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. Pareto Securities AB is the Company's Certified Advisor on NASDAQ OMX First North.

The Company's condensed interim consolidated financial statements, notes to the financial statements and management's discussion and analysis have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and are also available on the Company's website ([www.shamaranpetroleum.com](http://www.shamaranpetroleum.com)).

## FORWARD LOOKING STATEMENTS

*This news release contains statements and information about expected or anticipated future events and financial results that are forward-looking in nature and, as a result, are subject to certain risks and uncertainties, such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. Any statements that are contained in this news release that are not statements of historical fact may be deemed to be forward-looking information. Forward-looking information typically contains statements with words such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "projects", "potential", "scheduled", "forecast", "outlook", "budget" or the negative of those terms or similar words suggesting future outcomes. The Company cautions readers regarding the reliance placed by them on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.*

*Actual results may differ materially from those projected by management. Further, any forward-looking information is made only as of a certain date and the Company undertakes no obligation to update any forward-looking information or statements to reflect events or circumstances after the date on which such statement is made or reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information.*

(1) This estimate of remaining recoverable resources (unrisked) includes contingent resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered.

(2) Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 million cubic feet ("Mcf") per one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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