Shamaran Petroleum

ShaMaran Announces 2017 Year End Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA–(Marketwired - March 9, 2018) -ShaMaran Petroleum Corp. (“ShaMaran” or the “Company”) (TSX VENTURE:SNM)(OMX:SNM) is pleased to announce its financial and operating results for year ended December 31, 2017. Unless otherwise stated all currency amounts indicated as “$” in this news release are expressed in thousands of United States dollars.

Chris Bruijnzeels, President and CEO of ShaMaran, commented, “*2017 was a defining year for ShaMaran with start of production in July 2017. I am encouraged by the production performance and the continued payments from the Kurdistan Regional Government which will allow us to continue investing in Atrush and work towards defining the next phase of development.*”

HIGHLIGHTS AND DEVELOPMENTS

Operations

- Oil production on the Atrush Block commenced in July 2017. Average production in the fourth quarter of 2017 was 21,700 barrels of oil per day (“bopd”). To address certain production constraints the facilities were shut down in the beginning of October. These constraints have now successfully been resolved. In winter months the Atrush Production Facilities are limited to processing approximately 27,000 bopd of the total 30,000 bopd capacity due to low ambient temperatures which reduces the amount of heat otherwise available to process the oil to export specifications.

- 3.4 million barrels of oil were produced and exported from Atrush for sale to the Kurdistan Regional Government (“KRG”) during the second half of 2017 resulting in an average production of 18.1 thousand barrels per day. The Company’s entitlement share1 of 2017 exports was approximately 400 thousand barrels which were sold at an average netback price2 of $44.38 per barrel of oil. In the fourth quarter of 2017 oil was exported and sold from Atrush totalling 2.0 million barrels. The Company’s entitlement share of fourth quarter exports was approximately 295 thousand barrels which were sold at an average netback price of $47.0 per barrel of oil.

- The Company’s cash inflows from Atrush related activities are comprised of three elements:

  - Entitlement share of Atrush PSC profit oil and cost oil: from commencement of exports in July 2017 up to the date of the MD&A the Company has received payments totalling $8.5 million which reflect its entitlement share of the $44.2 million in total payments received by the Atrush Non-Government Contractors from the KRG for July through November 2017 oil sales.

  - Atrush Exploration Costs receivable: over this same period the Company collected a further $458 thousand of Atrush Exploration Cost receivables from the KRG’s entitlement share of July through November 2017 oil sales.

  - The Atrush Development Cost Loan and the Atrush Feeder Pipeline Cost Loan (“the KRG Loans”), In January 2018 the Non-Government Contractors and the KRG agreed that substantially all the first two instalments on the KRG Loans, which were due in November and December of 2017, would be offset against amounts owed to the KRG for security services which they provided for the Atrush operations, and an Atrush production bonus. The KRG Loan balances collected by the Company under the agreement was $2.6 million. January 2018 and subsequent invoices are expected to be paid in line with the current practice for crude oil sales payments. The January 2018 invoice is therefore expected to be paid in April 2018.

- The Chiya Khere-7 (“CK-7”) well, which was spudded on September 17, 2017 reached a final depth of 1,861 metres in early November 2017. The reservoir section was encountered approximately 114 metres shallower than prognosis which had a positive impact of the Company’s 2P reserves reported as at December 31, 2017. The well was drilled on time and under budget.

- In February 2018 a new sales agreement was concluded between the Atrush Non-Government Contractors and the KRG for the sale of Atrush oil whereby the KRG will buy oil exported from the Atrush field by pipeline at the Atrush block boundary based upon the Dated Brent oil price minus $15.73 ($16.04 under the previous agreement) for quality discount and all local and international transportation costs. This discount is based on the same principles as other oil sales agreements in the Kurdistan Region of Iraq and reflects a better API gravity than was assumed in the previous sales agreement.

Corporate

- On January 30, 2017 the Company completed the issue of 360 million common shares of ShaMaran on a private placement basis (the "Private Placement") at a price per share of CAD 0.10 (equal to SEK 0.67) which resulted in gross proceeds to the Company of $27.3 million ($26.4 million net of transaction related costs). Zebra Holdings and Investments SARL, Lorito Holdings SARL and Lundin Petroleum BV, the Company's major shareholders, subscribed for 43,463,618 shares, 16,984,621 shares and 17,800,000 shares, respectively, in the Private Placement.

- On February 15, 2018 the Company reported estimated reserves and contingent resources for the Atrush field as at December 31, 2017. Total Field Proven plus Probable ("2P") Reserves on a property gross basis for Atrush increased from 85.1 MMbbl reported as at December 31, 2016 to 102.7 MMbbl which, when 2017 Atrush production of 3.4 MMbbl is included, represents an increase of 25 percent. Total Field Unrisked Best Estimate Contingent Oil Resources ("2C")3 on a property gross basis for Atrush was approximately the same as the 2016 estimate at 296 MMbbl. Total discovered oil in place in the Atrush Block is a low estimate of 1.5 billion barrels, a best estimate of 2.1 billion barrels and a high estimate of 2.9 billion barrels.

OUTLOOK

Operations

- Production guidance for Atrush gross in 2018 is 25,000 to 30,000 bopd with lifting costs for the year forecasted at $6.8/bbl.

- Capital expenditure guidance is $19.6 million (20.1% working interest in Atrush) which includes:

    - identify and install additional heat sources ahead of the next winter months;

    - continue with program to identify debottleneck opportunities to further increase production capacity beyond 30,000 bopd;

    - testing and completion of the CK-7 well;

    - install the CK-7 flow line and bring CK-7 into production;

    - drilling, testing and completion of Chiya Khere ("CK-10"), a sixth development well;

    - drilling and completion of Chiya Khere ("CK-9"), a dedicated water disposal well; and

    - conducting extended testing of the CK-6 well which is located on the eastern side of the Atrush Block and which is outside the 2P reserve area of Atrush. This would involve the installation of temporary production facilities near the Chamanke-C well pad and the delivery by truck of oil to the main Phase 1 Production Facilities.

- Following the results of the CK-7 and CK-10 wells, the extended well testing in CK-6 and sustained production from the Phase 1 Production Facilities the Company expects to further assess the significant undeveloped Atrush resource base with the potential to grow organically to approximately 100,000 bopd production.

FINANCIAL AND OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

Oil production commenced on July 3, 2017 from the Atrush Block located in the Kurdistan Region of Iraq and work continued on the Atrush development program throughout the year 2017.

Financial Results

The Company has reported in 2017 a net loss of $11.5 million which was primarily driven by finance cost, the substantial portion of which was expensed borrowing costs on the Company's bonds, and routine general and administrative expenses. These charges have been offset by the gross margin on Atrush oil sales, interest income on Atrush cost loans and interest on cash held in short term deposits.

Statement of Comprehensive Income

(Audited, expressed in thousands of United States Dollars)

	For the year ended December 31,	
	2017	2016
Revenues	17,689	-
Cost of goods sold:		
Lifting costs	(5,547)	-
Other costs of production	(834)	-
Depletion	(7,628)	-
Gross margin on oil sales	3,680	-
Service fee income	-	120
Share based payments expense	(11)	(249)
Depreciation and amortisation expense	(26)	(45)
General and administrative expense	(4,511)	(3,811)
Loss from operating activities	(868)	(3,985)
Finance income	1,649	484
Finance cost	(12,195)	(5,586)
Net finance cost	(10,546)	(5,102)
Loss before income tax expense	(11,414)	(9,087)
Income tax expense	(85)	(69)
Loss for the year	(11,499)	(9,156)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Currency translation differences	31	22
Items that will not be reclassified to profit or loss:		
Actuarial (loss) / gain on defined pension plan	(13)	15
Total other comprehensive income	18	37
Total comprehensive loss for the year	(11,481)	(9,119)

Consolidated Balance Sheet

(Audited, expressed in thousands of United States Dollars)

	As at December 31,	
	2017	2016
Assets		
Non-current assets		
Property, plant and equipment	184,921	174,658
Intangible assets	89,119	89,007
Loans and receivables	44,696	46,114
	318,736	309,779
Current assets		

Loans and receivables	32,277	7,252
Cash and cash equivalents, unrestricted	3,094	4,416
Cash and cash equivalents, restricted	2,162	-
Other current assets	212	224
	37,745	11,892
Total assets	356,481	321,671
Liabilities and equity		
Current liabilities		
Borrowings	185,692	-
Accounts payable and accrued expenses	4,827	6,434
Accrued interest expense on bonds	2,799	2,503
	193,318	8,937
Non-current liabilities		
Provisions	9,427	8,869
Pension liability	1,781	1,670
Borrowings	-	165,129
	11,208	175,668
Total liabilities	204,526	184,605
Equity		
Share capital	637,538	611,179
Share based payments reserve	6,495	6,484
Cumulative translation adjustment	(30)	(61)
Accumulated deficit	(492,048)	(480,536)
Total equity	151,955	137,066
Total liabilities and equity	356,481	321,671

Total assets increased over the year 2017 by $34.8 million due to increases in share capital and equity reserves by $26.4 million, borrowings and accrued interest by $20.8 million and other non-current liabilities by $0.7 million which were offset by an increase in the accumulated deficit by $11.5 million, principally due to the net loss recorded in the period and a decrease in current liabilities by $1.6 million.

Property, plant & equipment assets increased during the 12 months ended December 31, 2017 by $10.3 million which was due to additions of $9.1 million in Atrush development costs and $8.8 million in capitalised borrowing net of $7.6 million in depletion costs. The increase in intangible assets by $112 thousand during the year 2017 resulted from net additions of $104 thousand and $16 thousand in capitalised borrowing costs net of $8 thousand in amortisation and revaluation of foreign currency item. Loans and receivables increased by $23.6 million from accruing $14.0 million of accounts receivables on Atrush oil sales, funding $7.2 million of Feeder Pipeline costs and $3.7 million of the KRG's share of development costs, and accruing interest of $1.5 million on the outstanding loan balances, net of $0.2 million Atrush Exploration Cost Receivables collected and $2.6 million of loans amounts due from the KRG which were offset against amounts owed to the KRG.

Consolidated Cash Flow Statement

(Audited, expressed in thousands of United States Dollars)

	For the year ended December 31,	
	2017	2016
Operating activities		
Loss for the year	(11,499)	(9,156)

Adjustments for:		
Interest expense on borrowings - net	12,089	5,518
Depreciation, depletion and amortisation expense	7,654	45
Foreign exchange loss	102	-
Share based payments expense	11	249
Unwinding discount on decommissioning provision	4	68
Actuarial (loss) / gain on pension plan	(13)	15
Interest income	(1,649)	(484)
Changes in pension liability	37	(18)
Changes in other current assets	12	(24)
Changes in current tax liabilities	-	(31)
Changes in accounts payable and accrued expenses	(1,607)	(3,126)
Changes in accounts receivables on Atrush oil sales	(13,957)	-
Net cash outflows to operating activities	(8,816)	(6,944)
Investing activities		
Loans and receivables - payments received	2,806	-
Interest received on cash deposits	107	44
Purchases of intangible assets	(82)	(7)
Purchase of property, plant and equipment	(8,621)	(32,073)
Loans and receivables - payments issued	(10,914)	(4,769)
Net cash outflows to investing activities	(16,704)	(36,805)
Financing activities		
Proceeds from shares issued	27,281	-
Share issue related transaction costs	(922)	-
Proceeds from shares issued	-	17,000
Bond transaction costs	-	(777)
Net cash inflows from financing activities	26,359	16,223
Effect of exchange rate changes on cash and cash equivalents	1	21
Change in cash and cash equivalents	840	(27,505)
Cash and cash equivalents, beginning of the year	4,416	31,921
Cash and cash equivalents, end of the year	5,256	4,416

The increase by $0.8 million in the cash position of the Company in 2017 was due to cash inflows of $26.4 million in net proceeds from the sale of the Company’s shares in a private placement completed in January 2017, $6.7 million from operating activities after G&A and other cash expenses, and $2.8 million of loan repayments which were offset by negative cash adjustments of $15.5 million on accounts receivables, payables and other working capital items, and cash outflows of $8.7 million on Atrush development activities and $10.9 million on loans provided to the KRG.

OTHER

This information in this release is subject to the disclosure requirements of ShaMaran Petroleum Corp. under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on March 9, 2018 at 2:30 p.m. Vancouver time.

ABOUT SHAMARAN

ShaMaran Petroleum Corp. is a Kurdistan focused oil development and exploration company with a 20.1% direct interest in the Atrush oil discovery. 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 Stockholm First North Exchange (Sweden) 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 Stockholm 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) and are also available on the Company’s website (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 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.

Reserves and resources: ShaMaran Petroleum Corp.’s reserve and contingent resource estimates are as at December 31, 2017, and have been prepared and audited in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“NI 51-101”) and the Canadian Oil and Gas Evaluation Handbook (“COGE Handbook”). Unless otherwise stated, all reserves estimates contained herein are the aggregate of “proved reserves” and “probable reserves”, together also known as “2P reserves”. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Contingent resources: Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. There is no certainty that it will be commercially viable for the Company to produce any portion of the contingent resources.

BOEs: BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf per 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not *represent a value equivalency at the wellhead.*

1 The Company’s entitlement share includes an adjustment for the exploration cost sharing arrangement between TAQA and GEP.

2 This includes a discount to Dated Brent for oil quality and all local and international transportation costs.

3 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.

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