

ShaMaran Q3 2017 Financial and Operating Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Nov 16, 2017) - [ShaMaran Petroleum Corp.](#) ("ShaMaran" or the "Company") (TSX VENTURE:SNM)(OMX:SNM) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2017. Unless otherwise stated all currency amounts indicated as "\$" in this news release are expressed in thousands of United States dollars.

HIGHLIGHTS AND DEVELOPMENTS

Operations

- Oil production on the Atrush Block commenced in July 2017. Atrush is currently producing at approximately 26 thousand barrels of oil per day ("bopd"). In order to address certain production constraints the facilities were shut down in late October. These constraints have now successfully been resolved.
- One of the four production wells, Atrush 4, ("AT-4") is currently shut in. The well was back-producing drilling fluid during drilling operations. In order to not upset the production system it was decided to clean up the well via temporary flowback. The receipt of a flare permit from the Kurdistan Regional Government ("KRG"). This operation is now planned for early 2018.
- In October and November 2017 the Company received payments totalling \$2.5 million representing its entitlement to the \$9.7 million in total payments received by the Atrush Non-Government Contractors from the KRG for July and August 2017 and sales from Atrush and reimbursement instalments of the Atrush Exploration Costs receivable. 703 thousand barrels of oil were exported from Atrush for the months of July and August with an average netback price¹ of \$35.3 per barrel of oil. Total oil produced and exported from Atrush over the third quarter was 1.3 million barrels resulting in an average of 14.6 thousand barrels per day. The average netback price over the quarter was \$36.86 per barrel and the average lifting cost was \$12.46 per barrel.
- The Chiya Khere-7 ("CK-7"), which was spudded on September 17, 2017 reached a final depth of 1,861 metres in late November 2017. The reservoir section was encountered approximately 114 metres shallower than prognosis. The well was drilled on time and under budget. Testing and completion of the well will be performed in 2018 to coincide with initial production. Flow lines between the Production Facility and the Chamanke E location where the well is located. The main objectives of the well are to appraise the commercial potential of the Mus formation, to help reduce the uncertainty in the location of the reservoir, medium to heavy oil transition zone and to serve as a further producing well.
- In September 2017 an agreement was concluded between the Atrush Non-Government Contractors and the KRG regarding the export of Atrush oil whereby the KRG will buy oil exported from the Atrush field by pipeline at the Atrush block boundary at the Dated Brent oil price minus approximately \$16 for quality discount and all local and international transportation costs. The discount is based on the same principles as other oil sales agreements in the Kurdistan Region of Iraq.
- The Final Completion Certificate for the Atrush Feeder Pipeline ("FCC") was issued on October 31, 2017 which releases the obligation of the Non-Government Contractors to fund the KRG's share of development costs and triggers the commencement of repayment of both the Atrush Feeder Pipeline Cost Loan and the Atrush Development Cost Loan. The first loan instalments are due later in November 2017.
- Following the independence referendum held in Kurdistan on September 25, 2017, operations in the Atrush field are continuing in a normal, safe and secure manner. Exports from Atrush are continuing via the Kurdistan Export Pipeline system and drilling operations on the CK-7 well are progressing as planned. Nevertheless, events since the referendum suggest an increase in the potential for political instability within the region.

¹ This includes a discount to Dated Brent for oil quality and all local and international transportation costs.

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, Zebra Holdings SARL and Lundin Petroleum BV, the Company's major shareholders, subscribed for 43,463,618 shares of ShaMaran and 17,800,000 shares, respectively, in the Private Placement.

- In February 2017 the Company reported estimated reserves and contingent resources for the Atrush block as of February 28, 2017. Reserves and resource estimates have remained unchanged from those reported for the prior year. 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 2.8 billion barrels, with Total Field Proven plus Probable ("2P") Reserves on a property gross basis of 85.1 MMbbl and Total Field Unrisked Best Estimate Contingent Resources ("2C") on a property gross basis of 304 million barrels oil equivalent (MMboe).^{2 3}

² "MMbbl" means million barrels and "MMboe" means million barrels of oil equivalents. Boe may be misleading, particularly 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.

³ This estimate of remaining recoverable resources (unrisked) includes contingent resources that have not been adjusted based on the chance of development. It is not an estimate of volumes that may be recovered.

OUTLOOK

Operations

- In the fourth quarter of 2017 it is planned to produce the AT-4 well until clean via temporary facilities and bring Atrush production up to the facilities' design capacity of 30,000 bopd.
- Plans for Atrush for 2018 include:
 - continue with program to identify bottlenecks in order to maximise output from the Production Facility;
 - 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 Khare ("CK-10"), a sixth development well;
 - drilling and completion of Chiya Khare ("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 be in a position to further assess the significant undeveloped Atrush resource base.
- The political situation in the Kurdistan region will be monitored continuously and the market will be appraised of any material impact on operational activity.

FINANCIAL AND OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

During the reporting period production commenced from the Atrush Block petroleum property located in the Kurdistan Region of Iraq and work continued on the Atrush development program.

Financial Results

The Company reports a net loss of \$9.5 million for the nine months ended September 30, 2017 which was primarily driven by a negative margin on Atrush oil sales, general and administrative expenses and finance cost, the substantial portion of which was expensed borrowing costs on the Company's Senior Bonds and Super Senior Bonds. These expenses have been slightly offset by interest income on Atrush cost loans to the KRG and interest on cash held in short term deposits.

Condensed Interim Statement of Comprehensive Income (Unaudited, expressed in thousands of United States Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenues	3,782	-	3,782	-
Cost of goods sold	(4,583	) -	(4,583) -

Gross loss	(801	) -	(801) -
Service fee income	-	90	-	120
Share based payments expense	-	(58	) (11	) (192
Depreciation and amortisation expense	(8	) (12	) (26	) (34
General and administrative expense	(1,637	) (695	) (3,545	) (3,006
Loss from operating activities	(2,446	) (675	) (4,383	) (3,112
Finance income	525	16	1,288	39
Finance cost	(3,436	) (1,393	) (6,393	) (4,228
Net finance cost	(2,911	) (1,377	) (5,105	) (4,189
Loss before income tax expense	(5,357	) (2,052	) (9,488	) (7,301
Income tax expense	(36	) (14	) (71	) (55
Loss for the period	(5,393	) (2,066	) (9,559	) (7,356
Other comprehensive income				
<i>Items that may be reclassified to profit or loss:</i>				
Currency translation differences		(11	) 35	53
Actuarial loss on defined pension plan	-	-	-	(505
Total other comprehensive income	1	(11	) 35	(452
Total comprehensive loss for the period	(5,392	) (2,077	) (9,524	) (7,808

Condensed Interim Consolidated Balance Sheet

(Unaudited, expressed in thousands of United States Dollars)

At September 30, 2017 At December 31, 2016

Assets

Non-current assets

Property, plant and equipment	189,365	174,658
Intangible assets	89,280	89,007
Loans and receivables	48,580	46,114
	327,225	309,779

Current assets

Loans and receivables	19,428	7,252
Cash and cash equivalents	6,982	4,416
Other current assets	279	224
	26,689	11,892
Total assets	353,914	321,671

Liabilities and equity

Current liabilities

Accounts payable and accrued expenses	6,054	6,434
Accrued interest expense on bonds	7,715	2,503
	13,769	8,937

Non-current liabilities

Borrowings	175,345	165,129
Provisions	9,227	8,869
Pension liability	1,661	1,670
	186,233	175,668
Total liabilities	200,002	184,605

Equity

Share capital	637,538	611,179	
Share based payments reserve	6,495	6,484	
Cumulative translation adjustment	(26) (61)
Accumulated deficit	(490,095) (480,536)
Total equity	153,912	137,066	

Total liabilities and equity	353,914	321,671
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Total assets increased during the first nine months of 2017 by \$32.2 million as a result of increases in share capital and reserves by \$26.4 million, borrowings by \$10.2 million, current liabilities by \$4.8 million and other non-current liabilities \$1.8 million which were offset by an increase in the accumulated deficit by \$9.6 million, principally due to the net loss recorded in the period.

Property, plant & equipment assets increased during the three quarters ended September 30, 2017 by \$14.7 million which was due to additions of \$8.0 million in Atrush development costs and \$9.0 million in capitalised borrowing net of \$2.3 million in depreciation and amortisation costs. The increase in intangible assets by \$0.3 million during the first nine months of 2017 resulted from additions of \$0.4 million and from 0.1 million in capitalised borrowing costs. Loans and receivables increased by \$14.6 million from funding \$6.2 million of Feeder Pipeline costs, \$3.8 million of accounts receivables on Atrush oil sales, funding \$3.4 million of the KRG's share development costs and \$1.2 million of accrued interest on the outstanding loan balances.

Condensed Interim Consolidated Cash Flow Statement
(Unaudited, expressed in thousands of United States Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Operating activities				
Loss for the period	(5,393	) (2,066	) (9,559	) (7,356
Adjustments for:				
Interest expense on borrowings - net	3,431	1,375	6,375	4,103
Depreciation, depletion and amortisation expense	2,290	12	2,308	34
Unwinding discount on decommissioning provision	7	19	-	62
Share based payments expense	-	58	11	192
Pension expense	-	-	11	14
Foreign exchange (gain) / loss	(7	) (10	) 19	64
Interest income	(518	) (6	) (1,288	) (39
Changes in current tax liabilities	-	(8	) -	(31
Changes in other current assets	(40	) (41	) (55	) (84
Changes in accounts payable and accrued expenses	(81	) (4,317	) (380	) (4,970
Changes in accounts receivables on Atrush oil sales	(3,782	) -	(3,782) -
Net cash outflows to operating activities	(4,093	) (4,984	) (6,340	) (8,011
Investing activities				
Interest received on cash deposits	29	6	94	39
Purchases of intangible assets	(149	) (58	) (185	) (56
Purchase of property, plant and equipment	(1,435	) (8,641	) (7,746	) (25,186
Loans and receivables - advances to joint venture partner	(2,133	) -	(9,610) -
Net cash outflows to investing activities	(3,688	) (8,693	) (17,447	) (25,203
Financing activities				
Proceeds from shares issued	-	-	27,281	-
Share issue related transaction costs	-	-	(922) -
Proceeds from shares issued	-	-	-	17,000
Bond transaction costs	-	-	-	(780
Net cash inflows from financing activities	-	-	26,359	16,220
Effect of exchange rate changes on cash and cash equivalents	4	(3	) (6	) (14
Change in cash and cash equivalents	(7,777	) (13,680	) 2,566	(17,008
Cash and cash equivalents, beginning of the period	14,759	28,593	4,416	31,921
Cash and cash equivalents, end of the period	6,982	14,913	6,982	14,913

The increase by \$2.6 million in the cash position of the Company during the first nine months of 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 offset by spending of \$7.9 million on Atrush development activities, \$9.6 million of financing provided to a joint venture partner and \$1.2 million of accrued interest on the outstanding loan balances.

million of cash out on G&A and other cash expenses and \$0.4 million of cash out on payables and other working capital.

OTHER

This information in this release is subject to the disclosure requirements of [ShaMaran Petroleum Corp.](#) under the EU Market Abuse Regulation and/or the Swedish Securities Market Act. This information was publicly communicated on November 16, 2016, 10:00 AM Central European 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 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. Scotia Securities AB is the Company's Certified Advisor on NASDAQ 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, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislative developments, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in the occurrence of unexpected events and management's capacity to execute and implement its future plans. Any statements 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", "anticipate", "believe", "estimate", "projects", "potential", "scheduled", "forecast", "outlook", "budget" or the negative of these 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 projected by the Company.

Actual results may differ materially from those projected by management. Further, any forward-looking information is made 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, as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management to predict all of these factors and to assess in advance the impact of each such factor on the Company's operations. The extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in forward-looking information.

Reserves and resources: [ShaMaran Petroleum Corp.](#)'s reserve and contingent resource estimates are as at December 31, 2015, 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, the reserves estimates contained herein are the aggregate of "proved reserves" and "probable reserves", together also known as "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.

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