

ShaMaran Announces Q1.2018 Financial and Operating Results

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VANCOUVER, May 9, 2018 /CNW/ - [ShaMaran Petroleum Corp.](#) ("ShaMaran" or the "Company") (TSX VENTURE: SNM) is pleased to announce its financial and operating results for the three months ended March 31, 2018. Unless otherwise stated all currency amounts indicated as "\$" in this news release are expressed in thousands of United States dollars.

FIRST QUARTER HIGHLIGHTS

- \$26.5 million in revenues from Atrush oil sales with strong operational cash flows.
- \$6.06 average lifting cost per barrel.
- 20,300 bopd average production. 2018 guidance revised to 23,000 - 28,000 bopd.
- Significant additional well capacity demonstrated in testing of Chiya Khere-7 ("CK-7") development well.
- Atrush production expected to reach near plant capacity once CK-7 tied in.
- 25% increase in 2P reserves announced in February.
- Company in an advanced state with plans to refinance bonds before maturity.

Chris Bruijnzeels, President and CEO of ShaMaran, commented "This is the first quarter ShaMaran has posted a profit since it began producing. Regular payments from the KRG and a higher than forecasted oil price contributed to robust operating performance. ShaMaran is now building up a healthy cash balance, which allows us to resume paying for our bond coupon interest without interruption. Although production performance in the first quarter of 2018 was not as strong as expected, I think we are taking the right steps to resolve the recent production issues and with the positive CK-7 well test results, I expect improved production in the near future. ShaMaran is getting stronger by the day."

Operations

- In the first quarter of 2018 oil produced and exported from Atrush for sale to the Kurdistan Regional Government totaled 2.1 million barrels resulting in average production of 23,600 barrels of oil per day ("bopd") which was an increase from the daily production of 21,700 reported in the fourth quarter of 2017. The Company's entitlement share of first quarter production was 518 thousand barrels which were sold at an average netback price¹ of \$51.14 per barrel of oil which equates to revenue of \$26.5 million for the quarter. The first quarter production entitlement exceeds the Company's working interest production obligation primarily because of the exceptional redistribution of cost oil revenues from TAQA Atrush BV ("TAQA" and Operator of the Block) and General Exploration Partners, Inc. ("GEP" and a wholly owned subsidiary of the Company) under the Atrush Operating Agreement ("Atrush JOA").² Average lifting costs for the quarter were \$6.06/bbl, which is below the Company's \$6.80/bbl guidance for 2018 provided on March 9, 2018.
- First quarter production was below the Company's 2018 guidance range of 25,000 to 30,000 bopd. Production in the quarter averaged 20,300 bopd. Investigations revealed a partial blockage of the heat exchanger by sediments. The production facilities were shut down for four days in April during which time the sediments were successfully removed. Sediment samples have been taken and are being analysed. In anticipation of the final sediment analysis, Atrush is currently producing at approximately 20,000 bopd, whilst carefully being monitored.
- Three wells are currently producing, Atrush-2 ("AT-2"), Chiya Khere-5 ("CK-5") and Chiya Khere-8 ("CK-8"). The Atrush-4 ("AT-4") well is shut in due to low productivity and awaiting a workover to install a smaller pump which now is planned for Q3 2018.

- The Chiya Khere-7 ("CK-7") was drilled in Q4 2017 and the reservoir section was encountered approximately 114 shallower than prognosis. In March and April 2018 three intervals were successfully tested: the Mus, the Alan and Sargelu formation all produced dry oil. CK-7 is now completed on the Alan and Lower Sargelu formation with an electric submersible pump. During the final completion test the well produced 27.5 API oil at 7,040 bopd at only 14 psi draw based on the test results the well is expected to be able to produce over 10,000 bopd. CK-7 is now ready for production and will be commissioned upon completion of the connecting pipeline which is expected early in the third quarter of 2018.

Financial and Corporate

- The Company's cash inflows in the first quarter of 2018 from Atrush related activities are comprised of three elements:
 - Entitlement share of Atrush PSC profit oil and cost oil: the Company received payments totalling \$14.0 million for entitlement share of the \$40.7 million in total payments received by the Atrush Non-Government Contractors for October through December 2017 oil sales. A further \$11.1 million was received in April relating to January 2018 oil sales. The relatively high January receipts is explained by the exceptional redistribution of cost oil revenues from GEP under the Atrush JOA.

Atrush Exploration Costs receivable³: over this same period the Company collected a further \$532 thousand of Exploration Cost receivables from the KRG's entitlement share of October through December 2017 oil sales. \$255 thousand was received in April relating to January 2018 oil sales.

- The Atrush Development Cost Loan and the Atrush Feeder Pipeline Cost Loan ("the KRG Loans"): In January 2018 the Atrush Non-Government Contractors and the KRG agreed that substantially all the first two instalments on the KRG Loans were due in November and December of 2017, would be offset against amounts owed to the KRG for security provided for the Atrush operations, and an Atrush production bonus. The KRG Loan balances currently due to the Company under the agreement was \$2.6 million. The January 2018 invoice was paid in April 2018 which is the current practice for crude oil sales payments.
- 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 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 Region of Iraq and reflects a better API gravity than was assumed in the previous sales agreement.
- 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 80.7 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")⁴ 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 field 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

- Following the unexpected accumulation of solids in the production facilities the production guidance for Atrush gross oil has been reduced to 23,000 to 28,000 bopd while guidance for 2018 lifting costs remains unchanged at \$6.80/bbl.
- Capital expenditure guidance remains unchanged at previous estimate of \$19.6 million (20.1% working interest in place) 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
 - 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 within 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 Production Facilities the Company expects to further assess the significant undeveloped Atrush resource base with the goal to grow organically to approximately 100,000 bopd production.

Financing

- Coupon interest of \$10.7 million under the outstanding Senior and Super Senior Bond which is due May 13, 2018, was paid in cash from the Company's cash reserves. Bond coupon interest payments had been made in kind by issuing so-called "zero coupon" bonds since the Company refinanced its bonds in May 2016.
- The Senior and Super Senior bonds are due to mature in November 2018. The Company is in an advanced state of negotiations to refinance the bonds before maturity.

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2018

Oil production commenced on July 3, 2017 from the Atrush Block located in the Kurdistan Region of Iraq. Atrush production operations and work on the Atrush development program continued throughout the first quarter of 2018.

Financial Results

The net income was primarily driven by the gross margin on Atrush oil sales and interest income on Atrush cost loans and was reduced by general and administrative expenses and finance cost, the substantial portion of which were expected to be offset by borrowing costs on the Company's Senior Bonds and Super Senior Bonds.

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

	For the three months ended March 31,	
	2018	2017
Revenues	26,501	-
Cost of goods sold:		
Lifting costs	(2,426)	-
Other costs of production	(202)	-
Depletion	(9,540)	-
Gross margin on oil sales	14,333	-
Share based payments expense	-	(11)
Depreciation and amortisation expense	(4)	(10)
General and administrative expense	(925)	(1,090)
Income / (loss) from operating activities	13,404	(1,111)
Finance income	443	352
Finance cost	(4,230)	(1,503)
Net finance cost	(3,787)	(1,151)
Income / (loss) before income tax expense	9,617	(2,262)
Income tax expense	(16)	(21)
Income / (loss) for the period	9,601	(2,283)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Currency translation differences	18	16
Total other comprehensive income	18	16
Total comprehensive income / (loss) for the period	9,619	(2,267)

Condensed Interim Consolidated Balance Sheet
(Unaudited, expressed in thousands of United States Dollars)

At March 31, 2018 At December 31, 2017

Assets

Non-current assets

Property, plant and equipment	178,558	184,921
Intangible assets	89,324	89,119
Loans and receivables	39,300	44,696
	307,182	318,736

Current assets

Loans and receivables	50,507	32,277
Cash and cash equivalents, restricted	8,205	2,162
Cash and cash equivalents, unrestricted	3,145	3,094
Other current assets	300	212
	62,157	37,745
Total assets	369,339	356,481

Liabilities and equity

Current liabilities

Borrowings	185,902	185,692
Accrued interest expense on bonds	8,159	2,799
Accounts payable and accrued expenses	1,979	4,827
Current tax liabilities	9	-
	196,049	193,318

Non-current liabilities

Provisions	9,892	9,427
Pension liability	1,824	1,781
	11,716	11,208
Total liabilities	207,765	204,526

Equity

Share capital	637,538	637,538
Share based payments reserve	6,495	6,495
Cumulative translation adjustment	(12)	(30)
Accumulated deficit	(482,447)	(492,048)

Total assets increased in the first quarter of 2018 by \$12.9 million, due to a decrease in the accumulated deficit by \$9.6 million, related to the income generated in the period, and increases in borrowings and accrued interest by \$5.6 million and other non-current liabilities by \$0.5 million net of a decrease in accounts payable and accrued expenses by \$2.8 million.

Total liabilities and equity	309,339	356,481
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Property, plant & equipment assets decreased during the 3 months ended March 31, 2018 by \$6.4 million which was due to depletion and depreciation costs of \$9.5 million net of additions of \$1.8 million in Atrush development costs and \$1.3 million in capitalised borrowing costs. The increase in intangible assets by \$205 thousand during the first quarter of 2018 resulted from Atrush exploration and evaluation costs of \$113 thousand and \$95 thousand in capitalised borrowing costs net of \$3 thousand in amortisation and revaluation of foreign currency item. Loans and receivables increased by \$12.8 million from accruing an additional \$12.5 million of accounts receivables on Atrush oil sales, funding \$0.4 million of Feeder Pipeline costs and accrued interest of \$0.4 million on the outstanding loan balances, net of \$0.5 million Atrush Exploration Cost Receivables collected.

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

	For the three months ended March 31,	
	2018	2017
Operating activities		
Income / (loss) for the period	9,601	(2,283)
Adjustments for:		
Depreciation, depletion and amortisation expense	9,544	10
Interest expense on borrowings – net	4,156	1,466
Foreign exchange loss	70	47
Share based payments expense	-	11
Unwinding discount on decommissioning provision	5	(10)
Interest income	(443)	(352)
Changes in current tax liabilities	9	-
Changes in pension liability	1	-
Changes in other current assets	(88)	(44)
Changes in accounts payable and accrued expenses	(2,848)	113
Changes in accounts receivables on Atrush oil sales	(12,544)	-
Net cash inflows from / (outflows to) operating activities		

7,463

(1,042)

Investing activities

Loans and receivables – payments received	540	-
Interest received on cash deposits	8	26
Purchases of intangible assets	(61)	(30)
Loans and receivables – payments issued	(394)	(4,327)
Purchase of property, plant and equipment	(1,449)	(3,391)
Net cash outflows to investing activities	(1,356)	(7,722)

Financing activities

Proceeds from shares issued	-	27,281
Share issue related transaction costs	-	(922)
Net cash inflows from financing activities	-	26,359

Effect of exchange rate changes on cash and cash equivalents	(13)	(5)
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Change in cash and cash equivalents	6,094	17,590
Cash and cash equivalents, beginning of the period	5,256	4,416
Cash and cash equivalents, end of the period*	11,350	22,006

The increase by \$6.1 million in the cash position of the Company in the first quarter of 2018 was due to cash inflows of \$22.9 million from operating activities after G&A and other cash expenses plus cash from draw down of \$0.5 million of accounts receivables and was offset by cash outflows of \$1.5 million on Atrush development activities, \$0.4 million of loans provided to the KRG, and negative cash adjustments of \$15.4 million on accounts receivables, payables and other working capital items.

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 May 9, 2018 at 7:00 p.m. Toronto 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 This includes a discount to Dated Brent for oil quality and all local and international transportation costs.

² TAQA and GEP have under the Atrush JOA agreed a priority arrangement for sharing their combined initial \$49.9 million share of exploration cost oil revenues such that TAQA receives the initial \$10.8 million and GEP receives the next \$39.1 million, thereafter cost oil revenues for these two parties is determined by their relative participating interests in the Atrush PSC. The Company's entitlement share of oil sold up to March 31, 2018 reflects a recovery of approximately \$30.5 million of the \$39.1 million. The Company forecasts that its entitlement to the remaining \$8.6 million of priority recovery will occur in April to June 2018 under current oil price and production assumptions.

³ The Exploration Costs Receivable is related to the repayment of certain development costs that ShaMaran paid on behalf of the KRG which, for purposes of repayment, are governed under the Atrush PSC and the related Facilitation Agreement and deemed to be Exploration Costs.

⁴ 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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