

Transformative Acquisition of TotalEnergies' Affiliate with an 18% Interest in Sarsang PSC and New Financings

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VANCOUVER, July 12, 2021 - [ShaMaran Petroleum Corp.](#) ("ShaMaran" or the "Company") (TSXV: SNM) Nasdaq First Growth Market: SNM) is pleased to announce that it has signed an agreement with a subsidiary of TotalEnergies S.E. ("TotalEnergies") to acquire its affiliate (TEPKRI Sarsang A/S) holding an 18% non-operated participating interest in the Production Sharing Contract (the "Sarsang PSC") in the Kurdistan Region of Iraq (the "Acquisition") for an initial consideration of USD 155 million plus working capital adjustments amounting to USD 14.2 million as of January 1, 2021. An additional consideration of USD 15 million is payable in the future as more fully described below. The Acquisition is transformative for ShaMaran's production, reserves and financial profile and delivers on the Company's focused and disciplined strategy to grow by targeting this opportunity that is accretive to the Company, its shareholders and its bondholders. [View PDF version](#)

HIGHLIGHTS

The Acquisition:

- Adds immediate incremental participating interest production of approximately 5,000 bopd of light crude oil;
- Is expected to double ShaMaran's Q2 2021 average net production of 11,090 bopd following the completion of the processing facility expansion at Swara Tika field by mid-2022;
- Enhances ShaMaran's oil reserves through the addition of high API and low sulphur oil that achieves a low discount and
- Provides a low cost structure with life-of-field operating expenditure anticipated to be approximately USD 5.60/bopd

The Sarsang block is on the northern border of the Company's Atrush block and is comprised of two producing fields: Sarsang and East Swara Tika. At Swara Tika, an expansion project is well underway with the addition of a new 25,000 bpd processing facility which is expected to lift gross production to approximately 50,000 bopd by mid-2022. Through the Acquisition, ShaMaran will add strong cash flow and a production growth trajectory underpinned by its interests in two cash-positive PSCs with other producing fields in the same vicinity.

Following a successful closing of the Acquisition, the Company's Q2 2021 average net production of 11,090 bopd is expected to double in second half of 2022 after the facility expansion at Swara Tika is completed. Additionally, the Sarsang crude is of high quality and enjoys one of the lowest price discounts to Brent in Kurdistan. In connection with the new facility being completed by mid-2022, the Sarsang block will also be connected to the Atrush feeder pipeline for future pipeline export and will then have a permanent pipeline connection to the export market.

The Acquisition is highly accretive and transformative to ShaMaran as it grows from a single asset company to a multi-field oil producer and paves the way for future growth opportunities for ShaMaran.

ShaMaran's President and Chief Executive, Dr. Adel Chaouch, said:

"We are delighted that we have agreed the acquisition of the TotalEnergies' non-operating interest in Sarsang, a high-quality producing asset with strong operational and financial fit to ShaMaran's business. This is a strategic transaction for ShaMaran, delivering value to equity and debt holders and strengthening the financial profile of the Company. Upon completion, the acquisition will add immediate material production and cash flow to ShaMaran and will provide significant value enhancement. This demonstrates our continued commitment to Kurdistan and diversifies our existing production base."

Sarsang has an attractive discovered reserves base with a strong track record of safety and sustained production. As a result,

neighboring field to the Atrush field, becoming a partner in the Sarsang field presents opportunities for potential integration synergies with Atrush operations.

We would like to thank TotalEnergies for their commitment in the negotiations of this acquisition and look forward to a constructive partnership in the future with the Sarsang operator, as well as a continued and trusted relationship with the Regional Government of Iraq."

TRANSACTION DETAILS

ShaMaran has agreed to acquire 100% of the shares of TEPKRI Sarsang A/S ("TEPKRI"), a subsidiary of TotalEnergies, which holds an 18% non-operated participating interest in the Sarsang PSC. The Acquisition has an effective date of January 1, 2022.

ShaMaran will pay an initial consideration of USD 155 million upon closing of the Acquisition before working capital and adjustments and an additional contingent consideration of USD 15 million in the future, as follows:

- The initial consideration of USD 155 million is divided into (i) an upfront cash payment of USD 135 million payable at closing and (ii) a deferred consideration of USD 20 million structured as a vendor finance in the form of a 5.5% convertible promissory note issued to a subsidiary of TotalEnergies with a 12-months' maturity from the date of closing.
- An additional contingent consideration of USD 15 million is payable in the future upon (i) cumulative gross production of the Sarsang PSC reaching 130 MMbbls and (ii) subject to Brent crude oil prices averaging at least USD 60/bbl for a 12-months' period.

ShaMaran expects to receive significant positive cash flow upon closing of the Acquisition based on 2021 cash flows at current oil prices.

The Company intends to finance the Acquisition through the issue of new debt, equity and by utilizing the Company's cash balance.

The "change of control" of TEPKRI resulting from the Acquisition is subject to regulatory and exchange approvals in Canada, Kurdistan Region and Sweden.

DEBT FINANCING

The Company intends to issue an up to USD 300 million new 4-year bond to refinance existing debt and raise new capital for the Acquisition. Subject to the closing of the Acquisition, USD 175 million of the currently outstanding USD 180 million ShaMaran 2023 bond (after the USD 5 million repayment due in late 2021) will exchange at 102% of par into the proposed new bond at par value. In aggregate, USD 185.7 million (including the USD 7.2 million amount described below) will be issued to refinance the existing debt into the new bond upon closing of the Acquisition and up to USD 114.3 million will be issued for cash to finance the Acquisition and other general corporate purposes. Cash proceeds from the new bond will be placed in an escrow account and only released upon satisfaction of the closing conditions to the Acquisition. The existing debt that is proposed to be refinanced into the new bond includes USD 7.2 million of the total USD 22.8 million debt currently owed by the Company to Nemesis (a private company ultimately controlled by a trust the settlor of which is the Estate of the late Adolf H. Lundin) ("Nemesis"). The USD 15.6 million balance will remain outstanding as described below.

The Company and its advisors have engaged with a majority of bondholders that prior to the date of this news release have pre-committed to vote in favour of the conditional refinancing of the existing bond through a written summons and resolution, as well as necessary waivers for the issuance of the new bond and other financial matters relating to the existing bond.

The Company has also obtained strong interest for the contemplated new bond from a group of existing and new bondholders. Book-building for the contemplated bond will be launched imminently together with a summons for written resolution to the existing outstanding bond conditional on closing of the Acquisition.

EQUITY FINANCING

The Company intends to raise USD 30 million of additional equity capital to fund the Acquisition, which the Lundin family

ShaMaran's largest shareholder, has agreed to support by Nemesia providing a USD 30 million equity underwriting. The equity is expected to be issued through a rights issue in eligible jurisdictions in connection with the Acquisition in order for all shareholders to whom subscription rights may be lawfully issued with a proportionately equal opportunity to participate. Information on the contemplated rights offering will be announced in due course. The offering will be conditional on, inter alia, the approval of the Acquisition by the TSX Venture Exchange, the approval of the Kurdistan Regional Government ("KRG") of a rights offering circular or prospectus in Canada and in Sweden and other regulatory approvals. It is anticipated that the offering would be commenced as soon as practicable following receipt of KRG approval for the Acquisition. The Lundin underwriting will be by way of a stand-by commitment, meeting the requirements of applicable securities laws, to acquire shares not subscribed for by others pursuant to subscription rights issued in the offering.

OTHER

This information is information that ShaMaran is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, on July 12, 2021 at 10:00 Eastern Time.

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 First North Growth Market (Stockholm), +46 8402 50000, certifiedadviser.se@paretosec.com

For the Acquisition representing ShaMaran, Pareto Securities AS has been engaged as manager and bookrunner for the debt and equity financings. Also in connection with the Acquisition for ShaMaran, Moelis & Company UK LLP is acting as Moelis financial advisor and Arkwright London is acting as bond advisor.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities of the Company in any jurisdiction. There shall be no offer or sale of, or solicitation of an offer to buy, any securities referred to herein in any jurisdiction in which such offer, sale or solicitation would be unlawful.

The new bond and share subscription rights referred to herein, and any shares issuable upon exercise of such subscription rights, have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or under any state securities laws, and may not be directly or indirectly offered, sold, resold or exercised, as applicable, in the United States or to, or for the account or benefit of, any U.S. person (as those terms are defined in Regulation S under the 1933 Act) unless such securities are registered under, or the transaction is exempt from the registration requirements of, the 1933 Act and applicable state securities laws.

Nemesia currently holds a USD 22.8 million loan due from the Company which accrues interest at 5% per annum and entitles Nemesia to receive a monthly allotment of 2,280,000 ShaMaran common shares. In connection with the contemplated exchange of part of the Company's existing debt of USD 22.8 million owed to Nemesia into the new bond, the proposed debt exchange and loan amendments to such loan described above will constitute a "related party transaction" for ShaMaran within the meaning of Multilateral Instrument 61-101 of the Canadian Securities Administrators ("MI 61-101"), as Nemesia is a related party of the Company. Unless an exemption applies, MI 61-101 requires that an issuer obtain a formal valuation and "minority approval" from disinterested shareholders for a related party transaction. The proposed debt exchange and loan amendments are exempt from the formal valuation and minority approval requirements of MI 61-101 pursuant to sections 5.5(a) and 5.7(a) thereof, on the basis of the fair market value of the subject matter of, or consideration for, the transaction being less than 25% of the Company's market capitalization, as calculated in accordance with MI 61-101.

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, social 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 statement

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", "anticipate", "believe", "estimate", "projects", "potential", "scheduled", "forecast", "outlook", "budget" or the negative of these words 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 herein is provided only as of the date of this news release, and the Company undertakes no obligation to update any forward-looking information 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.

Without limiting the foregoing, this news release contains forward-looking information pertaining to: completion of the proposed facility expansion at Swara Tika field, the expected timing thereof and its effect on future production; expected field operating expenditures; the cash flow and production impact of the Acquisition for the Company; connection of the Sarsang block Atrush feeder pipeline and effect on export market access; the intended debt and equity financings, including anticipated refinancing existing debt into the new bond, and effecting the proposed equity issue by way of a rights offering; and closing of the Acquisition. There is no assurance that the forward-looking information contained herein will prove to be correct or that the expectations and assumptions upon which they are based will occur or be realized. Statements herein containing forward-looking information are not guarantees of future performance or promises of future outcomes. Actual results or events will differ from those anticipated, and such differences may be material and adverse to the Company.

ABOUT SHAMARAN

ShaMaran is a Kurdistan focused oil development and exploration company which currently holds a 27.6% working interest through its wholly-owned subsidiary General Exploration Partners, Inc., in the Atrush Block and upon successful closing, Acquisition will hold an 18% interest through its then wholly-owned subsidiary TEPKRI Sarsang A/S in the Sarsang Block. **Contact:** Sophia Shane, Corporate Development, [ShaMaran Petroleum Corp.](mailto:ShaMaran.Petroleum.Corp.), +1 604 689 7842, investor.relations@shamaranpetroleum.com; sophias@namdc.com; www.shamaranpetroleum.com; Robert Eriksson, Investor Relations, Sweden, [ShaMaran Petroleum Corp.](mailto:ShaMaran.Petroleum.Corp.), +46 701 112615, reriksson@rive6.ch **Sweden**, under the symbol "SNM" and member of the Euronext Group of Companies.

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