

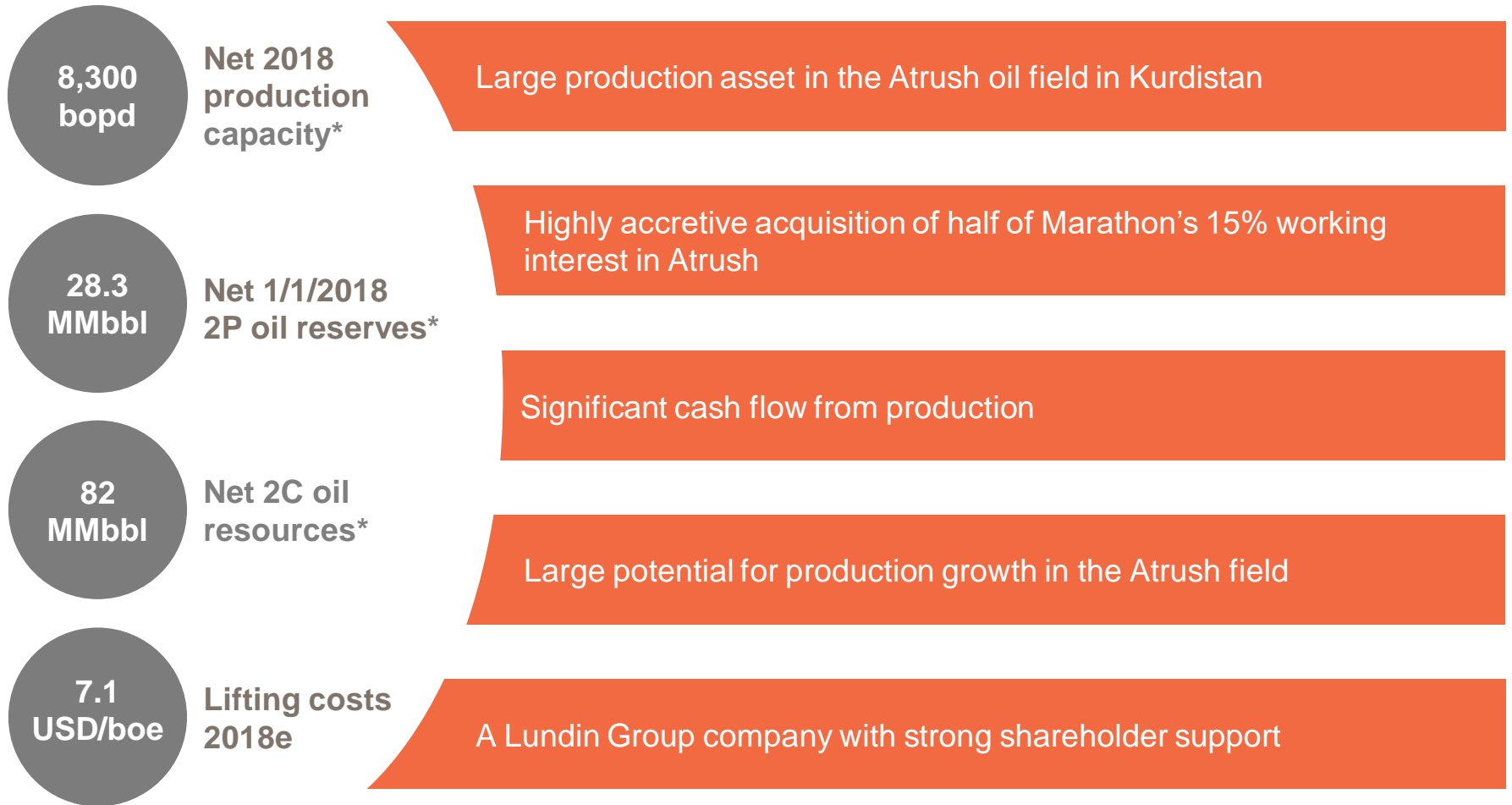


# ShaMaran Petroleum Corp.

A growing, Kurdistan focused oil producer

January 2019 - Updated

# ShaMaran in a nutshell



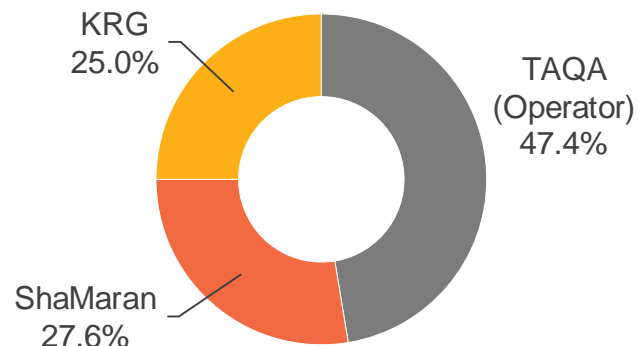
\*) Quantities based on Reserves and Contingent Resources - McDaniel & Associates estimates at December 31, 2017, and determined on a 27.6% working interest basis, post closing of the Marathon acquisition.

# ShaMaran is a Kurdistan focused oil company

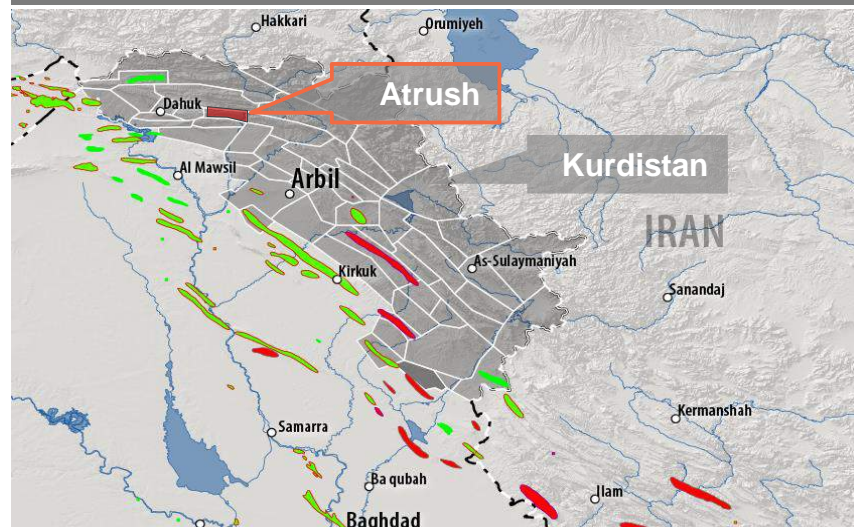


- ShaMaran is an E&P company active in the Kurdistan region with 20.1% direct interest in the Atrush oil field
- ShaMaran agreed to acquire an additional 7.5% working interest from Marathon
- Atrush is a world-class asset with gross 2P oil reserves of 102.7 MMbbl and gross 2C oil resources of 296 MMbbl
- Atrush currently produces some 27,500 bopd
- Increasing production to 50,000 bopd in 2019
- Investment decision to increase up to 100,000 bopd expected early 2020
- Fully financed and growth can be paid for out of Atrush cash flow

## Atrush partnership post acquisition



## Asset location



# ShaMaran to acquire additional 7.5% in Atrush



- **ShaMaran currently has a 20.1% working interest in Atrush**
  
- **ShaMaran and Taqa have agreed to acquire from Marathon, with effect from Jan 1, 2018, its 15% working interest in Atrush**
  - ShaMaran to acquire all shares of MOKDV - Marathon's Dutch subsidiary holding the 15% interest for USD 63m
  - ShaMaran to sell 7.5% working interest to Taqa for USD 33m
  - Taqa to contribute pro-rata at closing of selling the Marathon subsidiary to ShaMaran
  - Taqa to share economically as from selling the Marathon subsidiary to ShaMaran and prior to closing the sale to Taqa
  
- **At closing, working capital and other adjustments will significantly reduce the net cash acquisition price**
  - \$29 million closing price adjustment estimated, assuming closing mid-January
  
- **Closing expected in first quarter**
  - Depending on final written KRG approval. Initial consent obtained.
  - Expected transfer fees to be paid to the KRG of USD 9m cost loans forgiven and USD 10m cash fee.
  - Transfer fees to be shared equally between Taqa and ShaMaran

# Highly accretive acquisition for ShaMaran



- **Atrush interest increased by 37.3%**

- Acquisition at 2 times EBITDA
- Includes 7.7 MMbbl of 2P reserves valued at an NPV10 of USD 82m based on McDaniel reserves report at 31 Dec 2017 and 22 MMbbl of 2C resources
- Includes USD 10.7m in cost loans provided to the KRG and USD 13.9m of historical KRG carry receivables

- **Dialogue initiated with bondholders to possibly amend the bond terms**

- Reduce the bond to USD 190m by returning USD 50mln of restricted cash earmarked for acquiring a full 15% working interest in Atrush
- Extend the interest reserve liquidity guarantee from the Lundin family
- No coupon step up

- **Plan to finance from existing cash**

# Kurdistan is a world class oil province



- Kurdistan's oil industry is at a relatively early stage of development
- Significant reserves and resources
- Political situation is stabilizing
- Existing upgraded 1 million barrels per day pipeline export route to the Turkish Mediterranean port of Ceyhan
- Oil sold to the Kurdistan Regional Government at USD 15.43/bls discount to Brent



# Atrush is a large, world class oil field



- **Atrush block was awarded in 2007 and ShaMaran acquired interest in 2010**
  - Atrush field discovered 2011
  - FDP approved October 2013
  - First production July 2017
- **Reservoir: Jurassic fractured carbonate**
- **Large 25x3 km structure**
  - Fault bounded – 3 way dip closure
  - Low/best/high estimate of 1.5/2.1/2.9 billion barrels total discovered oil in place
- **2P reserves expected to grow as more wells are drilled and 2C is converted to 2P**
  - Contingent resources dependent on defining further phases of development

| Atrush oil field facts (gross) <sup>1</sup> |      |       |       |
|---|------|-------|-------|
| MMbbl                                       | 1P/C | 2P/C  | 3P/C  |
| Oil reserves                                | 37.4 | 102.7 | 165.9 |
| Oil contingent                              | 175  | 296   | 449   |
| Oil prospective                             | 121  | 173   | 247   |

**2018 production:**  
~22,200 bopd

**2018 lifting costs:**  
~USD 7.1/bbl

## Atrush – main facilities



1) Reserves and Contingent Resources - McDaniel & Associates at December 31, 2017. Prospective Resources - McDaniel & Associates at December 31, 2013. There is no certainty that it will be commercially viable to produce any portion of the contingent resources. Contingent resources are classified as development unclarified. There is an 80 percent chance of commercial development for oil. For full reserves and contingent resource disclosure the company refers to its Press Release dated February 15, 2018.

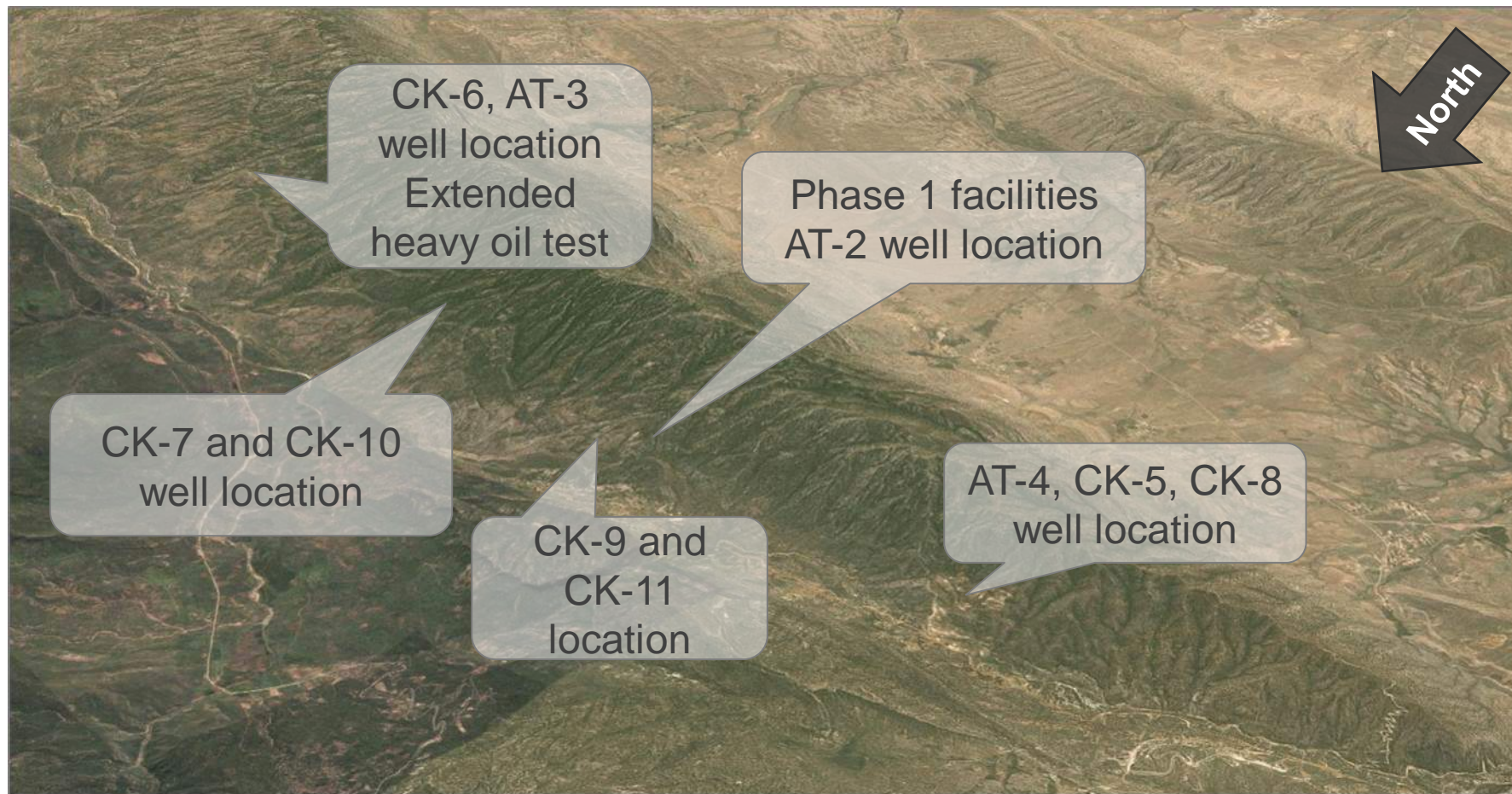
# Operational Update



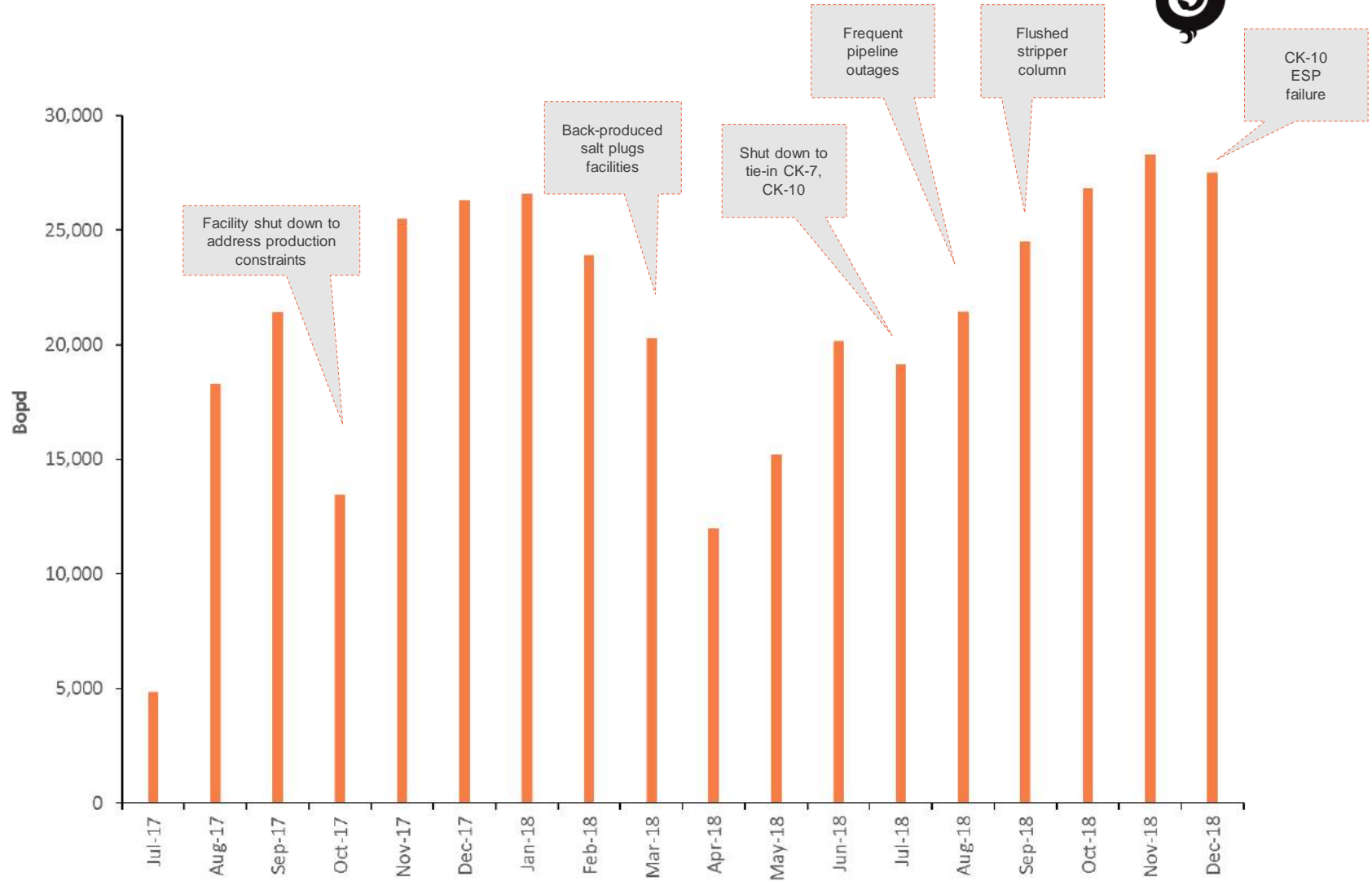
- **First production in July 2017**
  - Phase I facilities and pipeline project completed
  
- **10 wells drilled to date, 11<sup>th</sup> well drilling**
  - Five wells permanently in production
  - CK-9 water disposal well drilled according to plan and ready for water injection
  - AT-3 well worked over and ready for the heavy oil extended well test
  - CK-11 deviated infill production well spudded on 3 January 2019, targeting the Sargelu formation
  - CK-6 well awaiting work-over as observation well for the heavy oil extended well test
  - AT-4 well productivity after clean-up disappointing and awaiting work-over for smaller pump
  - AT-1 well permanently abandoned
  
- **30,000 bopd facility**
  - Successfully insulated and heat traced equipment to avoid low temperature production issues
  - Successfully cleaned out salt from heat exchanger and stabilization column
  - Sufficient well capacity to test upwards bounds of facility capacity
  - Identify debottlenecking opportunities to further increase capacity
  
- **Installed heavy oil well testing equipment**
  - Provides 5,000 bopd additional processing capacity in the east of the field
  - Heavy oil production to start in February 2019



# The Atrush field – Facilities and well locations

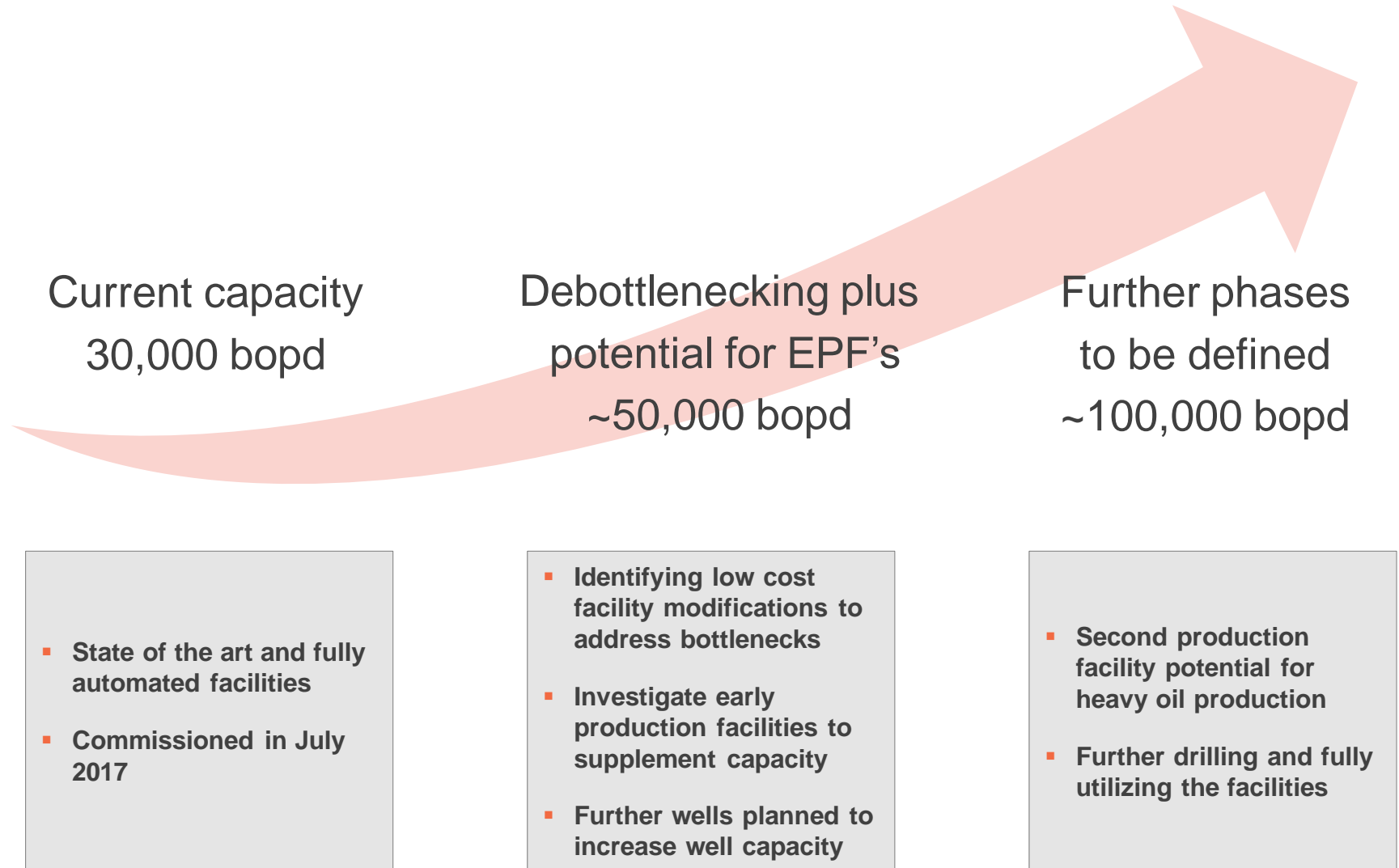


# Production is growing



- Average 2018 production ~22,200 bopd

# Ample room for further production growth



# Strong focus on short term production growth

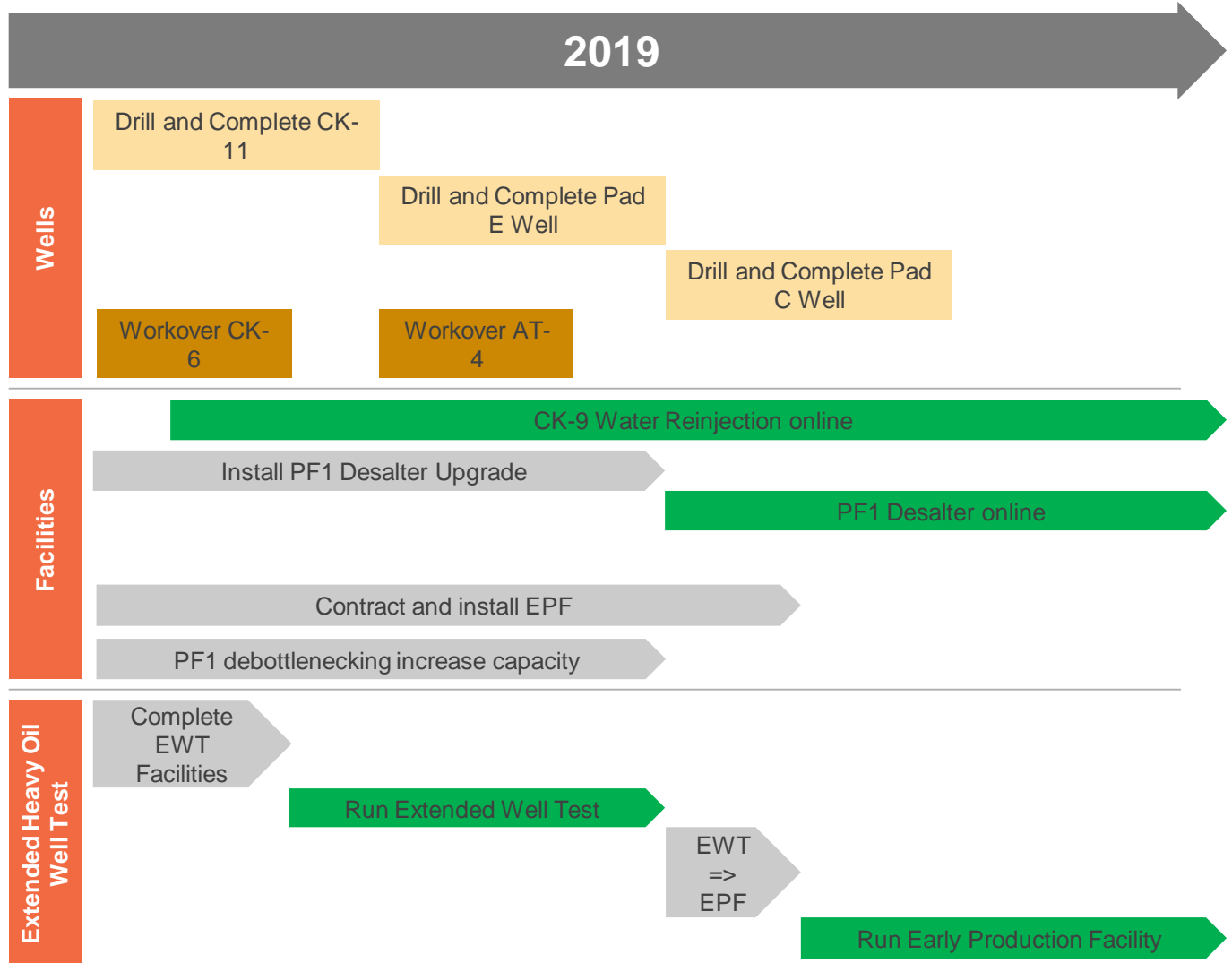


- **Stress test 30,000 bopd facilities and identify debottlenecking opportunities to further increase capacity**
- **Optimise production from installed extended well test facilities**
  - Expect heavy oil production to start in February 2019 from AT-3
- **Identifying availability early production facilities to increase total facility capacity to 50,000 bopd during 2019**
- **Drill and Complete three more production wells (including CK-11)**
- **Workover AT-4 & CK-6**

# 2019 Work Program



- **2019 capex**
- ~USD 33m net to ShaMaran (27.6% working interest assumed)



# Strong 2018 operational cash flow



|  | USD mln       |
|--|---------------|
| Cash from operating activities after G&A and other cash expenses | 50.0          |
| Receivable/payable and working capital adjustments               | <u>(3.8)</u>  |
| Cash in from operations  | <u>46.2</u>   |
| KRG loans, interest and KRG carry receivables collected          | 20.6          |
| Atrush Capex   | (12.2)        |
| Last payment for pipeline construction                           | (0.4)         |
| Deposit on acquisition   | <u>(2.0)</u>  |
| Cash out on investments  | <u>6.0</u>    |
| Net cash from refinancing bonds                                  | 50.1          |
| Bond interest and call premiums                                  | <u>(15.6)</u> |
| Cash in from financing   | <u>34.5</u>   |
| Total change in cash in 2018                                     | 86.7          |
| 2018 opening cash  | <u>5.3</u>    |
| 2018 ending cash <sup>1 2</sup>                                  | <u>92.0</u>   |

<sup>1</sup> Inclusive of USD 53mln held in escrow pending Marathon acquisition and USD 14.4mln cash held in escrow reserve for future interest costs

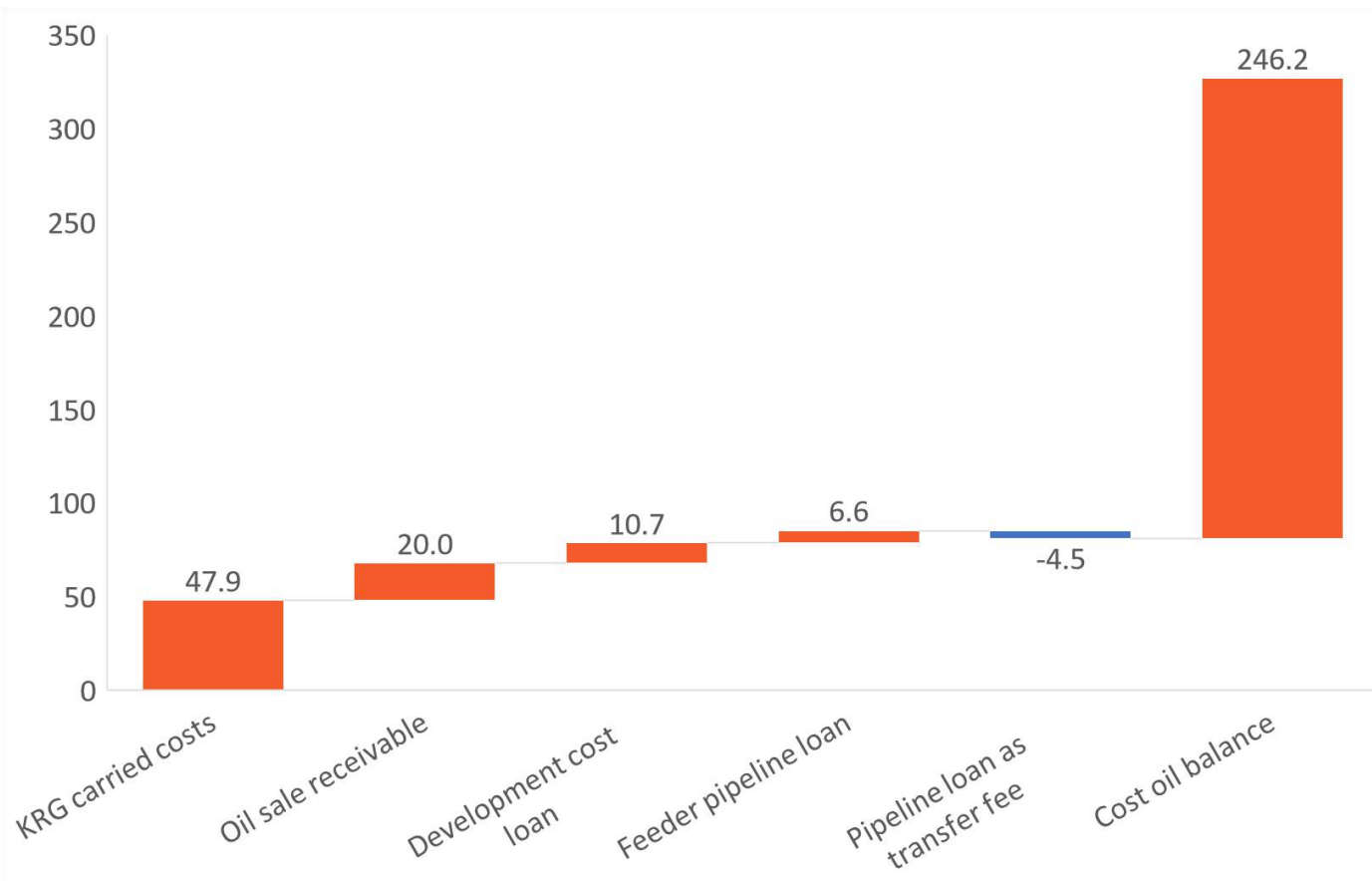
<sup>2</sup> Exclusive of ½ of Marathon's share of 2018 Atrush cash flows which will be offset against ShaMaran's ≈ ½ share of the Marathon Atrush interest purchase price.

# Cost oil and KRG loans & receivables fuel cash flow



Pro-forma\* KRG loans, receivables and cost oil as of December 31, 2018

USDm



*\*) amounts in this table reflect a 27.6% effective interest in Atrush, which represents ShaMaran's existing 20.1% interest plus an additional 7.5% interest attributable to ShaMaran's share of the Marathon acquisition following close.*

- **Focus on cash flow and buildup of cash reserves**
  - Robust 2019 cash flow:
    - Strong cash flow at current oil prices
    - KRG loan repayments to continue throughout the year
- **Focus on near term production growth**
  - Near term investments in debottlenecking 30,000 bopd facilities
  - Optimise production through the heavy oil extended well testing
  - Identifying availability of early production facilities
  - Potentially drill 3-4 additional wells in 2019
  - Objective to go ~50,000 bopd in 2019
- **Maximize value of the Atrush asset**
  - Maximize value by utilizing large cost oil pool
  - Investing to define next phases of development by early 2020 to go to ~100,000 bopd
  - Atrush development is self funding



# Cautionary statements



*This document contains statements 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. Actual results may differ materially from those projected by management. References to regional and un-related Company oil resources are sourced from industry and other websites. References to resource volume potential and potential flow rates are for general information only and are subject to confirmation. 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. Test results are not necessarily indicative of long-term performance or of ultimate recovery. Technical results and interpretations are by ShaMaran Petroleum and its technical consultants.*

# Appendix



# ShaMaran is a Lundin Group company



Combined value ~ USD 21 billion



# Management and Board of Directors



**Keith C. Hill – Chairman and Director**

Over 30 years experience in the oil industry including international new venture management and senior exploration positions in Valkyries Petroleum Corp., Lundin Oil AB, BlackPearl Resources, Occidental Petroleum, Shell Oil Company and Tanganyika Oil. Mr. Hill is currently President and CEO of Africa Oil.



**Mike Ebsary – Director**

Over 30 years of experience in the oil industry. Previous CEO of Oryx Petroleum and CFO of Addax Petroleum. He has extensive experience in Kurdistan



**Chris Bruijnzeels – President, CEO and Director**

Over 30 years of experience in the oil and gas industry including Senior Vice President Development of Lundin Petroleum, Shell International and PGS Reservoir Consultants. From 2003 to 2016 he was responsible for Lundin Petroleum's operations, reserves and the development of its asset portfolio.



**Brian D. Edgar – Director**

Over 25 years experience in public markets and 16 years experience in corporate and securities law. Principal of Rand Edgar Investment Corp., an investment/banking, venture capital company. Mr. Edgar serves on the Board of a number of public companies.



**Brenden Johnstone – CFO**

Canadian Chartered Accountant with a broad range of experience in audit and assurance with Deloitte & Touche and in the oil and gas industry as CFO with Avante Petroleum SA.



**Terry L. Allen – Director**

Ms. Allen has worked in corporate and investment banking for over 30 years. She has served on several corporate and not-for-profit boards for more than 20 years, and is President of Pivotal Capital Advisory Group.

**Proven track record from Lundin group of companies**

# Corporate profile



## ■ Share capital

- Shares issued and outstanding 2,158,631,534

## ■ Market capitalization

- CAD 194 million (@ 8 January 2019)

## ■ Net debt\*

- USD 98 million (@ 31 December 2018)  
\*) Borrowings plus current liabilities less cash, loans and accounts receivable (reflects current 20.1% interest)

## ■ Major shareholders

- Lundin family trusts 22.4%
- VR Capital 3.7%
- Directors/Management 0.3%

## ■ Trading information

- TSX Venture TSX-V:SNM
- NASDAQ First North (Stockholm)  
OMX: SNM

