

SHAMARAN FIRST QUARTER 2020 FINANCIAL AND OPERATING RESULTS

MAY 11, 2020

VANCOUVER, BRITISH COLUMBIA - ShaMaran Petroleum Corp. ("ShaMaran" or the "Company") (TSX VENTURE: SNM) (OMX: SNM) today released its financial and operating results and related management discussion and analysis for the three months ended March 31, 2020. All currency amounts indicated as "\$" in this news release are expressed in United States dollars.

ShaMaran President and CEO, Dr. Adel Chaouch commented, "It is well known that these are tough times for the majority of oil companies around the world with profits linked to oil prices which have fallen dramatically this year. Since the onset of the COVID 19 pandemic ShaMaran has taken all necessary steps, together with its partners, to maintain the highest standards of operations and safety at Atrush and reduce costs to the minimum needed to maintain operations, while the field continues to perform very well. However, despite strong production and major cost cutting efforts, ShaMaran's operational cash flows have been severely squeezed in this environment and will not provide enough cash to pay for the Company's bond obligations when they come due in early July. We have retained advisors and are actively working to address this currently challenging situation with a view to attaining the best outcome available for our stakeholders."

FIRST QUARTER 2020 HIGHLIGHTS AND KEY EVENTS

Financial and Corporate

Imminent Liquidity Shortfall: The Company is currently in process of addressing an imminent liquidity shortfall. The Company projects that its normal operations at current depressed oil prices will not generate enough cash to pay for \$26.4 million of bond obligations when they come due on or before July 5, 2020. The global drop in the demand for oil and collapse in world oil prices has placed rapid and extraordinary downward pressure on the Company's gross margin and has strained the ability of the Kurdistan Regional Government ("KRG") to pay the Company for past purchases of higher priced oil resulting in further significant negative impacts to operational cash flows. Discussions are underway with the KRG as to the timing of payment of the \$42 million owed for deliveries from November 2019 to February 2020; however, the Company does not expect to collect any of this past due amount in the next year. The Company has therefore retained advisors and engaged with stakeholders to examine options such as restructuring, recapitalization or other available alternatives to find a solution to address the imminent liquidity shortfall. The outcome of an eventual solution could result in significant additional impairment to the assets of the Company.

Impairment loss on PP&E and E&E assets: The Company reports a \$48.6 million impairment loss on the book value of PP&E relating to the Company's Atrush 2P reserves base and a \$67.6 million impairment loss on the book value of intangible exploration and evaluation costs relate to the Company's Atrush 2C resource base. The Company has made these determinations by conducting an impairment assessment as required by accounting standards.

Breach in Bond Covenant: As a result of the impairment loss the Company's Equity Ratio is 7.3% which is less than the minimum 30% required in ShaMaran's bond agreement. Therefore the Company is currently in breach of this Bond covenant; however, the bond agreement provides for up to 20 days to secure a remedy. The Company has informed the bond trustee of the situation and the Company will be engaging with bondholders regarding a potential solution.

Operations

COVID-19 Response: A comprehensive COVID-19 action plan was implemented in February 2020 with overriding objectives of ensuring personnel safety and wellbeing as well as assuring efficient business continuity.

Achieved significant production milestones: Total oil exported from the Atrush field reached 25 million barrels on February 5, 2020. A record high Atrush daily oil production of 54,055 bopd was recorded on March 27, 2020.

Strong production performance: Atrush produced 78% more oil in Q1 2020 compared to Q1 2019 production (46.7 Mbopd vs. 26.3 Mbopd) and was within the production guidance range of 44,000 to 50,000 bopd. Q1 2020 production increased by 12% over Q4 2019 (46.7 Mbopd vs 41.7 Mbopd) due to stabilizing contributions from 2019 wells and increased processing capacity at Early Production Facility ("EPF") at the Chamanke-E drilling location.

Lifting costs down from Q1 2020, comparable with Q4 2019: The average lifting cost per barrel of oil produced from Atrush in the quarter was \$5.90 per barrel which was down from \$8.89 per barrel in Q1 2019. The first quarter average lifting cost per barrel was slightly higher than the \$5.32 per barrel reported in Q4 2019 with the increase mainly attributable to higher costs associated with the expanded EPF.

Reserves and Resources

Increased reserves and resources: Total field proven plus probable (“2P”) reserves on a Company gross basis for Atrush increased from 21.3 million barrels reported as of December 31, 2018, to 29.9 million barrels as of December 31, 2019, a 40% increase. Total field unrisks best estimate contingent oil resources (“2C”)¹ on a Company gross basis for Atrush increased from the 2018 estimate of 53.9 million barrels to 67.2 million barrels as of December 31, 2019.

SELECTED OPERATING AND FINANCIAL INFORMATION

The following table includes selected operating and financial information of the Company for the periods indicated. A further discussion of the Company’s operating and financial information for these periods are included in the interim consolidated financial statements for the three months ended March 31, 2020 and the related Management’s Discussion and Analysis report. These documents are available on the Company’s website at www.shamaranpetroleum.com or on SEDAR at www.sedar.com.

	Three months ended March 31		Three months ended December 31
	2020	2019	2019
Production information			
Atrush average daily oil production - gross 100% field (Mbopd)	46.7	26.3	41.7
ShaMaran’s entitlement in Atrush oil sales:			
• Mbbls related to initial 20.1% interest	411	253	370
• Mbbls related to additional 7.5% interest	<u>153</u>	<u>-</u>	<u>138</u>
Total entitlement (Mbbls)	564	253	508
Financial information			
Revenue	19,841	12,071	24,345
Gross margin on oil sales	(930)	1,764	10,274
EBITDAX	6,613	5,585	7,048
Net finance cost	5,445	8,659	5,436
Impairment loss	(116,164)	-	-
Income / (loss) for the period	(125,211)	(8,495)	1,586
Cash flow from operations	1,861	9,110	1,882
Cash in bank	4,646	37,875	15,530
(Negative)/positive working capital	(186,984)	36,445	36,445
Total liabilities	223,191	210,852	226,879

Atrush production for the quarter was up 78% compared to Q1 2019 and by 12% more than Q4 2019 mainly due to:

- Additional production from new wells Chiya Khere-6 (“CK-6”), Chiya Khere-10 (“CK-10”), Chiya Khere-11 (“CK-11”), Chiya Khere-12 (“CK-12”), Chiya Khere 13 (“CK-13”) and Chiya Khere 15 (“CK-15”).
- Debottlenecking of PF-1.
- Expansion of the EPF during Q1 2020.

This highest Atrush daily oil production of 54,055 bopd was recorded on March 27, 2020.

Revenue from Atrush oil sales: relates to the Company’s entitlement share of oil sales from Atrush. The increase in revenues between the first quarters of 2020 and 2019 were driven by higher average daily production (46.7Mbopd vs 26Mbopd) and a larger Atrush interest (27.6% vs 20.1%) and were offset by lower average net oil prices between the periods. First quarter 2020 production was sold at an average annual net oil price of \$35.21 after deducting \$15.43 average annual discount for oil quality and transportation costs which compares, respectively, to \$47.76 and \$15.43 for oil sales made in first quarter of 2019. The higher Atrush production and larger interest in Atrush resulted in increased revenues of \$14.8 million (123%) which was offset by \$7 million of negative impact on revenues due to lower average quarterly oil prices by \$12.55 per barrel. Revenues in Q1 2020 were \$4.5 million lower than in Q4 2019 were due to the \$7.2 million of negative impact from a \$12.70 lower average realized price offset by \$2.7 million of positive impact due to increased production.

¹ This estimate of remaining recoverable resources (unrisks) 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.

Gross margin on oil sales: A lower gross margin between Q1 2019 and Q1 2020 by \$2.7 million is explained by negative impacts of lower revenues of \$7 million due to lower avg realized oil prices, \$7.4 million increase in lifting cost and depletion combined and \$3.1 million increase in other production costs, relating mainly to a production bonus paid to the KRG, and were offset by \$14.8 million increased revenues due to higher production. The increased lifting and depletion costs, a non-cash expense, were mainly attributable to high production levels and expanded EPF operations. The \$11.2 million decrease in gross margin between Q4 2019 and Q1 2020 is attributable to negative impacts of lower revenues of \$7.2 million due to lower avg realized oil prices, \$3.6 million increase in lifting cost and depletion combined and \$3.1 million increase in other production costs, relating mainly to a production bonus paid to the KRG, and were offset by \$2.7 million increased revenues due to higher production. The increased lifting and depletion costs, a non-cash expense, were mainly attributable to high production levels and expanded EPF operations.

EBITDAX is a measure of the Company's earnings before interest, tax, depreciation, amortisation, and exploration expense and is calculated as the net result before financial items, taxes, depletion of oil and gas properties, impairment costs, depreciation and exploration expenses and adjusted for non-recurring profit/loss on sale of assets and other income. The EBITDAX for Q1 2020 is 18% higher than in Q1 2019 mainly due to an increased interest in Atrush from 20.1% to 27.6% as well as higher production and despite significantly lower average oil prices and increased lifting and other costs of production. A lower EBITDAX in Q1 2020 by 6% from Q4 2019 is principally due to lower average oil prices and despite the positive impact of higher production and larger Atrush interest.

Impairment loss: International Financial Reporting Standards require, due to the significant decline in world oil prices up to the reporting date, that the Company undertake an impairment assessment of the recoverability of the net book value of its oil and gas assets. The impairment test is based on McDaniel's production and cost profiles related to proved and probable reserves and uses oil price forecasts as of March 31, 2020, a recently revised 2020 operating budget, a future cost inflation factor of 2% per annum and a discount rate of 15.5% to calculate the net present value at March 31, 2020 of the Company's projected share of future cash flows of the Company's working interest share of Atrush 2P reserves and 2C resources, and is weighted with additional business continuity risk to determine a recoverable values of \$152.5 million, relating to 2P Reserves, and of nil relating to 2C resources. Accordingly, the Company has determined there is a \$48.6 million impairment loss on the book value of PP&E relating to the Company's Atrush 2P reserves base and a \$67.6 million impairment loss on the book value of intangible exploration and evaluation costs relate to the Company's Atrush 2C resource base.

The average Brent oil price assumptions used for the impairment at March 31, 2020, were based on a McDaniel forecast for the next four years and thereafter prices are inflated by 2% per year:

Year	2020	2021	2022	2023
Forecast \$/bbl	35.50	46.41	55.14	61.55

Net loss of \$125.2 million in Q1 2020 was primarily driven by the \$116.2 million impairment loss and financing costs of \$5.5 million which relate mainly to the Company's bonds. The increase by \$116.7 million in the Q1 2020 loss over the amount reported in the first quarter of 2019 is due to the negative impact of the impairment loss, a lower gross margin by \$2.7 million and higher G&A and share based payment expenses totaling \$1.0 million net of lower net finance costs of \$3.2 million relating mainly to the lower bonds outstanding in the period and the once off bond revaluation cost in 2019. In comparison to the \$1.6 million of income reported in Q4 2019 the negative impacts on Q1 2020 revenues of \$7.2 million due to lower oil prices together with the impairment loss, a once-off \$3.7 million first quarter production bonus payment and other non-cash costs of \$0.7 million account for a \$127.8 million decrease in net income.

Cash flow from operations of \$1.9 million for Q1 2020 is down significantly from \$9.1 million reported in Q1 2019 principally due to shrunken margins on significantly lower oil prices and negative cash impact of delays in collecting accounts receivables, and despite the positive cash flow effects of higher production and a larger working interest in Atrush. Operational cash flows between Q4 2019 and Q1 2020 were comparable with gains in production being offset by lower average oil prices between the periods, and the cash flows of both periods being negatively impacted by delays in collecting cash for oil sales.

OUTLOOK

Operations

The Company reiterates the updated guidance for 2020 provided in its news release of April 28, 2020, as follows:

- Atrush field gross average daily production is expected to range from 44,000 bopd to 50,000 bopd. Final 2020 production will depend principally on well, facility and export pipeline uptimes and possible OPEC+ cuts if applicable to Kurdistan producers.
- Average lifting costs are estimated to range to \$4.50 per barrel to \$5.10 per barrel (from previous guidance range of \$5.50 per barrel to \$6.70 per barrel).
- Atrush gross capital expenditures for 2020 are estimated at \$28 million (\$8 million net to ShaMaran) for previously commenced facility improvements and planning, including:
 - design of facilities designed to eliminate gas flaring at Atrush, an important initiative in environmentally responsible operations;
 - completion of the FDP 2020 in Q2 2020.
- The KRG has committed to paying for monthly production by the 15th day of each following month starting with March 2020. Payment of \$3.5 million for March deliveries was received in April.

Business

The first quarter of 2020, with the onset of the COVID-19 pandemic and corresponding collapse in demand for oil in the world market has placed significant downward pressure on oil price and ushered in unprecedented uncertainty. The Company has taken decisive actions to scale back development in order to retain the resilience required to continue forward in these uncertain times while remaining agile to scale back up pending a stabilization of the macro economic factors. Despite these measures, ShaMaran still faces significant liquidity constraints which have to be addressed.

Under the terms of the ShaMaran's agreement with bondholders ShaMaran is required to reduce its bonds outstanding by \$15 million on or before July 5, 2020 and on the same day to pay \$11.4 million of semi-annual annual coupon interest to bondholders. The Company projects that its normal operations at current depressed oil prices will not generate enough cash to pay for \$26.4 million of bond obligations when they come due. The global drop in the demand for oil and collapse in world oil prices has placed rapid and extraordinary downward pressure on the Company's gross margin and has strained the ability of the KRG to pay the Company for past purchases of higher priced oil resulting in further significant negative impacts to operational cash flows. Discussions are underway with the KRG as to the timing of payment of the \$42 million owed for deliveries from November 2019 to February 2020; however, the Company does not expect to collect any of this past due amount in the next year. The Company has therefore retained advisors and engaged with stakeholders to examine options such as restructuring, recapitalization or other available alternatives to find a solution to address the imminent liquidity shortfall. The outcome of an eventual solution could result in significant additional impairment to the assets of the Company.

OTHER

This information is information that ShaMaran Petroleum Corp 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, at 1:00 a.m. on May 11, 2020.

The Company plans to publish on August 12, 2020 its financial statements for the three and six months ended June 30, 2020.

ABOUT SHAMARAN

ShaMaran is a Canadian oil and gas company with Kurdistan-focus holding, through its wholly-owned subsidiary General Exploration Partners. Inc., a 27.6% interest in the Atrush oil block

ShaMaran is listed on the TSX Venture Exchange and the NASDAQ First North Growth Market (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. Pareto Securities AB is the Company's Certified Advisor on NASDAQ First North Growth Market, +46 8 402 5000, certifiedadviser.se@paretosec.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, 2018 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.

FOR FURTHER INFORMATION PLEASE CONTACT:

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