

## SHAMARAN SECOND QUARTER 2020 FINANCIAL AND OPERATING RESULTS

AUGUST 12, 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 and six months ended June 30, 2020. All currency amounts indicated as "\$" in this news release are expressed in United States dollars.

ShaMaran President and CEO, Dr. Adel Chaouch commented, "We are very grateful to our stakeholders who continue to help the Company to find a path through the significant challenges imposed mainly by the macro economic events since the onset of the COVID-19 pandemic, most notably dramatically lower oil prices as well as restrictions in the movement of operational personnel and supplies. It is clear that a number of uncertainties remain, including an eventual solution to the pandemic. Nevertheless, the Company, through the amended terms agreed with bondholders in early July, has found much needed traction in moving forward towards stability. Remarkably, through these times, second quarter Atrush production has outperformed that of the first quarter, a clear testament to the quality of the operation and the Atrush reservoir."

### SECOND QUARTER 2020 HIGHLIGHTS AND KEY EVENTS

#### Financial and Corporate

##### Liquidity shortfall successfully resolved:

- On July 5, 2020 the Company and Nordic Trust AS as Bond Trustee on behalf of the Bondholders executed an amendment and restatement agreement as well as related supporting documentation which provided for principal changes to previously agreed bond terms. These changes address the Company's financial covenant breach and the liquidity shortfall, previously cited in the Company's financial statements for the first quarter of 2020, and will now enable the Company to re-focus efforts on its core business and give the time and flexibility needed to strengthen ShaMaran's financial position.

##### Regular oil sales payments:

- The Kurdistan Regional Government of Iraq ("KRG") has in the following month paid for oil deliveries from March to June 2020.
- The KRG has communicated its commitment to future payment of \$41.7 million owed to the Company for \$34 million of deliveries from November 2019 to February 2020 and an additional \$7.7 million of Atrush Exploration Costs receivable invoiced over the same period. The Company remains actively engaged with the KRG to progress this matter.

#### Operations

##### COVID-19 response:

- The comprehensive COVID-19 action plan implemented in February 2020 continued in the second quarter of 2020 with overriding objectives of ensuring personnel safety and wellbeing as well as assuring efficient business continuity. This strategy has so far been successful with no COVID-19 cases recorded in the Atrush Block or the Erbil Operating Office.

##### Strong Atrush production performance:

- Continued high level of production in Q2 2020 with an average daily production of 46.9 Mbopd compared to Q1 2020 production of 46.7 Mbopd. This was mainly due to stabilizing contributions from new 2019 wells and increased processing capacity at Early Production Facility ("EPF") at the Chamanke-E drilling location.
- Produced 66% more oil in Q2 2020 compared to Q2 2019 production (46.9 Mbopd vs. 28.3 Mbopd) and was within the 2020 production guidance range of 44,000 to 50,000 bopd.

##### Decreasing lifting costs:

- The average lifting cost per barrel of oil produced from Atrush in the quarter was \$5.36 per barrel which was significantly down 42% from \$9.28 per barrel in Q2 2019 and down 9% from \$5.90 per barrel in Q1 2020. The significant reduction from Q2 2019 was mainly due to Q2 2019 included additional costs to manage salt issues, water handling and well workovers, and to spreading the fixed operating costs over a larger production volume in the second quarter of this year which was 66% higher than Q2 2019.

##### Significant reductions in planned spending:

- In light of the current uncertainties, the ongoing low oil price environment and the market volatility, the Company and the operator, TAQA Atrush BV, have significantly reduced planned 2020 spending while retaining the ability to ramp up development in response to improving circumstances. Capital expenditures are reduced by 80%, from \$131 million to \$28 million gross, from \$36 million net to \$8 million net for the Company.

## 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 are included in the interim consolidated financial statements for the three and six months ended June 30, 2020 and the related Management's Discussion and Analysis report. These documents are available on the Company's website at [www.shamaranpetroleum.com](http://www.shamaranpetroleum.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

|  | Three months ended June 30 |           | Three months ended |
|--|----------------------------|-----------|--------------------|
|  | 2020                       | 2019      | March 31<br>2020   |
| <b>Production information</b>                                  |                            |           |                    |
| Atrush average daily oil production - gross 100% field (Mbopd) | 46.9                       | 28.3      | 46.7               |
| Shamaran's entitlement in Atrush oil sales:                    |                            |           |                    |
| • Mbbls related to initial 20.1% interest <sup>1</sup>         | 388                        | 255       | 411                |
| • Mbbls related to additional 7.5% interest                    | <u>145</u>                 | <u>29</u> | <u>153</u>         |
| Total entitlement (Mbbls)                                      | 533                        | 284       | 564                |
| <b>Financial information</b>                                   |                            |           |                    |
| Revenue  | 7,393                      | 15,071    | 19,841             |
| Gross margin on oil sales                                      | (6,169)                    | 2,838     | (930)              |
| EBITDAX  | (1,882)                    | 6,536     | 6,613              |
| Net finance cost   | 5,468                      | 5,214     | 5,445              |
| Impairment loss  | -                          | -         | (116,164)          |
| Loss for the period  | (14,631)                   | (4,068)   | (125,211)          |
| Cash inflow / (outflow) from operations                        | 1,162                      | (5,411)   | 1,861              |
| Cash in bank   | 5,524                      | 19,585    | 4,646              |
| (Negative)/positive working capital                            | (13,532)                   | 48,647    | (186,984)          |
| Total liabilities  | 224,056                    | 223,255   | 223,191            |

**Atrush production** for the quarter was up 66% compared to Q2 2019 mainly due to:

- Additional production from new wells Chiya Khere-6, Chiya Khere-10, Chiya Khere-11, Chiya Khere-12, Chiya Khere 13 and Chiya Khere 15;
- Debottlenecking of PF-1; and
- Expansion of the EPF.

Production has been very stable during Q2 2020 with overall uptime exceeding 98% and the fifth consecutive quarterly increase in average daily production of 46.9 Mbopd.

**Revenue from Atrush oil sales** relates to the Company's entitlement share of oil sales from Atrush. There was a significant impact to revenue in the second quarter of 2020 compared to the first quarter of 2020 due to the dramatic fall in oil prices. The decrease in revenues between the second quarter of 2020 and 2019 were driven by lower average net oil prices between the periods but were somewhat offset by higher average daily production (46.9Mbopd vs 28.3Mbopd) and a larger Atrush interest (27.6% vs 20.1%) from June 2019 onwards. Second quarter 2020 production was sold at an average annual net oil price of \$13.87 per barrel after deducting \$15.77 per barrel average annual discount for oil quality and transportation costs which compares, respectively, to \$53.06 and \$15.43 for oil sales made in the second quarter of 2019. The higher Atrush production and larger interest in Atrush resulted in increased revenues of \$13.2 million (88%) which was offset by \$20.9 million of negative impact on revenues due to sales of oil at lower average quarterly oil prices by \$39.20 per barrel. Revenues in Q2 2020 were \$12.4 million lower than in Q1 2020 due to the negative impact from a \$20.99 lower average realized price.

**Gross margin on oil sales** was lower between Q2 2019 and Q2 2020 by \$9 million due to the negative impacts of lower revenues of \$20.9 million due to lower average realized oil prices and \$2.0 million increase in lifting and depletion costs combined and were offset by \$13.2 million increased revenues due to higher production and larger Atrush interest as well as a decrease by \$0.7 million in other production costs, relating mainly to the heavy oil extended well tests conducted in 2019. The increased lifting and depletion costs, a non-cash expense, were mainly attributable to higher production levels and expanded EPF operations. The \$5.2 million decrease in gross margin between Q1 2020 and Q2 2020 is attributable to negative impacts of lower revenues of \$12.4 million due to lower average realized oil prices, \$3.5 million decrease in lifting and depletion costs combined and \$3.7 million decrease in other production costs, relating mainly to a production bonus paid to the Kurdistan Regional Government in Q1. The decreased lifting and depletion costs, a non-cash expense, were mainly attributable to a drop in depletion cost due an increase in reserves determined in the 2019 year-end reserves report resulting in the spread of depletion cost over more barrels and the decrease of the asset base due to the Q1 impairment.

**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 Q2 2020 is \$8.4

<sup>1</sup> On May 30, 2019, the Company completed its acquisition of an additional 7.5% participating interest in the Atrush block, increasing its interest from 20.1% to 27.6%.

million lower than in Q2 2019 mainly due to lower average oil prices and increased lifting costs related to additional production and despite the additional revenues associated with higher production and the larger interest in Atrush over the entire quarter. A lower EBITDAX in Q2 2020 by \$8.5 million from Q1 2020 is principally due to lower average oil prices.

**Net loss** of \$15 million in Q2 2020 was primarily driven by the \$6.2 million negative gross margin and financing costs of \$5.5 million which relate mainly to the Company's bonds. The increase by \$10.6 million in the Q2 2020 loss over the amount reported in the second quarter of 2019 is due to the lower gross margin by \$9 million, higher G&A of \$0.5 million and higher net finance costs of \$0.3 million relating mainly to a drop in interest relating to holding a lower level of interest bearing funds in the period. The net loss in Q2 2020 was lower by \$110.6 million than as reported for Q1 2020 mainly due to the once-off impact of the \$116 million impairment loss recorded in Q1 and despite the \$5.2 million of negative impacts on Q2 2020 margins driven by lower oil prices over the period.

**Cash flow from operations** of \$1.2 million for Q2 2020 was up significantly from \$5.4 million of cash outflow reported in Q2 2019 principally due to the effects of higher production, a larger working interest in Atrush throughout the entire quarter and the positive impact of movements in working capital items and was despite shrunken margins on significantly lower oil prices than in Q2 2019. Operational cash flows dropped by \$0.7 million between Q1 2020 and Q2 2020 with increased cash due to higher production and positive movements in working capital items being more than offset by lower average oil prices between the periods.

## OUTLOOK

### Operations

The updated guidance for 2020 is 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 and further unanticipated complications arising from the COVID-19 pandemic.
- 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 to eliminate gas flaring at Atrush, an important initiative in environmentally responsible operations;
  - submission to the KRG of the FDP 2020 in the second half of 2020.
- The KRG has committed to paying for monthly production each following month starting with March 2020. The KRG has honored the commitment with most recent payment for June deliveries received on July 27, 2020.

### Business

The Company, through decisive actions to scale back development, has retained 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. Further, the steps taken to address the significant liquidity constraints prevailing at the end of the last quarter enable the Company to now re-focus its efforts on its ongoing core business and provide critical time and flexibility to strengthen its financial position. Uncertainty still remains in the world oil markets but the Company is now better positioned to benefit from improving future conditions.

## 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 6:00 p.m. Eastern Standard Time on August 12, 2020.

The Company plans to publish on November 5, 2020 its financial statements for the three and nine months ended September 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](mailto: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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