

## SHAMARAN THIRD QUARTER 2020 FINANCIAL AND OPERATING RESULTS

NOVEMBER 5, 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 nine months ended September 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, "With the support of our stakeholders this quarter we have been able to conclude the measures taken to successfully resolve ShaMaran's liquidity shortfall of earlier this year and secure additional stability for the Company. Our revenues and operational cash flows are up thanks to stronger oil prices and the concerted efforts of the partnership to deliver sustained pre-COVID levels of Atrush production. We have also implemented prudent measures to scale back development spending and maintain the optimality to quickly ramp back up under the right conditions. We remain committed in our efforts to strengthen the Company in the face of the negative impacts of what has become an extended pandemic. While markets will need more time to find firm footing, I am optimistic about ShaMaran's future, buoyed by the positive developments, continued strong production and improved results of this quarter."

### THIRD QUARTER 2020 HIGHLIGHTS AND KEY EVENTS

#### Financial

##### Liquidity shortfall successfully resolved and strengthened liquidity position:

- On July 5, 2020 the Company and Nordic Trustee AS, acting as trustee on behalf of the bondholders, agreed on amended bond terms which successfully addressed the Company's financial covenant breach and the liquidity shortfall. Notably the Company drew \$22.8 million in cash from Nemesia S.à.r.l. ("Nemesia"), a company controlled by a trust settled by the estate of the late Adolf H. Lundin, under the terms of a Liquidity Guarantee provided to the trustee on behalf of the bondholders by Nemesia. This has allowed for full payment to bondholders of the July 2020 interest payment and added \$11.4 million of cash pledged to the bondholders for future bond obligations.

##### Consistent oil sales and entitlement payments:

- The Kurdistan Regional Government of Iraq ("KRG") has in the following month paid for oil deliveries and invoiced entitlements from March to September 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 resolving this matter.

#### Operations

##### Strong Atrush production:

- Continued high level of production in Q3 2020 with an average daily production of 46.1 Mbopd compared to a similar level in Q2 2020 production of 46.9 Mbopd. The 2020 sustained high level of production is due to stable contributions from 2019 wells, increased processing capacity at the Early Production Facility ("EPF") as well operational resilience due to early and effective responses to operational challenges posed by the Global COVID-19 pandemic.
- Produced 39% more oil in Q3 2020 compared to Q3 2019 production (46.1 Mbopd vs. 33.2 Mbopd), due to the increased processing capacities installed in September 2019 and additional contributions from new wells, and was within the 2020 production guidance range of 44,000 to 50,000 bopd.

##### Significant decrease in lifting cost per barrel:

- The average lifting cost per barrel of oil produced from Atrush in the third quarter was \$3.97 per barrel which was significantly down 48% from \$7.62 per barrel in Q3 2019 and down 26% from \$5.36 per barrel in Q2 2020. The significant reduction from Q3 2019 was mainly due to making redundant certain additional costs which were incurred in Q3 2019 related to the management of salt issues, water handling and well workovers, and to spreading certain fixed operating costs over a larger production volume in Q3 2020 which was 39% higher than Q3 2019.

##### Responsible spending:

- The Company and the operator, TAQA Atrush BV, have agreed and implemented responsible measures to scale back Atrush development spending for 2020 from a planned \$131 million to the current latest estimate of \$33 million while retaining the flexibility to ramp up development with strengthening oil prices.

##### Improving operational cash flows:

- The Company generated \$4.5 million in cash from operations, and \$9.0 million excluding adjustments for working capital items, in the third quarter of 2020 compared with \$1.6 million, and negative \$1.5 million excluding working capital items in the previous quarter. The higher cash generation was mainly due to improved oil prices and reduced lifting costs.

#### Reliable COVID-19 procedures:

- The comprehensive COVID-19 action plan, implemented in February 2020, continues with overriding objectives of ensuring personnel safety and wellbeing as well as assuring efficient business continuity. The policies and procedures are being continually refined and improved as Atrush transitions to the “new normal” COVID-19 operating environment.

#### Corporate

##### Engagement with stakeholders:

- Dr. Adel Chaouch, President and CEO of ShaMaran, presented to shareholders and investors at a virtual town hall meeting on Thursday September 24, 2020 underlining managements’ commitment to transparency and stakeholder engagement as a conduit for providing feedback fundamental on the path to value creation.

#### 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 nine months ended September 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 September 30 |         | Three months ended June 30 |
|--|---------------------------------|---------|----------------------------|
|  | 2020                            | 2019    | 2020                       |
| <b>Production information</b>                                  |                                 |         |                            |
| Atrush average daily oil production - gross 100% field (Mbopd) | 46.1                            | 33.2    | 46.9                       |
| ShaMaran’s entitlement in Atrush oil sales (Mbbbls)            | 563                             | 405     | 533                        |
| <b>Financial information (in USD Thousands)</b>                |                                 |         |                            |
| Revenue  | 15,358                          | 18,804  | 7,393                      |
| Gross margin on oil sales                                      | 3,952                           | 5,156   | (6,169)                    |
| EBITDAX  | 8,707                           | 9,424   | (1,882)                    |
| Net finance cost   | 4,654                           | 5,404   | 5,468                      |
| Loss for the period  | (2,733)                         | (2,420) | (14,631)                   |
| Cash inflow from operations                                    | 4,487                           | 9,048   | 1,162                      |
| Cash in bank   | 22,432                          | 20,027  | 5,524                      |
| Positive / (negative) working capital                          | 29,909                          | 45,770  | (13,532)                   |
| Total liabilities  | 232,920                         | 216,992 | 224,056                    |

**Atrush production** for the quarter was up 39% compared to Q3 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 Atrush production facility; and
- Expansion of the EPF.

Production was very stable during Q3 2020 with overall uptime exceeding 98%.

**Revenue from Atrush oil sales** relates to the Company’s entitlement share of oil sales from Atrush. There was a significant positive impact to revenue in the third quarter of 2020 compared to the second quarter of 2020 mainly due to the strengthening of oil prices. Revenues in Q3 2020 were \$8 million higher than in Q2 2020 due to a \$13.39 higher average realized price with no material impact due to lower average daily production by 750 bopd over the period, as this was offset by higher entitlement barrels received in the quarter related to a correction in quantity of barrels invoiced. The decrease in revenues between the third quarter of 2020 and 2019 was driven by lower average net oil prices between the periods but somewhat offset by higher average daily production (46.1Mbopd vs 33.2Mbopd). Third quarter 2020 production was sold at an average net oil price of \$27.26 per barrel after deducting \$15.78 per barrel average discount for oil quality and transportation costs which compares, respectively, to \$46.43 and \$15.43 for oil sales made in the third quarter of 2019. The higher Atrush production resulted in increased revenues of \$7.4 million (39%) which was offset by \$10.8 million of negative impact on revenues due to sales of oil at a lower average price by \$19.17 per barrel.

**Gross margin on oil sales** was higher between Q2 2020 and Q3 2020 by \$10.1 million due to \$8.0 million of additional revenues as explained above as well as \$2.1 million decrease in lifting and depletion costs combined. The decreased lifting cost was mainly attributable to stability in operations leading to a general reduction in cost of repair and maintenance on the Atrush producing wells and facilities. Depletion cost decrease is due mainly to the reduction in capital spent on development between the periods. Gross margin in Q3 2020 relative to the same quarter last year was lower by \$1.2 million mainly due to the decrease in revenues related to lower oil prices and higher depletion costs driven by 39% higher production between the periods. The higher production did contribute positively to oil sales revenue helping to offset the negative impact of lower oil prices on the gross margin as did significantly lower lifting costs per barrel.

**EBITDAX** is a non-IFRS 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 higher EBITDAX in Q3 2020 by \$10.6 million from Q2 2020 is principally due to additional revenues relating to improved oil prices and reductions in lifting cost per barrel as has been discussed in the sections above. The EBITDAX for Q3 2020 is \$0.7 million lower than in Q3 2019 mainly due to lower average oil prices between these periods the effects of which were offset in part by additional revenues generated by higher production and decreased lifting costs.

**Net loss** of \$2.7 million in Q3 2020 was primarily driven by a reduced revenue base, owing to lower Brent oil prices in the quarter, which was consumed by cost of sales, general and admin expenses and financing costs in the period. The net loss in Q3 2020 was lower by \$11.9 million than as reported for Q2 2020 mainly due to positive impact of stronger oil prices on revenues as well as reductions in lifting and depletion costs, as discussed above. Further positive effects were reductions between the periods of general and administrative ("G&A") expenses and finance costs, respectively, by \$0.8 million and \$0.8 million. The reduction in G&A expenses relates to the conclusion of consulting and legal work principally undertaken in the second quarter relating to refinancing activities which culminated with amended bond terms as announced by the Company in July 2020. The lower financing costs relates principally to a one-time gain of \$1.5 million recorded by the Company in revaluing its bond obligations, as required by accounting standards, following the amendment to bond terms whereas additional debt service costs related to the related party loan with Nemesia arising from the draw down of \$22.8 million has in part offset the revaluation gain. The increase by \$0.3 million in the Q3 2020 loss over the amount reported in the third quarter of 2019 is due to the lower gross margin between the periods with offsetting positive effect mainly due to the one-time revaluation gain, as has been discussed above.

**Cash flow from operations** of \$4.5 million for Q3 2020 was up significantly from \$1.2 million reported in Q2 2020 principally due to the effects of stronger oil prices and reduced lifting costs which were offset by the negative impact on cash from working capital items mainly related to the pay down of accounts payable balances between the quarters. Operational cash flows dropped by \$4.6 million between Q3 2019 and Q3 2020 despite higher production between the periods, mainly due to weaker average oil prices realized.

## 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 any unanticipated complications arising from the COVID-19 pandemic.
- Average lifting costs are estimated to range from \$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 the design of facilities designed to eliminate gas flaring at Atrush, an important initiative in environmentally responsible operations.
- The KRG has committed to paying for monthly production and entitlements invoiced each following month starting with March 2020. The KRG has honored the commitment with most recent invoice payment of \$5.4 million for September deliveries received on October 29, 2020.

### Business

The Company has taken swift and decisive action to scale back development yet retain the flexibility to ramp development back up pending further strengthening of the underlying macro economic factors. The Company continues to work with Atrush partners to plan for the continued development of the significant Atrush resource base with measures to update the Field Development Plan having commenced. At the same time the Company continues to investigate and screen opportunities with a view to extending value for stakeholders.

## 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 5:30 p.m. Eastern Time on November 5, 2020.

The Company plans to publish on March 3, 2021 its financial statements for the three and twelve months ended December 31, 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, 2019 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 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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