



ShaMaran Reports Second Quarter 2023 Results

August 9, 2023

VANCOUVER, BRITISH COLUMBIA – ShaMaran Petroleum Corp. (“ShaMaran” or the “Company”) (SNM: TSXV and Nasdaq First North Growth Market) today released its financial and operating results and related management’s discussion and analysis (MD&A) for the three and six months ended June 30, 2023.

Garrett Soden, President and CEO of ShaMaran, commented: “The continued closure of the Iraq-Turkey pipeline and delayed payments for past oil sales materially impacted all Kurdistan oil producers during the second quarter of 2023. Discussions are ongoing between Ankara, Baghdad and Erbil to find a political solution. We believe the various governments should be aligned to reopen the pipeline and to resolve the outstanding payment issues with international oil companies. In the meantime, ShaMaran is focused on cost reduction and cash preservation, as well as encouraging our operating partners to increase oil sales to local refineries to improve liquidity. With our cash on hand, recent bond waiver, accounts receivable and own bonds held in treasury, we have significant flexibility while we seek a resolution to the production, export and payment situation.”

Corporate Highlights:

- The closure of the Iraq-Turkey pipeline (“ITP”) on March 25, 2023, had a material impact on ShaMaran’s operations and financial results. The Company is actively engaging in discussions with the relevant parties for re-opening the ITP to Kurdistan oil exports;
- While Atrush is shut-in due to a lack of storage and trucking facilities, Sarsang oil production has continued at a reduced rate since late April 2023 with additional oil storage capacity secured offsite and sales to local refineries on an *ad hoc* weekly basis. Sarsang local sales vary in price and volume from week to week but are expected to continue on an *ad hoc* basis until the ITP exports resume and payment issues are resolved;
- Excluding non-recurring General and Administrative costs (“G&A”), ShaMaran achieved a cash-neutral quarter from an operating cash flow perspective due to local sales revenues and proactive cost-cutting at both the asset and corporate level; and
- The recent passage of the Iraq federal budget for 2023-2025, including a production commitment from the Kurdistan Regional Government (“KRG”), should enable regular monthly budget transfers from Iraq to the KRG, as well as normalization of relations between the region and the Federal Government of Iraq.

Financial Highlights:

USD Thousands	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenue	6,542	44,844	49,922	83,680
Gross margin on oil sales	(4,199)	34,208	17,899	61,887
Net result	(27,199)	21,170	(17,600)	36,250
Cash flow from operations	(734)	40,720	17,532	64,482
EBITDAX	(4,876)	37,339	25,351	67,810

- Q2 2023 Sarsang oil sales went to the Kurdistan local market at an average net back price of \$41.47/bbl and generated net revenues and cash payments to the Company of \$6.5 million;
- Since the ITP shutdown, ShaMaran and its operating partners have cut costs (both operating and capital expenditures) at the asset level. This resulted in reduced cash calls to ShaMaran in Q2 2023 versus the original budget. The Company is actively pursuing further cost-reduction initiatives and encouraging our operating partners to pursue additional local sales to improve liquidity;
- ShaMaran has also revised its Corporate G&A spend and implemented cost-reduction initiatives in order to preserve cash. If non-recurring costs of approximately \$1.1 million were excluded from the quarter's G&A costs, Q2 2023 results would have shown positive cash flow from operations. This adjusted G&A better reflects the expected run-rate going forward;
- The Company continues to engage with the KRG regarding the \$96.7 million of overdue receivables for oil sales from October 2022 to March 2023 (on the basis of the KBT pricing mechanism). Since payment timing is uncertain, ShaMaran has reassessed the credit loss provision in Q2 2023, resulting in an increase to the provision by \$11.6 million in the quarter; and
- At June 30, 2023, the Company had cash of \$92.5 million (including restricted cash of \$59.3 million), receivables from past oil sales of \$96.7 million (before any provision for credit risk on overdue invoices) and gross debt of \$315.6 million (including the \$300 million bond and \$15.6 million related party loan). Net debt was \$192.4 million (including \$30.7 million in ShaMaran bonds held by the Company).

Operational Highlights:

- Since the ITP shutdown, Atrush has been shut-in due to a lack of storage and trucking facilities. Sarsang production has been limited by storage capacity and the local sales market in Kurdistan, but production has continued at an average gross rate of 18 Mbopd during Q2 2023. As reported by HKN Energy Ltd. ("HKN"), Sarsang local sales during Q2 2023 averaged 13.7 Mbopd;
- HKN completed one water disposal well (ST-AW1) on the Sarsang Block, and Taqa Atrush B.V. completed one production well (CK-20) on the Atrush Block during Q2 2023. Both wells are expected to be in operation after the resumption of pipeline exports, field operations and regular payments for oil sales;
- The 2023 capital programs associated with further drilling activity and processing capacity expansion at both the Sarsang and Atrush blocks have been reduced and/or deferred completely; and
- Due to the reduced activity levels following the ITP closure, ShaMaran has suspended guidance for 2023. The Company is working with the KRG and our operating partners to address the challenges in Kurdistan and will update the market as appropriate.

Subsequent Events:

- On July 26, 2023, the Company announced that it had requested and received bondholder approval for a waiver to release cash from the 2025 Bond Debt Service Retention Account ("DSRA"). The waiver allowed the Company to use restricted cash in the DSRA to pay the bond interest and amortization obligations due on July 30, 2023; and
- At July 31, 2023, the Company had cash of \$56.9 million (including restricted cash of \$19.8 million), receivables from past oil sales of \$96.7 million and gross debt of \$293.1 million (including the \$277.5 million bond and \$15.6 million related party loan). Net debt was \$207.8 million (including \$28.4 million in ShaMaran bonds held by the Company).

ShaMaran plans to publish its financial statements for the nine months ending September 30, 2023, on November 8, 2023. Except as otherwise indicated, all currency amounts indicated as "\$" in this news release are expressed in United States dollars.

About ShaMaran Petroleum Corp.

ShaMaran is a Canadian independent oil and gas company focused on the Kurdistan region of Iraq. The Company holds a 27.6% working interest in the Atrush Block through its wholly-owned subsidiary General Exploration Partners, Inc. and an 18% interest (22.5% paying interest) in the Sarsang Block through its wholly-owned subsidiary ShaMaran Sarsang A/S. The Company is listed in Toronto on TSX Venture Exchange and in Stockholm on Nasdaq First North Growth Market (ticker "SNM"). ShaMaran is part of the Lundin Group of Companies.

Important Information

This is information that ShaMaran is obliged to make public pursuant to the EU Market Abuse Regulation. This information was submitted for publication through the agency of the contact persons set out above on August 9, 2023, at 5:30 p.m. Eastern Time.

The Company's certified advisor on Nasdaq First North Growth Market is Arctic Securities AS (Swedish branch), +46 844 68 6100, certifiedadviser@arctic.com.

Forward looking statements

Certain statements contained in this press release constitute forward-looking information. These statements relate to future events or the Company's future performance, business prospects and opportunities, which are based on assumptions of management.

The use of any of the words "will", "expected", "planned" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the Company's current belief or assumptions as to the outcome and timing of certain future events. These forward-looking statements involve risks and uncertainties relating to, among other things, changes in oil prices, results of exploration and development activities, including results, timing and costs of seismic, drilling and development related activity in the Company's area of operations and, uninsured risks, regulatory changes, defects in title, availability of funds required to participate in the development activities, or of financing on reasonable terms, availability of materials and equipment on satisfactory terms, outcome of commercial negotiations with government and other regulatory authorities, timeliness of government or other regulatory approvals, actual performance of facilities, availability of third party service providers, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual future results may differ materially. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company. The forward-looking information contained in this release is made as of the date hereof and the Company is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information.

Neither 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.

Source: ShaMaran Petroleum Corp.

Garrett Soden, President and CEO, +1 (604) 689-7842, info@shamaranpetroleum.com, www.shamaranpetroleum.com