Registration Document

General Exploration Partners, Inc.
Senior Secured 2013/2018 Bond Issue

Listing on Oslo Børs

May 13, 2014

Sole Manager:

Pareto Securities AS

Important information

Unless otherwise indicated, references in this Registration Document to the "Issuer", "Guarantors", "Company", "GEP" and similar terms refer to General Exploration Partners, Inc., and/or one or more of its guarantors, except that those terms, when used in this Registration Document in connection with securities shall specifically mean General Exploration Partners, Inc. (the "Issuer").

The Registration Document has been prepared in connection with listing of the bonds at Oslo Børs.

This Registration Document is subject to the general business terms of the Sole Manager. Confidentiality rules and internal rules restricting the exchange of information between different parts of the Sole Manager may prevent employees of the Sole Manager who are preparing this document from utilizing or being aware of information available to the Sole Manager and/or affiliated companies and which may be relevant to the recipient's decisions.

The Sole Manager and/or affiliated companies and/or officers, directors and employees may be a market maker or hold a position in any instrument or related instrument discussed in this Registration Document, and may perform or seek to perform financial advisory or banking services related to such instruments. The Sole Manager's corporate finance department may act as manager or co-manager for the Issuer in private and/or public placement and/or resale not publicly available or commonly known.
Copies of this Registration Document are not being mailed or otherwise distributed or sent in or into or made available in the United States. Persons receiving this document (including custodians, nominees and trustees) must not distribute or send such documents or any related documents in or into the United States.

Other than in compliance with applicable United States securities laws, no solicitations are being made or will be made, directly or indirectly, in the United States. Securities will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The distribution of the Registration Document may be limited by law also in other jurisdictions, for example in the United Kingdom. Verification and approval of the Registration Document by the Financial Supervisory Authority of Norway ("Finanstilsynet") implies that the Registration Document may be used in any EEA country. No other measures have been taken to obtain authorisation to distribute the Registration Document in any jurisdiction where such action is required.

Unless otherwise stated, the Prospectus is subject to Norwegian law. In the event of any dispute regarding the Prospectus, Norwegian law will apply.

The Financial Supervisory Authority of Norway has examined and approved the Registration Document pursuant to Section 7-7 of the Securities Trading Act. The examination and approval by the Financial Supervisory Authority of Norway relate exclusively to the Issuer having included descriptions pursuant to a pre-defined list of content requirements. Consequently, the Financial Supervisory Authority of Norway has not examined or approved the correctness or completeness of the information disclosed in the Registration Document. Nor has the Financial Supervisory Authority of Norway performed any form of examination or approval of company law aspects described in, or encompassed by, the Registration Document.

This Registration Document is not an offer to sell or a request to buy bonds.

The bonds may not be suitable for all investors: Each potential investor in bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the bonds, the merits and risks of investing in the bonds and the information contained in this investor presentation or referred to in the terms of application (including information displayed on the relevant exchanges where the Ultimate Parent of the Issuer is listed and on the web site www.shamaranpetroleum.com) (ii) have access, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the bonds and the impact the bonds will have on its overall investment portfolio (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the bonds (iv) understand thoroughly the terms of the bonds; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The content of the Prospectus does not constitute legal, financial or tax advice and bond owners should seek legal, financial and/or tax advice.

The Company reports its financial results and prepares its financial statements in United States dollars ("USD"). All currency amounts indicated as "$" in this Registration Document are expressed in USD unless otherwise indicated.

Certain Definitions

1C	means P90 Contingent Resources.
1P	means Proved Reserves.
2D	means two dimensional.
2C	means P50 Contingent Resources.
2P	means Proved and Probable Reserves.
3D	means three dimensional.
3C	means P10 Contingent Resources.
3P	means Proved, Probable and Possible Reserves.
AEI or Aspect	means Aspect Energy International, LLC.
AIPN	means Association Of International Petroleum Negotiators.
Memorandum and Articles Of Association	means the Amended and Restated Memorandum and Articles Of Association of General Exploration Partners, Inc. and dated August 24, 2010.
API	means American Petroleum Institute.
Atrush Block	means the Atrush Contract Area, being the area covered by the Atrush Block PSC.
Atrush Block Agreements	means the Atrush Block PSC, Atrush Block First PSC Amendment, Atrush Block Second PSC Amendment, and the Atrush Block Third PSC Amendment.
Atrush Block First PSC Amendment	means the First Amendment Agreement to the Atrush Block PSC entered into between KRG and GEP dated August 1, 2010.
Atrush Block PSC	means the Production Sharing Contract in respect of the Atrush Block, Kurdistan Region entered into between KRG and GEP and dated November 10, 2007.
Atrush Block Second PSC Amendment	means the Third-Party Participant, Novation and Second Amendment Agreement to the Atrush Block PSC entered into between KRG, GEP and Marathon dated October 20, 2010.
Atrush Block Third PSC Amendment	means the Assignment, Novation and Third Amendment Agreement to the Atrush Block PSC entered into between KRG, GEP, Marathon and TAQA dated December 31, 2012.
Atrush JOA	means the joint operating agreement entered into between the Issuer, TAQA, Marathon for the Atrush Block PSC.

Barrel	means 159 litres, a measuring unit of volume.
Bond Agreement	means the November 11, 2013 agreement between General Exploration Partners, Inc. and the Bond Trustee describing the rights and obligations associated with the $150 million senior secured bonds issued by GEP.
Bond Trustee	means Norsk Tillitsmann ASA, a Norwegian trust company acting on behalf of the subscribers to the $150 million senior secured bonds issued by GEP.
Boe	means barrels of oil equivalent.
Bbls/d	means barrels of oil produced per day.
Bcf	means billion cubic feet of gas
COGE Handbook	means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.
Commercial Discovery	has the meaning assigned to it in the PSCs, generally a discovery that is potentially commercial when taking into account all technical, operational, commercial and financial factors, all in accordance with prudent international petroleum industry practices.
Constitution of Iraq	means the permanent constitution of Iraq approved by the people of Iraq in the general referendum of October 15, 2005 and which came into effect in the year 2006.
Contingent Resources	means, as approved by the COGE Handbook, 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 which are not currently considered to be commercially recoverable due to one or more contingencies.
Contractor Group	means TAQA Atrush BV, General Exploration Partners, Inc. and Marathon Oil KDV B.V., each a Contractor.
Crude oil	means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.
Development well	means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
FEED	means Front-End Engineering and Design.
Group	means the Ultimate Parent and all of its subsidiary companies.
Guarantors	mean Ultimate Parent, 0861963 B.C. Ltd., ShaMaran Petroleum Holdings Coöperatief U.A. (Netherlands cooperative society), ShaMaran Ventures B.V.

ITT	means invitation to tender.
KRG	means The Kurdistan Regional Government of Iraq.
Kurdistan or Kurdistan Region	means the Federal Region of Kurdistan recognized by the Constitution of Iraq and having the same meaning as "Region" in the Kurdistan Region Oil and Gas Law (Law No. 22 of 2007).
LPBV	means Lundin Petroleum B.V., a subsidiary of Lundin Petroleum AB.
Marathon	means Marathon Oil KDV B.V.
MENA region	means Middle East and North Africa
MD&A	means Management's Discussion and Analysis of results of operations and financial condition of ShaMaran for the year ended December 31, 2013.
MBBL	means thousand barrels of oil.
MMBBL	means million barrels of oil.
MMcf	means million cubic feet of natural gas.
MBOE	means thousand barrels of oil equivalents.
MMBOE	means million barrels of oil equivalents.
MNR	means Ministry of Natural Resources.
Natural gas	means a mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds.
NI 51-101	means National Instrument 51-101 — *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.
Operator	means TAQA Atrush BV.
OSIL	means Oil Search (Iraq) Limited.
Petoil	means Petoil Petroleum and Petroleum Products International Exploration and Production Inc.
Petroleum	means (i) any naturally occurring hydrocarbons in gaseous or liquid state; (ii) any mixture of naturally occurring hydrocarbons in a gaseous or liquid state; or (iii) any petroleum (as defined in (i) or (ii) herein) that has been returned to a reservoir.
Prospect	means a geographic or stratigraphic area in which ShaMaran owns or intends to own one or more oil and gas interests, which is geographically defined on the basis of geological data and which is reasonably anticipated to contain at least one reservoir or part of a reservoir of oil and gas.
Probable Reserves	means, as approved by the COGE Handbook, those unproved reserves which analysis of geological and engineering data suggests are more likely than

	not to be recoverable. In this context, when probabilistic methods are used, there should at least be 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.
Possible Reserves	means, as approved by the COGE Handbook, those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should at least be 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.
Prospective Resources	means, as approved by the COGE Handbook, those quantities of petroleum, which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.
Proved Reserves	means, as approved by the COGE Handbook, those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
PSC, PSA, Production Sharing Contract or Production Sharing Agreement	mean contracts or agreements entered into with a host government providing for petroleum operations in a defined area and the division of petroleum production from the petroleum operations.
PVT	means pressure volume temperature.
Reservoir	means a subsurface rock formation containing an individual and separate natural accumulation of producible petroleum characterized by a single natural pressure system.
SEDAR	means the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval.
ShaMaran	means the Ultimate Parent and all its subsidiaries including the Issuer.
TAQA / TAQA Iraq	means TAQA Atrush B.V., a wholly owned subsidiary of Abu Dhabi National Energy Company PJSC.
The Company, Issuer or GEP	means General Exploration Partners, Inc., a wholly owned subsidiary of ShaMaran Ventures B.V., incorporated and existing under the laws of the Cayman Islands.
TSX.V	means the TSX Venture Exchange.
TVD	means total vertical depth.
Ultimate Parent	means ShaMaran Petroleum Corp.

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1 Risk Factors

1.1 Risks related to the Issuer's business and operations

Prior to any decision to invest in the bonds, potential investors should carefully read and assess the following specific risks and the other information contained in this presentation. An investment in the bonds is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment. If any of the risks presented below materializes, individually or together with other circumstances, the business, financial position and operating results of the Issuer could be materially and adversely affected and the price of the bonds may decline, causing investors to lose all or part of their invested capital. The risks presented in this document are to the Company's best knowledge, and the order in which the individual risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of the severity of individual risks.

The Issuer is engaged in the exploration, development and production of crude oil and natural gas and its operations are subject to various risks and uncertainties. **If any of the risks described below materialise the effect on the Company's business, financial condition or operating results could be materially adverse.**

References to "ShaMaran" in the following risk sections shall extend to General Exploration Partners, Inc., the Issuer.

Political and Regional Risks

International operations: Oil and gas exploration, development and production activities in emerging countries are subject to significant political, social and economic uncertainties which are beyond ShaMaran's control. Uncertainties include, but are not limited to, the risk of war, terrorism, criminal activity, expropriation, nationalisation, renegotiation or nullification of existing or future contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, a limitation on the Company's ability to export, and the imposition of currency controls. Should these uncertainties materialise they could result in adverse effects to the Company's business including, but not limited to, increased costs associated with planned projects, impairment or termination of future revenue generating activities, impairment of the value of the Company's assets and or its ability to meet its contractual commitments as they become due.

Political instability: ShaMaran's assets and operations are located in Kurdistan, a federally recognised semi-autonomous political region in Iraq, and may be influenced by political developments between Kurdistan and the Iraq federal government, as well as political developments of neighbouring states within MENA, Turkey, and surrounding areas. Kurdistan and Iraq have a history of political and social instability. As a result, the Company is subject to political, economic and other uncertainties that are not within its control. These uncertainties include, but are not limited to, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental authorities and disputes between the Iraq federal government and Kurdistan.

Iraq is a political democracy with a federal system of government. Iraq passed a constitution which was ratified in October 2005 and came in effect in 2006. The Iraq constitution contains a list of powers which are reserved exclusively for the Iraq federal government ("Federal Government") and a list of powers which are shared by the Federal Government and the regional governments of Iraq ("Regional Governments"). Jurisdiction over matters that are not within the exclusive powers granted to the Federal Government resides with the Regional Governments and the governments of the Iraq provinces not forming part of the regions. With regard to powers shared by the Federal Government and Regional Governments, in the event of a dispute priority is given under the Iraq constitution to the laws of the region.

The delineation of powers under the Iraq constitution has been subject to different interpretations which has resulted in a number of outstanding political issues and differences between the Iraq federal government and the KRG including, but not limited to, the validity of production sharing contracts issued by the Kurdistan Regional Government of Iraq and the jurisdiction over oil and gas matters in Kurdistan.

The unfavourable outcome of political uncertainties such as those discussed above could result in adverse effects to the Company's assets and business including, but not limited to, increased costs associated with planned projects, impairment or termination of future revenue generating activities and impairment of the value of the Company's assets and or its ability to meet its contractual commitments as they become due.

International boundary disputes: Although the Kurdistan Region of Iraq is recognised by the Iraq constitution as a semi-autonomous region, its geographical extent is neither defined in the Iraq constitution nor agreed in practice between the Federal Government and the Kurdistan Regional Government. There are ongoing differences between the KRG and the Federal Government regarding certain areas which are commonly known as "disputed territories". The Company believes that its current area of operation is not within the "disputed territories".

Industry and Market Risks

Exploration, development and production risks: ShaMaran's business is subject to all of the risks and hazards inherent in businesses involved in the exploration, development, production and marketing of oil and natural gas, many of which cannot be overcome even with a combination of experience, knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include drilling of unsuccessful wells, fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property or the environment, or in personal injury.

Oil and gas operations involve geological, technical and commercial risks. ShaMaran's success will depend on its ability to find, appraise, develop and commercially produce oil and gas resources and reserves. Future oil and gas exploration may involve risks relating to dry holes, wells which do not produce sufficient petroleum to return a profit after drilling, operating and other costs. In addition, operations can be affected by drilling hazards, environmental damage, and other field operating conditions which could adversely affect production and increase the cost of operations. Diligent operations can contribute to maximising production rates over time but production delays and declines from normal field operating conditions cannot be eliminated and can adversely affect revenue and cash flow levels.

The Company is not fully insured against all of these risks, nor are all such risks are insurable and, as a result, these risks could still result in adverse effects to the Company's business not fully mitigated by insurance coverage including, but not limited to, increased costs or losses due to events arising from accidents or other unforeseen outcomes including cleanup, repair, containment and or evacuation activities, settlement of claims associated with injury to personnel or property, and or loss of revenue as a result of downtime due to accident.

General market conditions: ShaMaran's business and operations depend upon conditions prevailing in the oil and gas industry including the current and anticipated prices of oil and gas and the global economic activity. A reduction of the oil price, a general economic downturn, or a recession could result in adverse effects to the Company's business including, but not limited to, reduced cash flows associated with the Company's future oil and gas sales.

Competition: The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. ShaMaran competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. ShaMaran's competitors include oil companies which have greater financial resources, staff and facilities than those of the Company. ShaMaran's ability to increase reserves in the future will depend on its ability to develop its present property, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have an impact on the demand for oil and gas and could lead to reduction in oil prices which may have a negative impact on the Company's cash flow and profitability.

Reliance on key personnel: ShaMaran's success depends in large measure on certain key personnel and directors. The loss of the services of such key personnel could negatively affect ShaMaran's ability to deliver projects according to plan and result in increased costs and delays. ShaMaran has not obtained key person insurance in respect of the lives of any key personnel. In addition, competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that ShaMaran will be able to attract and retain the skilled personnel necessary for the operation and development of its business.

Business Risks

Risks associated with petroleum contracts in Iraq: The Iraq constitution grants a role for the regions of Iraq in awarding of petroleum contracts for certain types of operations, and in regulating those petroleum operations occurring within the regions. No federal Iraq legislation has yet been agreed or enacted by the Iraq parliament to govern the future organisation and management of Iraq's petroleum industry as there are a number of material issues which need to be resolved between the Federal Government and the KRG. There is uncertainty with regard to the promulgation of the Federal legislation and the timing of such adoption, if at all. Failure to enact federal legislation could extend or increase uncertainty within Iraq's petroleum industry which may result in additional burdens being placed on the Company including, but not limited to, difficulty obtaining clear title to its assets or in obtaining adequate financing for its future projects.

The KRG developed the Oil And Gas Law of the Kurdistan Region - Iraq (the "Oil and Gas Law") to be consistent with the role granted to the regions in the Iraq constitution and in conformity with the principles reflected in the Draft Federal Petroleum Law and in the draft federal law governing revenue sharing for petroleum activities proposed in June 2007.

In the absence of progress on the Draft Federal Petroleum Law, on August 6, 2007, the Kurdistan National Assembly approved the Oil and Gas Law which came into force in Kurdistan with effect from August 9, 2007. The Kurdistan National Assembly passed the Oil and Gas Law which is declared to be supported by the Iraq constitution and provides the foundation for economic development of the largely untapped resources of Kurdistan. Under the Oil and Gas Law domestic and international investors in oil and gas can come to Kurdistan, generate revenue and provide employment and training opportunities for citizens in the region. Consistent with the Iraq constitution the Oil and Gas Law requires Kurdistan to share revenue with the Iraq federal government and other regions of Iraq, just as other areas of Iraq will share oil revenues with Kurdistan. The KRG has signed a number of PSCs with international oil companies based on the oil and gas law passed in August 2007. The Company currently has an interest in the Atrush Block PSC which is within the jurisdiction of the Oil and Gas Law.

The Iraq oil ministry has historically disputed the validity of the KRG's production sharing contracts and, as a result indirectly, the Company's right and title to its oil and gas assets. The KRG is disputing the claims and has stated that the contracts are compliant with the Iraq constitution. At the present time there is no assurance that the PSCs agreed with the KRG are enforceable or binding in accordance with ShaMaran's interpretation of their terms or that, if breached, the Company would have remedies.

Although the Company conducts title reviews prior to acquiring an interest in a PSC, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question ShaMaran's interest in the Atrush Block PSC.

The Company believes that it has valid title to its oil and gas assets and the right to explore for and produce oil and gas from such assets under the Atrush Block PSC. However, should the Iraq federal government pursue and be successful in a claim that the production sharing contracts agreed with the KRG are invalid, or should any unfavourable changes develop which impact on the economic and operating terms of the Atrush Block PSC, it could result in adverse effects to the Company's business including, but not limited to, impairing the Company's claim and title to assets held, and or increasing the obligations required, under the Atrush Block PSC.

Government regulations, licenses and permits: The Company is affected by changes in taxes, regulations and other laws or policies affecting the oil and gas industry generally as well as changes in taxes, regulations and other laws or policies applicable to oil and gas exploration and development in Kurdistan specifically.

ShaMaran conducts its operations pursuant to the rights granted under the Atrush Block PSC and related licenses, permits and other authorisations. The grant of licenses and permits may require fulfilment of certain conditions or the exercise of discretion by the concerned authorities. The Company's ability to execute its projects may be hindered if it cannot secure the necessary approvals or the discretion is exercised in a manner adverse to the Company. Any significant delay in obtaining or renewing a license or permit may result in a delay of the Company's planned activities and the future development of any oil and gas resources.

The taxation system applicable to the operating activities of the Company in Kurdistan is pursuant to the Oil and Gas Law governed by general Kurdistan tax law and the terms of its PSCs. However, it is possible that the arrangements under the PSCs may be overridden or negatively affected by the enactment of any future oil and gas or tax law in Iraq or Kurdistan which could result in adverse effects to the Company's business including, but not limited to, increasing the Company's expected future tax obligations associated with its activities in Kurdistan.

<u>Marketing, markets and transportation</u>: One of the consequences of the disagreement between the Iraq federal government and the KRG over the validity of the KRG's PSCs and issues relating to revenue sharing and auditing of costs is the withholding by the Iraq federal government of partial or full payments to the KRG for oil exported from Kurdistan. As a result the KRG has been unable to make full payments due to the companies who have to date exported oil from Kurdistan.

The export of oil and gas and payments relating to such exports from Kurdistan remains subject to uncertainties which could negatively impact on ShaMaran's ability to export oil and gas and receive payments relating to such exports. Further, ShaMaran's ability to export and market oil and gas may also depend upon its ability to secure transportation and delivery, in view of related issues such as the proximity of its potential production to pipelines and processing facilities. Potential government regulation relating to price, quotas and other aspects of the oil and gas business could result in adverse effects to the Company's business including, but not limited to, impairing the Company's ability to export and sell oil and gas and receive full payment for all sales of oil and gas.

<u>Default under the Atrush Block PSC and Atrush JOA</u>: The Atrush Block PSC and Atrush JOA include a number of provisions in the event that a Contractor should fail to meet its obligations under these contracts. Defaults include where a Contractor does not carry out drilling and seismic acquisition as prescribed, interrupts production for more than 90 consecutive days without reasonable cause, intentionally extracts other materials than permitted, becomes bankrupt, or there is a change of control in a party which is not approved by KRG (see below for further risk discussion). If a default is not remedied within three (3) months following notice of intention to terminate, the KRG may terminate the PSC with respect to the defaulting party and allocate its interest among the other contractors. Consequently the Company could upon a default lose all its rights and interests in the Atrush field without any compensation.

The Atrush JOA definition of default includes payment default and failure to provide security as required under the Atrush JOA. If a party does not remedy such default within 5 business days after having been notified of the default, its entitlement shall vest with and be the property of the other parties as long as the default remains un-remedied.

The Operator will in this period be entitled to sell the entitlement at arms' length on reasonable terms and apply proceeds to cover costs and liabilities and a reserve fund before releasing any remaining surplus. If a default has remained for 60 days or more a non-defaulting party has the option to acquire the defaulter's participating interest at a price equal to the fair market value of such interest less the following (i) the total amount in default (ii) all costs; including the costs of an expert, to obtain such valuation and (iii) ten per cent (10%) of the fair market value of the defaulting party's participating interest.

Should the Company fail to meet its obligations under the Atrush Block PSC and or Atrush JOA it could result in adverse effects to the Company's business including, but not limited to, a default under one or both of these contracts, the termination of future revenue generating activities of the Company and impairment of the Company's ability to meet its contractual commitments as they become due.

Kurdistan legal system: The Kurdistan Region of Iraq has a less developed legal system than that of many more established regions. This could result in risks associated with predicting how existing laws, regulations and contractual obligations will be interpreted, applied or enforced. In addition it could make it more difficult for the Company to obtain effective legal redress in courts in case of breach of law, regulation or contract and to secure the implementation of arbitration awards and may give rise to inconsistencies or conflicts among various laws, regulations, decrees or judgments. The Company's recourse may be limited in the event of a breach by a government authority of an agreement governing the PSC in which ShaMaran acquires or holds an interest.

Enforcement of judgments in foreign jurisdictions: The Company is party to contracts with counterparties located in a number of countries, most notably Kurdistan. Certain of its contracts are subject to English law with legal proceedings in England. However, the enforcement of any judgments thereunder against a counterparty will be a matter of the laws of the jurisdictions where counterparties are domiciled.

Change of control in respect of PSC: The Atrush Block PSC definition of "change of control" in a Contractor includes a change of voting majority in the Contractor, or in a parent company, provided the value of the interest in the Atrush field represents more than 50% of the market value of assets in the Company. Due to the limited amount of other assets held by the Company this will apply to a change of control in GEP or any of its parent companies. Change of control requires the consent of KRG or it will trigger a default under the PSC.

Project and Operational Risks

Shared ownership and dependency on partners: ShaMaran's operations are to a significant degree conducted together with one or more partners through contractual arrangements with the execution of the operations being undertaken by the Operator in accordance with the terms of the Atrush JOA. As a result, ShaMaran has limited ability to exercise influence over the deployment of those assets or their associated costs and this could adversely affect ShaMaran's financial performance.

ShaMaran's return on assets operated by others will therefore depend upon a number of factors that may be outside of ShaMaran's control, including the timing and amount of capital expenditures, the Operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices. The Operator, along with the Company's other partners, may have different opinions on how to conduct certain operations which may result in delays, losses or increased costs not anticipated by the Company. In addition, if the Operator or other partners fail to perform, ShaMaran may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. If a dispute would arise with one or more partners such dispute may have significant negative effects on the Company's operations relating to its projects.

Security risks: Kurdistan and other regions in Iraq have a history of political and social instability which have culminated in security problems which may put at risk the safety of the Company's personnel, interfere with the efficient and effective execution of the Company's operations and ultimately result in significant losses to the Company. There have been no significant security incidents in the Company's area of operation.

Risks relating to infrastructure: The Company is dependent on access to available and functioning infrastructure (including third party services in Kurdistan) relating to the properties on which it operates, such as roads, power and water supplies, pipelines and gathering systems. The absence of direct export capability via the current Iraq pipeline export infrastructure and or the proposed Kurdistan-to-Turkey pipeline may adversely impact the Company's ability to develop, produce and export its oil and gas. Further, if any infrastructure or systems failures occur or access is not possible or does not meet the requirements of the Company, the Company's operations may be significantly hampered which could result in lower production and sales and or higher costs.

Environmental regulation and liabilities: Drilling for and producing, handling, transporting and disposing of oil and gas and petroleum by-products are activities that are subject to extensive regulation under national and local environmental laws, including in those countries in which ShaMaran currently operates. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection with water and air pollution control, waste management, permitting requirements and restrictions on operations in environmentally sensitive areas. The Company's operations in Kurdistan are subject to general and specific regulations and restrictions governing drilling, production and processing, land tenure use, environmental requirements (including site specific environmental licenses, permits and remediation requirements), workplace health and safety requirements, social impacts and other laws and regulations. The environmental laws of Kurdistan are limited as compared to those in jurisdictions such as Europe or North America. The Company is obliged to follow both Kurdish law and the terms of the Atrush Block PSC towards protecting the environment and the health and safety of its employees and third parties.

The Company has implemented health, safety and environment policies since its incorporation, complies with industry environmental practices and guidelines for its operations in Kurdistan and is currently in compliance with these obligations in all material aspects. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures and competitive position of ShaMaran.

Future changes in environmental or health and safety laws, regulations or community expectations governing the Company's operations could result in adverse effects to the Company's business including, but not limited to, increased monitoring, compliance and remediation costs and or costs associated with penalties or other sanctions imposed on the Company for non-compliance or breach of environmental regulations.

Risk relating to community relations / labour disruptions: The Company's operations may be located in or near communities that may regard operations as detrimental to their environmental, economic or social circumstances. This may result in disputes with national or local governments or with local communities and may give rise to incremental financial commitments. Additionally, there is a risk that strikes or labour unrest/disruptions may occur in the area of the Company's operation. Negative community reactions and labour disruptions or disputes could increase operational costs and result in delays in the execution of projects.

Petroleum costs and cost recovery: Under the terms of the Atrush Block PSC the KRG is entitled to conduct an audit to verify the validity of incurred petroleum costs which the Operator has reported to the KRG and is therefore entitled under the terms of the Atrush Block PSC to recover through cash payments from future petroleum production. No such audit has to date taken place. Should any future audits result in negative findings concerning the validity of reported incurred petroleum costs the Company's petroleum cost recovery entitlement could ultimately be reduced.

Legal claims and disputes: The Company may suffer unexpected costs or other losses if a counterparty to any contractual arrangement entered into by the Company does not meet its obligations under such agreements. In particular, the Company cannot control the actions or omissions of its partners in the Atrush Block PSC. If such parties were to breach the terms of the Atrush Block PSC or any other documents relating to the Company's interest in the Atrush Block PSC, it could cause the KRG to revoke, terminate or adversely amend the Atrush Block PSC.

The Atrush JOA and the Atrush Block PSC provide mitigating provisions for circumstances whereby action can be taken to remedy or cure the breach, but in certain circumstances such disputes may disrupt business operations and could materially adversely affect the business prospects or results of operations of the Company. In addition the Company may be exposed to third party credit risks through its commercial arrangements with any with any co-venture marketer of its petroleum products, suppliers, contractors and other parties and this could result in additional costs, delays, losses to the Company.

Paying interest: Under the terms of the Atrush Block PSC, on exercise of its back-in right, the KRG is required to pay its share of project development costs. The Contractors are currently paying the KRG costs and there is a risk that the Contractors may be exposed to fund the KRG share of project development costs.

Uninsured losses and liabilities: Although the Company maintains insurance in accordance with industry standards to address risks relating to its operations, the Company's insurance coverage may under certain circumstances not protect it from all potential losses and liabilities that could result from its operations. The occurrence of a casualty, loss or liability against which the Company is not fully insured against, or the insolvency of the insurer of such event could impair the Company's ability to meet its obligations. The Company had no material uninsured losses or claims at the date of this Registration Document.

Availability of equipment and services: ShaMaran's oil and natural gas exploration and development activities are dependent on the availability of third party services, drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. ShaMaran currently leases all the drilling rigs used for its exploration and development activities. Shortages of such equipment or staff may affect the availability of such equipment to ShaMaran and may delay and or increase the cost of ShaMaran's exploration and development activities.

Early stage of development: ShaMaran has conducted oil and gas exploration and development activities in Kurdistan for approximately four years. The current operations are in an appraisal and development stage and there can be no assurance that ShaMaran's operations will be profitable in the future or will generate sufficient cash flow to satisfy its future commitments.

Financial and Other Risks

Financial statements prepared on a going concern basis: The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realise its assets and satisfy its liabilities in the ordinary course of business. ShaMaran's operations to date have been primarily financed by debt and equity financing. The Company's future operations are dependent upon the identification and successful completion of additional equity or debt financing or the achievement of profitable operations. There can be no assurances that the Company will be successful in completing additional financing or achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should ShaMaran be unable to continue as a going concern.

Substantial capital requirements: ShaMaran anticipates making substantial capital expenditures in the future for the acquisition, exploration, development and production of oil and gas. ShaMaran's results could impact its access to the capital necessary to undertake or complete future drilling and development programs. To meet its operating costs and planned capital expenditures, ShaMaran may require financing from external sources, including from the sale of equity and debt securities. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to ShaMaran. If it is unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities and may not be able to take advantage of acquisition opportunities. If ShaMaran or any of its partners in the oil asset are unable to complete work obligations on the Atrush Block PSC, this PSC could be relinquished under applicable contract terms.

Dilution: The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of ShaMaran may be diluted.

Tax legislation: The Company has entities incorporated and resident for tax purposes in Canada, the Cayman Islands, the Kurdistan Region of Iraq, the Netherlands, Switzerland and the United States of America. Changes in the tax legislation or tax practices in these jurisdictions may increase the Company's expected future tax obligations associated with its activities in such jurisdictions.

Commodity price risk: The prices that the Company receives for its oil and gas production may have a significant impact on the Company's revenues and cash flows provided by operations. World prices for oil and gas are characterised by significant fluctuations that are determined by the global balance of supply and demand and worldwide political developments and in particular the price received for the Company's oil and gas production in Kurdistan is dependent upon the KRG and its ability to export production outside of Iraq. A significant decline in the price at which the Company can sell future oil and gas production could adversely affect the amount of funds available for capital reinvestment purposes as well as impair the value of the Company's oil and gas assets.

Foreign currency risk: The substantial portion of the Company's operations require purchases denominated in USD, which is the functional and reporting currency of the Company and also the currency in which the Company maintains the substantial portion of its cash and cash equivalents. Certain of its operations require the Company to make purchases denominated in foreign currencies, which are currencies other than USD and correspond to the various countries in which the Company conducts its business, most notably, Swiss Francs ("CHF") and Canadian dollars ("CAD"). As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk is limited because it holds relatively insignificant amounts of foreign currencies at any point in time and since its volume of transactions in foreign currencies is currently relatively low. The Company has elected not to hedge its exposure to the risk of changes in foreign currency exchange rates.

Interest rate risk: The Company earns interest income at variable rates on its cash and cash equivalents and is therefore exposed to interest rate risk due to a fluctuation in short-term interest rates. The Company's policy on interest rate management is to maintain a certain amount of funds in the form of cash and cash equivalents for short-term liabilities and to have the remainder held on relatively short-term deposits. ShaMaran is highly leveraged though financing at the project level, for the continuation of Atrush project, and at the corporate level due to the $150 million of senior secured bonds which were issued in November 2013. However, the Company is not exposed to interest rate risks associated with the bonds as the interest rate is fixed.

Credit risk: Where counterparty defaults on its contractual obligations the Company could incur financial loss. The Company is primarily exposed to credit risk on its cash and cash equivalents and other receivables. The Company manages credit risk by monitoring counterparty ratings and credit limits and by maintaining excess cash and cash equivalents on account in instruments having a minimum credit rating of R-1 (mid) or better (as measured by Dominion Bond Rate Services) or the equivalent thereof according to a recognised bond rating service.

Liquidity risk: The Company bears the risk that it will have difficulties meeting its financial obligations as they become due. In common with many oil and gas exploration companies the Company raises financing for its exploration and development activities in discrete tranches in order to finance its activities for limited periods. The Company seeks to rise additional funding as and when required. The Company anticipates making substantial capital expenditures in the future for the acquisition, exploration, development and production of oil and gas and as the Company's project moves further into the development stage, specific financing, including the possibility of additional debt, may be required to enable future development to take place. The financial results of the Company will impact its access to the capital markets necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Annual capital expenditure budgets are prepared, which are regularly monitored and updated as considered necessary. In addition, the Company requires authorisations for expenditure on both operating and non-operating projects to further manage capital expenditures.

Capital and lending markets: As a result of general economic uncertainties and, in particular, the lack of risk capital available to the junior resource sector, the Company, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings if available, and possible issuances of debt or equity securities, the Company's ability to do so is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry generally, and the Company's securities in particular. To the extent that external sources of capital become limited or unavailable or available only on onerous terms, the Company's ability to invest and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Recent distress in financial markets: In the future the Company is expected to require financing to grow its business. The recent distress affecting the financial markets and the possibility that financial institutions may consolidate or go bankrupt has reduced levels of activity in the credit markets which could diminish the amount of financing available to companies. In addition, such turmoil in the financial markets could significantly increase the Company's costs associated with borrowing. The Company's liquidity and its ability to access the credit or capital markets may also be adversely affected by changes in the financial markets and the global economy. There could be a number of follow on effects from the credit crisis on the Company, including insolvency of customers, key suppliers and other counterparties to the Company's and foreign exchange derivative instruments.

Risks in estimating resources**:** There are a number of uncertainties inherent in estimating the quantities of reserves/resources including factors which are beyond the control of the Company. Estimating reserves and resources is a subjective process and the results of drilling, testing, production and other new data subsequent to the date of an estimate may result in revisions to original estimates.

Reservoir parameters may vary within reservoir sections. The degree of uncertainty in reservoir parameters used to estimate the volume of hydrocarbons, such as porosity, net pay and water saturation, may vary. The type of formation within a reservoir section, including rock type and proportion of matrix and or fracture porosity, may vary laterally and the degree of reliability of these parameters as representative of the whole reservoir may be proportional to the overall number of data points (wells) and the quality of the data collected. Reservoir parameters such as permeability and effectiveness of pressure support may affect the recovery process. Recovery of reserves and resources may also be affected by the availability and quality of water, fuel gas, technical services and support, local operating conditions, security, performance of the operating company and the continued operation of well and plant equipment.

Additional risks associated with estimates of reserves and resources include risks associated with the oil and gas industry in general which include normal operational risks during drilling activity, development and production; delays or changes in plans for development projects or capital expenditures; the uncertainty of estimates and projections related to production, costs and expenses; health, safety, security and environmental risks; drilling equipment availability and efficiency; the ability to attract and retain key personnel; the risk of commodity price and foreign exchange rate fluctuations; the uncertainty associated with dealing with governments and obtaining regulatory approvals; performance and conduct of the Operator; and risks associated with international operations.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf : 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.

The Company's project is in the appraisal and development stages and, as such, additional information must be obtained by further appraisal drilling and testing to ultimately determine the economic viability of developing any of the contingent or prospective resources. There is no certainty that the Company will be able to commercially produce any portion of its contingent or prospective resources. Any significant change, in particular, if the volumetric resource estimates were to be materially revised downwards in the future, could negatively impact investor confidence and ultimately impact the Company's performance, share price and total market capitalisation.

The Company has engaged professional geologists and engineers to evaluate reservoir and development plans; however, process implementation risk remains. The Company's reserves and resource estimations are based on data obtained by the Company which has been independently evaluated by McDaniel & Associates Consultants Ltd ("McDaniel"), ShaMaran's independent qualified reserves and resource evaluator.

2 Persons Responsible

2.1 Persons responsible for the information

Persons responsible for the information given in the Registration Document are as follows:

General Exploration Partners, Inc

Business Address:
ShaMaran Services S.A., Chemin de la Pallanterie 5, CH-1222 Vésenaz, Geneva, Switzerland

2.2 Declaration by persons responsible

This Registration Document has been prepared on behalf of General Exploration Partners, Inc. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Vésenaz (Switzerland), May 13, 2014

General Exploration Partners, Inc.

/s/Pradeep Kabra
Pradeep Kabra, Director

/s/Brenden Johnstone
Brenden Johnstone, Director

3 Statutory Auditors

3.1 Names and addresses

The Issuer's auditor for 2013 has been PricewaterhouseCoopers LLP with business address at 1 Embankment Place, London WC2N 6RH.

ShaMaran Petroleum Corp.'s auditor for 2012 and 2013 has been PricewaterhouseCoopers LLP with business address at 1 Embankment Place, London WC2N 6RH.

PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business. The firm is registered and authorized to undertake statutory audit work by the Institute of Chartered Accountants in England and Wales, which is a recognised supervisory body for auditors under the Companies Act 2006. The auditor's report is made accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require the auditor to comply with the Auditing Practices Board's Ethical Standards for Auditors.

3.2 Change in Registrant's Certifying Account

The auditors have not been resigned, removed or been re-appointed during the period covered by the historical financial information.

4 Reader Advisory Regarding Forward Looking Information

Certain statements in this document and the documents incorporated by reference may involve forward-looking information and forward-looking statements. Forward-looking information is information concerning possible events, conditions or financial performance that is based on management's assumptions relating to future economic conditions and courses of actions. Forward-looking information can include future oriented financial information and disclosure relating to the Company's financial outlook. Forward-looking statements are statements that are not historical and are generally identified by words such as "believes", "anticipates", "expects", "estimates", "pending", "intends", "plans" or similar words suggesting future outcomes that are based on management's best judgment and assumptions concerning how future trends will impact the Company's business.

By their nature, forward-looking statements and forward-looking information is likely to be less reliable than historical information because it is based on these judgements and assumptions, taking into account inherent risks and uncertainties, many of which are difficult to predict, and which are usually beyond the control of management, but which could cause actual results to be materially different from those expressed by these forward-looking statements and information.

Assumptions

Management is regularly considering and evaluating assumptions that will impact on future performance. Examples of such assumptions include, but are not limited to: (i) assumptions concerning competitive factors such as those relating to the distribution and marketing of oil and natural gas, pricing, and methods of improving reliability of delivery, and (ii) assumptions relating to future changes in environmental or health and safety laws, regulations or community expectations governing the Company's operations, including, but not limited to, increased monitoring, compliance and remediation costs and or costs associated with penalties or other sanctions imposed on the Company for non-compliance or breach of environmental regulation.

Risks

Examples of risks and uncertainties associated with the assumptions made by management include, but are not limited to: (i) risks associated with international operations in Kurdistan, in northern Iraq, which is a politically unstable jurisdiction: (ii) risks associated with the regulation of oil and gas production and export; (iii) risks that are inherent in oil and gas exploration and production, including availability of a functioning infrastructure, complying with environmental regulation and the availability of staff and equipment.

The Company is also exposed to more generic risks such as the risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Management used its best efforts to ensure that the assumptions used in the preparation of such information were reasonable. However, they may ultimately prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise. Where such forward-looking statements or forward-looking information is updated or withdrawn, notification will be given by way of a news release and or MD&A disclosure. Material differences between actual results and previously disclosed future oriented financial information or financial outlook will be disclosed in the Company’s MD&A.

Forward-looking Statements

Any statements regarding the following are forward-looking statements:

- future planned exploration activity including both expected drilling and geological and geophysical related activities
- future crude oil, natural gas or chemical prices
- future sources of funding for our capital program
- future availability of potential farm-out partners
- future government or other regulatory consent for exploration, development or acquisition activities
- future production levels
- future capital expenditures and their allocation to exploration and development activities
- future earnings
- future asset acquisitions or dispositions
- future debt levels
- future availability of committed credit facilities
- future possible commerciality
- future development plans or capacity expansions
- future ability to execute dispositions of assets or businesses
- future sources of liquidity, cash flows and their uses
- future drilling of new wells
- ultimate recoverability of current and long-term assets
- ultimate recoverability of reserves or resources
- expected finding and development costs
- expected operating costs
- future estimates on a per share basis
- future foreign currency exchange rates
- future market interest rates
- future expenditures and future allowances relating to environmental matters
- dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity
- changes in any of the foregoing

Statements relating to “reserves” or “resources” may involve forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others:

- market prices for oil and gas and chemical products
- the Company’s ability to explore, develop, produce and transport crude oil and natural gas to markets
- ultimate effectiveness of design or design modification to facilities

- the results of exploration and development drilling and related activities
- volatility in energy trading markets
- foreign-currency exchange rates
- economic conditions in the countries and regions in which the Company carries on business
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations
- renegotiations of contracts
- results of litigation, arbitration or regulatory proceedings
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict
- conflict between states
- internal conflict within states or regions

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on our assessment of all information at that time. Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements.

Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Forward looking information is included in this Registration Document in the following sections:

6. Business Overview
11. Administrative, Management and Supervisory Bodies Conflicts of Interest

5 Information about the Issuer and the Guarantors

5.1 Legal and commercial name

The legal name of the Issuer is General Exploration Partners, Inc. The commercial name is General Exploration Partners or GEP.

5.2 Place of registration and registration number

The Issuer's organization number is 198520 (Cayman Islands), incorporated under the laws of the Cayman Islands.

The registered office of the Issuer is located at Intertrust Corporate Services Cayman (Limited), 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands with phone number: +1 345 943 3100.

The administrative and technical office of the Issuer is located within the offices of ShaMaran Services S.A. at Chemin de la Pallanterie 5, CH-1222 Vésenaz, Geneva, Switzerland with phone number: +41 22 560 8600.

5.3 Date of incorporation

The Issuer was adopted by special resolution on 24 August 2010.

5.4 Domicile and legal form

General Exploration Partners, Inc. is an exempted company with limited liability, has been incorporated under the laws of the Cayman Islands and is subject to Cayman Islands company law.

5.5 Recent events relevant to evaluation of solvency

The Bonds were raised in order to finance the Issuer’s costs related to the Phase 1 development of the Atrush development.

5.6 Memorandum and Articles of Association

The Issuer’s purpose as set out in point 3 of the Memorandum of Association is to carry out any activity not prohibited by any law by Section 7(4) of the Companies Law of Cayman Islands (as amended).

ShaMaran Petroleum Corp.’s Articles of Association contain no restrictions on the nature of business that may be carried out by the company.

0861963 B.C. Ltd’s Articles of Association contain no restrictions on the nature of business that may be carried out by the company.

ShaMaran Petroleum Holdings Coöperatief U.A.’s purpose as set out in article 4 of the Articles of Association is to provide – in its own name and at its own expense and risk – in the material needs of its members, by concluding agreements with the members in the business that the cooperative conducts for the benefit of itself and of its dependent companies and its own and their participations in other companies.

ShaMaran Ventures B.V.’s purposes as set out in article 3 of the Articles of Association are as follows:

a. the exploration and product ion of (crude) oil and gas and the production of geothermical energy;
b. to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;
c. to finance businesses and companies;
d. to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;
e. to render advice and services to businesses and companies with which the Company forms a group and to third parties;
f. to grant guarantees, to bind the company and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties;
g. to acquire, alienate, manage and exploit registered property and items of property in general;
h. to trade in currencies, securities and items of property in general;
i to develop and trade in patents, trademarks, licenses, know-how and other industrial property rights;
j. to perform any and all activities of an industrial, financial or commercial nature, and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

5.7 *The Guarantors*

ShaMaran Petroleum Corp., (Ultimate Parent/Guarantor)

The company was incorporated under the laws of the Province of British Columbia on October 3, 1991, has limited liability, and is subject to Canadian company law. The company was originally incorporated under the name "Arauco Resources Corporation" ("Arauco"). On August 13, 1997, Arauco was continued as a federal company under the Canada Business Corporations Act ("CBCA") and on August 29, 1997 the name of the company was changed from Arauco to Kit Resources Ltd. ("Kit"). Effective March 6, 2000, in order to facilitate the business combination of Kit and Wheaton River Minerals Ltd. ("Wheaton River"), Kit was continued from the federal jurisdiction to Ontario under the Ontario Business Corporations Act (the "OBCA"). Pursuant to the terms of a statutory plan of arrangement approved by the Ontario Superior Court of Justice on March 3, 2000, Kit and 1395896 Ontario Inc., a wholly-owned subsidiary of Wheaton River, were amalgamated under the name Kit (the "Arrangement"). As a result of the Arrangement, Kit became a wholly-owned subsidiary of Wheaton River. In January 2001 Wheaton River sold its majority interest in the company. On November 15, 2001, Kit was extra-territorially registered in the Province of British Columbia and on December 29, 2006 was continued into British Columbia from Ontario under the Business Corporations Act (British Columbia). On February 9, 2007 the name was changed from Kit to Bayou Bend Petroleum Ltd. ("Bayou Bend"). On October 21, 2009, the name Bayou Bend was changed to ShaMaran Petroleum Corp.

ShaMaran Petroleum Corp's head office is Suite #2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 (telephone +1 604 689 7842) and the registered and records office is located at Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1. The company has registration number BC0778647.

0861963 B.C. Ltd. (Guarantor)

The company was incorporated under the laws of British Columbia, Canada on September 23, 2009, has limited liability, and is subject to Canadian company law. The company has registration number BC0861963 and its registered address is Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1 (telephone +1 604 687 7077).

ShaMaran Petroleum Holdings Coöperatief U.A. (Guarantor)

The coöperatief was incorporated under the laws of Netherlands on October 14, 2009, is a cooperative society, and is subject to Dutch company law. The trade register number of the coöperatief is 34361104 and its registered address is Amaliastraat 3 – 5, 2514 JC, The Hague, The Netherlands (telephone +31 70 371 7811).

ShaMaran Ventures B.V. (Parent/Guarantor)

The company was incorporated under the laws of Netherlands on August 9, 2010, has limited liability, and is subject to Dutch company law. The trade register number of the company is 50558234 and its registered address is Amaliastraat 3 – 5, 2514 JC, The Hague, The Netherlands (telephone +31 70 371 7811).

6 Business Overview

6.1 *Introduction*

ShaMaran is a Kurdistan Region of Iraq focused oil development and exploration company holding an interest in the Atrush Block oil discovery located in the region. This project is nearby and on trend to existing fields and recent discoveries.

The shares of ShaMaran Petroleum Corp., the Ultimate Parent of the Issuer, are listed on the Toronto Venture Exchange (TSX.V), Canada, and have a secondary listing on the NASDAQ OMX First North Exchange, Sweden, with trading symbol “SNM”. Current market capitalisation of ShaMaran’s listed shares is approximately $310 million.

The Issuer’s technical and administrative office is located at 5 Chemin de la Pallanterie, 1222 Vésenaz, Geneva, Switzerland.

6.2 *Mission and Strategy*

ShaMaran’s mission is to build a leading oil and gas exploration and production company focused on opportunities in the MENA region while creating positive economic and social impacts on the local communities and growing shareholder value, as stated in §3 in the Memorandum and Articles Of Association, the Company has unrestricted objectives under Cayman Islands law.

6.3 *Business Plans and Growth Strategy*

The primary driver for business growth for ShaMaran is to create consistent, sustainable and profitable per share growth in reserves, production and cash flow in line with its operations. To accomplish this ShaMaran has pursued and will continue to pursue an integrated growth strategy with active exploration and development drilling, together with focused acquisitions and joint venture arrangements. ShaMaran will continue to target areas and prospects that it believes could result in meaningful resource and/or reserve additions.

ShaMaran will continue the identification of key exploration targets that have a medium risk and multi-zone potential in highly prospective, geologically favorable settings. ShaMaran intends to maintain a balance between exploration, exploitation, and development drilling with and without joint venture partners. From time to time ShaMaran will consider other petroleum assets that meet the Company’s business parameters.

Management possesses significant global industry experience in developing value accretive petroleum operations.

In reviewing other potential drilling or acquisition opportunities, ShaMaran gives consideration to the following criteria:

- ShaMaran’s expertise in the opportunity;
- The amount of risk capital required to secure, evaluate and advance the investment opportunity;
- The potential return on the project if successful;
- The likelihood of success; and
- Risked return versus cost of capital.

In general, ShaMaran will continue its pursuit of development opportunities with an acceptable level of risk, keeping in mind commodity exposure and pricing, while attempting to generate sustainable high levels of growth for shareholders.

The board of directors of ShaMaran may, in its discretion, recommend asset or corporate acquisitions, investments or divestments that do not conform to the guidelines discussed above based upon the board's consideration of the qualitative aspects of the subject properties, including risk profile, technical upside, reserve life and asset quality.

6.4 Introduction to Atrush Block

The Issuer's primary and only oil and gas asset is the 20.1% direct interest which it holds in the Atrush Block, which also accounts for all of the oil and gas assets reported by ShaMaran.

The Atrush Block is located approximately 85 km northwest of Erbil, the capital of the Kurdistan Regional of Iraq, and is 269 km2 (66,471 acres) in area. The topography is rugged and mountainous. Immediately to the south is the Shaikan Block where Gulf Keystone found oil in 2009 and which is currently in the early stages of development. Immediately to the north of the Atrush Block is the Sarsang Block where Hillwood International Energy ("Hillwood" or "HKN Energy") made discoveries in the Swara Tika-1 and 2 wells. Immediately to the east of the block is the Bakrman oil discovery made by MOL Group in late 2012.

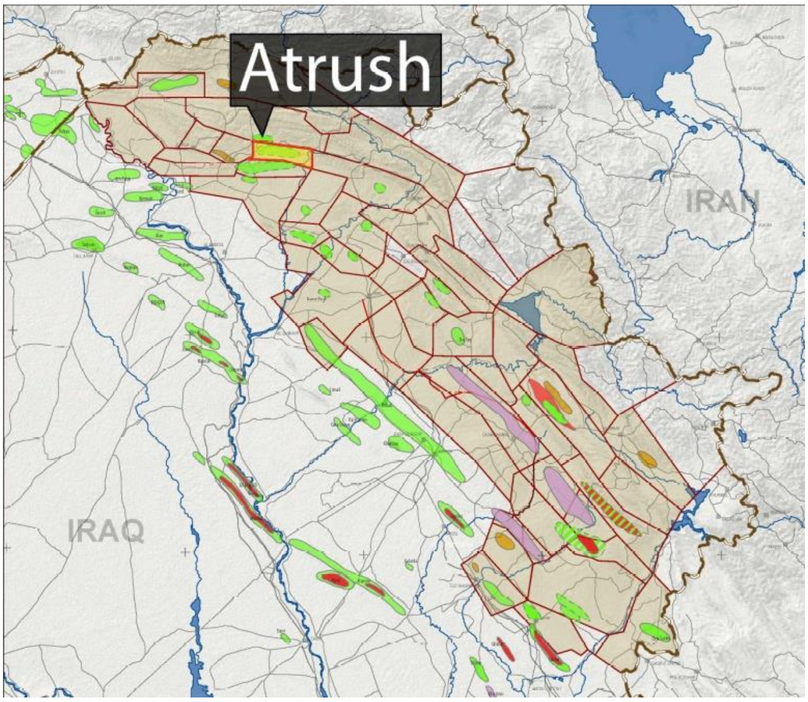


Figure 6.1 – Map of Kurdistan with Atrush Block

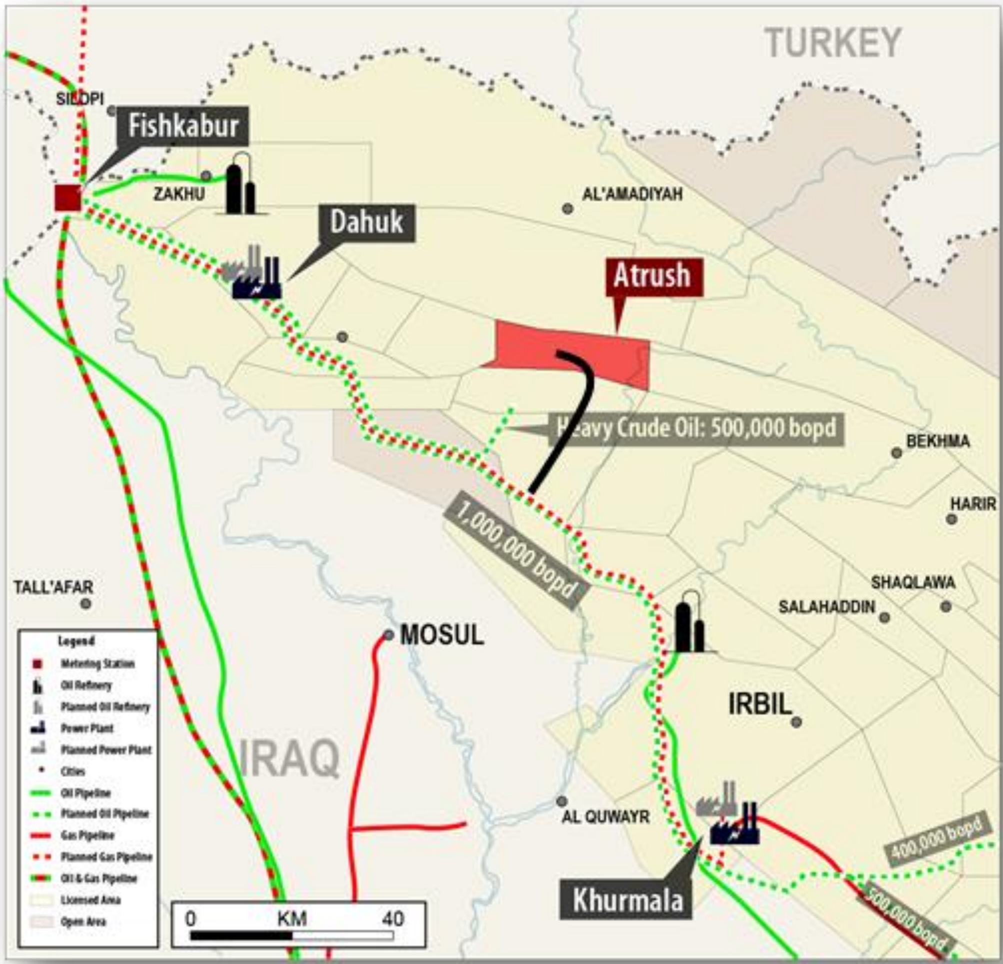


Figure 6.2 – Map of Kurdistan with Atrush Block and pipelines

6.4.1 Atrush Block – Geological Setting

The Atrush structure is a complex faulted anticlinal structure developed along a possible shallow thrust zone oriented east-west. The proven and potential stacked oil reservoirs within the block are the Sarmord and Garagu (Cretaceous), Barsarin (Upper Jurassic), Sargelu (Middle Jurassic), Alan/Mus, Adaiyah and Upper Butmah (Lower Jurassic) with both fracture and matrix porosity. The two discovery notifications made in the years 2011 and 2012 are limited to the Jurassic reservoirs that successfully flow tested 22-26.5 degree API oil to surface in the Atrush-1 and Atrush-2 wells, i.e. the Barsarin, Sargelu, Alan/Mus, Adaiyah and Butmah formations (collectively known as the "Jurassic reservoirs"). Pressure data from the first two wells suggested that the Jurassic reservoirs belong to the same pressure regime with an estimated Free Water Level ("FWL") at -443m msl, giving a gross Jurassic oil column in excess of 550 metres. The deeper Triassic reservoir has additional upside potential.

The Atrush-3 well confirmed the prior range of estimates for the FWL by flowing the deepest dry oil at -408m msl (approximately 180 meters deeper than previous wells), supported by a water test at -498m msl that revised the "Water Up To" slightly higher than previously determined. Flow tests were not measured due to technical reasons and the well has been suspended.

100% of the planned 3D seismic acquisition was completed by August 2012. The new Operator, TAQA, prepared the Field Development Plan (“FDP”) following the Declaration of Commerciality made on November 7, 2012 and this was subsequently approved by the MNR effective October 1, 2013. Awards for the various modules for the First Phase production facilities (FP1) were made in December 2013, with delivery and installation expected during the second half of 2014.

The drilling of production well Atrush-4 was in progress at year end 2013.

6.4.2 Atrush Block - Regional Geology

The Atrush Block is located within the Zagros sedimentary basin which is a world-class hydrocarbon province located on the northeastern margin of the Arabian Platform. This basin is located along the Zagros thrust belt and covers an area of some 200,000 square kilometers. It extends from the Taurus thrust zone in the north (Turkey) to the Arabian Gulf and Oman in the south. The basin is a typical foreland compressional basin formed by the collision of the Afro-Arabian and Iranian plates in Late Cretaceous and Cenozoic times.
The Zagros Basin is characterized by a series of sub parallel faults, compressed anticlines and adjoined synclines along the Zagros mountain system. Deposition within the basin is interpreted as the product of three major geotectonic events:

- Opening of the Neo-Tethys ocean in late Permian–Triassic time.
- Expansion of the Basin in Jurassic and early Cretaceous time when massive carbonate sedimentation occurred in the basin.
- Burying and closing of the basin in late Cretaceous Turonian time when the Iranian platform collided with the Arabian plate.

The late Permian and Triassic rocks were deposited in relatively stable shelf conditions and consist of shallow water carbonates with minor evaporite and clastic content. Jurassic sediments were also deposited in the shelf environment and consist primarily of carbonates ranging from deep water mudstones-wackestones to shallow water packstones-grainstones interbedded with supra-tidal carbonates and anhydrites.

From middle Jurassic to late Cretaceous time the carbonate platform was divided into several semi-isolated basins. Clastic sedimentation dominated the western part of the area. Several uplifts and erosional periods occurred in Cretaceous time. Carbonate deposition was dominant during Mesozoic time in the Zagros Basin area.

During the Alpine orogeny, Neo-Tethys oceanic crust was overthrusted on to Arabian passive continental margin and dramatically changed the structural and stratigraphic regime of the area. A northwest southeast trending foredeep was developed along the rising orogen. While flysch deposits accumulated along the thrust zone, deeper shelf pelagic limestone and marls were deposited towards the west.

During Paleocene–Early Eocene time, a deep open marine basin was oriented along the thrust belt in northern Iraq. Carbonate and evaporite sediments were deposited in the central and southwestern parts of the basin and coarse clastic rocks were deposited in the northeastern areas.

Folding and uplift of the Zagros Mountains began in the Late Cretaceous and the upper Miocene and Pliocene rocks have syn-orogenic and post-orogenic genesis.

According to published information, the main source rocks in the area are in the Jurassic Sargelu and Naokelekan formations. Additional hydrocarbon source rocks are found in the Cretaceous Chia Gara and Balambo formations. Hydrocarbon generation and migration in the Zagros Basin began during the late Cretaceous time. Faults and fracture development created vertical migration paths to hydrocarbons, but also may have also resulted in some hydrocarbon loss. Most likely a combination of vertical and horizontal migration charged the structures in the Atrush Block area.

The Atrush Block is located within an intensively folded and thrusted zone close to the Zagros Mountains. The main feature within the block is a four way dip closed, compressed anticline visible both at surface and in the seismic data. Upper Cretaceous, Aqra-Bekhme carbonates are mostly mapped at surface however locally Qamchuqa sediments may be exposed.

Early well results confirmed that the geology is similar to the nearby Shaikan Block where the Shaikan-1 well established reservoirs in the Cretaceous, Jurassic and Triassic sections. The Shiranish, Kometan and Qamchuqa formations of the Cretaceous, which are common reservoirs elsewhere in the region, are not considered prospective in the Atrush hanging wall as they are close to surface, intensively fractured and have no anhydrites or shale present to act as seals. However, the same reservoirs are considered to have some potential in the Atrush footwall.

6.4.3 History for the Issuer and the Atrush Block

2010

In August 2010, ShaMaran Ventures B.V. acquired a 33.5% equity interest in General Exploration Partners, Inc. (the Issuer), a company which at that time held an 80% working interest in the Atrush Block in Kurdistan. As a result ShaMaran acquired a 26.8% indirect interest in the Atrush Block. Aspect Energy International, LLC, a private US company, owned the remaining 66.5% of the share capital of the Issuer. ShaMaran acquired the 33.5% interest in the Issuer, worth $45 million, in exchange for cash consideration of $ 24.2 million, 12.5 million shares of the Ultimate Parent valued at $5 million and an obligation to fund in full the subsequent $ 15.8 million of operational costs of the Issuer.

The remaining 20% third party interest in the Atrush Block was held by the KRG until October 2010 when Marathon Oil Corporation (“Marathon”) was assigned the 20% third party interest.

Atrush-1, the first exploration well on the Atrush Block, was spudded on October 5, 2010, and a total depth of 3,400 meters was reached on January 21, 2011.

2011

A comprehensive well testing program consisting of ten DSTs on Atrush-1 commenced on January 30, 2011 and was completed on April 3, 2011. A major oil discovery in the Atrush Block was announced by ShaMaran on April 13, 2011. The Atrush-1 well flowed at rates totalling over 6,393 bbs/d of 26.5 API oil from three tests in the Middle and Upper Jurassic reservoirs and well test analysis indicated that the intervals are capable of much higher rates when completed for production.

Subsequent to the Atrush-1 discovery, GEP received KRG approval for the appraisal work program and budget for the Atrush block. This comprised 2 firm and 2 contingent appraisal wells, 3D seismic acquisition, early production facilities and various studies leading to a preliminary field development plan. By year end 53% of the 3D seismic acquisition had been completed and civil construction of the approved Atrush-2 well location was underway.

2012

On May 23, 2012 the Atrush-2 appraisal well was spudded and a total depth of 1,750 meters was reached on July 10, 2012. The well is located 3.1 kilometers to the east and downdip of the Atrush-1 discovery well.

On August 11, 2012 acquisition of 3D seismic data on the Atrush Block was completed.

Separate cased hole drill stem tests were conducted over three of the formations in the Jurassic reservoir.

On September 13, 2012 the Company announced the results of the Atrush-2 appraisal well drilled 3.1 kilometers to the east and downdip of the Atrush-1 discovery well in the Kurdistan Region of Iraq. Separate cased hole drill stem tests were conducted over three of the formations in the Jurassic reservoir. Combined rates from three cased hole tests totaling 42,212 Bbls/d were achieved (approximately 27 degree API). The test rates were limited by surface testing equipment. None of the tests had measurable amounts of formation water. Separate tests were also conducted in the Butmah (open hole) and Adaiyah (cased hole) formations. The highly fractured upper part of the Butmah flowed up to a maximum of 1,450 barrels of fluid per day under nitrogen lift and towards the end of the test was producing 100% 22.7 degree API oil (API from laboratory PVT on a downhole sample). A reservoir zone within the Adaiyah anhydrite flowed up to 650 Bbls/d of 21.5 degree API of dry oil (API also determined from a downhole PVT sample).

On November 7, 2012 GEP, then operator of the Atrush Block and acting on behalf of the Contractor group under the Atrush Block PSC, submitted to the Atrush Block Management Committee a declaration of commercial discovery with effect from November 7, 2012.

On December 31, 2012 GEP completed two principal transactions resulting in the sale of a 53.2% direct working interest in the Atrush Block to TAQA Atrush B.V. and the December 31, 2012 repurchase of Aspect's entire 66.5% shareholding interest in GEP. As a result of the transactions ShaMaran Ventures B.V. (one of the Guarantors) became the sole remaining shareholder of GEP and therefore acquired 100% control of GEP which after the transactions held a 26.8% direct working interest in the Atrush Block PSC, its principal asset, and TAQA assumed operatorship of the Atrush Block.

2013

On February 4, 2013 the Company announced an increase of 35% in best estimate 2C Contingent Resources (gross) for the Atrush Block, from 466MMboe at December 31, 2011 to 627 MMboe at the end of 2012. The revised estimates of petroleum initially in place ("PIIP") were, in billions of barrels of crude oil: 1.8 (P90), 2.7 (P50) and 4.0 (P10). The estimates were provided by an independent qualified resources evaluator, McDaniel & Associates Consultants Ltd., in a detailed property resource report prepared as at December 31, 2012 in accordance with standards set out in NI 51-101 and the COGE Handbook. McDaniel estimates take into account the results of the Atrush-2 well (including the additional discovery in the Butmah formation) and remapping based on the recently acquired 3D seismic. In addition the Triassic Kurra Chine C is a new prospective resource for 2012 based on 3D seismic and reported results from nearby wells.

On March 12, 2013 the Contractor entities to the Atrush Block PSC were notified by the KRG that it had exercised its option to acquire a 25% government interest in accordance with the provisions of the Atrush Block PSC. Consequently the Issuer's working interest in the Atrush Block was effectively reduced from 26.8% to 20.1%.

The Atrush-3 appraisal well was spudded on March 25, 2013 and, after a sidetrack due to mechanical issues, the well reached a final drilled depth of 1,806 meters on June 23, 2013. The well encountered an estimated oil column of 286 meters in the Jurassic reservoir (to the calculated Free Water Level) and successfully extended the Atrush accumulation 6.5 kilometers further to the east, while proving producible oil 180 meters deeper than previous wells thereby reducing the uncertainty on the Oil Water Contact/Free Water Level. AT-3 has been suspended.

Following submission of the FDP the AT-1 exploration well was determined to be unsuitable for long-term production and was plugged and abandoned in October 2013.

On October 7, 2013 the Company announced that the KRG had approved Phase 1 of the Field Development Plan for the Atrush Block with an October 1, 2013 effective date for the commencement of the Development Period.

The Atrush-4 development well was spudded on October 20, 2013 and reached final TD of 2,916 meters on January 23, 2014 after 94 days.

In December 2013, the Company received a separate and detailed report for Prospective Resources from McDaniel. The report as of November 30, 2013 includes an evaluation of all remaining undrilled prospects in the Atrush block based on the 3D seismic. The report provides a gross best estimate of 776 MMboe of PIIP in multiple reservoirs contained within the Atrush footwall, Atrush hanging wall and Swara Tika extension prospects. The best estimate of gross unrisked prospective oil resources was 173 MMboe.

2014 to date of the Registration Document

In January 2014 civil engineering works at the site chosen for the FP1 production facilities had commenced and preparations were underway for the Chiya Khere ("CK-5")[1] production well which will be spudded after the Atrush-4 well.

On January 23, 2014 the Atrush-4 production well reached a total depth of 2,916 meters (1,687meters TVD). Well tests on Atrush-4 were in progress at the date of this Registration Document.

[1] Approved changes to terminology relating to the Atrush Block, effective from 2014, include well names. Following the Atrush-4 well all future wells on the Atrush block will be prefixed with "Chiya Khere" (or "CK"), rather than with "Atrush".

In February 2014 the Company received a detailed property report from McDaniel. The report is as of December 31, 2013 and provides for initial recognition of reserves for the Atrush Phase I development area. The report includes 2P reserves of 58 MMboe gross and best estimate (2C) Contingent Resources of 518 MMboe gross for the Atrush Block. The 2013 report takes into account the results from the Atrush-3 well and provides revised estimates of PIIP, in billions of barrels of crude oil, as follows: 2.5 (P90), 3.0 (P50) and 3.8 (P10). In addition, McDaniel reissued as of December 31, 2013 the separate and detailed report for Prospective Resources. There were no changes to the estimates previously provided as of November 30, 2013.

On April 16, 2014 the Company announced the test results of the Atrush-4 appraisal and development well which was drilled to a total depth of 2,916 metres. Three separate cased hole drill stem tests were conducted in the Jurassic reservoir with the highest reported rates totalling 9,059 bopd of 27-28 API from two of the tests. None of the tests produced formation water. Down hole samples for PVT analysis and surface samples for oil assay studies were taken. Well testing operations were completed on April 7, 2014. The well was deviated well from the Atrush-1 well pad with the bottom hole location approximately 2.2 km SE of the surface location. Atush-4 has been suspended as a Phase 1 producer.

6.5 Phase 1 Development of the Atrush Block

The Issuer, as partner in the Atrush PSC, commenced Phase 1 development of the Atrush Block upon approval of the Field Development Plan in October 2013. First production is anticipated to commence in early 2015 and reach a gross production level of 30,000 Boe/d. The Company's 20.1% share of the 2014 budget for Phase 1 production facilities is $41.5 million with an additional $7 million expected in the year 2015 to complete the facilities.

Drilling plans for the year 2014 include drilling of the CK-5 well, the third Phase 1 development well. Atrush-2, Atrush-4 and CK-5 are planned to jointly be the Phase 1 producing wells. Drilling of the Phase 1 development wells has been conducted with the drilling rig DQE 31, a 2,000 horsepower onshore rig leased from DQE International of China.

The FEED for the Phase 1 Production Facilities establishes the principal engineering and design requirements of the facilities using existing reservoir data and interpretations to establish anticipated production parameters, and was completed in October 2013. The ITT for the production modules and the civil works was completed in the third quarter of 2013 and in December 2013 orders were finalised for the civil works with World Bridge Company, and for production modules for the 30,000 Boe/d facilities with Thermo Design Engineering Ltd. Civil engineering at the selected facility sites commenced in early 2014. Delivery of the production modules is anticipated in the second half of 2014 which will then be installed and commissioned, which includes function testing, with startup thereafter. The planned Phase 1 Production Facilities to be acquired/constructed are designed to include a separation unit, well heads, flow lines, storage tanks and a connecting pipeline to the KRG export pipeline for transportation of produced crude oil to the Turkish port of Ceyhan, which is approximately 850 kilometres from the Atrush Block.

The accessibility to the Atrush Block is good with roads across the acreage, although mountainous terrain can be challenging.

Under the terms of the JOA, the parties to the JOA shall have the right and obligation to take in-kind their share of entitlement production. The off-take is to be covered by lifting agreement terms, which will be based on the AIPN model and which should be concluded not less than three months prior to first anticipated delivery of crude oil. The AIPN model establishes the relationship between the parties, which will be each of the Contractors and the KRG, for the disposition of crude oil from the exploitation area and includes terms and conditions relating to the administration of lifting, lifter rights, determination of the lifting schedule, documentary instructions, laytime and demurrage requirements, loading, measurements and claims. It also has provisions relating the procedures, rights and liabilities of the parties in case of failure to nominate vessels and the timely mitigation of effects of over lifts and under lifts and a number of boiler plate clauses relating to confidentiality, notices, force majeure, dispute resolution etc. Transportation costs are expected to be tariff based on the volume transported through pipeline. As described in Figure 6.3 below, the anticipated first production is in the first quarter of 2015.

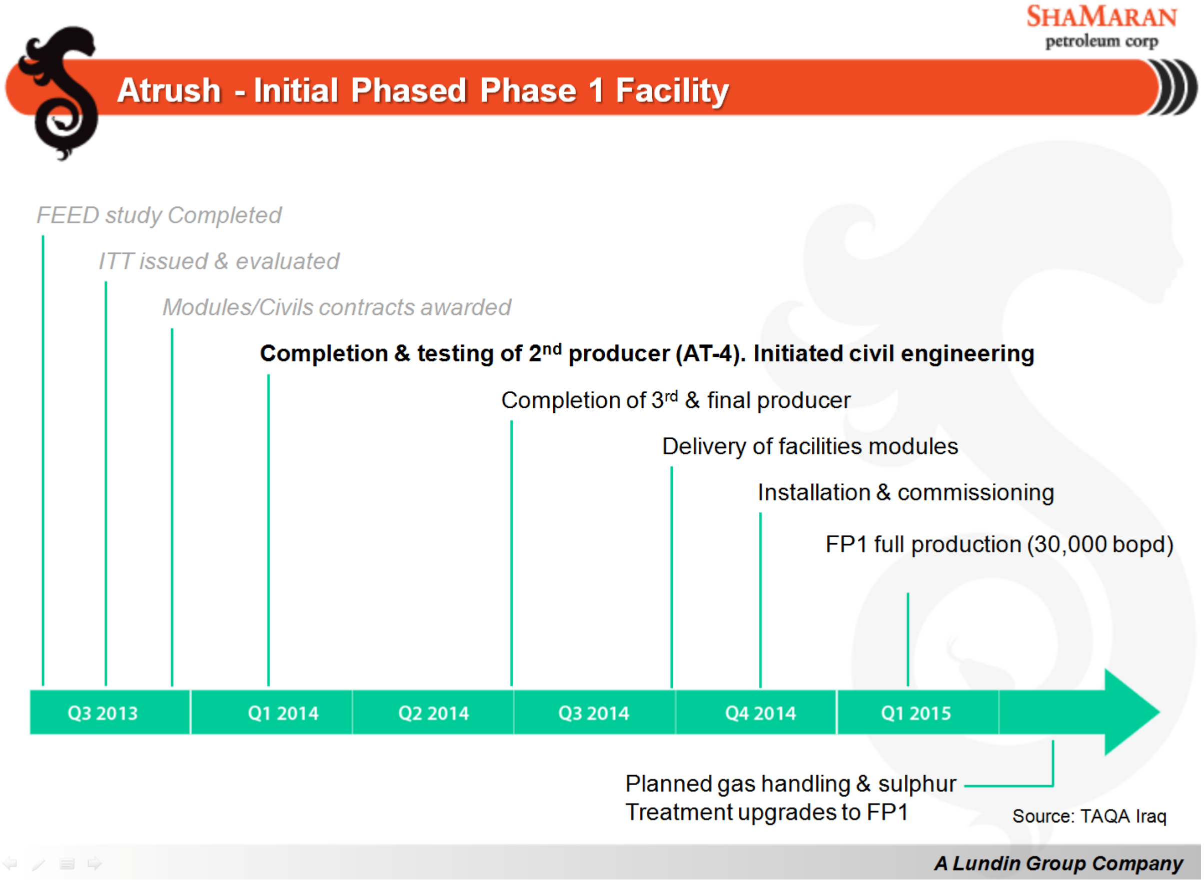


Figure 6.3 – Timeline Phase 1
Source: TAQA Iraq, Atrush Block Management Committee Meeting #2, December 11, 2013

6.6 Further development phases of the Atrush Block

The partners in the Atrush PSC have decided to develop the Atrush Block in a phased manner. The FDP envisages 4 phases of field development through the year with capacity to be increased to 120,000 bbl/d gross plateau production by years 2017/2018. Currently, the MNR has approved Phase 1 only and appraisal work is ongoing to get sanction for future phases as the results of Phase 1 development will determine the timing and design of the additional phases. Phase 1 is divided into 4 sub-phases with the first sub-phase currently approved. The additional three sub-phases include water disposal, gas disposal and sulfur handling. Further development (phases 2, 3 and 4) are nominally a modular design with incremental 30,000 Boe/d production capacities. Sanction of each of the incremental phases is to be dependent of the results and performance of the preceding phases and the ongoing appraisal work. The anticipated field life is expected to be at least as long as the PSC term which is a 25 year contract.

Phase 2 drilling plans for the year 2014 include drilling the Chiya Khere-6 well (the second appraisal well for Phase 2) as well as a planned re-entry and further testing of Atrush-3 (the first Phase 2 appraisal well). Both of these wells are on the eastern side of the Atrush block.

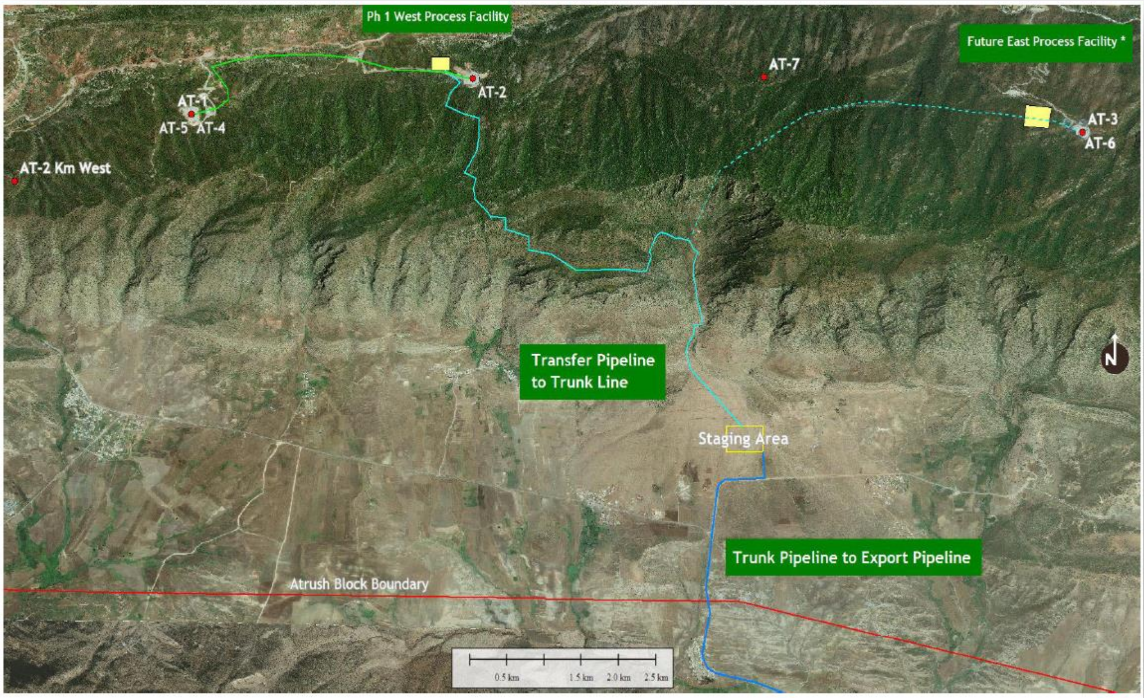


Figure 6.4 – Phase 1 field development overview map (Source: TAQA Iraq)
Source: TAQA Iraq, Phase 1 Production Facility Project Facility FID Gate Review, March 18, 2014

6.7 The Guarantors

The Guarantors' business and business strategies are the same as described under section 6.2 above. The Guarantors' business is purely holding companies owning the interest, directly or indirectly, in the Issuer.

6.8 Basis for statements regarding competitive position

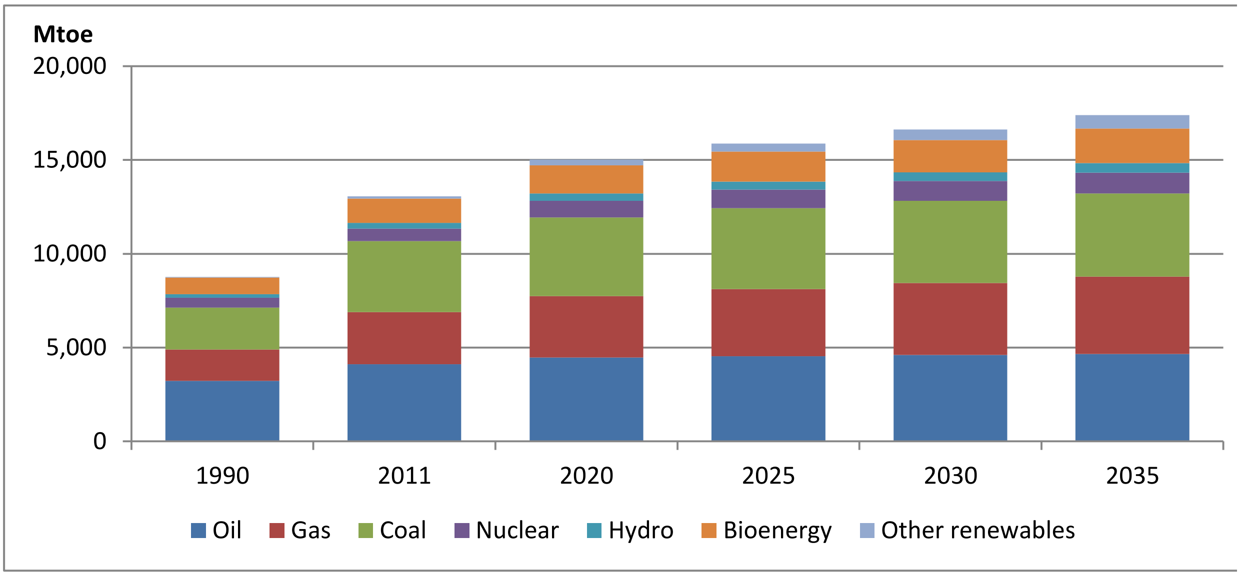
6.8.1 Competition

The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. ShaMaran competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. ShaMaran's competitors include oil companies which have greater financial resources, staff and facilities than those of the Company. ShaMaran's ability to increase reserves in the future will depend on its ability to develop its present property, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have an impact on the demand for oil and gas and could lead to reduction in oil prices which may have a negative impact on the Company's cash flow and profitability.

6.8.2 The global energy market

Global energy consumption is driven by world population, economic growth and availability of resources. Overall consumption has grown consistently and seen a steady increase throughout modern economic history. Going forward, energy consumption is expected to increase for all forms of energy, primarily as a result of increased consumption in emerging economies as well as a growing global population and expanding economy. According to BP's 2013 Statistical review of World Energy, oil is the most consumed source with an annual consumption of 89.8 million barrels per day in 2012. The world consumption of primary energy, including oil, natural gas, coal, nuclear, hydro power and other renewable energy, increased by 2.1% in 2012. In the same period, global oil consumption increased by 1.1%, equivalent to 0.9 million barrels per day.

Figure 5.1: Global Energy Consumption



Source: IEA World Energy outlook 2013

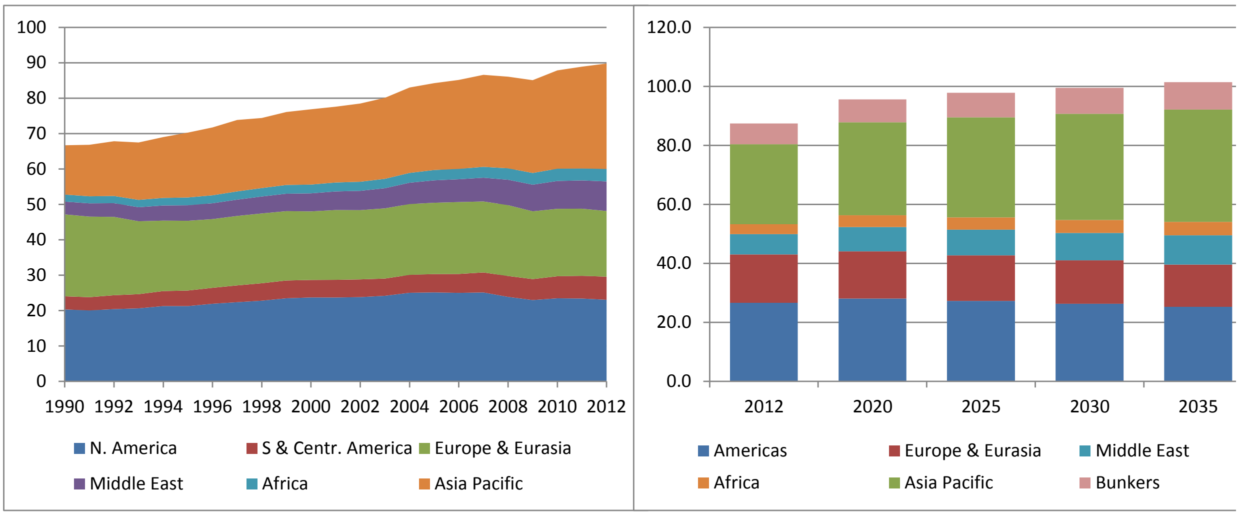
6.8.3 Overview of the oil market

Oil consumption

Oil is the world's primary source of energy and in 2012 global oil consumption was approximately 89.9 million barrels per day. Oil consumption has grown consistently over the past decades, and from 2000 to 2012, consumption increased by 17% on a global basis. According to IEA's World Energy Outlook, global oil consumption is expected to continue to increase going forward, growing to 101.4 million barrels per day in 2035. Oil is used for a wide array of purposes including transportation, petrochemical processes for feedstock, power generation and agriculture. Currently, oil used for transportation in the form of, inter alia, gasoline, diesel and jet fuel is the main source of oil consumption globally, constituting 53% of global consumption in 2012[2]. Transportation is expected to be a key source of consumption growth going forward, constituting 58% of global oil consumption in 2035. Geographically, the largest consuming countries in 2012 were the United States (18.6 million barrels per day) and China (10.2 million barrels per day). Consumption is today fairly evenly distributed between OECD and non-OECD countries with approximately 50% of consumption from each of the groups. Going forward, as a result of, inter alia, increased fuel efficiency and stricter environmental policies, consumption in OECD countries is expected to decrease while global consumption is expected to increase overall due to strong consumption growth in emerging economies. From 2012 to 2035 oil consumption in non-OECD countries is expected to increase by 49%, primarily driven by growing consumption in China, India and the Middle East. Figure 5.2.1 below shows the historic and expected future development in geographical consumption, as well as current and expected mix of oil consumption going forward.

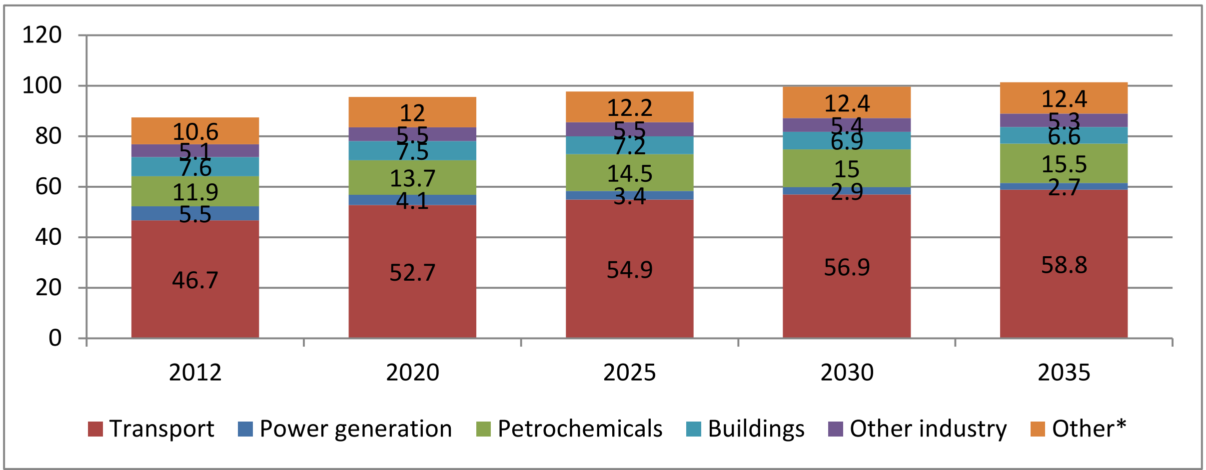
[2] Source: IEA World Energy Outlook 2013

Figure 5.2.1: Global Oil Consumption growth and composition (mmbbls/day)



Source: Left chart: BP Statistical Review of World Energy 2013 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html; Right chart: IEA World Energy outlook 2013

Figure 5.2.2: Global oil demand by sector (mmbbls/day)

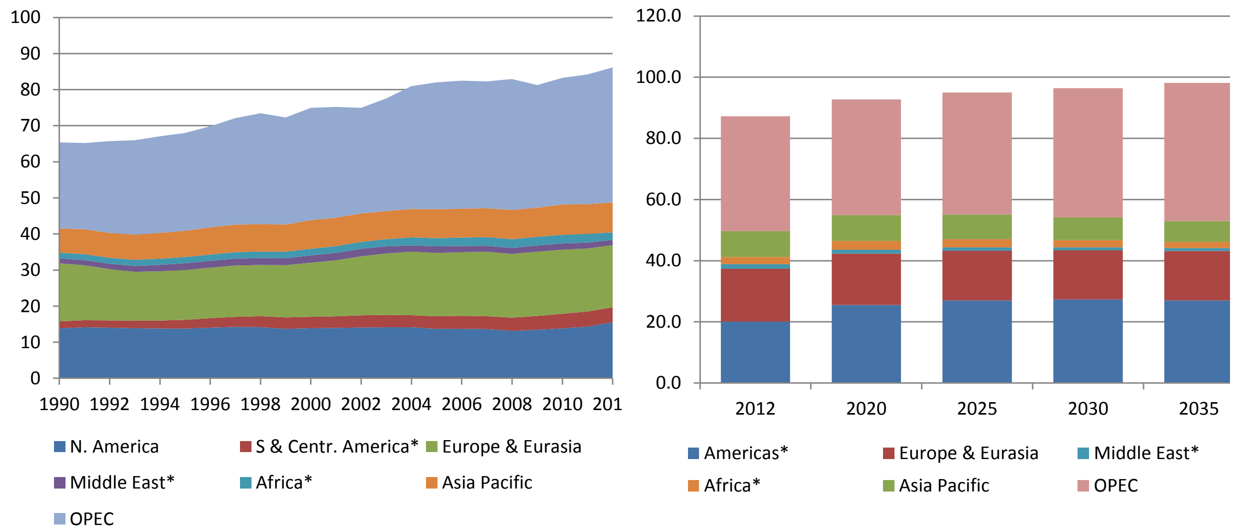


Source: IEA World Energy Outlook 2013. *Other includes agriculture, transformation and other non-energy use (mainly bitumen and lubricants)

Oil production and reserves

Oil is found in large quantities on most continents of the world. Crude oil production is active in all major populated continents and in 2012 the global production totalled an estimated 86.2 million barrels per day[3]. The largest producers are Saudi Arabia (11.5 million barrels per day), Russia (10.6 million barrels per day) and the United States (8.9 million barrels per day). From 2000 to 2012, production grew at an annual compounded rate of 1.2% per year, and production grew in all major regions of the world however with varying growth between nations. In the period, Russia was the largest growing producer, growing its oil production from 6.6 million barrels per day in 2000 to 10.6 million barrels per day in 2012 (62 per cent growth). Other countries with large production growth were Saudia Arabia, the United States, Canada, Qatar, Angola and Kazakhstan, all growing daily production by more than 1 million barrels per day in the period. Simultaneously, production declined significantly in the North Sea in the period, with the United Kingdom and Norway seeing production declining by 1.7 and 1.4 million barrels, respectively. Going forward, oil production growth is expected to be dependent on increased output from OPEC[4], as well as increased unconventional oil production, including Canadian oil sands, tight oil and extra heavy oil, while conventional oil production is expected to decline due to natural production decline in existing fields and reduced rate of production from new conventional fields. Production from OPEC countries is expected to be the main source of growth, growing from 37.6 million barrels per day in 2012 to 45.2 million barrels per day in 2035[5]. Within OPEC, increased production from Iraq as a result of an improved security situation, enhanced infrastructure availability and renewed activity in the region drives activity. Further, unconventional extra-heavy oil production from Venezuela is expected to contribute more than 2 million barrels per day in 2035, from around 0.6 million barrels per day in 2012. Figure 5.2.3 shows the historic development in global oil production per country from 1990 to today[6] and the expected production composition going forward, while figure 5.2.4 shows the expected product composition of global oil production from 2012 to 2035.

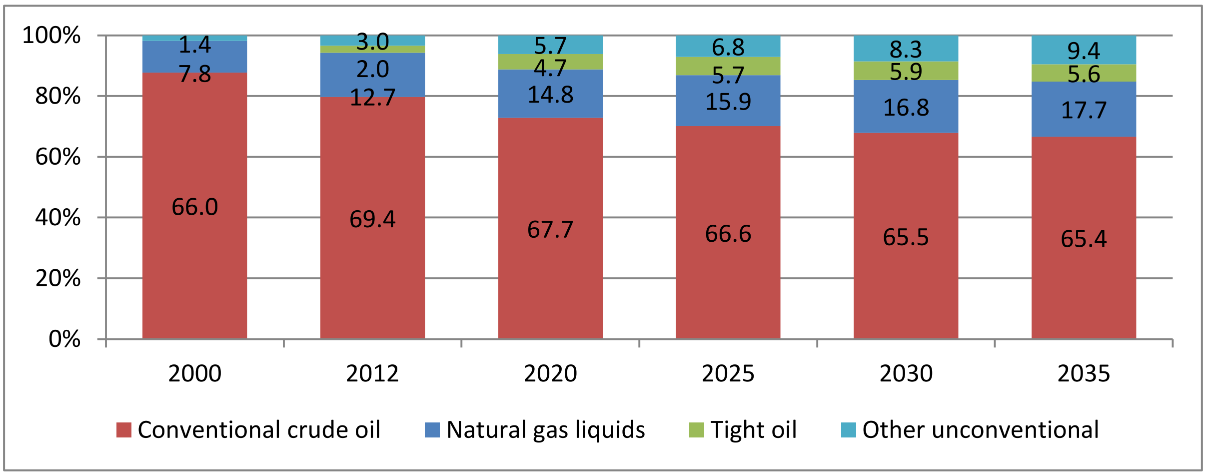
Figure 5.2.3: Global oil production by region (mmbbls/day)



Source: Left chart: BP Statistical Review of World Energy 2013 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html. Right chart: IEA World Energy Outlook 2013. *Non-OPEC

[3] Source: BP Statistical Review of World Energy 2013
[4] OPEC member countries: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela
[5] Source: IEA World Energy Outlook 2013
[6] Source: BP Statistical Review of World Energy 2013

Figure 5.2.4: Global oil production by product (mmbbls/day)

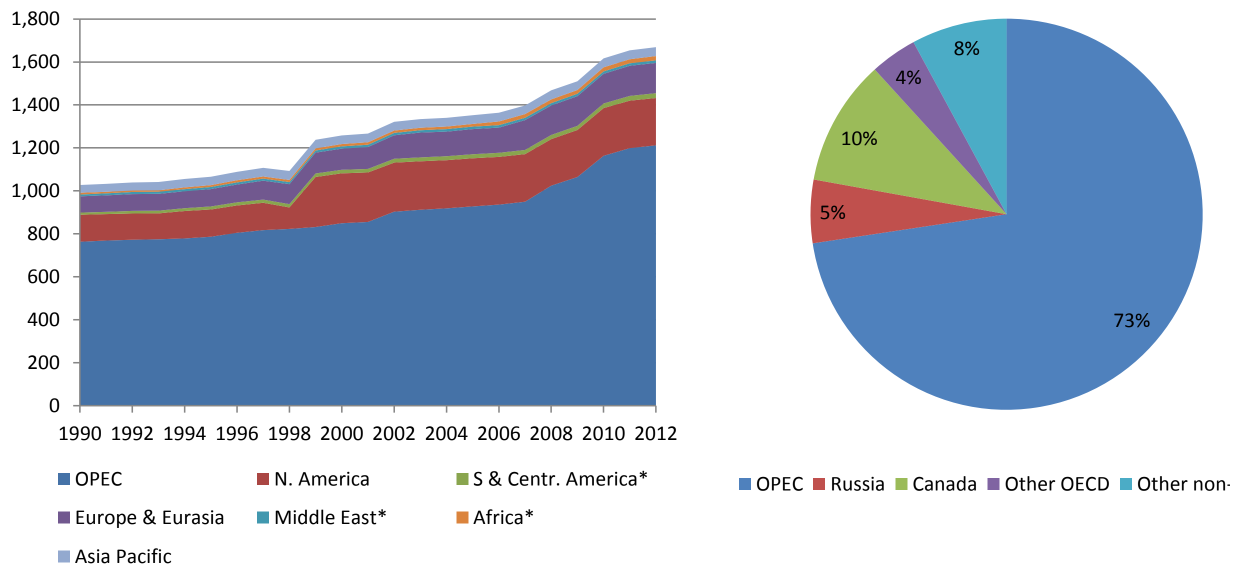


Source: IEA World Energy Outlook 2013.

In terms of reserves, nearly half of the total proved reserves in the world today are located in the Middle East, primarily Saudi Arabia, Iran, Iraq, Kuwait and the United Arab Emirates. In total, 73 per cent of remaining proven reserves are held by the OPEC members. Other large reserve pools are located in unconventional resources in Canada (oil sands) and Venezuela (extra heavy oil), which will require significant investments and technology improvements in order to commercially develop. Of the remaining oil reserves in the world, a large proportion is owned by state owned entities. In 2012, nearly 80 per cent of the world's proven plus probable reserves, including both conventional and unconventional oil, are controlled by national oil companies ("NOCs") or their host governments. In addition, NOCs also hold those reserves with by far the lowest average development and production costs. Remaining reserves are shared between major oil companies (13%) and independents (7%). A large portion of NOCs tend to focus primarily on supplying their national markets, or are subject to political supervision, which may impact rate of production and flow of sales, while activities of privately owned companies including major oil companies, independents and certain NOCs are geared towards shareholders' interests and market signals. Due to the strategic importance of oil as a key source of energy supply in the modern economy, as well as a large portion of the world's remaining reserves being controlled by politically influenced national entities and located in countries that are members of OPEC, future production and supply of oil may be influenced by factors outside the course of normal market functions. This could in the future, as has been demonstrated in the past, have material impact on the trade of oil between countries, as well as the price of oil.

Figure 5.2.5 below shows the historical development in proven oil reserves, as well as the current composition between OPEC and main non-OPEC countries.

Figure 5.2.5: Global oil reserves (mmbbls/day)



Source: BP Statistical Review of World Energy 2013 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html

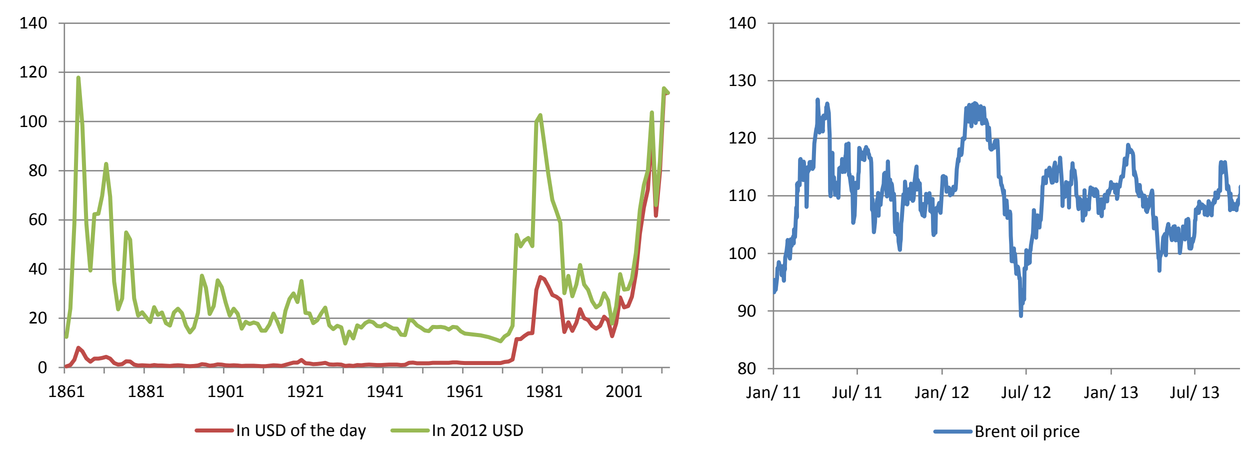
6.8.4 The oil price

Oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchanges, with NYMEX in New York and the IPE in London as the most important markets for the determination of world oil prices. Prices are determined by the weight of the oil, with WTI, the main benchmark for NYMEX, as the lightest of the main benchmarks in oil pricing. Brent Crude, the main benchmark for IPE, is slightly heavier. In recent years, brent price has emerged as the benchmark price of oil sales in global markets, including West Africa.

Oil prices have historically experienced significant fluctuations, but have in recent years stabilized in the region between USD 90 to USD 120 per barrel (Brent prices). The oil price is highly dependent on the current and expected future supply and demand of oil, and is as such influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the implementation of OPEC and subsequent production policies announced by the organization. Figure 5.3 below shows the historical development in the price of crude oil from 1861 to 2012[7], as well as the development in Brent prices from 2011 until today[8].

[7] Source: BP Statistical Review of World Energy 2013
[8] Source: InFront Online Trader

Figure 5.3: Development in crude oil prices



Source: BP Statistical Review of World Energy 2013 http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html, InFront Online Trader

6.9 Investments

From the date of the last published financial statements to the date of this Registration Document the principal investments of the Issuer are as follows:

Atrush Block Phase 1 Development – Issuer's share of 2014 Work Program paid to date.............$20.55 million

The Issuer's principal future investments, on which its management bodies have already made firm commitments are as follows:

1. Atrush Block Phase 1 Development – remaining share 2014 Work Program (at 20.1%)...........$52.34 million
2. Interest expense, bonds – 2014 and 2015....... ....$34.50 million
3. Interest expense, bonds 2016-2018 (assumes bonds not early redeemed) ....$51.75 million

The amount mentioned under point 1 above includes the Company's share costs of drilling activities described in sections 6.5 and 6.6 above, notably a substantial portion of the Phase 1 production facility as well as drilling and testing related costs of Atrush-4 (Phase 1), Chiya Khere-5 (Phase 1) Chiya Khere-6 (Phase 2) and Atrush-3 (Phase 2). The Issuer anticipates fulfilling its 2014 commitments referred to in points 1 and 2 above with cash on hand at the date of this Registration Document totalling $119.00 million, which includes $110.43 million of bond proceeds held in escrow.

6.10 Reserves

The Issuer's Reserves, Contingent Resources and Prospective Resources are related solely to the Atrush Block which is the Issuer's only hydrocarbon asset. As of December 31, 2013 the Reserves, Contingent Resources and Prospective Resources estimates were provided by McDaniel, upon the Issuer's request, the Company's independent qualified resources evaluator (competent person's report), and were prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and Canadian Oil and Gas Evaluation Handbook ("COGE Handbook"). COGE Handbook is an acceptable standard as set out by the ESMA update of the CESR recommendations, appendix 1 – Acceptable Internationally Recognised Mineral Standards. The COGE Handbook is prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

Competency requirements

The competency requirements are specified in Section 3 of the COGE Handbook "Qualifications of Evaluators and Auditors, Enforcement and Discipline".

In relation to qualifications the COGE handbook states the following:

Section 3.2 Qualifications:

Professional engineers and geoscientists are to practice their profession in the public interest and must abide by the respective provincial engineering, geological, and geophysical professions act. Each professional association has established a specific code of ethics that must be followed at all times. The code of ethics or rules of conduct of professional organizations are intended to guide the members, primarily with regard to their individual professional roles and activities.

The code of ethics addresses four major areas:
- duty to society at large and the public interest,
- duty to the client or employer and its employees,
- duty as a registered professional,
- duty to the member's professional association.

In Alberta, the *Association of Professional Engineers and Geoscientists of Alberta* ("APEGA") is responsible for regulating the practice of engineering and geoscience. Its authority comes from a statute of the province of Alberta - The Engineering, Geological and Geophysical Professions ("EGGP") Act. Under The EGGP Act, registration with APEGA is required to practice Engineering and geoscience in Alberta.

In addition to being a guide to each member the code of ethics is an important document used by the disciplinary committee of APEGA when it adjudicates charges of misconduct and decides the nature of penalties imposed. The APEGA Practice Standards is included in this Handbook as Appendix E.

Section 3.2.1 Qualified Reserves Evaluator:

Reserves and resources evaluators are considered qualified if they have sufficient educational background, training, and experience to exercise prudent judgement and to be in responsible charge in connection with reserves estimation and preparation and analysis of cash flows. Whether a reserves and resources evaluator is qualified is judged on an individual basis. As required by the APEGA Code of Ethics, the evaluator should only undertake work that he or she is competent to perform by virtue of training and experience. The Society of Petroleum Evaluation Engineers ("SPEE") (Calgary Chapter) has the following requirements for qualified evaluators:
- They are a registered professional in good standing licensed to practice in engineering, geology, geophysics, or other discipline of physical science.
- They have a minimum of five years' practical experience in petroleum engineering, geology, or geophysics, with at least three recent years of such experience in the evaluation of reserves and resources. The evaluator must be current and competent in the methods and practices of reserves evaluation.

McDaniel qualifications

As McDaniel is registered with APEGA it meets the requirements of the EGGP Act. McDaniel satisfies the two SPEE (Calgary Chapter) criteria for a qualified evaluator. McDaniel, and the APEGA members responsible for preparing the detailed reserves report, are governed by the APEGA Code of Ethics and would be subject to disciplinary action should they be found to be practicing outside their area of competency.

McDaniel has its business address at 2200, 255-5th Avenue SW, Calgary, Canada, T2P 3G6. McDaniel is independent of the Company, its directors, senior management and its other advisers; has no economic or beneficial interest (present or contingent) in ShaMaran or in any of the mineral assets being evaluated and is not remunerated by way of a fee that is linked to the admission or value of the Issuer, as described in ESMA Recommendation.

Reserve and resource estimates

McDaniel estimates for reserves and resources at December 31, 2013 have taken into account the results of the Atrush-3 well, the latest remapping based on 3D seismic and the commitment to the first phase of Atrush development as defined by the KRG approved field development plan. There have been no material changes to the reserves and resources since December 31, 2013.

ShaMaran has continuously reported reserves and resources in accordance with the COGE Handbook as a listed company on the Toronto Stock Exchange Venture (TSX.V) and the latest competent person's reports are dated February 20, 2014 and February 28, 2014. Additional information related to reserve and resource estimates, including net present value estimates, is included in Form 51-101F1, which has been extracted from ShaMaran's competent person's reports. Form 51-101F1 has been included as an attachment to this document and may be viewed under the Company's profile on SEDAR at www.sedar.com, or in the Company's Annual Information Form, which is available both on SEDAR at www.sedar.com and on the Company's web-site at http://www.shamaranpetroleum.com/s/AIF.asp.

RESERVES SUMMARY – ATRUSH PHASE 1 DEVELOPMENT
AS OF December 31, 2013
MBBL, (1) (2) (3)

Reserves Category:	Property Gross	Company Gross (2)	Company Net (3)
Light/Medium Oil (Mbbl)			
Total Proved Reserves (1P)	30,572	6,145	4,116
Probable Reserves	27,609	5,549	2,283
Proved + Probable Reserves (2P)	58,182	11,694	6,399
Possible Reserves	52,543	10,561	2,904
Proved + Probable + Possible Reserves (3P)	110,724	22,256	9,304

(1) Reserves are based on the KRG-approved Phase 1 Atrush development comprising a 30,000 bpd facility and 3 producers (AT-2, AT-4 and AT-5).
(2) Company gross reserves are based on Company working interest share of the property gross reserves.
(3) Company net reserves are based on Company share of total cost and profit revenues and the income tax paid on behalf of company.

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. The reserves were estimated using forecast prices and costs. The sales oil price was based on the McDaniel January 1, 2014 price forecast for Brent crude oil with a discount of 40 percent in 2014 and 2015, 35 percent in 2016, 30 percent in 2017 and 25 percent in 2018 onwards. The initial discount to Brent was based on published sales prices in the Kurdistan Region of Iraq from 2013 and equates to an oil price of US$ 63.00 per barrel in 2014. Costs were escalated at 2 percent per annum. Oil pricing is uncertain and any eventual announcement of sales and pricing of exported Kurdish crude during 2014 together with the Kurdish export pipeline becoming fully operational will impact on future price scenarios. On March 13, 2014 ShaMaran reported the initial recognition of reserves as of December 31, 2013.

6.11 Contingent Resources

The updated estimates of Contingent Resources for the Atrush block are as follows:

CONTINGENT RESOURCES Summary – ATRUSH JURASSIC OIL DISCOVERY*
AS of December 31, 2013
(1) (2) (3) (4)

* Barsarin, Sargelu, Alan, Mus ("BSAM"), Adaiyah & Butmah formations, in addition to the volumes assigned to Reserves.

	Low Estimate (1C)	Best Estimate(2C)	High Estimate (3C)
Property Gross			
Crude Oil (Mbbl)	388,804	497,833	618,027
Natural Gas (MMcf)	90,289	122,585	165,857
Total (Mboe) (6)	403,852	518,263	645,669
Company Gross (5)			
Crude Oil (Mbbl)	78,150	100,064	124,223
Natural Gas (MMcf)	18,148	24,640	33,337
Total (Mboe) (6)	81,174	104,171	129,780

(1) There is no certainty that it will be commercially viable or technically feasible to produce any portion of the resources.
(2) These are unrisked Contingent Resources that do not take into account the chance of commerciality.
(3) Contingent Resources were estimated by subtracting the reserves from the total recoverable resources.
(4) Total based on the probabilistic aggregation of zones within the Atrush field and as such does not equal the arithmetic sum of the individual zones.
(5) Company gross resources are based on Company working interest share of the property gross resources.
(6) 6 Mcf is equivalent to 1 BOE.

The resources included in the Contingent Resources table above are classified as contingent as the associated project(s) are dependent upon the results of the Atrush Phase 1 development; this first phase of development should, together with further appraisal drilling, narrow the uncertainty in the Contingent Resources estimates and help determine if their development is economic.

The table below is a comparative summary of the change in gross Contingent Resources for the Atrush PSC between the years 2011, 2012 and 2013:

Gross Contingent Resources (MMBOE)	**1C**	**2C**	**3C**
YE 2011	275	465	813
YE 2012	404	627	982
YE 2013	**403**	**518**	**646**

6.12 Prospective Resources

The updated estimates of Prospective Resources for the Atrush Block are as follows:

Prospective RESOURCES Summary – ATRUSH BLOCK*
AS of December 31, 2013
(1) (2) (3)
* Comprising remaining potential in the Atrush hanging wall (Triassic), Atrush Footwall (Cretaceous, Jurassic & Triassic) and extension of the Swara Tika structure into the Atrush block (Jurassic & Triassic).

	Unrisked Low Estimate	Unrisked Best Estimate	Unrisked Mean Estimate	Unrisked High Estimate	Risked (2) Mean Estimate
Property Gross					
Crude Oil (Mbbl)	121,425	173,194	180,165	247,211	60,479
Condensate (Mbbl)	8,741	28,327	36,173	72,890	6,766
Natural Gas (MMcf)	141,366	258,352	289,988	481,107	61,445
Total (Mboe) (5)	153,727	244,580	264,670	400,285	77,485
Company Gross (4)					
Crude Oil (Mbbl)	24,406	34,812	36,213	49,689	12,156
Condensate (Mbbl)	1,757	5,694	7,271	14,651	1,360
Natural Gas (MMcf)	28,415	51,929	58,288	96,702	12,350
Total (Mboe) (5)	30,899	49,161	53,199	80,457	15,575

(1) There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable or technically feasible to produce any portion of the resources.
(2) These are partially risked Prospective Resources that have been risked for chance of discovery, but have not been risked for chance of development.
(3) Total based on the probabilistic aggregation of undiscovered pools within the field/prospect.
(4) Company gross resources are based on Company working interest share of the property gross resources.
(5) 6 Mcf is equivalent to 1 BOE.

The table below is a comparative summary of the change in gross Prospective Resources for the Atrush PSC between the years 2011, 2012 and 2013:

Gross Prospective Resources (MMBOE)	**Low**	**Best**	**Mean**	**High**
YE 2011	74	134	146	235
YE 2012 (some PR moved to CR)	41	96	121	233
YE 2013 (based on 3D mapping)	**121**	**173**	**180**	**247**

6.13 PSC terms

6.13.1 Basic Terms

The effective date (the "Effective Date") of the Atrush Block PSC is November 10, 2007. The Atrush Block PSC contract term is comprised of an Exploration Period and a Development Period. The Exploration Period is for an initial exploration term of five years (comprised of a First Sub-Period, being the initial three years from the Effective Date, and a Second Sub-Period, being years four and five from the Effective Date), which under certain circumstances, is extendable on a yearly basis up to a maximum period of seven years from the Effective Date.

In the event of a commercial discovery and subsequent delineation of the relevant field, the term for development and production is extended to 20 years with an automatic right to a five-year extension and, if commercial development from a production area is still possible at the end of the development period, upon request by the contractor within 6 months before the end of the development period, to an additional five-year extension. Acreage included in the contract area and not converted into a producing field is to be relinquished at the rate of 25% at the end of each of the initial exploration terms and the first one-year renewal period and the balance of acreage is to be relinquished at the end of the second one-year renewal term.

6.13.2 Minimum Work Obligations

During the First Sub-Period, the Contractor Group was obligated to incur:

(a) the lesser of:
- (i) the costs to acquire, process, and interpret 100 line kilometres of two dimensional seismic data within the concession area, or
- (ii) $2.0 million of such seismic operations, and

(b) the lesser of:
- (i) the costs to drill and complete one well with a minimum depth of 3,000 meters, or
- (ii) $7.5 million of such drilling operations

During the Second Sub-Period, unless prior drilled wells demonstrate that there is not a reasonable technical case for additional drilling, the Contractor Group was required to:

(a) acquire, process and interpret further seismic data (either 2D or 3D), if required, and

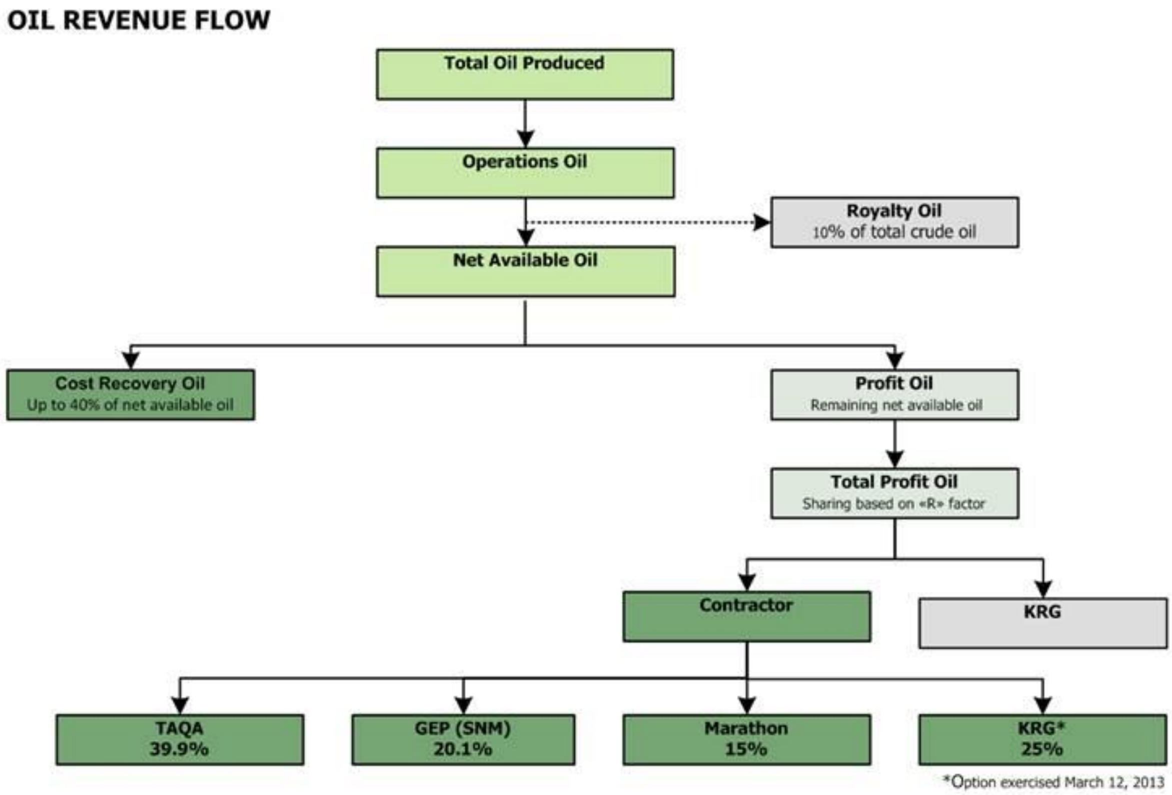
(b) drill one exploration or appraisal well (commitment for this purpose is a minimum financial amount of $7.5 million)

6.13.3 Fiscal Terms under Original PSC

Under the terms of Atrush Block PSC the KRG had the option of participating as a Contractor Entity with an undivided interest in the petroleum operations and all the other rights, duties, obligations and liabilities of the Contractor in the PSC, of up to 25% and not less than 5%. Upon exercise of this option the government becomes liable for its share of the petroleum costs incurred on or after the first commercial declaration date.[9] Fiscal terms under the PSC include a 10% royalty and a variable profit split based on a percentage share to the KRG. GEP has the right to recover costs using up to 40% of the available oil (produced oil less royalty oil) and 55% of the produced gas. The Contractor Group is entitled to cost recovery in respect of all costs and expenditures incurred for exploration, development, production and decommissioning operations, as well as certain other allowable direct and indirect costs.

The portion of profit oil available to the Contractor Group is based on a sliding scale from 32% to 16% depending on the "R-Factor", which is a ratio of cumulative revenues to cumulative costs. When the ratio is below one, the Contractor Group is entitled to 32% of profit oil, with a reducing scale to 16% when the ratio is greater than 2.75. In respect of gas, the sliding scale is from 40% to 22%.

[9] On March 12, 2013 the KRG provided the Contractors notification of its intention to exercise its option to participate as a contracting entity with a 25% interest in the Atrush Block.



6.13.4 *First Amendment*

On August 1, 2010 GEP and the KRG executed the first amendment agreement relating to the Atrush Block PSC (the "Atrush Block First PSC Amendment"). The Atrush Block First PSC Amendment:

(a) extended the First Sub-Period to February 10, 2011

(b) extended the KRG's right to nominate a Third-Party Participant to hold up to a 20% working interest until 180 days after completion of GEP's second exploratory well in the Atrush Block, at which time GEP was to receive reimbursement of petroleum costs, excluding bonuses

(c) required GEP, as holder of the "Charged Interest", to make monthly capacity building payments to the KRG equal to 30% of profit oil (produced oil, less royalty and cost oil), and

(d) required GEP, as holder of the "Charged Interest", to pay an additional $5.0 million capacity building bonus to the KRG within 30 days of the KRG's approval of a development plan.

6.13.5 *Second Amendment*

On October 20, 2010 GEP, Marathon and the KRG executed the Third-Party Participant, Novation and Second Amendment Agreement to the PSC (the "Atrush Block Second PSC Amendment"). The Atrush Block Second PSC Amendment nominated Marathon as the KRG's Third-Party Participant to hold the maximum 20% working interest. Marathon reimbursed GEP approximately $5.77 million which represents the 20% carried interest of the petroleum costs incurred since the Effective Date of the Atrush Block PSC, through the effective date of the Atrush Block Second PSC Amendment. These amounts were distributed to AEI and the Company, as shareholders of GEP, during the year ended December 31, 2010. Upon closing of the Atrush Block Second PSC Amendment, GEP and Marathon had an 80% and 20% working interests, respectively, in the Atrush Block property defined in the Atrush Block PSC.

On November 30, 2011 GEP and Marathon entered into a Joint Operating Agreement approved in accordance with the terms of the Atrush Block Second PSC Second Amendment and collectively with the Atrush PSC and the Atrush Block First PSC Amendment.

6.13.6 Third Amendment

On December 31, 2012 GEP, TAQA, Marathon, and the KRG executed the Atrush Block Third PSC Amendment to the PSC. The Atrush Block Third PSC Amendment assigned from GEP to TAQA a 53.2% working interest in the rights and obligations under the Atrush Block PSC and previous Atrush Block PSC amendments. In addition, GEP's "Charged Interest" requirements, which were previously 100% obligations of GEP (refer to description included in points (c) and (d) under *First Amendment,* above*)*, were split 66.5% to TAQA and 33.5% to GEP.

Pursuant to the Atrush Block Third PSC Amendment the parties approved the resignation of GEP and appointment of TAQA as Operator to be effective on and as of December 31, 2012.

The First Amendment to the Joint Operating Agreement in respect of the Atrush Block ("the Amended Atrush JOA") was entered into on December 31, 2012 among TAQA, GEP and Marathon ("the Parties") and approved in accordance with the terms of the Atrush Block Third PSC Amendment. Among other rights and obligations the Amended Atrush JOA provides that the recovery of Exploration Costs (as such term is defined in the Atrush Block PSC) incurred prior to December 31, 2012 ("Shared Costs") shall be shared by the Parties as follows: (i) Marathon shall be entitled to receive 20% of the Shared Costs in accordance with its 20% working interest in the PSC; (ii) TAQA will be entitled to receive the first $10.8 million of the remaining 80% of the Shared Costs; (iii) TAQA will not be entitled to receive any portion of the next $39.1 million of the remaining 80% Shared Costs; and (iv) all credits of Shared Costs in excess of $62.375 million shall be shared by the Parties in accordance with their working interests in the Atrush Block PSC.

6.13.7 Termination Provisions

Under the terms of the Atrush Block PSC the KRG shall have the right to terminate the contract on not less than 90 days' prior notice in the event that the Contractor Group fails to meet any material financial obligations, does not carry out the required drilling and seismic acquisition program during the First Sub-Period or the Second Sub-Period, interrupts production for more than 90 consecutive days with no cause or acceptable justification, and provided such default is not cured with the 90 day notice period. In certain circumstances, the rights and interests of an individual member of the Contractor Group will be terminated if such individual member is subject to a change of control.

Any time prior to the Development Period the Contractor Group has the right to terminate the Atrush Block PSC upon 30 days' prior notice to the KRG. During the Development Period, the Contractor Group has the right to terminate the Atrush Block PSC at any time by surrendering all production areas provided its current obligations have been satisfied in accordance with the terms of the Atrush Block PSC.

6.13.8 Current PSC Status

As a consequence of the oil discovery in the Atrush Block, Article 12 of the Atrush Block PSC is now in force. This consisted of an agreed Appraisal Work Program for the period 2011-2014 which included 2 firm and 2 contingent wells, 3D seismic acquisition, installation of an Early Production Facility, and certain studies leading to a provisional Field Development Plan. The 2D and 3D seismic programs and the drilling of Atrush-1 and Atrush-2 satisfied the Minimum Work Obligations of the Atrush Block PSC.

On November 7, 2012 GEP, then operator of the Atrush Block and acting on behalf of the Contractor Group under the Atrush Block PSC, submitted to the Atrush Block Management Committee a Declaration of Commercial Discovery with effect from November 7, 2012. On March 12, 2013 the KRG exercised its option to acquire a 25% interest in the Atrush Block PSC.

On May 6, 2013 the Operator (TAQA) submitted a Field Development Plan ("FDP") to the Atrush Block Management Committee. The FDP outlined the general forward plan for the block. The KRG approved Phase 1 of the FDP for the Atrush Block with an October 1, 2013 effective date for the commencement of the Development Period.

6.13.9 *Atrush JOA*

Under the Atrush PSC, TAQA has been appointed as Operator to conduct operations on the Atrush Block on behalf of the Contractor Group. The conduct of Atrush Block operations and the relationship between the Contractor Group is governed the joint operating agreement ("JOA"), entered into between the Contractor Group, and includes a number of provisions in the event that a Contractor should fail to meet its obligations. Defaults include where a Contractor does not carry out drilling and seismic acquisition as prescribed, interrupts production for more than 90 consecutive days without reasonable cause, intentionally extracts other materials than permitted, becomes bankrupt, or there is a change of control in a party which is not approved by KRG. If a default is not remedied within three (3) months following notice of intention to terminate, the KRG may terminate the PSC with respect to the defaulting party and allocate its interest among the other contractors. Consequently the Company could upon a default lose all its rights and interests in the Atrush field without any compensation.

The Atrush JOA definition of default includes payment default and failure to provide security as required under the Atrush JOA. If a party does not remedy such default within 5 business days after having been notified of the default, its entitlement shall vest with and be the property of the other parties as long as the default remains un-remedied.

The Operator will in this period be entitled to sell the entitlement at arms' length on reasonable terms and apply proceeds to cover costs and liabilities and a reserve fund before releasing any remaining surplus. If a default has remained for 60 days or more a non-defaulting party has the option to acquire the defaulter's participating interest at a price equal to the fair market value of such interest less the following (i) the total amount in default (ii) all costs; including the costs of an expert, to obtain such valuation and (iii) ten per cent (10%) of the fair market value of the defaulting party's participating interest.

Should the Company fail to meet its obligations under the Atrush Block PSC and or Atrush JOA it could result in adverse effects to the Company's business including, but not limited to, a default under one or both of these contracts, the termination of future revenue generating activities of the Company and impairment of the Company's ability to meet its contractual commitments as they become due.

The Atrush Block PSC definition of "change of control" in a Contractor includes a change of voting majority in the Contractor, or in a parent company, provided the value of the interest in the Atrush field represents more than 50% of the market value of assets in the Company. Due to the limited amount of other assets held by the Company this will apply to a change of control in GEP or any of its parent companies. Change of control requires the consent of KRG or it will trigger a default under the PSC.

ShaMaran's operations are to a significant degree conducted together with one or more partners through contractual arrangements with the execution of the operations being undertaken by the Operator in accordance with the terms of the Atrush JOA. As a result, ShaMaran has limited ability to exercise influence over the deployment of those assets or their associated costs and this could adversely affect ShaMaran's financial performance. ShaMaran's return on assets operated by others will therefore depend upon a number of factors that may be outside of ShaMaran's control, including the timing and amount of capital expenditures, the Operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices. The Operator, along with the Company's other partners, may have different opinions on how to conduct certain operations which may result in delays, losses or increased costs not anticipated by the Company. In addition, if the Operator or other partners fail to perform, ShaMaran may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. If a dispute would arise with one or more partners such dispute may have significant negative effects on the Company's operations relating to its projects.

6.13.10 *Petroleum costs and cost recovery*

Under the terms of the Atrush Block PSC the KRG is entitled to conduct an audit to verify the validity of incurred petroleum costs which the Operator has reported to the KRG and is therefore entitled under the terms of the Atrush Block PSC to recover through cash payments from future petroleum production. No such audit has to date taken place. Should any future audits result in negative findings concerning the validity of reported incurred petroleum costs the Company's petroleum cost recovery entitlement could ultimately be reduced.

6.13.11 Environmental and operating regulations applicable to the Issuer

Drilling for and producing, handling, transporting and disposing of oil and gas and petroleum by-products are activities that are subject to extensive regulation under national and local environmental laws, including in those countries in which ShaMaran currently operates. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection with water and air pollution control, waste management, permitting requirements and restrictions on operations in environmentally sensitive areas. The Company's operations in Kurdistan are subject to general and specific regulations and restrictions governing drilling, production and processing, land tenure use, environmental requirements (including site specific environmental licenses, permits and remediation requirements), workplace health and safety requirements, social impacts and other laws and regulations. The environmental laws of Kurdistan are limited as compared to those in jurisdictions such as Europe or North America. The Company is obliged to follow both Kurdish law and the terms of the Atrush Block PSC towards protecting the environment and the health and safety of its employees and third parties.

The Company has implemented health, safety and environment policies since its incorporation, complies with industry environmental practices and guidelines for its operations in Kurdistan and is currently in compliance with these obligations in all material aspects. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures and competitive position of ShaMaran.

Under the terms of the JOA the Operator is required to conduct operations in compliance with the applicable health safety and environmental laws, rules and regulations with the goal of achieving safe and reliable operations. The main environmental and operating approval for executing the development of the Atrush field is approval by the MNR of the field development plan, which was obtained on October 1, 2013. Any further permissions, permits, licenses and approvals required are in the course of day to day petroleum operations and the Operator is responsible under the JOA to request and procure all such authorisations to carry on the petroleum operations under the applicable laws to conduct safe and reliable operations. As the Issuer is not operating in the region it does not require any permits or licenses to conduct operations and the Issuer is not aware of any material authorisations which are pending with the Operator.

6.13.12 Dependency on partners in the Atrush PSC

The Company may suffer unexpected costs or other losses if a counterparty to any contractual arrangement entered into by the Company does not meet its obligations under such agreements. In particular, the Company cannot control the actions or omissions of its partners in the Atrush Block PSC. If such parties were to breach the terms of the Atrush Block PSC or any other documents relating to the Company's interest in the Atrush Block PSC, it could cause the KRG to revoke, terminate or adversely amend the Atrush Block PSC.

6.13.13 Availability of new acreage

The KRG has not to the Company's knowledge publicly announced any opportunities to apply for new PSCs in Kurdistan.

6.14 Description of operating uncertainties in the Kurdistan Region of Iraq

6.14.1 Introduction

ShaMaran's assets and operations are located in Kurdistan, a federally recognised semi-autonomous political region in Iraq, and may be influenced by political developments between Kurdistan and the Iraq federal government, as well as political developments of neighbouring states within Middle East and North Africa, Turkey, and surrounding areas. Kurdistan and Iraq have a history of political and social instability. As a result, the Company is subject to political, economic and other uncertainties that are not within its control. These uncertainties include, but are not limited to, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental authorities and disputes between the Iraq federal government and Kurdistan.

6.14.2 Iraq's constitution

Iraq is a political democracy with a federal system of government. Iraq passed a constitution which was ratified in October 2005 and came in effect in 2006. The Iraq constitution contains a list of powers which are reserved exclusively for the Iraq federal government ("Federal Government") and a list of powers which are shared by the Federal Government and the regional governments of Iraq ("Regional Governments"). Jurisdiction over matters that are not within the exclusive powers granted to the Federal Government resides with the Regional Governments and the governments of the Iraq provinces not forming part of the regions. With regard to powers shared by the Federal Government and Regional Governments, in the event of a dispute priority is given under the Iraq constitution to the laws of the region.

The delineation of powers under the Iraq constitution has been subject to different interpretations which has resulted in a number of outstanding political issues and differences between the Iraq federal government and the KRG including, but not limited to, the validity of production sharing contracts issued by the Kurdistan Regional Government of Iraq and the jurisdiction over oil and gas matters in Kurdistan.

The unfavourable outcome of political uncertainties such as those discussed above could result in adverse effects to the Company's assets and business including, but not limited to, increased costs associated with planned projects, impairment or termination of future revenue generating activities and impairment of the value of the Company's assets and or its ability to meet its contractual commitments as they become due.

6.14.3 International boundary disputes

Although the Kurdistan Region of Iraq is recognised by the Iraq constitution as a semi-autonomous region, its geographical extent is neither defined in the Iraq constitution nor agreed in practice between the Federal Government and the Kurdistan Regional Government. There are ongoing differences between the KRG and the Federal Government regarding certain areas which are commonly known as "disputed territories". The Company believes that its current area of operation is not within the "disputed territories".

6.14.4 Dispute over award of PSCs in the Kurdistan

The Iraq constitution grants a role for the regions of Iraq in awarding of petroleum contracts for certain types of operations, and in regulating those petroleum operations occurring within the regions. No federal Iraq legislation has yet been agreed or enacted by the Iraq parliament to govern the future organisation and management of Iraq's petroleum industry as there are a number of material issues which need to be resolved between the Federal Government and the KRG. There is uncertainty with regard to the promulgation of the Federal legislation and the timing of such adoption, if at all. Failure to enact federal legislation could extend or increase uncertainty within Iraq's petroleum industry which may result in additional burdens being placed on the Company including, but not limited to, difficulty obtaining clear title to its assets or in obtaining adequate financing for its future projects.

The KRG developed the Oil And Gas Law of the Kurdistan Region - Iraq (the "Oil and Gas Law") to be consistent with the role granted to the regions in the Iraq constitution and in conformity with the principles reflected in the Draft Federal Petroleum Law and in the draft federal law governing revenue sharing for petroleum activities proposed in June 2007.

In the absence of progress on the Draft Federal Petroleum Law, on August 6, 2007, the Kurdistan National Assembly approved the Oil and Gas Law which came into force in Kurdistan with effect from August 9, 2007. The Kurdistan National Assembly passed the Oil and Gas Law which is declared to be supported by the Iraq constitution and provides the foundation for economic development of the largely untapped resources of Kurdistan. Under the Oil and Gas Law domestic and international investors in oil and gas can come to Kurdistan, generate revenue and provide employment and training opportunities for citizens in the region. Consistent with the Iraq constitution the Oil and Gas Law requires Kurdistan to share revenue with the Iraq federal government and other regions of Iraq, just as other areas of Iraq will share oil revenues with Kurdistan. The KRG has signed a number of PSCs with international oil companies based on the oil and gas law passed in August 2007. The Company currently has an interest in the Atrush Block PSC which is within the jurisdiction of the Oil and Gas Law.

The Iraq oil ministry has historically disputed the validity of the KRG's production sharing contracts and, as a result indirectly, the Company's right and title to its oil and gas assets. The KRG is disputing the claims and has stated that the contracts are compliant with the Iraq constitution. At the present time there is no assurance that the PSCs agreed with the KRG are enforceable or binding in accordance with ShaMaran's interpretation of their terms or that, if breached, the Company would have remedies.

Although the Company conducts title reviews prior to acquiring an interest in a PSC, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question ShaMaran's interest in the Atrush Block PSC.

The Company believes that it has valid title to its oil and gas assets and the right to explore for and produce oil and gas from such assets under the Atrush Block PSC. However, should the Iraq federal government pursue and be successful in a claim that the production sharing contracts agreed with the KRG are invalid, or should any unfavourable changes develop which impact on the economic and operating terms of the Atrush Block PSC, it could result in adverse effects to the Company's business including, but not limited to, impairing the Company's claim and title to assets held, and or increasing the obligations required, under the Atrush Block PSC.

6.14.5 Exposure to changes in taxes

The Company is affected by changes in taxes, regulations and other laws or policies affecting the oil and gas industry generally as well as changes in taxes, regulations and other laws or policies applicable to oil and gas exploration and development in Kurdistan specifically.

The taxation system applicable to the operating activities of the Company in Kurdistan is pursuant to the Oil and Gas Law governed by general Kurdistan tax law and the terms of its PSCs. However, it is possible that the arrangements under the PSCs may be overridden or negatively affected by the enactment of any future oil and gas or tax law in Iraq or Kurdistan which could result in adverse effects to the Company's business including, but not limited to, increasing the Company's expected future tax obligations associated with its activities in Kurdistan.

6.14.6 The Issuer relies on the Operator to obtain related licenses, permits and authorisations required in addition to the PSC

ShaMaran, through the operating company, TAQA Atrush BV, conducts its operations pursuant to the rights granted under the Atrush Block PSC and related licenses, permits and other authorisations. The grant of licenses and permits may require fulfilment of certain conditions or the exercise of discretion by the concerned authorities. The Company's ability to execute its projects may be hindered if the operating company cannot secure the necessary approvals or the discretion is exercised in a manner adverse to the Company. Any significant delay in obtaining or renewing a license or permit may result in a delay of the Company's planned activities and the future development of any oil and gas resources.

6.14.7 Uncertainty of payment for oil exported from Kurdistan

One of the consequences of the disagreement between the Iraq federal government and the KRG over the validity of the KRG's PSCs and issues relating to revenue sharing and auditing of costs is the withholding by the Iraq federal government of partial or full payments to the KRG for oil exported from Kurdistan. As a result the KRG has been unable to make full payments due to the companies who have to date exported oil from Kurdistan.

The export of oil and gas and payments relating to such exports from Kurdistan remains subject to uncertainties which could negatively impact on ShaMaran's ability to export oil and gas and receive payments relating to such exports. Further, ShaMaran's ability to export and market oil and gas may also depend upon its ability to secure transportation and delivery, in view of related issues such as the proximity of its potential production to pipelines and processing facilities. Potential government regulation relating to price, quotas and other aspects of the oil and gas business could result in adverse effects to the Company's business including, but not limited to, impairing the Company's ability to export and sell oil and gas and receive full payment for all sales of oil and gas.

6.14.8 Brief legal history

The Kurdistan Region of Iraq has a less developed legal system than that of many more established regions. This could result in risks associated with predicting how existing laws, regulations and contractual obligations will be interpreted, applied or enforced. In addition it could make it more difficult for the Company to obtain effective legal redress in courts in case of breach of law, regulation or contract and to secure the implementation of arbitration awards and may give rise to inconsistencies or conflicts among various laws, regulations, decrees or judgments. The Company's recourse may be limited in the event of a breach by a government authority of an agreement governing the PSC in which ShaMaran acquires or holds an interest.

The Company is party to contracts with counterparties located in a number of countries, most notably Kurdistan. Certain of its contracts are subject to English law with legal proceedings in England. However, the enforcement of any judgments thereunder against a counterparty will be a matter of the laws of the jurisdictions where counterparties are domiciled.

6.14.9 Security problems and access to infrastructure

Kurdistan and other regions in Iraq have a history of political and social instability which have culminated in security problems which may put at risk the safety of the Company's personnel, interfere with the efficient and effective execution of the Company's operations and ultimately result in significant losses to the Company. There have been no significant security incidents in the Company's area of operation.

The Company is dependent on access to available and functioning infrastructure (including third party services in Kurdistan) relating to the properties on which it operates, such as roads, power and water supplies, pipelines and gathering systems. The Company has to date been able to access the necessary infrastructure to conducts its petroleum operations.

The Company is currently planning to build a feeder pipeline which will be connected to the main Kurdistan to Turkey pipeline; however, the absence of direct export capacity via the current Iraq pipeline export infrastructure and or the current Kurdistan-to-Turkey pipeline may adversely impact the Company's ability to develop, produce and export its oil and gas. Further, if any infrastructure or systems failures occur or access is not possible or does not meet the requirements of the Company, the Company's operations may be significantly hampered which could result in lower production and sales and or higher costs.

6.14.10 Dependency on availability of services and staff

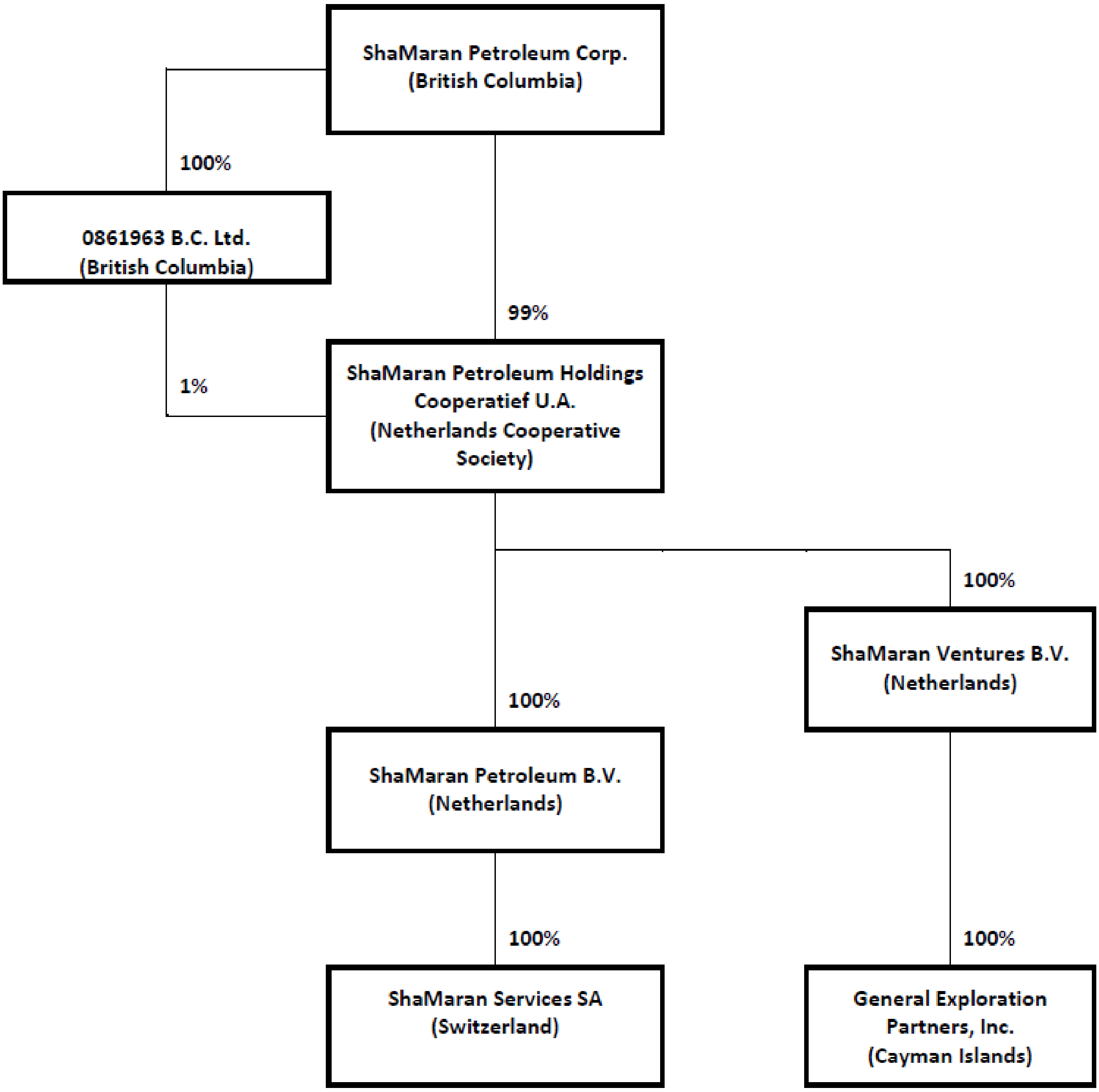
ShaMaran's oil and natural gas exploration and development activities are dependent on the availability of third party services, drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. ShaMaran currently leases all the drilling rigs used for its exploration and development activities. Shortages of such equipment or staff may affect the availability of such equipment to ShaMaran and may delay and or increase the cost of ShaMaran's exploration and development activities. The Company has to date been able to access the necessary third party services and human resources to conduct its petroleum operations.

7 Organizational Structure

7.1 Description of group

7.1.1 Legal structure

Substantially all of ShaMaran's business is carried out through the Issuer. The following chart illustrates the ShaMaran's significant subsidiaries, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are held by ShaMaran either directly or indirectly:



7.2 Operational structure

The Issuer holds its 20.1% participating interest in the Atrush Block asset, operated by TAQA Atrush B.V. which holds a 39.9% participating interest. The Issuer manages its interest in the Atrush Block asset through its representation and active participation in meetings of the technical and operating committee held under the JOA and meetings of the management committee held under the Atrush Block PSC. The Issuer has no employees under contract. ShaMaran Services S.A., a subsidiary of ShaMaran, provides technical and administrative services to GEP in support of its Atrush Block activities.

7.3 Dependence upon other entities

The Issuer supports its Atrush Block activities asset through the technical and administrative services it receives from ShaMaran Services S.A., a subsidiary of ShaMaran.

8 Trend Information

8.1 Statement of no material adverse change

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements other than as described in section 6.14 about uncertainties regarding the operating environment in the Kurdistan Region of Iraq which may impact the Issuer's prospects for the near future.

9 Profit Forecasts or Estimates

Neither a profit forecast nor a profit estimate is included in this Registration Document.

10 Administrative, Management and Supervisory Bodies

10.1 Information about persons

The business addresses of the management team and board of directors of the Issuer and the Guarantors are as follows:

General Exploration Partners, Inc.	5 Chemin de la Pallanterie, 1222 Vésenaz, Geneva, Switzerland Telephone +41 22 560 8600
ShaMaran Petroleum Corp.	Suite #2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 Telephone +1 604 689 7842
0861963 B.C. Ltd	Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1 Telephone +1 604 687 7077
ShaMaran Petroleum Holdings Coöperatief U.A.	Amaliastraat 3 – 5, 2514 JC, The Hague, The Netherlands Telephone +31 70 371 7811
ShaMaran Ventures B.V.	Amaliastraat 3 – 5, 2514 JC, The Hague, The Netherlands Telephone +31 70 371 7811

10.1.1 Management of the Issuer

Pradeep Kabra - President, CEO and Director of the Issuer

Mr. Kabra is a Chartered Accountant and has a Bachelor's degree in Law from the University of Delhi and a Master's degree in Petroleum Law and Policy from the University of Dundee, U.K. He has over 26 years' experience in the oil industry having held senior operational and management positions at Addax Petroleum, Lundin Oil and International Petroleum. Prior to being appointed President and CEO of the ShaMaran Group, Mr. Kabra was Chief Operating Officer of the ShaMaran Group. Prior thereto, Mr. Kabra was General Manager Kurdistan for Addax Petroleum and was also a director of Taq Taq Operating Company Limited, the operator of the Taq Taq/Kewa Chirmila production sharing contract, Kurdistan.

Brenden Johnstone - Chief Financial Officer and Director of the Issuer

Mr. Johnstone is a Canadian Chartered Accountant and a graduate of the University of Saskatchewan, where he obtained bachelor degrees in both commerce and arts. Mr. Johnstone has a broad range of experience in the oil and gas industry. Most recently Mr. Johnstone held the position of CFO of Avante Petroleum SA, an international upstream oil and gas company with offices in Geneva, Switzerland. Prior to moving to Geneva, Mr. Johnstone was employed in the audit and assurance departments of Deloitte & Touche in their Dublin, Ireland and Saskatoon, Canada offices.

Mark Grace – Technical Manager of the Issuer

Mr Grace is a Geologist and has a Bachelor's degree from the University of Manchester, U.K. He has 34 years experience in upstream operations, asset management and new ventures including more than 25 years supporting projects in the Middle East & North Africa region with Neste Oy, Halliburton, Kufpec and Addax Petroleum, with the last 7 years focused on the Kurdistan Region of Iraq. Prior to joining ShaMaran, Mr. Grace led Addax Petroleum's Okwori technical team (Offshore Nigeria) and supported the appraisal and development of the Taq Taq field on behalf of Addax Petroleum. His earlier career was with Statoil in Norway, Denmark & China.

10.1.2 Management of the Guarantors

The Guarantors have no employees.

10.1.3 Board of Directors of the Issuer

Pradeep Kabra – Director

See further background on Mr. Kabra under 10.1.1 above.

Brenden Johnstone – Director

See further background on Mr. Johnstone under 10.1.1 above.

10.1.4 Board of Directors of the Ultimate Parent (Guarantor)

Keith C. Hill- Chairman and Director

President, CEO and director of Africa Oil Corp.; Director of BlackPearl Resources Inc., ShaMaran Petroleum Corp., Petrovista Energy Corp., Horn Petroleum Corp., Tyner Resources Ltd. and TAG Oil Corp. Prior to his appointment as CEO of Africa Oil Corp. Mr. Hill was President and CEO of BlackPearl Resources Inc. and of Valkyries Petroleum Corp.

Alexandre Schneiter – Director

Executive Vice President and Chief Operating Officer of Lundin Petroleum AB.

Gary Guidry – Director

President and Chief Executive Officer of Griffiths Energy International Inc. Previously, Mr. Guidry was President and CEO of Tanganyika Oil Company Ltd. and Orion Oil and Gas Corporation.

Brian D. Edgar – Director

Chairman of Silver Bull Resources, Inc.; director of a number of other publicly traded companies.

J. Cameron Bailey – Director

Mr. Bailey is currently the President and CEO of Fortaleza Energy Inc. (formerly Alvopetro Inc.). Mr. Bailey was previously a Managing Director of Network Capital Inc. and is a Chartered Financial Analyst.

10.1.5 Board of Directors of 0861963 B.C. Ltd (Guarantor)

Keith C. Hill – Director

See further background on Mr. Hill under 10.1.4 above.

10.1.6 Board of Directors of ShaMaran Petroleum Holdings Coöperatief U.A.(Guarantor)

Tjerk Bosje – Managing Director

Mr. Bosje has been with ShaMaran since 2009 and has over 25 years experience from Dutch and international operations in the oil and gas industry.

Meindert de Ruiter – Managing Director

Mr. de Ruiter has been with ShaMaran since 2010 and has 35 years experience in the oil and gas industry. He has been active in exploration, development as well as production during various assignments in Asia, Middle East, Africa, South America and Europe.

Pradeep Kabra – Managing Director

See further background on Mr. Kabra under 10.1.1 above.

10.1.7 Board of Directors of ShaMaran Ventures B.V. (Guarantor)

Tjerk Bosje – Managing Director

See further background on Mr. Bosje under 10.1.6 above.

Meindert de Ruiter – Managing Director

See further background on Mr. de Ruiter under 10.1.6 above.

Pradeep Kabra – Managing Director

See further background on Mr. Kabra under 10.1.1 above.

11 Administrative, Management and Supervisory Bodies Conflicts of Interest

ShaMaran's directors and officers are also directors or officers of other companies, including oil and gas companies, or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may also participate, the directors of ShaMaran may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the ShaMaran's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies, including ShaMaran, may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular corporation will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not ShaMaran will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the possible return and degree of risk to which ShaMaran may be exposed, as well as the financial position of ShaMaran at that time. All conflicts of interest will be addressed in accordance with the provisions of the Business Corporations Act (British Columbia) and other applicable laws.

Except for the potential conflicts of interests mentioned above, there are no potential conflicts of interests between any duties to the Issuer of the persons referred to in chapter 10 and their private interests and or other duties.

12 Board Practices

The Issuer and the Guarantors comply with the corporate governance regimes of their respective countries of incorporation.

12.1 Audit Committee of ShaMaran:

The Audit Committee oversees the accounting and financial reporting processes of ShaMaran and all audits and external reviews of the financial statements of the Ultimate Parent on behalf of the board of directors, and has general responsibility for oversight of internal controls, accounting and auditing activities of ShaMaran. All auditing services and non-audit services to be provided to the Ultimate Parent by its auditors are pre-approved by the Audit Committee. The Committee is responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The Audit Committee also oversees the annual audit process, quarterly review engagements, the Ultimate Parent's internal accounting controls, the Code of Business Conduct and Ethics, any complaints and concerns regarding accounting, internal controls or auditing matters and the resolution of issues identified by ShaMaran's external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders and the compensation of the auditors. The Audit Committee meets a minimum of four times per year.

The current members of the Audit Committee of the Company are Messrs. J. Cameron Bailey (Chair), Brian D. Edgar and Alexandre Schneiter. All current members are considered independent. All members of the Audit Committee are considered to be "financially literate" within the meaning of applicable Canadian securities regulations in that they each have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by ShaMaran's financial statements.

13 Major Shareholders

13.1 Ownership

ShaMaran Ventures B.V. owns 100% of the issued share capital of the Issuer. Refer also to disclosure under section 13.2.

13.2 Change in control of the Issuer or Guarantors

There are no arrangements, known to the Issuer or Guarantors, the operation of which may at a subsequent date result in a change in control of the Issuer or Guarantors with the exception of the following:

Pursuant to the *Equitable Mortgage Over Shares in General Exploration Partners, Inc.*, a November 11, 2013 agreement entered into by ShaMaran Ventures B.V. and the Bond Trustee, all common shares of GEP ("GEP's shares") have been mortgaged to the Bond Trustee as security for GEP's obligations under the Bond Agreement. In the case of an Event of Default, as defined in Bond Agreement section 15, the Bond Trustee may proceed to perfect its title in GEP's shares, to exercise all voting rights attaching to GEP's shares and to receive and retain all dividends and other distributions made in respect of GEP's shares.

13.3 Share Capital

13.3.1 Share capital of the Issuer

The Issuer is authorised to issue 50,000 common shares with par value of USD 1 per share for a total issued share capital of USD 50,000. At the date of this Registration Document the Issuer had 3,350 common shares issued and outstanding for a total issued share capital of USD 3,350. There are no other share classes or issued capital to still be paid up. Refer also to section 13.2 above.

13.3.2 Share capital of the Guarantors

ShaMaran Petroleum Corp. is authorised to issue an unlimited number of common shares with no par value. At the date of this Registration Document ShaMaran Petroleum Corp. had 810,983,860 common shares issued and outstanding with total paid in share capital of $534.1 million. There are no other share classes. There are 8,263,334 options over common shares outstanding as follows:

Expiry Date	No. of Optioned Shares	Exercise Price ($CAD)
Sept. 30, 2014	700,000	$0.64
Sept. 10, 2014	808,334	$0.67
Jan. 4, 2015	600,000	$0.47
May 11, 2015	75,000	$0.43
March 25, 2015	100,000	$0.60
Sept. 23, 2015	315,000	$0.54
July 22, 2016	25,000	$0.80
April 12, 2018	5,640,000	$0.36
TOTAL:	**8,263,334**	

0861963 B.C. Ltd. is authorised to issue an unlimited number of common shares with no par value. At the date of this Registration Document 0861963 B.C. Ltd. had 1 common share issued and outstanding for paid in share capital of par value of $1 per share. There are no other share classes issued for capital which are not paid up.

ShaMaran Petroleum Holdings Coöperatief U.A. had membership capital at December 31, 2013 of $95,808,473 which was held by ShaMaran Petroleum Corp in the amount of $95,808,472 and by 0861963 B.C. Ltd. in the amount of $1. There is no other membership capital which is not paid up.

ShaMaran Ventures B.V. is authorised to issue 90,000 ordinary shares of par value of EUR 1 per share for a total issued share capital of EUR 90,000. At the date of this Registration Document ShaMaran Ventures B.V. had 18,000 ordinary shares issued and outstanding for a total issued share capital of EUR 18,000. There are no other share classes issued for capital which are not paid up.

14 Selected Financial Information for the issuer

All amounts included in the tables in this section 14 below are expressed in thousands of United States dollars.

Statement of Comprehensive Income

For the year ended December 31, 2013

Expenses from operations	
General and administrative expense	(32)
Gain on sale of assets	-
Loss before finance items and income tax expense	**(32)**
Finance cost	(691)
Finance income	5
Net finance cost	**(686)**
Loss before income tax expense	**(718)**
Income tax expense	-
Net loss for the year	**(718)**
Other comprehensive income	-
Total comprehensive loss for the year	**(718)**

Balance Sheet
As at December 31, 2013

Assets	
Non-current assets	
Intangible assets	89,325
Property, plant and equipment	126
	89,451
Current assets	
Cash and cash equivalents	133,851
Other current assets	28
	133,879
Total assets	**223,330**
Liabilities and equity	
Current liabilities	
Accounts payable and accrued expenses	6,559
Accrued interest expense on bonds	2,252
	8,811
Non-current liabilities	
Borrowings	147,050
Advances from related parties	3,335
Provisions	1,185
	151,570
Total liabilities	**160,381**
Equity	
Share capital	3
Paid in capital	84,685
Accumulated deficit	(21,739)
Total equity	**62,949**
Total liabilities and equity	**223,330**

Statement of Changes in Equity
For the year ended December 31, 2013

	Share capital	**Paid in capital**	**Accumulated deficit**	**Total**
Balance at December 31, 2012	**3**	**68,036**	**(21,021)**	**47,018**
Total comprehensive loss for the year	-	-	(718)	**(718)**
Transactions with owners in their capacity as owners:				
Capital contributions	-	18,149	-	**18,149**
Capital distributions	-	(1,500)	-	**(1,500)**
	-	16,649	-	**16,649**
Balance at December 31, 2013	**3**	**84,685**	**(21,739)**	**62,949**

Statement of Cash Flows

For the year ended December 31, 2013

Operating activities	
Net loss for the year	(718)
Adjustments for:	
Bond interest expenses, net	666
Amortisation of bond related transaction costs, net	23
Interest income	(5)
Advances from related parties	3,216
Changes in provisions	1,065
Accounts payable and accrued expenses	539
Other current assets	90
Net cash inflows from operating activities	**4,876**
Investing activities	
Interest received on cash deposits	5
Deferred liability	(5,000)
Purchases of intangible assets	(39,788)
Net cash outflows to investing activities	**(44,783)**
Financing activities	
Proceeds on bond issue	150,000
Capital contributions from ShaMaran	18,149
Bond related transaction costs	(3,028)
Capital distributions to ShaMaran	(1,500)
Net cash inflows from financing activities	**163,621**
Change in cash and cash equivalents	**123,714**
Cash and cash equivalents, beginning of the year	10,137
Cash and cash equivalents, end of the year	**133,851**

During the year 2013 the Company spent $39.8 on purchases of intangible assets, relating to the Atrush Block appraisal and development work program, and was principally comprised of drilling costs of $20 million, Phase 1 production facilities of $5 million, Atrush block development costs of $6 million, and general, administrative and PSC overhead costs of 9 million.

15 Selected Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

15.1 Historical Financial Information for the Issuer

The Issuer's audited financial statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

According to the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council, information in a registration document may be incorporated by reference.

The following financial statements of the Issuer are attached to this prospectus.

GEP's 2013 Audited Financial Statements (IFRS)	Page(s)
Statement of Comprehensive Income	1
Balance sheet	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-22

Note that the audit report issued by PricewaterhouseCoopers LLP on the financial statements of the Issuer for the year ended December 31, 2013, includes on page 2 the following emphasis of matter:

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Company's ability to continue as a going concern. Although the Company is confident that it has sufficient funds available to meet its contractual obligations and commitments, there is uncertainty surrounding the proportion of development costs that the Company will fund. The uncertainty of the extent of costs that will be funded at the date of approval of the financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

15.2 Selected financial information and historical financial information for the Guarantors

ShaMaran Petroleum Corp.'s audited consolidated financial statements for the years ended December 31, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The unaudited annual accounts of ShaMaran Petroleum Holdings Coöperatief U.A. and ShaMaran Venturs B.V. for the years ended December 31, 2013 and 2012 have been prepared in accordance with accounting policies generally accepted in The Netherlands ("Dutch GAAP").

0861963 B.C. Ltd. reports total assets of $1 relating to its investment in ShaMaran Petroleum Holdings Coöperatief U.A. and $1 in total equity and liabilities relating to its share capital of 1 common share. Due to the simplicity of this guarantor's financial position and results no financial statements have been provided.

According to the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council, information in a registration document may be incorporated by reference.

The following financial statements of the Guarantors are attached to this prospectus.

Note that the audit report issued by PricewaterhouseCoopers LLP on the financial statements of ShaMaran Petroleum Corp. for the years ended December 31, 2013 and 2012, includes on page 2 the following emphasis of matter:

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Company's ability to continue as a going concern. Although the Company is confident that it has sufficient funds available to meet its contractual obligations and commitments, there is uncertainty surrounding the proportion of development costs that the Company will fund. The uncertainty of the extent of costs that will be funded at the date of approval of the financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Financial statements

Please read section 15.1. The audited financial statements of General Exploration Partners, Inc. for the year ended for December 31, 2013 and the audited consolidated financial statements of ShaMaran Petroleum Corp. for the years ended December 31, 2013 and 2012 are incorporated by reference.

15.3 *Auditing of historical annual financial information*

Statement of audited historical financial information

The financial statements of General Exploration Partners, Inc. for the year ended December 31, 2013 have been audited.

The consolidated financial statements of ShaMaran Petroleum Corp. for the years ended December 31, 2013 and 2012 have been audited.

Other audited information
No other information in this Registration Document has been audited.

15.4 *Age of latest financial information*

Last year of audited financial information

The last year of audited financial information is 2013.

15.5 *Legal and arbitration proceedings*

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have significant effects on the Issuer and/or Group's financial position or profitability, nor has the Issuer been involved in any such proceedings during the previous 12 months.

15.6 *Significant change in the Group's financial or trading position*

There has been no significant change in the financial or trading position of the Group since the end of the last financial period for which interim financial information has been published.

16 The Guarantee

The following is the relevant text of each on demand guarantee provided by the Guarantors, set out in clauses 2-5 of the November 11, 2013 *Guarantee and Indemnity Agreement* between the Guarantors and the Bond Trustee as follows:

2. Guarantee and Indemnity

2.1 Each Guarantor irrevocably and unconditionally, jointly and severally:

guarantees to the Bond Trustee as and for its own debt and not merely as surety the due and punctual performance of the Secured Obligations;

undertakes with the Bond Trustee that whenever another Obligor or any other member of the Group does not pay any amount when due under or in connection with the Secured Obligations, it shall immediately on first demand pay that amount as if it was an independent and primary obligor (in Norwegian: "påkravsgarantist"); and

agrees with the Bond Trustee that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Bond Trustee on first demand against any cost, loss or liability it incurs as a result of an Obligor or any other member of the Group not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under the Bond Agreement on the date when it would have been due. The amount payable by each Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 2 if the amount claimed had been recoverable on the basis of a guarantee.

2.2 Each Guarantor unconditionally and irrevocably undertakes immediately on first written demand by the Bond Trustee from time to time to make payment in accordance with the guarantee and indemnity obligations under Clause 2.1, without set off or any form of counterclaim, where such demand is accompanied by a statement from the Bond Trustee that a payment has fallen due under or in respect of the Bond Agreement, and that an Obligor or a member of the Group has failed to make such payment when due and that notice of such non-payment has been issued. Each of such payments so demanded shall be made by each Guarantor to such account as the Bond Trustee may from time to time notify in writing.

2.3 The liability of each Guarantor under this Guarantee shall be limited to $193,500,000 (or the equivalent thereof in other currencies) plus the amount of any interest, commission, default interest, fees, liability, costs and expenses accrued in respect of the Secured Obligations.

2.4 There is no limit on the number of claims that may be made by the Bond Trustee under the Guarantee.

3. Continuing Security

The Guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Obligors and any other member of the Group in respect of the Secured Obligations, regardless of any intermediate payment or discharge in whole or in part.

4. Survival of the guarantor's liability

4.1 No Guarantor's liability to the Bond Trustee (for the benefit of the Bondholders) under the Guarantee shall be discharged, impaired or otherwise affected by reason of any of the following events or circumstances (regardless of whether any such events or circumstances occur with or without a Guarantor's knowledge or consent):

any time, waiver, consent, forbearance or other indulgence given or agreed by the Bond Trustee with an Obligor or any other person in respect of any of its obligations under the Bond Agreement, any increase of any commitment, prepayments in another manner than scheduled in the Bond Agreement, and any other issues;

any legal limitation, disability or incapacity of an Obligor or any other person related to the Bond Agreement;

the liquidation, bankruptcy or dissolution (or proceedings analogous thereto) or the appointment of a receiver for an Obligor or any other person, or the occurrence of any circumstances whatsoever affecting the liability of any party to discharge its obligations under the Guarantee or the Bond Agreement;

any challenge, dispute or avoidance by any liquidator of an Obligor or any other person in respect of any claim by a Guarantor or any other person by right of subrogation in any such liquidation;

any release, discharge, renewal, amendment, extension, compromise, exchange or realisation of any Security, obligation or term of the Bond Agreement, or any further Security for the obligations of an Obligor or any other member of the Group under the Bond Agreement;

any failure on the part of the Bond Trustee (whether intentional or not) to take or perfect any Security agreed to be taken under or in relation to the Bond Agreement; or

any other act, matter or thing (save for discharge in full of all of the Obligors' obligations in respect of the Bond Agreement) which might otherwise constitute a legal discharge of the obligations of the Obligors thereunder.

4.2 Each Guarantor specifically waives all rights under the provisions of the Norwegian Financial Agreements Act of 25 June 1999 no. 46 not being mandatory provisions, including the following provisions (the main contents of the relevant provisions being as indicated in the brackets):

§ 62 (1) (a) (to be notified of any Security the giving of which was a precondition for the making of any utilisation, but which has not been validly granted or has lapsed);

§ 63 (1) - (2) (to be notified of any Event of Default and to be kept informed thereof);

§ 63 (3) (to be notified of any extension granted to an Obligor or any other member of the Group in respect of any payment to be made under the Bond Agreement);

§ 63 (4) (to be notified of an Obligor's or any other person's bankruptcy proceedings or debt reorganisation proceedings and/or any application for the latter);

§ 65 (3) (that the consent of the Guarantor is required for the Guarantor to be bound by amendments to the Bond Agreement that may be detrimental to its interest);

§ 66 (1) - (2) (that the Guarantor shall be released from its liabilities hereunder if Security which was given, or the giving of which was a precondition for the making of any utilisation, is released by the Bond Trustee without the consent of the Guarantor);

§ 66 (3) (that the Guarantor shall be released from its liabilities hereunder if, without its consent, Security the giving of which was a precondition for the making of any utilisation was not validly granted);

§ 67 (1) - (2) (about reduction of the Guarantor's liabilities hereunder);

§ 67 (4) (that the Guarantor's liabilities hereunder shall lapse after 10 years, as the Guarantor shall remain liable hereunder until all the Secured Obligations have been irrevocably paid in full and the Guarantee Period has expired);

§ 70 (as the Guarantor shall have no right of subrogation into the rights of the Bond Trustee or the Bondholders under the Bond Agreement until and unless all the Secured Obligations have been irrevocably paid in full and the Guarantee Period has expired);

§ 71 (as the Bond Trustee shall have no liability first to make any demand upon or seek to enforce remedies against any Obligor or any other person or any other Security provided in respect of the Obligors' and the other members of the Group's liabilities under the Bond Agreement before demanding payment under or seeking to enforce the guarantee and indemnity created hereunder);

§ 72 (as all interest and default interest due in respect of the Secured Obligations shall be secured hereunder);

§ 73 (1) - (2) (as all costs and expenses related to a default in respect of the Secured Obligations shall be secured hereunder); and

§ 74 (1) - (2) (as the Guarantor shall make no claim against an Obligor or any other member of the Group for payment until and unless the Secured Obligations have been irrevocably paid in full and the Guarantee Period has expired).

5. Deferral of Guarantor's Rights

5.1 Each Guarantor unconditionally and irrevocably subordinates, in all respects, all of its present and future claims against each other Obligor and other member of the Group to all present and future claims of the Bondholders against that Obligor or other member of the Group under or in respect of the Bond Agreement.

5.2 Until all the Secured Obligations have been irrevocably paid in full and the Guarantee Period has expired, and unless the Bond Trustee otherwise directs, no Guarantor shall exercise any rights which it may have by reason of performance by it of its obligations under the Guarantee or the Bond Agreement:

to be indemnified by any other Obligor or other member of the Group;

to claim any contribution from another Obligor or other member of the Group of any Obligor's or other member of the Group's obligations under or in respect of the Bond Agreement;

to take or claim the benefit (in whole or in part and whether by way of subrogation, contribution or otherwise) of:

any rights of the Bondholders under the Bond Agreement;

any other guarantee or indemnity or Security taken pursuant to, or in connection with, the Bond Agreement by the Bond Trustee; or

any guarantee or indemnity or Security which would rank in priority or preference to a guarantee or indemnity or Security taken pursuant to, or in connection with, the Bond Agreement;

to bring legal or other proceedings for an order requiring any other Obligor or other member of the Group to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under the Guarantee;

to exercise any right of set-off against any other Obligor or other member of the Group; and/or

to claim or prove as a creditor of any other Obligor or other member of the Group in competition with the Bond Trustee.

5.3 If a Guarantor receives any benefit, payment or distribution in relation to such rights as referred to in Clauses 5.1 and 5.2 above, it shall hold that benefit, payment or distribution to the extent necessary to enable all the Secured Obligations to be repaid in full separated from its other assets and on trust for the Bond Trustee (for the benefit of the Bondholders) and shall promptly pay or transfer the same to the Bond Trustee or as the Bond Trustee may direct.

5.4 No Guarantor has taken or will take from any other Obligor or any other member of the Group any Security whatsoever for the moneys hereby guaranteed.

17 Material Contracts

Except as set forth below there are no other contracts, other than those entered into in the ordinary course of business, that are material to the Group and remain in effect.

The Group was a party to the following material contracts, made and entered into during the fiscal year ended December 31, 2013 and there are no changes as of the date of this document:

- The Bond Agreement dated November 11, 2013 in respect of the $150 million senior secured bond facility negotiated by GEP.
- A guarantee and indemnity agreement dated November 11, 2013 obligating ShaMaran and certain of its direct and indirect subsidiaries, as guarantors, in respect of the $150 million senior secured bond facility negotiated by GEP.
- A pledge agreement dated November 11, 2013 made among Norsk Tillitsmann ASA as the pledgee (on behalf of and as trustee for the bondholders under the Bond Agreement) and ShaMaran and certain of its

direct and indirect subsidiaries as pledgers, in respect of the $150 million senior secured bond facility negotiated by GEP.

- An equitable mortgage over shares agreement dated November 11, 2013 made among Norsk Tillitsmann ASA as security trustee (on behalf of and as trustee for the bondholders under the Bond Agreement) and ShaMaran Ventures B.V., an indirect subsidiary of ShaMaran and mortgagor of shares of GEP as security relating to the $150 million senior secured bond facility negotiated by GEP.
- An internal credit facility agreement dated November 11, 2013 made among ShaMaran and certain of its subsidiaries.

18 Documents on Display

The following documents (or copies thereof) may be inspected for the life of the Registration Document at the administrative and technical office of the Issuer which is located within the offices of ShaMaran Services S.A. at Chemin de la Pallanterie 5, CH-1222 Vésenaz, Geneva, Switzerland.

(a) memorandum of incorporation and articles of association of the Issuer and its Guarantors

(b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request, any part of which is included or referred to in the Registration Document;

(c) the historical consolidated financial information of the Issuer and its Guarantors ShaMaran for each of the two financial years preceding the publication of the Registration Document; and

(d) the material contracts and other documents relating to the guarantee.

19 Sole Manager's Disclaimer

Pareto Securities AS, the Sole Manager, has assisted the Issuer in preparing the Registration Document. Pareto Securities AS has not verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and Pareto Securities AS expressly disclaims any legal or financial liability as to the accuracy or completeness of the information contained in this Registration Document or any other information supplied in connection with the issuance or distribution of bonds by the Issuer.

Each person receiving this Registration Document acknowledges that such person has not relied on Pareto Securities AS, nor on any person affiliated with it in connection with its investigation of the accuracy of such information or its investment decision.

Oslo (Norway),May 13, 2014

Pareto Securities AS

20 Attachments and Cross Reference List

Attachment number	Page references in Registration Document	Description of Attachment
1	46-50, 52	General Explorations Partners, Inc., Audited Financial Statements for the years ended December 31, 2013 and 2012
2	46, 51-52	ShaMaran Petroleum Corp., Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012
3	47, 51	ShaMaran Petroleum Holdings Coöperatief U.A., Annual Accounts for the years ended December 31, 2013 and 2012
4	47, 51	ShaMaran Venture B.V., Annual Accounts for the years ended December 31, 2013 and 2012
5	3, 25, 46, 53-56	Bond Agreement dated November 11, 2013
6	26, 30-32	Form 51-101F1: Statement of Reserves Data And Other Oil and Gas Information as of December 31, 2013

21 Statement Regarding Third Party Information

Where information included in this Prospectus has been sourced from a third party, it has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

General Exploration Partners, Inc.

Audited Financial Statements

For the year ended December 31, 2013

12 March 2014

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF GENERAL EXPLORATION PARTNERS, INC.

We have audited the financial statements of General Exploration Partners, Inc. for the year ended 31 December 2013, which comprise the consolidated balance sheet as at 31 December 2013 and 31 December 2012 and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the years ended 31 December 2013 and 31 December 2012, and the related notes including a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in the preparation of these financial statements is International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

Respective responsibilities of the directors and auditors

The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the directors for management purposes. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss and cash flows for the year then ended; and

- have been properly prepared in accordance with IFRSs as issued by the IASB.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Company's ability to continue as a going concern. Although the Company is confident that it has sufficient funds available to meet its contractual obligations and commitments, there is uncertainty surrounding the proportion of development costs that the Company will fund. The uncertainty of the extent of costs that will be funded at the date of approval of the financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London

GENERAL EXPLORATION PARTNERS, INC.

Statement of Comprehensive Income

(Expressed in thousands of United States dollars, except for per share data)

	Note	For the year ended December 31, 2013	2012
Expenses from operations			
General and administrative expense	7	(32)	(12)
Gain on sale of assets	8	-	385,078
(Loss) / income before finance items and income tax expense		**(32)**	**385,066**
Finance cost	9	(691)	(1)
Finance income	10	5	12
Net finance (cost) / income		**(686)**	**11**
(Loss) / income before income tax expense		**(718)**	**385,077**
Income tax expense	11	-	-
Net (loss) / income for the year		**(718)**	**385,077**
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(718)**	**385,077**

The accompanying notes are an integral part of these financial statements.

GENERAL EXPLORATION PARTNERS, INC.
Balance Sheet
(Expressed in thousands of United States dollars)

	Note	At December 31, 2013	At December 31, 2012	At January 1, 2012
Assets				
Non-current assets				
Intangible assets	12	89,325	47,859	79,558
Property, plant and equipment	13	126	163	119
		89,451	**48,022**	**79,677**
Current assets				
Cash and cash equivalents	23/15	133,851	10,137	1,699
Other current assets	23	28	118	706
		133,879	**10,255**	**2,405**
Total assets		**223,330**	**58,277**	**82,082**
Liabilities and equity				
Current liabilities				
Accounts payable and accrued expenses	14	6,559	6,020	5,194
Accrued interest expense on bonds	15	2,252	-	-
Deferred liability	16	-	5,000	-
		8,811	**11,020**	**5,194**
Non-current liabilities				
Borrowings	15	147,050	-	-
Advances from related parties	22	3,335	119	860
Provisions	17	1,185	120	16
		151,570	**239**	**876**
Total liabilities		**160,381**	**11,259**	**6,070**
Equity				
Share capital	18	3	3	10
Paid in capital	19	84,685	68,036	77,804
Accumulated deficit		(21,739)	(21,021)	(1,802)
Total equity		**62,949**	**47,018**	**76,012**
Total liabilities and equity		**223,330**	**58,277**	**82,082**

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on March 12, 2014 and signed on its behalf:

/s/Brenden Johnstone
Brenden Johnstone, Director

/s/Pradeep Kabra
Pradeep Kabra, Director

GENERAL EXPLORATION PARTNERS, INC.
Statement of Changes in Equity
(Expressed in thousands of United States dollars)

	Note	Share capital	Paid in capital	Accumulated Deficit	Total
Balance at January 1, 2012		**10**	**77,804**	**(1,802)**	**76,012**
Total comprehensive income for the year		-	-	385,077	**385,077**
Transactions with owners in their capacity as owners:					
Capital contributions from ShaMaran		-	17,449	-	**17,449**
Capital contributions from Aspect		-	34,639	-	**34,639**
Repurchase of shares from Aspect	19	(7)	(61,856)	(404,296)	**(466,159)**
		(7)	(9,768)	(404,296)	**(414,071)**
Balance at December 31, 2012		**3**	**68,036**	**(21,021)**	**47,018**
Total comprehensive loss for the year		-	-	(718)	**(718)**
Transactions with owners in their capacity as owners:					
Capital contributions	19	-	18,149	-	**18,149**
Capital distributions	19	-	(1,500)	-	**(1,500)**
		-	16,649	-	**16,649**
Balance at December 31, 2013		**3**	**84,685**	**(21,739)**	**62,949**

The accompanying notes are an integral part of these financial statements.

GENERAL EXPLORATION PARTNERS, INC.
Statement of Cash Flows
(Expressed in thousands of United States dollars)

	Note	For the year ended December 31, 2013	2012
Operating activities			
Net (loss) / income for the year		(718)	385,077
Adjustments for:			
Bond interest expenses, net		666	-
Amortisation of bond related transaction costs, net		23	-
Interest income	10	(5)	(12)
Gain on sale of assets	8	-	(385,078)
Advances from related parties		3,216	(741)
Changes in provisions		1,065	104
Accounts payable and accrued expenses		539	6,381
Other current assets		90	588
Net cash inflows from operating activities		**4,876**	**6,319**
Investing activities			
Interest received on cash deposits	10	5	12
Deferred liability	16	(5,000)	5,000
Purchases of intangible assets		(39,788)	(58,177)
Proceeds on sale of intangible assets		-	469,565
Proceeds on sale of property, plant and equipment		-	323
Purchases of property, plant and equipment		-	(533)
Net cash (outflows to) / inflows from investing activities		**(44,783)**	**416,190**
Financing activities			
Proceeds on bond issue	15	150,000	-
Capital contributions from ShaMaran	19	18,149	17,449
Bond related transaction costs	15	(3,028)	-
Capital distributions to ShaMaran	19	(1,500)	-
Capital contributions from Aspect		-	34,639
Repurchase shares from Aspect	19	-	(466,159)
Net cash inflows from / (outflows to) financing activities		**163,621**	**(414,071)**
Change in cash and cash equivalents		**123,714**	**8,438**
Cash and cash equivalents, beginning of the year		10,137	1,699
Cash and cash equivalents, end of the year		**133,851**	**10,137**

The accompanying notes are an integral part of these financial statements.

1. General Information

General Exploration Partners, Inc. ("GEP" and "Company") is an exempted company existing under the laws of the Cayman Islands with registration number 198520. The address of the registered office is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

The Company is engaged in the business of oil and gas exploration and development, and is currently in the pre-production stages of an exploration and development campaign in respect of a petroleum property located in the Kurdistan Region of Iraq ("Kurdistan").

The immediate parent entity of the Company is ShaMaran Ventures B.V., a company incorporated in the Netherlands, and the ultimate parent entity is ShaMaran Petroleum Corp. ("ShaMaran"), a company incorporated in British Columbia, Canada, and listed on the TSX Venture Exchange (Canada) and NASDAQ OMX First North Exchange (Sweden) under the symbol "SNM". Additional information relating to ShaMaran is available on SEDAR at **www.sedar.com** and on its web-site at **www.shamaranpetroleum.com**.

2. Basis of preparation and adoption of IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, applicable to the preparation of annual financial statements, including IFRS 1, First-time Adoption of IFRS. The Company is required under the terms of its bond agreement to prepare IFRS accounts for the Company on a semi annual basis and submit them to the bond trustee.

The financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities that are recognised at fair value through profit or loss. The significant accounting policies of the Company have been applied consistently throughout the year. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The accounting policies applied in these financial statements are based on IFRS issued and outstanding at the date these financial statements were approved for issuance by the Board of Directors.

These financial statements have been prepared on the going concern basis which assumes that the Company will be able to realise into the foreseeable future its assets and liabilities in the normal course of business as they come due. The ability of the Company to continue as a going concern and to successfully carry out its business plan is primarily dependent upon the continued support of its shareholders, the resolution of remaining political disputes in Iraq and the ability of the Company to obtain additional financing for its activities to develop, produce and sell economically recoverable reserves.

In the absence of current production revenues, the Company is currently dependent upon its existing financial resources which include $133.9 million of cash and cash equivalents as at December 31, 2013 to satisfy its obligations and finance its exploration and evaluation program in Kurdistan. Failure to meet these exploration and evaluation commitments could put the related license interests at risk of forfeiture.

The Company believes that, based on the forecasts and projections it has prepared, its current financial resources will be sufficient for the Company to satisfy its contractual obligations and commitments under the agreed work program over the next 12 months and to continue as a going concern for the foreseeable future. Nevertheless the possibility remains that the Company's operations and current and future financial resources could be significantly affected by adverse exploration and appraisal results, geopolitical events in the region, macroeconomic conditions or other risks, including a risk regarding the level of funding which the Company may need to make in excess of its percentage share in the project. The potential that the Company's financial resources are insufficient to fund its appraisal and development activities for the next 12 months indicates a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. The Company has a number of financing possibilities which it believes it would be able to pursue if and when required.

3. Significant accounting policies

(a) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

Where the Company undertakes its activities under joint venture arrangements directly, the Company's share of jointly controlled assets and any liabilities incurred jointly with other joint ventures are recognised in the financial statements of the relevant company and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets and its share of the joint venture expenses are recognised when it is probable that the economic benefit associated with the transactions will flow to/from the Company and the amount can be reliably measured.

(b) Business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred is measured at the aggregate of the fair values at the date of acquisition of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquire. Acquisition related costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair value at the acquisition date.

If the Company acquires control of an entity in more than one transaction the related investment held by the Company immediately before the last transaction when control is acquired is considered sold and immediately repurchased at the fair value of the investment on the date of acquisition. Any difference between the fair value and the carrying amount of the investment results in income or loss recognised in the statement of comprehensive income.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional and presentation currency of the Company is the United States dollar ("USD").

Transactions and balances

Transactions in currencies other than the functional currency are recorded in the functional currency at the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Exchange differences are recognised in the statement of comprehensive income during the period in which they arise.

(d) Exploration and evaluation costs and other intangible assets

Exploration and evaluation assets

The Company applies the full cost method of accounting for exploration and evaluation ("E&E") costs in accordance with the requirements of *IFRS 6 Exploration for and Evaluation of Mineral Resources*. All costs of exploring and evaluating oil and gas properties are accumulated and capitalised to the relevant property contract area and are tested on a cost pool basis as described below.

Pre-license costs:

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the statement of comprehensive income.

Exploration and evaluation costs:

All E&E costs are initially capitalised as E&E assets and include payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing.

Tangible assets used in E&E activities such as the Company's vehicles, drilling rigs, seismic equipment and other property, plant and equipment ("PP&E") used by the Company's exploration function are classified as PP&E. To the extent that such tangible assets are consumed in exploring and evaluating a property the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overhead including the depreciation of PP&E utilised in E&E activities together with the cost of other materials consumed during the E&E phases such as tubulars and wellheads.

E&E costs are not depreciated prior to the commencement of commercial production.

Treatment of E&E assets at conclusion of appraisal activities:

E&E assets are carried forward until commercial viability has been established for a contractual area which normally coincides with the commencement of commercial production. The E&E assets are then assessed for impairment and the carrying value after any impairment loss is then reclassified as oil and gas assets within PP&E. Until commercial viability has been established E&E assets remain capitalised at cost less accumulated amortisation and are subject to the impairment test set out below. Such E&E assets are depreciated on a unit of production basis over the life of the commercial reserves attributed to the cost pool to which they relate.

(e) Property, plant and equipment

Oil and gas assets

Oil and gas assets comprise of development and production costs for areas where technical feasibility and commercial viability have been established and include any E&E assets transferred after conclusion of appraisal activities as well as costs of development drilling, completion, gathering and production infrastructure, directly attributable overheads, borrowing costs capitalised, and the cost of recognising provisions for future restoration and decommissioning. Oil and gas costs are accumulated separately for each contract area.

Depreciation of oil and gas assets:

Oil and gas assets are depreciated using the unit of production method based on proved and probable reserves using estimated future prices and costs and taking into account future development expenditures necessary to bring those reserves into production.

(f) Impairment of non-financial assets

E&E assets and oil and gas assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.
- Extended decreases in prices or margins for oil and gas commodities or products.
- A significant downwards revision in estimated volumes or an upward revision in future development costs.

For the purpose of impairment testing the assets are aggregated into cash generating unit ("CGU") cost pools based on their ability to generate largely independent cash flows. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction.

Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

Where conditions giving rise to the impairment subsequently reverse the effect of the impairment charge is also reversed as a credit to the statement of comprehensive income net of any depreciation that would have been charged since the impairment.

(g) Revenue recognition

Revenues from the sale of hydrocarbons are recognised when title passes to an external party and collection is reasonably assured which is normally upon delivery of products and customer acceptance.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

(h) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate method. Transaction costs incurred in acquiring borrowings are amortised using the straight-line amortisation method.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised together with the qualifying assets. All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

(i) Taxation

The income tax expense comprises current income tax and deferred income tax.

The current income tax is the expected tax payable on the taxable income for the period. It is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and includes any adjustment to tax payable in respect of previous years.

Deferred income tax is the tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not recorded if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor loss.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the year when the deferred tax liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income except when it relates to items charged or credited directly to equity in which case the deferred tax is also recognised directly in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to cash flows from the assets expire or the Company transfers the financial asset and substantially all the risks and rewards of ownership. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Classification and measurement

The Company classifies its financial assets and liabilities at initial recognition in the following categories:

- Financial assets and liabilities at fair value through profit or loss are those assets and liabilities acquired principally for the purpose of selling or repurchasing in the short-term and are recognised at fair value. Transaction costs are expensed in the statement of comprehensive income and gains or losses arising from changes in fair value are also presented in the statement of comprehensive income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realised or paid beyond twelve months of the balance sheet date, which is classified as non-current.

- Loans and receivables comprise of other receivables and cash and cash equivalents and are financial assets with fixed or determinable payments that are not quoted on an active market and are generally included within current assets due to their short-term nature. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.
- Financial liabilities at amortised cost comprise of trade and other payables and are initially recognised at the fair value of the amount expected to be paid and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence indicating that a financial asset is impaired including:

- Significant financial difficulty of the issuer.
- A breach of contract such as delinquency in interest or principal payments.
- Active market for that financial asset disappears because of financial difficulties.
- Observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets.

If evidence of impairment exists the Company recognises an impairment loss in the statement of comprehensive income as follows:

- Financial assets carried at amortised cost – the impairment loss is the difference between the amortised cost of the loan or receivable and the present value of the estimated future cash flows discounted using the instrument's effective interest rate.
- Available for sale financial assets – the impairment loss is the difference between the original cost of the asset and its fair value at the measurement date less any impairment losses previously recognised in the statement of comprehensive income.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised. Impairment losses on available-for-sale equity investments are not reversed.

(k) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash with three months or less maturity.

(l) Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event when it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimates to settle the present obligation its carrying amount is the present value of those cash flows.

Decommissioning and site restoration

Provisions for decommissioning and site restoration are recognised when the Company has a present legal or constructive obligation to dismantle and remove production, storage and transportation facilities and to carry out site restoration work. The provision is calculated as the net present value of the Company's share of the expenditure expected to be incurred at the end of the producing life of each field using a discount rate that reflects the market assessment of the time value of money at that date. Unwinding of the discount on the provision is charged to the statement of comprehensive income within finance costs during the period. The amount recognised as the provision is included as part of the cost of the relevant asset and is charged to the statement of comprehensive income in accordance with the Company's policy for depreciation and amortisation.

Changes in the estimated timing of decommissioning and site restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the relevant asset.

(m) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Changes in accounting policies

The Company has adopted effective January 1, 2013 on a prospective basis the following new and revised IFRS, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

IFRS 11: Joint Arrangements, was issued in 2011 by the IASB and presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The Company assessed its joint arrangement conclusions on January 1, 2013 and determined that the adoption of IFRS 11 did not result in any changes.

IFRS 12: Disclosure of Interests in Other Entities, aggregates and amends disclosure requirements included within other standards to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). Additional information on interests in joint operations has been disclosed in note 21.

IFRS 13: Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Under IFRS 13 the fair value of a liability must reflect the effect of non-performance risk, which includes an entity's own credit risk. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Additional information on fair value measurement has been disclosed in note 23.

The Company has adopted the amendments to IAS 1, Presentation of Financial Statements which require the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

(o) Accounting standards issued but not yet applied

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

IFRS 9: Financial Instruments - Classification and Measurement, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The effective date of this standard has not yet been established by the IASB.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management has made judgments, estimates and assumptions about the carrying amounts of the assets, liabilities, revenues, expenses and related disclosures. These estimates and associated assumptions are based on historical experience, current trends, and other factors that management believes to be relevant at the time these financial statements were prepared. Actual results may differ as future events and their effects cannot be determined with certainty and such differences could be material. Management reviews the accounting policies, underlying assumptions, estimates and judgments on an on-going basis to ensure that the financial statements are presented fairly in accordance with IFRS.

The following are the critical judgments and estimates that management has made in the process of applying the Company's accounting policies in these financial statements:

(a) Oil and gas reserves

The business of the Company is the exploration and development of oil and gas reserves in Kurdistan. Estimates of commercial oil and gas reserves are used in the calculations for impairment, depreciation and amortisation and decommissioning provisions. Changes in estimates of oil and gas reserves resulting in different future production profiles will affect the discounted cash flows used for impairment purposes, the anticipated date of site decommissioning and restoration, and the depreciation charges based on the unit of production method.

In February 2014 the Company commissioned an independent reserves and resources report from McDaniel & Associates Consultants Ltd. to estimate the Company's reserves and resources at December 31, 2013. The reserves and resources estimates provided in the report were considered in determining amounts of impairment, depreciation and amortisation and decommissioning provisions included in these financial statements.

(b) Impairment of E&E and PP&E assets

IAS 36 Impairment of Assets and *IFRS 6 Exploration of and Evaluation of Mineral Resources* require that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amounts are determined with reference to value in use calculations. The key assumptions for the value in use calculations are those regarding production flow rates, discount rates, and fiscal terms under the Production Sharing Contracts governing the Company's assets and expected changes to selling prices and direct costs during the period. These assumptions reflect management's best estimates based on historical experiences, past practices and expectations of future changes in the oil and gas industry.

(Expressed in thousands of United States dollars unless otherwise stated)

(c) Decommissioning and site restoration provisions

The Company recognises a provision for decommissioning and site restoration costs expected to be incurred in order to remove and dismantle production, storage and transportation facilities and to carry out site restoration work. The provisions are estimated taking into consideration existing technology and current prices after adjusting for expected inflation and discounted using rates reflecting current market assessments of the time value of money and where appropriate, the risks specific to the liability. The Company makes an estimate based on its experience and historical data.

5. First time presentation in IFRS

The accounting policies indicated in note 3 have been applied in preparing these financial statements for the year ended December 31, 2013 the comparative information for the year ended December 31, 2012 and the opening IFRS balance sheet on the adoption date, January 1, 2012.

IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), provides certain mandatory exceptions and optional exemptions for first-time adopters of IFRS. The Company has prepared IFRS in accordance with IFRS 1 and has chosen to apply no optional exemptions.

The Company did not present financial statements for the year ended December 31, 2012. The last financial statements of the Company were prepared under accounting principles generally accepted in the United States of America. There were no changes in accounting policy required on adoption of IFRS and no adjustments to the balances on adoption date were required.

6. Business and geographical segments

The Company operates in one business segment, the exploration and development of oil and gas assets, in one geographical segment, Kurdistan. As a result, in accordance with *IFRS 8 Operating Segments,* the Company has presented its financial information collectively for one operating segment.

7. General and administrative expense

	For the year ended December 31,	
	2013	**2012**
General and administrative expenses incurred	32	1,771
General and administrative expenses capitalised as E&E assets	-	(1,759)
General and administrative expense	**32**	**12**

(Expressed in thousands of United States dollars unless otherwise stated)

8. Gain on sale of assets

On December 31, 2012 GEP sold a 39.9% interest in the Atrush Block Production Sharing Contract ("PSC") to TAQA Atrush B.V. ("TAQA"), a subsidiary of Abu Dhabi National Energy Company PJSC. The PSC interest sold represented the entire indirect interest held by Aspect Energy International LLC ("Aspect"), a company which prior to the sale held 66.5% of the issued common shares of GEP, and resulted in a gain which has been determined as follows:

	For the year ended December 31,	
	2013	**2012**
Proceeds on sale of assets	-	469,888
Carrying value of trade payables and accrued expenses discharged in sale	-	5,555
Carrying value of intangible assets and property, plant and equipment sold	-	(90,365)
Gain on sale of assets	**-**	**385,078**

Refer also to notes 12, 13, 16, 18, 19 and 22.

9. Finance cost

	For the year ended December 31,	
	2013	**2012**
Interest charges on bonds at coupon rate	2,252	-
Amortisation of bond related transaction costs	78	-
Interest expense on borrowings	2,330	-
Unwinding discount on decommissioning provision	1	1
Total finance costs before borrowing costs capitalised	2,331	1
Borrowing costs capitalised	(1,640)	-
Total finance costs	**691**	**1**

During the year 2013 the Company incurred interest expense relating to senior secured bonds which carry an 11.5% fixed semi-annual coupon interest rate. Refer also to notes 12 and 15.

10. Finance income

	For the year ended December 31,	
	2013	**2012**
Interest income	5	12
Total finance income	**5**	**12**

Interest income represents bank interest earned on cash deposits held throughout the year.

11. Taxation

The Company has reported in the current year income tax expense of nil (2012: nil) as there is no direct tax imposed on Cayman Island companies.

(Expressed in thousands of United States dollars unless otherwise stated)

12. Intangible assets

	Exploration and evaluation assets	Total
At January 1, 2012		
Cost	79,558	79,558
Accumulated amortisation	-	-
Net book value	**79,558**	**79,558**
For the year ended December 31, 2012		
Opening net book value	79,558	79,558
Additions	58,343	58,343
Disposals	(90,042)	(90,042)
Net book value	**47,859**	**47,859**
At December 31, 2012		
Cost	47,859	47,859
Accumulated amortisation	-	-
Net book value	**47,859**	**47,859**
For the year ended December 31, 2013		
Opening net book value	47,859	47,859
Additions	41,466	41,466
Amortisation expense	-	-
Net book value	**89,325**	**89,325**
At December 31, 2013		
Cost	89,325	89,325
Accumulated amortisation	-	-
Net book value	**89,325**	**89,325**

The net book value of E&E assets at December 31, 2013 relates directly to the Atrush Block in the amount of $89.3 million, which includes $9.3 million of advances resulting from payments made on behalf of a partner in the Atrush Block and capitalised borrowing costs totalling $1.6 million. Refer also to notes 9 and 15.

The disposals in the year 2012 relate to the sale by GEP of a 53.2% interest in the Atrush PSC. Refer also to notes 8, 13, 18, 19 and 21.

(Expressed in thousands of United States dollars unless otherwise stated)

13. Property, plant and equipment

	Oil and gas assets	Total
At January 1, 2012		
Cost	662	662
Accumulated depreciation	(543)	(543)
Net book value	**119**	**119**
For the year ended December 31, 2012		
Opening net book value	119	119
Additions	533	533
Disposals	(323)	(323)
Depreciation expense	(166)	(166)
Net book value	**163**	**163**
At December 31, 2012		
Cost	400	400
Accumulated depreciation	(237)	(237)
Net book value	**163**	**163**
For the year ended December 31, 2013		
Opening net book value	163	163
Depreciation expense	(37)	(37)
Net book value	**126**	**126**
At December 31, 2013		
Cost	400	400
Accumulated depreciation	(274)	(274)
Net book value	**126**	**126**

Refer also to notes 8, 12,18 and 19.

14. Accounts payable and accrued expenses

	As at December 31, 2013	2012
Net payable to joint venture partners	3,769	722
Accrued expenses	2,519	5,178
Trade payables	271	120
Total accounts payable and accrued expenses	**6,559**	**6,020**

(Expressed in thousands of United States dollars unless otherwise stated)

15. Borrowings

On November 13, 2013 the Company closed a $150 million senior secured bond issue denominated in USD resulting in net proceeds of $147 million after deducting $3.0 million in transaction related costs. Of the total proceeds from the bond issue $33.8 million were subscribed to by related parties. The bonds have a five year maturity without amortisation and carry an 11.5% fixed semi-annual coupon and will be used to fund future capital expenditures related to the development of the Atrush Block. Refer also to notes 22 and 23.

	2013	2012
At January 1	**-**	**-**
Net proceeds from senior secured bonds	146,972	-
Accrued interest on bonds	2,252	-
Amortisation of bond related transaction costs	78	-
At December 31	**149,302**	**-**
- Current portion: accrued interest on bonds	2,252	-
- Non-current portion: borrowings	147,050	-

The bond includes an unconditional and irrevocable on-demand guarantee on a joint and several basis from ShaMaran and certain of ShaMaran's direct and indirect subsidiaries and, among other arrangements, agreements which pledge all of the ordinary shares of GEP and ShaMaran's Swiss service subsidiary, ShaMaran Services SA, as security for GEP's bond related obligations, as well as an internal credit facility agreement among ShaMaran and certain of its subsidiaries setting out the terms and conditions for intra-group credit to be made available amongst the parties.

Under the terms of the bond agreement all bond proceeds are held in accounts pledged to the bond trustee as security and may be accessed by the Company on prior authorisation of the bond trustee provided the proceeds are to be employed for prescribed purposes, most notably to fund the financing, development and operation of the Atrush Block, to service 24 months of bond coupon interest expense and to fund technical, management and administrative services of ShaMaran's subsidiary companies up to $6 million per year over the term of the bond (limited to $1.5 million in 2013). Of the Company's $133,851 total cash and cash equivalents at December 31, 2013 $124.8 million was held in accounts pledged to the bond trustee. Refer also to note 19.

The remaining contractual obligation comprising repayment of principal and interest expense based on undiscounted cash flows at payment date, assuming the bonds are not early redeemed, are as follows:

	As at December 31,	
	2013	**2012**
Less than one year	17,250	-
Between two and five years	216,050	-
Total borrowings	**233,300**	**-**

Refer also to notes 9, 12 and 20.

16. Deferred Liability

At December 31, 2012 the Company had recorded a deferred liability in respect of funds held in trust for Aspect in the amount of $5 million related to certain incomplete closing conditions on the December 2012 sale of 53.2% in the Atrush PSC. On July 8, 2013 the Company paid $5 million to Aspect upon the satisfactory conclusion of certain closing conditions. Refer also to notes 8, 18 and 19.

(Expressed in thousands of United States dollars unless otherwise stated)

17. Provisions

The Company has provided for decommissioning and site restoration costs in relation to activities undertaken to date on the Atrush Block in Kurdistan.

	As at December 31, 2013	2012
Opening balance	120	16
Additional obligations incurred and changes in estimates	1,110	103
Unwinding discount on decommissioning provision	1	1
Changes in discount and inflation rates	(46)	-
Total decommissioning and site restoration provisions	**1,185**	**120**

The above provisions assume decommissioning and site restoration work is to be undertaken in the year 2032, and estimated costs have been discounted to net present value using a Bank of Canada long term bond yield rate of 3.21% and an inflation rate of 1.2%.

18. Share capital

The Company is authorised to issue 50,000 common shares with a par value of $1. The Company's issued share capital is as follows:

	Number of shares	Share capital
At January 1, 2012	**10,000**	**10**
Repurchase of shares	(6,650)	(7)
At December 31, 2012	**3,350**	**3**
At December 31, 2013	**3,350**	**3**

In conjunction with the December 31, 2012 sale by GEP to TAQA of an interest in the Atrush PSC, the Company repurchased the entire 6,650 common shares held by Aspect. Refer also to notes 8, 12, 13, 16, 19 and 22.

19. Paid in capital

Paid in capital at the reporting date of $84.7 million (2012: $68 million) represents cumulative contributions of capital from the Company's shareholders net of cumulative capital distributions to the Company's shareholders.

In the year 2013 the Company received from its parent entity capital contributions of $18.1 million and paid to it a dividend to return paid in capital of $1.5 million to fund technical, management and administrative services of ShaMaran's subsidiary companies. Refer also to note 15.

In conjunction with the December 2012 sale by GEP of a 53.2% direct interest in the Atrush Block Aspect received from the Company a cash payment of $466.2 million comprising $6.6 for the cost of the 6,650 common shares of GEP repurchased from Aspect, $61.9 million repayment of Aspect's cumulative paid in capital account at December 31, 2012 and a further distribution of $404.3 million which has been charged to accumulated deficit. Refer also to notes 8, 12, 13, 16, 18 and 22.

(Expressed in thousands of United States dollars unless otherwise stated)

20. Commitments

As at December 31, 2013 the outstanding commitments of the Company were as follows:

	For the year ended December 31,				
	2014	2015	2016	Thereafter	Total
Atrush Block development and PSC	68,022	120	120	2,050	70,312
Total commitments	**68,022**	**120**	**120**	**2,050**	**70,312**

Amounts relating to the Atrush block represent the Company's unfunded share of the approved work program and budget under the Atrush block field development plan and other obligations under the Atrush PSC.

Refer also to notes 15 and 21.

21. Interests in joint operations

Atrush Block Production Sharing Contract

GEP holds a 20.1% direct interest in the PSC. TAQA is the operator with a 39.9% direct interest, Marathon Oil KDV B.V. holds a 15% direct interest, and the remaining 25% interest was acquired by the Kurdistan Regional Government ("KRG") on March 12, 2013. Refer also to notes 12 and 20.

Under the terms of the PSC the development period is for 20 years with an automatic right to a five year extension and the possibility to extend for an additional five years. All qualifying petroleum costs incurred by the Contractor shall be recovered from a portion of available petroleum production, defined under the terms of the PSC. All modifications to the PSC are subject to the approval of the KRG. The Company is responsible for its pro-rata share of the costs incurred in executing the development work program on the Atrush Block which commenced on October 1, 2013.

22. Related party transactions

Transactions with corporate entities

	Purchases of services during the year		Amounts owing at the reporting dates	
	2013	2012	2013	2012
ShaMaran Petroleum B.V.	3,326	-	3,326	-
McCullough O'Connor Irwin LLP	9	-	9	-
Aspect Group	-	4,928	-	119
Total	**3,335**	**4,928**	**3,335**	**119**

ShaMaran Petroleum B.V., a wholly owned subsidiary of ShaMaran, provides technical and administrative services to GEP in support of the Company's interest in the Atrush PSC.

McCullough O'Connor Irwin LLP is a law firm in which an officer of ShaMaran is a partner, which has provided legal services to the Company.

During the year ended December 31, 2012 the Company received technical and administrative services from the Aspect Group. The Aspect Group is comprised of Aspect Energy International, LLC, its parent company, Aspect Holdings LLC, Aspect Energy LLC, a subsidiary of Aspect Holdings LLC, and Aspect Management Corp. a company owned by the majority member of Aspect Holdings LLC. Refer also to note 8.

(Expressed in thousands of United States dollars unless otherwise stated)

Of the total proceeds raised on the November 2013 bond issue, $33.8 million were subscribed to by related parties. Refer also to note 15.

During the year 2012 the Company repurchased 6,650 shares from one of its shareholders. Additional information on the repurchase is included in notes 8, 18 and 19.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm's length.

23. Financial instruments

Financial assets

The financial assets of the Company on the balance sheet dates are as follows:

	Fair value hierarchy [3]	**Carrying and fair values [1]** At December 31, 2013	At December 31, 2012
Cash and cash equivalents [2]		133,851	10,137
Other receivables [2]		28	118
Total financial assets		**133,879**	**10,255**

Financial assets classified as other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Financial liabilities

The financial liabilities of the Company on the balance sheet dates are as follows:

	Fair value hierarchy [3]	**Carrying and fair values [1]** At December 31, 2013	At December 31, 2012
Borrowings	Level 2	147,050	-
Accounts payable and accrued expenses [2]		6,559	6,020
Advances from related parties [2]		3,335	119
Accrued interest on bonds	Level 2	2,252	-
Provisions for decommissioning costs	Level 2	1,185	120
Deferred liabilities [2]		-	5,000
Total financial liabilities		**160,381**	**11,259**

Financial liabilities are initially recognised at the fair value of the amount expected to be paid and are subsequently measured at amortised cost using the effective interest rate method.

[1] The carrying amount of the Company's financial assets and liabilities approximates their fair values at the balance sheet dates, none of which are past due.

[2] No valuation techniques have been applied to establish the fair value of these financial instruments, they are either cash and cash equivalents or, due to the short term nature, readily convertible to or settled with cash and cash equivalents.

[3] *Fair value measurements*

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and established a fair value hierarchy of three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1: fair value measurements are based on unadjusted quoted market prices.

(Expressed in thousands of United States dollars unless otherwise stated)

- Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices.
- Level 3: fair value measurements are based on unobservable information.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximising return to shareholders. The capital structure of the Company consists of cash and cash equivalents and equity, comprising of issued share capital, reserves and retained earnings as disclosed in the statement of changes in equity. The Company had debt relating to borrowings and accrued interest of $149.3 million as at December 31, 2013 (2012: $nil).

In accordance with the terms of the Company's bond agreement the ultimate parent entity, ShaMaran, is required to maintain a Book Equity ratio, defined as shareholders' equity divided by total assets, of no less than 40%. Refer also to note 15. ShaMaran's book equity ratio is as follows:

	As at December 31,	
	2013	**2012**
Shareholders' equity	328,989	331,376
Total assets	487,954	345,554
Book equity ratio	**67%**	**96%**

Financial risk management objectives

The Company's management monitors and manages the Company's exposure to financial risks facing the operations. These financial risks include market risk (including commodity price, foreign currency and interest rate risks), credit risk and liquidity risk.

The Company does not presently hedge against these risks as the benefits of entering into such agreements is not considered to be significant enough as to outweigh the significant cost and administrative burden associated with such hedging contracts.

Commodity risk

The prices that the Company receives for its oil and gas production may have a significant impact on the Company's revenues and cash flows provided by operations. World prices for oil and gas are characterised by significant fluctuations that are determined by the global balance of supply and demand and worldwide political developments and in particular the price received for the Company's oil and gas production in Kurdistan is dependent upon the Kurdistan government and its ability to export production outside of Iraq. A significant decline in the price at which the Company can sell future oil and gas production could adversely affect the amount of funds available for capital reinvestment purposes as well as the Company's value in use calculations for impairment test purposes.

The Company does not hedge against commodity price risk, however given that the Company is in the exploration and development stage, it is not directly exposed to significant commodity price risk.

Interest rate risk

The Company earns interest income at variable rates on its cash and cash equivalents and is therefore exposed to interest rate risk due to a fluctuation in short-term interest rates.

The Company's policy on interest rate management is to maintain a certain amount of funds in the form of cash and cash equivalents for short-term liabilities and to have the remainder held on relatively short-term deposits.

Interest rate sensitivity analysis:

Based on exposure to the interest rates for cash and cash equivalents at the balance sheet date a 0.5% increase or decrease would not have a material impact on the Company's profit or loss for the year. A rate of 0.5% is used as it represents management's assessment of the reasonably possible changes in interest rates.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is primarily exposed to credit risk on its cash and cash equivalents and other receivables.

The Company manages credit risk by monitoring counterparty ratings and credit limits and by maintaining excess cash and cash equivalents on account in instruments having a minimum credit rating of R-1 (mid) or better (as measured by Dominion Bond Rate Services) or the equivalent thereof according to a recognised bond rating service.

The carrying amounts of the Company's financial assets recorded in the financial statements represent the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties meeting its financial obligations as they become due. In common with many oil and gas exploration companies, the Company raises financing for its exploration and development activities in discrete tranches in order to finance its activities for limited periods. The Company seeks to raise additional funding as and when required. The Company anticipates making substantial capital expenditures in the future for the acquisition, exploration, development and production of oil and gas reserves and as the Company's project moves further into the development stage, specific financing, including the possibility of additional debt, may be required to enable future development to take place. The financial results of the Company will impact its access to the capital markets necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Annual capital expenditure budgets are prepared, which are regularly monitored and updated as considered necessary. In addition, the Company requires authorisations for expenditure on both operating and non-operating projects to further manage capital expenditures.

The maturity profile of the Company's financial liabilities are indicated by their classification in the balance sheet as "current" or "non-current", and further information relevant to the Company's liquidity position is disclosed in the Company's going concern assessment in note 2. Refer also to further bond agreement terms as disclosed in note 15.

Foreign currency risk

The substantial portion of the Company's operations require purchases denominated in USD, which is the functional and reporting currency of the Company and also the currency in which the Company maintains all of its cash and cash equivalents. Certain of its operations require the Company to make purchases denominated in foreign currencies, however these purchases are not significant and do not require the Company to hold material amounts of cash and cash equivalents in foreign currencies. The Company considers its foreign currency risk to be insignificant because it does not holds material amounts of foreign currencies and since its volume of transactions in foreign currencies is currently relatively low.

SHAMARAN
petroleum corp

ShaMaran Petroleum Corp.
Audited Consolidated Financial Statements
For the year ended December 31, 2013

Auditor's Report

12 March 2014

Independent Auditor's Report
To the Shareholders of ShaMaran Petroleum Corp

We have audited the accompanying consolidated financial statements of ShaMaran Petroleum Corp., which comprise the consolidated balance sheet as at 31 December 2013 and 31 December 2012 and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the years ended 31 December 2013 and 31 December 2012, and the related notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of ShaMaran Petroleum Corp. as at 31 December 2013 and 31 December 2012 and its financial

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performance and its cash flows for the years ended 31 December 2013 and 31 December 2012 in accordance with International Financial Reporting Standards.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Company's ability to continue as a going concern. Although the Company is confident that it has sufficient funds available to meet its contractual obligations and commitments, there is uncertainty surrounding the proportion of development costs that the Company will fund. The uncertainty of the extent of costs that will be funded at the date of approval of the financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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SHAMARAN PETROLEUM CORP.
Consolidated Statement of Comprehensive Income
(Expressed in thousands of United States Dollars, except for per share data)

	Note	For the year ended December 31, 2013	2012
Expenses from continuing operations			
General and administrative expense	6	(2,393)	(2,852)
Share based payments expense	23	(882)	(8)
Impairment (loss) / recovery	7	(84)	1,814
Depreciation and amortisation expense		(65)	(183)
Share of income of associate	8	-	129,000
Gain on fair valuation of net assets of subsidiary	9	-	102,735
Gain on sale of asset	10	-	1,100
Relinquishment costs	11	-	(25,732)
(Loss) / income before finance items and income tax expense		**(3,424)**	**205,874**
Finance cost	12	(740)	(719)
Finance income	13	28	359
Net finance cost		**(712)**	**(360)**
(Loss) / income before income tax expense		**(4,136)**	**205,514**
Income tax expense	14	(87)	(89)
Net (loss) / income from continuing operations		**(4,223)**	**205,425**
Discontinued operations			
Net income / (loss) from discontinued operations	15	935	(61)
Net (loss) / income for the year		**(3,288)**	**205,364**
Other comprehensive income:			
Currency translation differences		19	26
Total other comprehensive income		**19**	**26**
Total comprehensive (loss) / income for the year		**(3,269)**	**205,390**
(Loss) / income in dollars per share:			
Continuing operations			
Basic and diluted	22	(0.01)	0.25
Discontinued operations			
Basic and diluted		-	-
Continuing and discontinued operations			
Basic and diluted	22	(0.01)	0.25

The accompanying notes are an integral part of these consolidated financial statements.

SHAMARAN PETROLEUM CORP.
Consolidated Balance Sheet
(Expressed in thousands of United States Dollars)

	Note	As at December 31, 2013	2012
Assets			
Non-current assets			
Intangible assets	16	344,990	303,549
Property, plant and equipment	17	179	257
		345,169	**303,806**
Current assets			
Cash and cash equivalents		142,588	41,216
Other current assets		194	331
Inventories		-	198
		142,782	**41,745**
Assets associated with discontinued operations	15	**3**	**3**
Total assets		**487,954**	**345,554**
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	18	7,458	7,027
Accrued interest expense on bonds	19	2,252	-
Current tax liabilities		92	90
Deferred liability	20	-	5,000
		9,802	**12,117**
Non-current liabilities			
Borrowings	19	147,050	-
Provisions	21	1,185	120
		148,235	**120**
Liabilities associated with discontinued operations	15	**928**	**1,941**
Total liabilities		**158,965**	**14,178**
Equity			
Share capital	22	534,068	534,068
Share based payments reserve		4,718	3,836
Cumulative translation adjustment		27	8
Accumulated deficit		(209,824)	(206,536)
Total equity		**328,989**	**331,376**
Total liabilities and equity		**487,954**	**345,554**

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on March 12, 2014 and signed on its behalf:

/s/Cameron Bailey
J. Cameron Bailey, Director

/s/Keith Hill
Keith C. Hill, Director

SHAMARAN PETROLEUM CORP.
Consolidated Statement of Changes in Equity
(Expressed in thousands of United States Dollars)

	Share capital	Share based payments reserve	Cumulative translation adjustment	Accumulated deficit	Total
Balance at January 1, 2012	**533,349**	**3,828**	**(18)**	**(411,900)**	**125,259**
Total comprehensive income for the year	-	-	26	205,364	**205,390**
Transactions with owners in their capacity as owners:					
Equity based financing fee	719	-	-	-	**719**
Share based payments expense	-	8	-	-	**8**
	719	8	-	-	**727**
Balance at December 31, 2012	**534,068**	**3,836**	**8**	**(206,536)**	**331,376**
Total comprehensive loss / (income) for the year	-	-	19	(3,288)	**(3,269)**
Transactions with owners in their capacity as owners:					
Share based payments expense	-	882	-	-	**882**
	-	882	-	-	**882**
Balance at December 31, 2013	**534,068**	**4,718**	**27**	**(209,824)**	**328,989**

The accompanying notes are an integral part of these consolidated financial statements.

SHAMARAN PETROLEUM CORP.
Consolidated Statement of Cash Flows
(Expressed in thousands of United States Dollars)

	Note	For the year ended December 31, 2013	2012
Operating activities			
Net (loss) / income from continuing operations		(4,223)	205,425
Adjustments for:			
Share based payments expense	23	882	8
Interest expense on senior secured bonds - net		689	-
Impairment loss / (recovery)	7	84	(1,814)
Depreciation and amortisation expense		65	183
Foreign exchange loss / (gain)	12,13	49	(333)
Income tax		2	(32)
Interest income		(28)	(26)
Interest expense on equity based finance fee	12	-	719
Gain on sale of asset	10	-	(1,100)
Gain on fair valuation of net assets of subsidiary	9	-	(102,735)
Share of income of associate	8	-	(129,000)
Changes in provisions		1,065	120
Changes in accounts payable and accrued expenses		431	(16,550)
Changes in inventories		114	2,552
Changes in other current assets		137	421
Cash used in discontinued operations		(78)	(715)
Net cash outflows to operating activities		**(811)**	**(42,877)**
Investing activities			
Interest received on cash deposits		28	26
Deferred liability	20	(5,000)	5,000
Purchases of intangible assets		(39,788)	(8,395)
Net proceeds on sale of intangible assets		-	52,671
Proceeds on reimbursement of intangible costs		-	1,250
Net proceeds on sale of property, plant and equipment		-	802
Purchases of property, plant and equipment		-	(595)
Investment in associate		-	(16,110)
Net cash (outflows to) / inflows from investing activities		**(44,760)**	**34,649**
Financing activities			
Proceeds on bond issue		150,000	-
Bond related transaction costs		(3,028)	-
Net cash inflows from financing activities	19	**146,972**	**-**
Effect of exchange rate changes on cash and cash equivalents		(29)	359
Change in cash and cash equivalents		**101,372**	**(7,869)**
Cash and cash equivalents, beginning of the year		41,216	49,085
Cash and cash equivalents, end of the year		**142,588**	**41,216**

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

ShaMaran Petroleum Corp. ("ShaMaran" and together with its subsidiaries the "Company") is incorporated under the Business Corporations Act, British Columbia, Canada. The address of the registered office is Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia V6E 3X1. The Company's shares trade on the TSX Venture Exchange and NASDAQ OMX First North Exchange (Stockholm) under the symbol "SNM".

The Company is engaged in the business of oil and gas exploration and development, and is currently in the pre-production stages of an exploration and development campaign in respect of a petroleum property located in the Kurdistan Region of Iraq ("Kurdistan").

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, under the historical cost convention. The significant accounting policies of the Company have been applied consistently throughout the year. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding at the date these financial statements were approved for issuance by the Board of Directors.

These consolidated financial statements have been prepared on the going concern basis which assumes that the Company will be able to realise into the foreseeable future its assets and liabilities in the normal course of business as they come due. The ability of the Company to continue as a going concern and to successfully carry out its business plan is primarily dependent upon the continued support of its shareholders, the resolution of remaining political disputes in Iraq and the ability of the Company to obtain additional financing for its activities to develop, produce and sell economically recoverable reserves.

In the absence of current production revenues, the Company is currently dependent upon its existing financial resources, which include $142.6 million of cash and cash equivalents as at December 31, 2013, to satisfy its obligations and finance its exploration and development program in Kurdistan. Failure to meet exploration and development commitments could put the related license interests at risk of forfeiture.

The Company believes that based on the forecasts and projections it has prepared its current financial resources will be sufficient for the Company to satisfy its contractual obligations and commitments under the agreed work program over the next 12 months and to continue as a going concern for the foreseeable future. Nevertheless the possibility remains that the Company's operations and current and future financial resources could be significantly affected by adverse exploration and appraisal results, geopolitical events in the region, macroeconomic conditions or other risks, including a risk regarding the level of funding which the Company may need to make in excess of its percentage share in the project. The potential that the Company's financial resources are insufficient to fund its appraisal and development activities for the next 12 months indicates a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. The Company has a number of financing possibilities which it believes it would be able to pursue if and when required.

3. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, entities controlled by the Company which apply accounting policies consistent with those of the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.
Intercompany balances and unrealised gains and losses on intercompany transactions are eliminated upon consolidation.

(b) Investments in associates

Associates are entities over which the Company is in a position to exert significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or jointly control those policies.

Investments in associates are accounted for using the equity method whereby investments are initially recognised at cost and subsequently adjusted by the Company's share of the associate's post acquisition profits or losses and movements in other comprehensive income. Losses of an associate in excess of the Company's interest in that associate are recognised only to the extent that the Company has incurred legal or constructive obligations to make payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. If the carrying value of the investment is greater than its recoverable amount the impairment loss is recognised directly in the statement of comprehensive income.

Where a group company transacts with an associate of the Company unrealised gains are eliminated to the extent of the Company's interest in the relevant associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred in which case appropriate provision for impairment is made.

The Company assesses at each year-end whether there is any objective evidence indicating that the carrying value of its interests in associates may exceed its recoverable amount. If impaired the carrying value of the Company's investment in associates is written down to its estimated recoverable amount, the higher of the fair value less cost to sell and value in use with a provision for impairment recorded in the statement of comprehensive income during the period of impairment.

(c) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

Where the Company undertakes its activities under joint venture arrangements directly, the Company's share of jointly controlled assets and any liabilities incurred jointly with other joint ventures are recognised in the financial statements of the relevant company and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets and its share of the joint venture expenses are recognised when it is probable that the economic benefit associated with the transactions will flow to/from the Company and the amount can be reliably measured.

(d) Business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred is measured at the aggregate of the fair values at the date of acquisition of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquire. Acquisition related costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair value at the acquisition date.

If the Company acquires control of an entity in more than one transaction the related investment held by the Company immediately before the last transaction when control is acquired is considered sold and immediately repurchased at the fair value of the investment on the date of acquisition. Any difference between the fair value and the carrying amount of the investment results in income or loss recognised in the statement of comprehensive income.

(e) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell.

The results of a component of the Company that represent a major line of business or geographical area of operations that has either been disposed of (by sale, abandonment or spin-off) or is classified as held for sale is reported as discontinued operations. The financial statements of the Company include amounts and disclosures pertaining to discontinued operations in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*

(f) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional and presentation currency of the Company is the United States dollar ("USD").

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate at the date of that balance sheet.
- Income and expenses are translated at the average exchange rate for the period in which they were incurred as a reasonable approximation of the cumulative effect of rates prevailing on transaction dates.
- All resulting exchange differences are recognised in other comprehensive income as part of the cumulative translation reserve.

Transactions and balances

Transactions in currencies other than the functional currency are recorded in the functional currency at the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Exchange differences are recognised in the statement of comprehensive income during the period in which they arise.

(g) Exploration and evaluation costs and other intangible assets

Exploration and evaluation assets

The Company applies the full cost method of accounting for exploration and evaluation ("E&E") costs in accordance with the requirements of *IFRS 6 Exploration for and Evaluation of Mineral Resources*. All costs of exploring and evaluating oil and gas properties are accumulated and capitalised to the relevant property contract area and are tested on a cost pool basis as described below.

Pre-license costs:

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the statement of comprehensive income.

Exploration and evaluation costs:

All E&E costs are initially capitalised as E&E assets and include payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing.

Tangible assets used in E&E activities such as the Company's vehicles, drilling rigs, seismic equipment and other property, plant and equipment ("PP&E") used by the Company's exploration function are classified as PP&E. To the extent that such tangible assets are consumed in exploring and evaluating a property the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overhead including the depreciation of PP&E utilised in E&E activities together with the cost of other materials consumed during the E&E phases such as tubulars and wellheads.

E&E costs are not depreciated prior to the commencement of commercial production.

Treatment of E&E assets at conclusion of appraisal activities:

E&E assets are carried forward until commercial viability has been established for a contractual area which normally coincides with the commencement of commercial production. The E&E assets are then assessed for impairment and the carrying value after any impairment loss is then reclassified as oil and gas assets within PP&E. Until commercial viability has been established E&E assets remain capitalised at cost less accumulated amortisation and are subject to the impairment test set out below. Such E&E assets are depreciated on a unit of production basis over the life of the commercial reserves attributed to the cost pool to which they relate.

Other intangible assets

Other intangible assets are carried at measured cost less accumulated amortisation and any recognised impairment loss, and are amortised on a straight-line basis over their expected useful economic lives as follows:

- Computer software and associated costs 3 years

(h) Property, plant and equipment

Oil and gas assets

Oil and gas assets comprise of development and production costs for areas where technical feasibility and commercial viability have been established and include any E&E assets transferred after conclusion of appraisal activities as well as costs of development drilling, completion, gathering and production infrastructure, directly attributable overheads, borrowing costs capitalised, and the cost of recognising provisions for future restoration and decommissioning. Oil and gas costs are accumulated separately for each contract area.

Depreciation of oil and gas assets:

Oil and gas assets are depreciated using the unit of production method based on proved and probable reserves using estimated future prices and costs and taking into account future development expenditures necessary to bring those reserves into production.

Other property, plant and equipment

Other property, plant and equipment include expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the assets' carrying value or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

The carrying amount of an item of PP&E is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income during the period.

Other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment loss, and are depreciated on a straight-line basis over their expected useful economic lives as follows:

- Furniture and office equipment 5 years
- Computer equipment 3 years

(i) Impairment of non-financial assets

E&E assets and oil and gas assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.
- Extended decreases in prices or margins for oil and gas commodities or products.
- A significant downwards revision in estimated volumes or an upward revision in future development costs.

For the purpose of impairment testing the assets are aggregated into cash generating unit ("CGU") cost pools based on their ability to generate largely independent cash flows. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction.

Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

Where conditions giving rise to the impairment subsequently reverse the effect of the impairment charge is also reversed as a credit to the statement of comprehensive income net of any depreciation that would have been charged since the impairment.

(j) Revenue recognition

Revenues from the sale of hydrocarbons are recognised when title passes to an external party and collection is reasonably assured which is normally upon delivery of products and customer acceptance.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

(k) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate method. Transaction costs incurred in acquiring borrowings are amortised using the straight-line amortisation method.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised together with the qualifying assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Taxation

The income tax expense comprises current income tax and deferred income tax.

The current income tax is the expected tax payable on the taxable income for the period. It is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and includes any adjustment to tax payable in respect of previous years.

Deferred income tax is the tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not recorded if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor loss.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the year when the deferred tax liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income except when it relates to items charged or credited directly to equity in which case the deferred tax is also recognised directly in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Inventories

Inventories of drilling equipment and consumable materials, which normally include casing, tubing, downhole tools and wellhead equipment, which have not been charged to exploration and evaluation assets for a particular project, are stated at the lower of cost or net realisable value and determined on a first-in, first-out (“FIFO”) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(n) Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to cash flows from the assets expire or the Company transfers the financial asset and substantially all the risks and rewards of ownership. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Classification and measurement

The Company classifies its financial assets and liabilities at initial recognition in the following categories:

- Financial assets and liabilities at fair value through profit or loss are those assets and liabilities acquired principally for the purpose of selling or repurchasing in the short-term and are recognised at fair value. Transaction costs are expensed in the statement of comprehensive income and gains or losses arising from changes in fair value are also presented in the statement of comprehensive income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realised or paid beyond twelve months of the balance sheet date, which is classified as non-current.
- Loans and receivables comprise of other receivables and cash and cash equivalents and are financial assets with fixed or determinable payments that are not quoted on an active market and are generally included within current assets due to their short-term nature. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.
- Financial liabilities at amortised cost comprise of trade and other payables and are initially recognised at the fair value of the amount expected to be paid and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence indicating that a financial asset is impaired including:

- Significant financial difficulty of the issuer
- A breach of contract such as delinquency in interest or principal payments
- Active market for that financial asset disappears because of financial difficulties
- Observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets

If evidence of impairment exists the Company recognises an impairment loss in the statement of comprehensive income as follows:

- Financial assets carried at amortised cost – the impairment loss is the difference between the amortised cost of the loan or receivable and the present value of the estimated future cash flows discounted using the instrument's effective interest rate.
- Available for sale financial assets – the impairment loss is the difference between the original cost of the asset and its fair value at the measurement date less any impairment losses previously recognised in the statement of comprehensive income.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised. Impairment losses on available-for-sale equity investments are not reversed.

(o) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash with three months or less maturity.

(p) Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event when it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimates to settle the present obligation its carrying amount is the present value of those cash flows.

Decommissioning and site restoration

Provisions for decommissioning and site restoration are recognised when the Company has a present legal or constructive obligation to dismantle and remove production, storage and transportation facilities and to carry out site restoration work. The provision is calculated as the net present value of the Company's share of the expenditure expected to be incurred at the end of the producing life of each field using a discount rate that reflects the market assessment of the time value of money at that date. Unwinding of the discount on the provision is charged to the statement of comprehensive income within finance costs during the period. The amount recognised as the provision is included as part of the cost of the relevant asset and is charged to the statement of comprehensive income in accordance with the Company's policy for depreciation and amortisation.

Changes in the estimated timing of decommissioning and site restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the relevant asset.

(q) Share-based payments

The Company issues equity-settled share-based payments to certain directors, employees and third parties. The fair value of the equity settled share-based payments is measured at the date of grant and is expensed using the graded method of amortisation over the period in which the recipients become fully entitled to the equity instrument (the "vesting period"). The cumulative expense recognised for equity-settled share-based payments at each balance sheet date represents the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for the period and the corresponding adjustment to contributed surplus during the period represents the movement in the cumulative expense recognised for all equity instruments expected to vest. The fair value of equity-settled share-based payments is determined using the Black-Scholes option pricing model.

(r) Pension obligations

Pensions are the most common long-term employee benefit. The pension schemes are funded through payments to insurance companies. The Company's pension obligations consist of defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

(s) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Changes in accounting policies

The Company has adopted effective January 1, 2013 on a prospective basis the following new and revised IFRS, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

IFRS 10: Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of the interests currently held in other entities.

IFRS 11: Joint Arrangements, was issued in 2011 by the IASB and presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The Company assessed its joint arrangement conclusions on January 1, 2013 and determined that the adoption of IFRS 11 did not result in any changes.

IFRS 12: Disclosure of Interests in Other Entities, aggregates and amends disclosure requirements included within other standards to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). Additional information on interests in other entities has been disclosed in note 26.

IFRS 13: Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Under IFRS 13 the fair value of a liability must reflect the effect of nonperformance risk, which includes an entity's own credit risk. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Additional information on fair value measurement has been disclosed in note 24.

The Company has adopted the amendments to IAS 1, Presentation of Financial Statements which require the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

(u) Accounting standards issued but not yet applied

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

IFRS 9: Financial Instruments - Classification and Measurement, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The effective date of this standard has not yet been established by the IASB.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company’s accounting policies, which are described in note 3, management has made judgments, estimates and assumptions about the carrying amounts of the assets, liabilities, revenues, expenses and related disclosures. These estimates and associated assumptions are based on historical experience, current trends, and other factors that management believes to be relevant at the time these consolidated financial statements were prepared. Actual results may differ as future events and their effects cannot be determined with certainty and such differences could be material. Management reviews the accounting policies, underlying assumptions, estimates and judgments on an on-going basis to ensure that the financial statements are presented fairly in accordance with IFRS.

The following are the critical judgments and estimates that management has made in the process of applying the Company’s accounting policies in these consolidated financial statements:

(a) Oil and gas reserves

The business of the Company is the exploration and development of oil and gas reserves in Kurdistan. Estimates of commercial oil and gas reserves are used in the calculations for impairment, depreciation and amortisation and decommissioning provisions. Changes in estimates of oil and gas reserves resulting in different future production profiles will affect the discounted cash flows used for impairment purposes, the anticipated date of site decommissioning and restoration, and the depreciation charges based on the unit of production method.

In February 2014 the Company commissioned an independent reserves and resources report from McDaniel & Associates Consultants Ltd. to estimate the Company’s reserves and resources at December 31, 2013. The reserves and resources estimates provided in the report were considered in determining amounts of impairment, depreciation and amortisation and decommissioning provisions included in these consolidated financial statements.

(b) Impairment of E&E and PP&E assets

IAS 36 Impairment of Assets and *IFRS 6 Exploration of and Evaluation of Mineral Resources* require that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amounts are determined with reference to value in use calculations. The key assumptions for the value in use calculations are those regarding production flow rates, discount rates, and fiscal terms under the Production Sharing Contracts governing the Company’s assets and expected changes to selling prices and direct costs during the period. These assumptions reflect management’s best estimates based on historical experiences, past practices and expectations of future changes in the oil and gas industry.

(Expressed in thousands of United States Dollars unless otherwise stated)

(c) Decommissioning and site restoration provisions

The Company recognises a provision for decommissioning and site restoration costs expected to be incurred in order to remove and dismantle production, storage and transportation facilities and to carry out site restoration work. The provisions are estimated taking into consideration existing technology and current prices after adjusting for expected inflation and discounted using rates reflecting current market assessments of the time value of money and where appropriate, the risks specific to the liability. The Company makes an estimate based on its experience and historical data. Refer also to notes 15 and 21.

(d) Share-based payments

The Company issues equity-settled share-based payments to certain directors, employees and third parties. In accordance with *IFRS 2 Share-based payments*, in determining the fair value of options granted, the Company has applied the Black-Scholes model and as a result makes assumptions for the expected volatility, expected life, risk-free rate, behavioural considerations and expected dividend yield. The fair value of options granted at December 31, 2013 is shown in note 23.

(e) Fair valuation of net assets of subsidiary acquired

IFRS 3 Business Combinations required the Company to record the fair value of the net assets and liabilities of General Exploration Partners, Inc. ("GEP") on December 31, 2012, which is the date the Company acquired control of GEP. In determining the fair value the Company considered a number of bases including the consideration exchanged on December 31, 2012, available prices of comparable assets, the net present value of estimated cash flows associated with the net assets and the asset value imputed by the public markets valuation, and relied on a number of assumptions and estimates including future oil prices, productive capacity of the oil and gas asset, costs to develop the oil and gas asset, relevant discount rates, and the probability of future taxes associated with the asset.

5. Business and geographical segments

The Company operates in one business segment, the exploration and development of oil and gas assets, in one geographical segment, Kurdistan. As a result, in accordance with *IFRS 8 Operating Segments,* the Company has presented its financial information collectively for one operating segment. Refer to note 15 for disclosure of the Company's discontinued operations.

6. General and administrative expense

	For the year ended December 31, 2013	2012
General and administrative expenses incurred	5,473	5,324
General and administrative expenses capitalised as E&E assets	(3,080)	(2,472)
General and administrative expense	**2,393**	**2,852**

The Company capitalises as E&E assets general and administrative expense supporting E&E activities which relate to direct interests held in production sharing contracts. Refer also to note 16.

(Expressed in thousands of United States Dollars unless otherwise stated)

7. Impairment loss / (recovery)

	For the year ended December 31, 2013	2012
Write down drilling inventory to net realisable value	84	578
Recovery of impairment loss on exploration and evaluation assets	-	(2,347)
Recovery of impairment loss on property, plant and equipment	-	(45)
Impairment loss / (recovery)	**84**	**(1,814)**

The impairment loss in the year ended December 31, 2013 related to the relinquished Pulkhana and Arbat PSCs. Refer also to notes 16 and 17.

8. Share of income of associate

	For the year ended December 31, 2013	2012
Income from investment in associate	-	129,000

The income from investment in associate in the year ended December 31, 2012 related to the Company's pro-rata portion of the net income of GEP in conducting petroleum activities on the Atrush Block in Kurdistan. Following the acquisition of control of GEP by the Company in December 2012 the Company was required by IFRS to now consolidate GEP's financial results and position and therefore this interest is no longer reported as an investment in associate. Refer also to note 9.

9. Gain on fair valuation of nets assets of subsidiary

	For the year ended December 31, 2013	2012
Fair valuation of net assets of subsidiary	-	102,735

GEP completed two principal transactions in December 2012 (the "Transactions") resulting in the December 31, 2012 sale of a 53.2% direct interest in the Atrush Block to TAQA and the December 31, 2012 repurchase from Aspect Energy International LLC ("Aspect") of the entire 66.5% shareholding interest which Aspect held in GEP. As a result of the Transactions, ShaMaran Ventures B.V. became the sole remaining shareholder of GEP and the Company therefore acquired control of GEP.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 which requires that the Company records the fair value on the date of acquisition of the net identifiable assets and liabilities of GEP and consolidates these amounts with the other assets and liabilities of the Company. As the acquisition date coincides with the balance sheet date there was no incremental income or expense associated with the acquisition in the year 2012.

The Company recorded in the year 2012 a gain on the fair valuation of net assets of subsidiary in the amount of $102.7 million which is the difference between the $299.7 million fair value of net identifiable assets acquired and liabilities assumed and the $197.0 million book value of investment in associate at acquisition of control. Refer also to notes 8 and 16.

(Expressed in thousands of United States Dollars unless otherwise stated)

10. Gain on sale of asset

In August 2012 the Company sold the 20% direct interest which it held in the Taza Block PSC. The gain on the sale of the Taza Block asset was determined as follows:

	For the year ended December 31, 2013	2012
Net proceeds on sale of asset	-	53,266
Costs of intangible assets and property, plant and equipment sold	-	(52,166)
Gain on sale of asset	**-**	**1,100**

The net proceeds on sale of asset was comprised of a $48 million purchase price plus reimbursement of $5.8 million in costs incurred on the Taza Block work program from April 1, 2012 to August 2012, less transaction related costs of $0.5 million. Refer also to notes 16 and 17.

11. Relinquishment costs

	For the year ended December 31, 2013	2012
Relinquishment fees	-	25,000
Costs to windup Pulkhana and Arbat operations	-	732
Total relinquishment costs	**-**	**25,732**

On January 17, 2012 the Company signed agreements with the Kurdistan Regional Government (“KRG”) to relinquish the Pulkhana and Arbat Block Production Sharing Contracts (“PSC”). On January 25, 2012 the Company paid a total of $25 million to the KRG in accordance with the terms of the agreements relieving the Company of all further obligations under the PSCs including its remaining minimum financial commitments. Refer also to note 16.

12. Finance cost

	For the year ended December 31, 2013	2012
Interest charges on bonds at coupon rate	2,252	-
Amortisation of bond related transaction costs	78	-
Interest expense on borrowings	2,330	-
Foreign exchange loss	49	-
Unwinding discount on decommissioning provision	1	-
Interest expense associated with equity based finance fee	-	719
Total finance costs before borrowing costs capitalised	2,380	719
Borrowing costs capitalised as E&E assets	(1,640)	-
Total finance costs	**740**	**719**

During the year 2013 the Company incurred interest expense relating to senior secured bonds which carry an 11.5% fixed semi-annual coupon interest rate. Refer also to notes 16 and 19.

The foreign exchange loss recorded in the year ended December 31, 2013 resulted primarily from holding net assets denominated in United States dollars in the Swiss subsidiary of the Group while the United States dollar weakened during the reporting period against Swiss Franc, the functional currency of the Swiss subsidiary.

The interest expense incurred in 2012 relates to a loan entered into with two companies who jointly are principal shareholders of the Company and represents the amortisation of prepaid interest over the loan term. Refer also to note 27.

(Expressed in thousands of United States Dollars unless otherwise stated)

13. Finance income

	For the year ended December 31, 2013	2012
Interest income	28	26
Foreign exchange gain	-	333
Total finance income	**28**	**359**

Interest income represents bank interest earned on cash and investments in marketable securities.

For the year ended December 31, 2012 the foreign exchange gain of $333 resulted primarily from holding cash and cash equivalents denominated in Canadian dollars while the Canadian dollar strengthened during the year against the United States dollar which is the reporting currency of the Company.

14. Taxation

(a) Income tax expense

The income tax expense reflects an effective tax rate which differs from Federal and Provincial statutory tax rates. The main differences are as follows:

	For the year ended December 31, 2013	2012
(Loss) / income from continuing operations before income tax	(4,136)	205,514
Corporate income tax rate	26.0%	25.0%
Computed income tax (recovery) / expense	(1,075)	51,379
Increase / (decrease) resulting from:		
Change in valuation allowance	548	(20,545)
Effect of changes in foreign exchange rates	379	(160)
Non-deductible compensation expense	229	2
Other	150	580
Foreign tax rate differences	104	(5,247)
Non-taxable foreign exchange loss / (gain)	12	(83)
Effect of change in tax rates	(260)	27
Share issuance costs charged to share capital	-	(180)
Unrealised gain on fair valuation of assets	-	(25,684)
Income tax expense from continuing operations	**87**	**89**

The Company's income tax expense relates to a provision for income tax on service income generated in Switzerland, and is calculated at the effective tax rate of 25% prevailing in this jurisdiction.

The components of the future income tax assets are as follows:

	As at December 31, 2013	2012
Non-capital losses	84,656	83,952
Properties-tax basis over carrying value	1,279	1,279
Exploration expenses	787	809
Share issue costs carried forward	354	815
Future income tax assets before allowance	87,076	86,855
Valuation allowance	(87,076)	(86,855)
Future income tax assets	**-**	**-**

(Expressed in thousands of United States Dollars unless otherwise stated)

(b) Tax losses carried forward

The Company has tax losses and costs which are available to apply to future taxable income as follows:

	As at December 31, 2013	2012
Canadian losses from operations	19,936	17,834
Canadian exploration expenses	3,025	3,234
Canadian unamortised share issue costs	1,363	3,259
Dutch losses from operations	104,878	103,345
U.S. Federal losses from operations	167,135	168,069
U.S. Federal tax basis in excess of carrying values of properties	3,654	3,654
Total tax losses carried forward	**299,991**	**299,395**

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2026 to 2033. The Canadian exploration expenses may be carried forward indefinitely to offset future taxable Canadian income. Canadian unamortised share issue costs may offset future taxable Canadian income of years 2014 to 2016. The U.S. Federal losses are available to offset future taxable income in the United States through 2032.

15. Discontinued operations

During May of 2009 the Company sold to a third party its oil and gas properties located in the United States in the Gulf of Mexico. The results of the discontinued operations included in the consolidated statement of comprehensive income are as follows:

	For the year ended December 31, 2013	2012
Gain on release of excess site restoration provision	981	-
General and administrative, and professional expenses	(46)	(61)
Net income / (loss) from discontinued operations	**935**	**(61)**

In December 2013 the Company released an excess site restoration provision as the total cost to complete this work is expected to be less than the amount previously estimated. The net income from discontinued operations in 2013 did not result in income tax expense as the gain on release of excess site restoration provision is not a taxable amount.

The major classes of assets and liabilities included in the consolidated balance sheet are as follows:

	As at December 31, 2013	2012
Assets		
Prepaid expenses	3	3
	3	**3**
Liabilities		
Trade payables and accrued expenses	145	355
Site restoration provision	783	1,586
	928	**1,941**
Net liabilities	**925**	**1,938**

The provision relates to site restoration costs pertaining to the interests the Company held in petroleum properties located in the United States. The provision was determined based on the Company's net ownership interest in the corresponding wells and facilities, estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods.

(Expressed in thousands of United States Dollars unless otherwise stated)

16. Intangible assets

	Exploration and evaluation assets	Other intangible assets	Total
At January 1, 2012			
Cost	251,586	271	251,857
Accumulated amortisation	-	(160)	(160)
Impairment losses	(205,861)	-	(205,861)
Net book value	**45,725**	**111**	**45,836**
For the year ended December 31, 2012			
Opening net book value	45,725	111	45,836
Additions including fair value adjustment	307,022	3	307,025
Disposals	(51,571)	(1)	(51,572)
Amortisation expense	-	(88)	(88)
Adjustment to impairment losses	2,347	-	2,347
Net adjustment on currency translation	-	1	1
Net book value	**303,523**	**26**	**303,549**
At December 31, 2012			
Cost	507,037	280	507,317
Accumulated amortisation	-	(254)	(254)
Impairment losses	(203,514)	-	(203,514)
Net book value	**303,523**	**26**	**303,549**
For the year ended December 31, 2013			
Opening net book value	303,523	26	303,549
Additions	41,465	-	41,465
Amortisation expense	-	(24)	(24)
Net book value	**344,988**	**2**	**344,990**
At December 31, 2013			
Cost	548,502	288	548,790
Accumulated amortisation	-	(286)	(286)
Impairment losses	(203,514)	-	(203,514)
Net book value	**344,988**	**2**	**344,990**

The net book value of E&E assets at December 31, 2013 relates directly to the Atrush Block in the amount of $342.0 million, which includes $9.3 million of advances resulting from payments made on behalf of a partner in the Atrush Block, and an amount of $3.0 million of other costs associated with ongoing operations in Kurdistan. The Company capitalised to E&E during the year 2013 borrowing costs totalling $1,640 (2012: $nil). Refer also to notes 6, 12 and 19.

On December 31, 2012 the Company acquired control of GEP and, in accordance with IFRS 3 which requires the Company to record the fair value on the date of acquisition of the net identifiable assets and liabilities of GEP, recorded the addition of $300.5 million of exploration and evaluation assets relating to the Atrush Block PSC. Refer also to notes 9 and 10.

In August 2012 the Company sold its 20% direct interest in the Taza Block resulting in the disposal of $51.6 million in related intangible assets. Refer also to note 10.

(Expressed in thousands of United States Dollars unless otherwise stated)

The impairment losses of $203.5 million related to the decision by the Company in December 2011 to relinquish to the KRG the Pulkhana and Arbat Block PSCs and immediately suspend all operations associated with those two production sharing contracts. The Company recorded impairment losses to expense all exploration and evaluation assets, which included acquisition costs, capacity building payments to the KRG, costs of acquiring seismic data, and drilling and testing costs which were incurred by the Company on these two Blocks up to December 31, 2011. The relinquishment was completed on January 17, 2012. Refer also to notes 7 and 11.

17. Property, plant and equipment

	Oil and gas assets	Computer equipment	Furniture and office equipment	Total
At January 1, 2012				
Cost	445	232	203	880
Accumulated depreciation	(98)	(139)	(60)	(297)
Impairment losses	(174)	(17)	(10)	(201)
Net book value	**173**	**76**	**133**	**382**
For the year ended December 31, 2012				
Opening net book value	173	76	133	382
Additions	758	-	-	758
Disposals	(781)	(9)	(14)	(804)
Depreciation expense	(31)	(62)	(32)	(125)
Impairment recovery / (loss)	46	4	(6)	44
Net adjustment on currency translation	-	-	2	2
Net book value	**165**	**9**	**83**	**257**
At December 31, 2012				
Cost	199	199	165	563
Accumulated depreciation	(29)	(190)	(82)	(301)
Impairment losses	(5)	-	-	(5)
Net book value	**165**	**9**	**83**	**257**
For the year ended December 31, 2013				
Opening net book value	165	9	83	257
Exchange difference	-	-	1	1
Depreciation expense	(40)	(6)	(33)	(79)
Net book value	**125**	**3**	**51**	**179**
At December 31, 2013				
Cost	194	194	169	557
Accumulated depreciation	(69)	(191)	(118)	(378)
Net book value	**125**	**3**	**51**	**179**

(Expressed in thousands of United States Dollars unless otherwise stated)

18. Accounts payable and accrued expenses

	As at December 31,	
	2013	**2012**
Net payables to joint venture partners	3,769	722
Accrued expenses	3,062	5,494
Trade payables	627	811
Total accounts payable and accrued expenses	**7,458**	**7,027**

19. Borrowings

On November 13, 2013 GEP, a wholly owned indirect subsidiary of the Company, closed a $150 million senior secured bond issue denominated in USD resulting in net proceeds of $147 million after deducting $3.0 million in transaction related costs. Of the total proceeds from the bond issue $33.8 million were subscribed to by related parties. The bonds have a five year maturity without amortisation and carry an 11.5% fixed semi-annual coupon and will be used to fund future capital expenditures related to the development of the Atrush Block.

	As at December 31,	
	2013	**2012**
Opening balance	**-**	**-**
Net proceeds from bonds	146,972	-
Accrued interest expense on bonds	2,252	-
Cumulative amortisation of bond related transaction costs	78	-
Ending balance	**149,302**	**-**
- Current portion: accrued interest expense on bonds	2,252	-
- Non-current portion: borrowings	147,050	-

The bonds include an unconditional and irrevocable on-demand guarantee on a joint and several basis from the Company and certain of the Company's direct and indirect subsidiaries and, among other arrangements, agreements which pledge all of the ordinary shares of GEP and the Company's Swiss service subsidiary, ShaMaran Services SA, as security for GEP's bond related obligations, as well as an internal credit facility agreement among the Company and certain of its subsidiaries setting out the terms and conditions for intra-group credit to be made available amongst the parties.

Under the terms of the bond agreement all bond proceeds are held in accounts pledged to the bond trustee as security, and may be accessed by the Company on prior authorisation of the bond trustee and provided the proceeds are to be employed for prescribed purposes, most notably to fund the financing, development and operation of the Atrush Block, to service 24 months of bond coupon interest expense, and to fund technical, management and administrative services of ShaMaran's subsidiary companies up to $6 million per year over the term of the bond (limited to $1.5 million in 2013). Of the Company's $142,588 total cash and cash equivalents at December 31, 2013, $124.8 million was held in accounts pledged to the bond trustee.

The remaining contractual obligation comprising repayment of principal and interest expense based on undiscounted cash flows at payment date, assuming the bonds are not early redeemed, are as follows:

	As at December 31,	
	2013	**2012**
Less than one year	17,250	-
Between two and five years	216,050	-
Total	**233,300**	**-**

Refer also to notes 12, 16, 25 and 27.

(Expressed in thousands of United States Dollars unless otherwise stated)

20. Deferred liability

The deferred liability at December 31, 2012 related to the acquisition by the Company of control of GEP. On July 8, 2013 the Company paid $5 million to Aspect upon the satisfactory conclusion of certain closing conditions. Refer also to notes 8 and 9.

21. Provisions

The Company has provided for decommissioning and site restoration costs in relation to activities undertaken to date on the Atrush Block in Kurdistan.

	As at December 31,	
	2013	**2012**
Opening balance	120	-
Additional obligations incurred and changes in estimates	1,110	120
Unwinding discount on decommissioning provision	1	-
Changes in discount and inflation rates	(46)	-
Total decommissioning and site restoration provisions	**1,185**	**120**

The above provisions assume decommissioning and site restoration work is to be undertaken in the year 2032, and estimated costs have been discounted to net present value using a Bank of Canada long term bond yield rate of 3.21% and an inflation rate of 1.2%.

22. Share capital

The Company is authorised to issue an unlimited number of common shares with no par value. The Company's issued share capital is as follows:

	Number of shares	**Share capital**
At January 1, 2012	**807,983,860**	**533,349**
Shares issued as equity based financing fee	3,000,000	719
At December 31, 2012	**810,983,860**	**534,068**
At December 31, 2013	**810,983,860**	**534,068**

Earnings per share

The earnings per share amounts were as follows:

	For the year ended December 31,	
	2013	**2012**
Continuing operations:		
Net (loss) / income from continuing operations, in dollars	(4,223,000)	205,425,000
Weighted average common shares outstanding during the year	810,983,860	810,221,565
Basic and diluted (loss) / earnings per share from continuing operations, in dollars	(0.01)	0.25
Discontinued operations:		
Net income / (loss) from discontinued operations, in dollars	935,000	(61,000)
Weighted average common shares outstanding during the year	810,983,860	810,221,565
Basic and diluted loss per share from discontinued operations, in dollars	-	-
Continuing and discontinued operations:		
Net (loss) / income from continuing and discontinued operations, in dollars	(3,288,000)	205,364,000
Weighted average common shares outstanding during the year	810,983,860	810,221,565
Basic and diluted (loss) / earnings per share from continuing and discontinued operations, in dollars	(0.01)	0.25

(Expressed in thousands of United States Dollars unless otherwise stated)

23. Share based payments expense

The Company has an established share purchase option plan whereby a committee of the Company's board of directors may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. The number of shares under option at any specific time to any one option holder shall not exceed 5% of the issued and outstanding common shares of the Company. The term of any options granted under the plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. A four month hold period may be imposed by the stock exchange from the date of grant. Vesting terms are at the discretion of the Board of Directors. All issued share options have terms of three to five years and vest over periods of up to three years. The exercise prices reflect trading values of the Company's shares at grant date.

Movements in the Company's share options outstanding are explained as follows:

	Number of share options outstanding	Weighted average exercise price CAD
At January 1, 2012	**3,233,334**	**0.72**
Expired in 2012	(450,000)	1.52
Forfeited in 2012	(160,000)	0.67
At December 31, 2012	**2,623,334**	**0.59**
Granted in 2013	5,640,000	0.36
At December 31, 2013	**8,263,334**	**0.43**
Share options exercisable:		
At December 31, 2012	2,615,001	0.59
At December 31, 2013	4,503,333	0.50

On April 12, 2013, certain officers, directors and other eligible persons of the Company were granted a total of 5,640,000 incentive stock options which are subject to vesting provisions and are exercisable over a period of five years at an exercise price of CAD 0.36.

The Company recognises compensation expense on share options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense. The share based payments expense is calculated using the Black-Scholes option pricing model.

The weighted average fair value of options granted and the assumptions used in their determination are as follows:

	For the year ended December 31, 2013	2012
Expected dividend yield	0%	0%
Risk-free interest rate (weighted average)	2.50%	3.20%
Expected share price volatility (weighted average)	84.74%	86.94%
Expected option life in years (weighted average)	4.42	4.12
Grant date fair value (weighted average)	CAD 0.43	CAD 0.53

Share based payments expense for the year ended December 31, 2013 was $882 (2012: $8).

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options.

(Expressed in thousands of United States Dollars unless otherwise stated)

24. Financial instruments

Financial assets

The financial assets of the Company on the balance sheet dates were as follows:

	Fair value hierarchy [3]	Carrying and fair values [1] At December 31, 2013	At December 31, 2012
Cash and cash equivalents [2]		142,588	41,216
Other receivables [2]		54	204
Total financial assets		**142,642**	**41,420**

Financial assets classified as other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Financial liabilities

The financial liabilities of the Company on the balance sheet dates were as follows:

	Fair value hierarchy [3]	Carrying and fair values [1] At December 31, 2013	At December 31, 2012
Borrowings	Level 2	147,050	-
Accounts payable and accrued expenses [2]		7,458	7,027
Accrued interest on bonds	Level 2	2,252	-
Provisions for decommissioning costs	Level 2	1,185	120
Financial liabilities of discontinued operations [2]		928	1,941
Current tax liabilities [2]		92	90
Deferred liability [2]		-	5,000
Total financial liabilities		**158,965**	**14,178**

Financial liabilities are initially recognised at the fair value of the amount expected to be paid and are subsequently measured at amortised cost using the effective interest rate method.

[1] The carrying amount of the Company's financial assets and liabilities approximate their fair values at the balance sheet dates, none of which are past due.

[2] No valuation techniques have been applied to establish the fair value of these financial instruments they are either cash and cash equivalents or, due to the short term nature, readily convertible to or settled with cash and cash equivalents.

[3] *Fair value measurements*

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and established a fair value hierarchy of three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1: fair value measurements are based on unadjusted quoted market prices.
- Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices.
- Level 3: fair value measurements are based on unobservable information.

Capital risk management

The Company manages its capital to ensure that entities within the Company will be able to continue as a going concern, while maximising return to shareholders. The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Company had debt relating to borrowings and accrued interest of $149.3 million as at December 31, 2013 (2012: $nil).

In accordance with the terms of the Company's senior secured bond agreement it is required to maintain a Book Equity ratio, defined as shareholders' equity divided by total assets, of no less than 40%. Refer also to note 19. The Company's book equity ratio is as follows:

	As at December 31,	
	2013	**2012**
Shareholders' equity	328,989	331,376
Total assets	487,954	345,554
Book equity ratio	**67%**	**96%**

Financial risk management objectives

The Company's management monitors and manages the Company's exposure to financial risks facing the operations. These financial risks include market risk (including commodity price, foreign currency and interest rate risks), credit risk and liquidity risk.

The Company does not presently hedge against these risks as the benefits of entering into such agreements is not considered to be significant enough as to outweigh the significant cost and administrative burden associated with such hedging contracts.

Commodity price risk

The prices that the Company receives for its oil and gas production may have a significant impact on the Company's revenues and cash flows provided by operations. World prices for oil and gas are characterised by significant fluctuations that are determined by the global balance of supply and demand and worldwide political developments and in particular the price received for the Company's oil and gas production in Kurdistan is dependent upon the Kurdistan government and its ability to export production outside of Iraq. A significant decline in the price at which the Company can sell future oil and gas production could adversely affect the amount of funds available for capital reinvestment purposes as well as the Company's value in use calculations for impairment test purposes.

The Company does not hedge against commodity price risk, however given that the Company is in the exploration and development stage, it is not directly exposed to significant commodity price risk.

Foreign currency risk

The substantial portion of the Company's operations require purchases denominated in USD, which is the functional and reporting currency of the Company and also the currency in which the Company maintains the substantial portion of its cash and cash equivalents. Certain of its operations require the Company to make purchases denominated in foreign currencies, which are currencies other than USD and correspond to the various countries in which the Company conducts its business, most notably, Swiss Francs ("CHF") and Canadian dollars ("CAD"). As a result, the Company holds some cash and cash equivalents in foreign currencies and is therefore exposed to foreign currency risk due to exchange rate fluctuations between the foreign currencies and the USD. The Company considers its foreign currency risk is limited because it holds relatively insignificant amounts of foreign currencies at any point in time and since its volume of transactions in foreign currencies is currently relatively low. The Company has elected not to hedge its exposure to the risk of changes in foreign currency exchange rates.

The carrying amounts of the Company's principal monetary assets and liabilities denominated in foreign currency at the reporting date are as follows:

	Assets		Liabilities	
	2013	**2012**	**2013**	**2012**
Canadian dollars in thousands ("CAD 000")	48	168	163	274
Swiss francs in thousands ("CHF 000")	248	268	287	279

Foreign currency sensitivity analysis

The Company is exposed to movements in CHF and CAD against the USD, the presentational currency of the Company. Sensitivity analyses have been performed to indicate how the profit or loss would have been affected by changes in the exchange rates between the USD and CHF and CAD. The analysis below is based on a strengthening of the CHF and CAD by 1% against the USD in which the Company has assets and liabilities at the end of respective period. A movement of 1% reflects a reasonably possible sensitivity when compared to historical movements over a three to five year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 1% change in foreign currency rates.

A positive number in the table below indicates an increase in profit where USD weakens 1% against the CHF or CAD on the basis of the CHF and CAD assets and liabilities held by the Company at the balance sheet dates. For a 1% strengthening of the USD against the CHF or CAD there would be an equal and opposite impact on the profit or loss.

	Assets		Liabilities	
	2013	**2012**	**2013**	**2012**
Statement of comprehensive income - CAD	-	2	(1)	(3)
Statement of comprehensive income - CHF	3	3	(4)	(3)

Interest rate risk

The Company earns interest income at variable rates on its cash and cash equivalents and is therefore exposed to interest rate risk due to a fluctuation in short-term interest rates.

The Company's policy on interest rate management is to maintain a certain amount of funds in the form of cash and cash equivalents for short-term liabilities and to have the remainder held on relatively short-term deposits.

The Group is highly leveraged though financing at the project level, for the continuation of Atrush project, and at the corporate level due to the $150 million of senior secured bonds which were issued in November 2013. However, the Company is not exposed to interest rate risks associated with the bonds as the interest rate is fixed.

Interest rate sensitivity analysis:

Based on exposure to the interest rates for cash and cash equivalents at the balance sheet date a 0.5% increase or decrease would not have a material impact on the Company's profit or loss for the year. A rate of 0.5% is used as it represents management's assessment of the reasonably possible changes in interest rates.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is primarily exposed to credit risk on its cash and cash equivalents and other receivables.

The Company manages credit risk by monitoring counterparty ratings and credit limits and by maintaining excess cash and cash equivalents on account in instruments having a minimum credit rating of R-1 (mid) or better (as measured by Dominion Bond Rate Services) or the equivalent thereof according to a recognised bond rating service.

The carrying amounts of the Company's financial assets recorded in the consolidated financial statements represent the Company's maximum exposure to credit risk.

(Expressed in thousands of United States Dollars unless otherwise stated)

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties meeting its financial obligations as they become due. In common with many oil and gas exploration companies, the Company raises financing for its exploration and development activities in discrete tranches in order to finance its activities for limited periods. The Company seeks to raise additional funding as and when required. The Company anticipates making substantial capital expenditures in the future for the acquisition, exploration, development and production of oil and gas reserves and as the Company's project moves further into the development stage, specific financing, including the possibility of additional debt, may be required to enable future development to take place. The financial results of the Company will impact its access to the capital markets necessary to undertake or complete future drilling and development programs. There can be no assurance that debt or equity financing, or future cash generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Annual capital expenditure budgets are prepared, which are regularly monitored and updated as considered necessary. In addition, the Company requires authorisations for expenditure on both operating and non-operating projects to further manage capital expenditures.

The maturity profile of the Company's financial liabilities are indicated by their classification in the consolidated balance sheet as "current" or "non-current", and further information relevant to the Company's liquidity position is disclosed in the Company's going concern assessment in note 2.

25. Commitments

As at December 31, 2013, the outstanding commitments of the Company were as follows:

	For the year ended December 31,				
	2014	**2015**	**2016**	**Thereafter**	**Total**
Atrush Block development and PSC	68,022	120	120	2,050	70,312
Office and other	99	-	-	-	99
Total commitments	**68,121**	**120**	**120**	**2,050**	**70,411**

Amounts relating to the Atrush block represent the Company's unfunded share of the approved work program and budget under the Atrush block field development plan and other obligations under the Atrush PSC.

Refer also to notes 19 and 26.

26. Interests in joint operations and other entities

Interests in joint operations - Atrush Block Production Sharing Contract

ShaMaran holds a 20.1% direct interest in the PSC through GEP. TAQA Atrush B.V. ("TAQA"), a subsidiary of Abu Dhabi National Energy Company PJSC, is the operator with a 39.9% direct interest, Marathon Oil KDV B.V. holds a 15% direct interest, and the remaining 25% interest was acquired by the KRG on March 12, 2013. Refer also to notes 16 and 25.

(Expressed in thousands of United States Dollars unless otherwise stated)

Under the terms of the PSC the development period is for 20 years with an automatic right to a five year extension and the possibility to extend for an additional five years. All qualifying petroleum costs incurred by the Contractor shall be recovered from a portion of available petroleum production, defined under the terms of the PSC. All modifications to the PSC are subject to the approval of the KRG. The Company is responsible for its pro-rata share of the costs incurred in executing the development work program on the Atrush Block which commenced on October 1, 2013.

Information about subsidiaries

The consolidated financial statements of the Company include:

Subsidiary	Principal activities	Country of Incorporation	% equity interest as at December 31, 2013	2012
ShaMaran Petroleum Holdings Coöperatief U.A.	Oil exploration and production	The Netherlands	100	100
ShaMaran Ventures B.V.	Oil exploration and production	The Netherlands	100	100
General Exploration Partners, Inc.	Oil exploration and production	Cayman Islands	100	100
ShaMaran Petroleum B.V.	Oil exploration and production	The Netherlands	100	100
ShaMaran Services S.A.	Technical and admin. Services	Switzerland	100	100
Bayou Bend Petroleum U.S.A. Ltd	Discontinued operations	United States of America	100	100
Summit Energy Company LLC.	Discontinued operations	United States of America	100	100

27. Related party transactions

Transactions with corporate entities

	Purchases of services during the year 2013	2012	Amounts owing at December 31, 2013	2012
Namdo Management Services Ltd.	243	314	15	28
Mile High Holdings Ltd.	113	37	113	19
McCullough O'Connor Irwin LLP	26	95	14	22
Vostok Nafta Investment Ltd.	13	26	-	-
Lundin Petroleum AB	518	524	89	75
Lundin family	-	719	-	-
Total	**913**	**1,715**	**231**	**144**

Namdo Management Services Ltd. is a private corporation owned by a shareholder of the Company which has provided corporate administrative support and investor relation services to the Company.

Mile High Holdings Ltd. is a private corporation associated with a shareholder of the Company which has provided transportation services to the Company in relation to its investor relation activities.

McCullough O'Connor Irwin LLP is a law firm in which an officer of the Company is a partner which has provided legal services to the Company.

Vostok Nafta Investment Ltd. is a corporation traded on the NASDAQ OMX Nordic Exchange in Stockholm (trading symbol VNIL SDB) associated with a shareholder of the Company and which has provided investor relations services to the Company in Sweden.

The Company receives services from various subsidiary companies of Lundin Petroleum AB ("Lundin"), a shareholder of the Company. Lundin charges during the year ended December 31, 2013 of $518 (2012: $524) were comprised of G&G and other technical service costs of $144 (2012: $138) reimbursement for Company travel and related expenses of $nil (2012: $1), office rental, administrative and building services of $374 (2012: $385).

(Expressed in thousands of United States Dollars unless otherwise stated)

In the year 2012, the Company received a $10 million loan from the Lundin family through two investment companies who jointly are principal shareholders of the Company (the "Lenders"). In connection with the loan the Company has issued to the Lenders an aggregate of 3,000,000 common shares of the Company. The fair value of the shares issued has been expensed as a finance cost. The loan was repaid in full in August 2012.

Of the total proceeds raised on the November 2013 bond issue, $33.8 million were subscribed to by related parties. Refer also to note 19.

Key management compensation

The Company's key management was comprised of its five directors and two executive officers consisting of seven individuals who have been remunerated as follows:

	For the year ended December 31, 2013	2012
Management's salaries	788	774
Management's share based payments	461	12
Management's short-term benefits	402	156
Directors' share based payments	273	-
Directors' fees	126	130
Total	**2,050**	**1,072**

Short-term employee benefits include non-equity incentive plan compensation and other short-term benefits. Share-based payments compensation represents the portion of the Company's share based payments expense incurred during the year attributable to the key management, accounted for in accordance with IFRS 2 'Share Based Payments'.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm's length.

SHAMARAN PETROLEUM CORP.

DIRECTORS	CORPORATE INFORMATION
Keith C. Hill Director, Chairman Nairobi, Kenya **Pradeep Kabra** Director, President & Chief Executive Officer Geneva, Switzerland **Brian D. Edgar** Director Vancouver, British Columbia **Gary S. Guidry** Director Calgary, Alberta **Alexandre Schneiter** Director Anieres, Switzerland **J. Cameron Bailey** Director Calgary, Alberta	**CORPORATE OFFICE** 885 West Georgia Street Suite 2000 Vancouver, British Columbia V6C 3E8 Telephone: +1-604-689-7842 Facsimile: +1-604-689-4250 Website: www.shamaranpetroleum.com **OPERATIONS OFFICE** 5 Chemin de la Pallanterie 1222 Vésenaz Switzerland Telephone: +41-22-560-8600 Facsimile: +41-22-560-8601 **BANKER** HSBC Bank Canada Vancouver, British Columbia **INDEPENDENT AUDITORS** PricewaterhouseCoopers LLP London, UK
OFFICERS	**TRANSFER AGENT** Computershare Trust Company of Canada Vancouver, British Columbia
Brenden Johnstone Chief Financial Officer Geneva, Switzerland **Kevin E. Hisko** Corporate Secretary Vancouver, British Columbia	**STOCK EXCHANGE LISTINGS** TSX Venture Exchange and NASDAQ OMX First North Exchange Trading Symbol: SNM **INVESTOR RELATIONS** Sophia Shane Vancouver, British Columbia

Annual Accounts 2013
ShaMaran Petroleum Holdings Coöperatief U.A.

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ShaMaran Petroleum Holdings Coöperatief U.A.
Balance Sheet
(Expressed in United States dollars)

(Presented after proposed appropriation of result)

	Note	As at December 31, 2013	2012
ASSETS			
Non-current assets			
Investment in subsidiaries	3	95,825,903	67,269,951
		95,825,903	**67,269,951**
Current assets			
Receivables		-	54,469
Cash and cash equivalent		4,472	10,963
		4,472	**65,432**
LIABILITIES			
Current liabilities		21,902	417,435
		21,902	**417,435**
Current assets less current liabilities		(17,430)	(352,003)
Net assets		**95,808,473**	**66,917,948**
MEMBERS' CAPITAL			
Members' contributions	4	458,647,616	438,316,630
Accumulated deficit	4	(362,839,143)	(371,398,682)
Members' capital		**95,808,473**	**66,917,948**

See accompanying notes to the Financial Statements.

ShaMaran Petroleum Holdings Coöperatief U.A.
Profit and Loss Account
(Expressed in United States dollars)

	Note	For the year ended December 31, 2013	2012
Operating expenses			
External charges		53,769	126,653
(Recovery of) / impairment losses	8	(7,114,909)	69,548,021
Operating (income) / loss		**(7,061,140)**	**69,674,674**
Financial expense		1,601	2,270
(Income) / loss before income tax		**(7,059,539)**	**69,676,944**
Income tax expense	7	-	-
(Income) / loss before result from investments		**(7,059,539)**	**69,676,944**
Result from investments	6	(1,500,000)	(50,000,000)
Net (income) / loss		**(8,559,539)**	**19,676,944**
Accumulated deficit, beginning of the year		**371,398,682**	**351,721,738**
Accumulated deficit, end of the year		**362,839,143**	**371,398,682**

See accompanying notes to the Financial Statements.

1. NATURE OF OPERATIONS

ShaMaran Petroleum Holdings Coöperatief U.A. (the "Cooperative") was incorporated on October 14, 2009. The address of the registered office is Amaliastraat 3 – 5, 2514 JC, The Hague, The Netherlands.

The Cooperative acts as holding vehicle providing funding to its wholly-owned subsidiaries ShaMaran Petroleum B.V. and ShaMaran Ventures B.V., group companies engaged in the business of oil and gas exploration and development in the Kurdistan Region of Iraq.

The Cooperative is jointly-owned by ShaMaran Petroleum Corp. and 0861963 B.C. Ltd., holding a 99% and a 1% interest, respectively. ShaMaran Petroleum Corp., the ultimate parent entity of the Cooperative, was incorporated in British Columbia, Canada and is listed on the TSX Venture Exchange (Canada) and NASDAQ OMX First North Exchange (Sweden) under the symbol "SMN". 0861963 B.C. Ltd. was incorporated in British Columbia, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the accounting policies generally accepted in The Netherlands. Consolidated financial statements have not been prepared as permitted by article 407, paragraph 2a, Book 2 of the Dutch Civil Code.

(b) Functional currency

The reporting and functional currency of the Cooperative is United States dollars as this represents the currency of the primary economic environment in which the Cooperative operates.

(c) Investments in subsidiaries

Investments in the Cooperative's subsidiary undertakings are valued at the lower of cost or net realisable value because the Cooperative acts as a holding company.

(d) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less, if considered necessary, a provision for possibly uncollectable amounts.

Receivables denominated in foreign currencies are converted to US dollars at exchange rates prevailing at the balance sheet date.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash with remaining maturities of less than 90 days.

(f) Current liabilities

Current liabilities are valued at amortised cost.

Current liabilities denominated in foreign currencies are converted to US dollars at exchange rates prevailing at the balance sheet date.

(g) Profit and loss account

Income includes the total amounts received and receivable during the year and expenses include the total amounts paid and payable during the year excluding capitalised expenditure.

Income and expenses in foreign currencies are converted into US dollar at the average exchange rate during the year.

Tax on income is calculated by applying the current tax rate to the income generated during the financial year taking into account tax losses carry-forward, tax-exempt profit elements and after inclusion of non-deductible costs.

3. INVESTMENT IN SUBSIDIARIES

The investment in subsidiaries at December 31, 2013 of $95,825,903 (2012: $67,269,951) represents the Cooperative's investment in its wholly-owned subsidiaries, ShaMaran Petroleum B.V. (The Hague, The Netherlands) and ShaMaran Ventures B.V. (The Hague, The Netherlands).

(Expressed in United States dollars)

4. MEMBERSHIP CAPITAL

The Cooperative has the following two members:

- ShaMaran Petroleum Corp., British Columbia, Canada ("Member I")
- 0861963 B.C. Ltd., British Columbia, Canada ("Member II")

The movements in the membership interests for the year ended December 31, 2013 are as follows:

			Total	
	Member I	**Member II**	**2013**	**2012**
Membership contributions				
1 January	438,316,629	1	438,316,630	429,290,130
Capital contributions	21,830,986	-	21,830,986	59,026,500
Capital distributions	(1,500,000)	-	(1,500,000)	(50,000,000)
31 December	458,647,615	1	458,647,616	438,316,630
Accumulated deficit				
1 January	(371,398,682)	-	(371,398,682)	(351,721,738)
Net profit / (loss) for the year	8,559,539	-	8,559,539	(19,676,944)
31 December	(362,839,143)	-	(362,839,143)	(371,398,682)
Membership capital	**95,808,472**	**1**	**95,808,473**	**66,917,948**

On November 13, 2013 the Cooperative paid to its two members dividends totalling $1,500,000 comprised of $1,499,999.99 to Member I and $0.01 to Member II.

On August 24, 2012 the Cooperative paid to its two members dividends totalling $50,000,000 comprised of $49,999,999.90 to Member I and $0.10 to Member II.

5. GUARANTEES

On November 13, 2013 General Exploration Partners Inc ("GEP"), a wholly owned subsidiary of ShaMaran Ventures BV, closed a $150 million senior secured bond issue. The bonds have a five year maturity without amortization and carry an 11.5% fixed semi-annual coupon and will be used to fund future capital expenditures related to the development of the Atrush Block. The bond includes an unconditional and irrevocable on-demand guarantee on a joint and several basis from the Cooperative and certain other direct and indirect subsidiaries within the ShaMaran group of companies, and, among other arrangements, an internal credit facility agreement among GEP, ShaMaran Ventures BV, the Cooperative, and certain other ShaMaran group companies setting out the terms and conditions for intra-group credit to be made available amongst the parties. In addition, each of the Cooperative's subsidiary companies have entered into agreements with bond holders which pledge all of the ordinary shares of their respective subsidiaries, GEP and ShaMaran Services SA, as security for GEP's bond related obligations.

6. RESULT FROM INVESTMENTS

In November 2013 the Cooperative received dividends totalling $1,500,000 from its wholly-owned subsidiary, ShaMaran Ventures BV.

On August 24, 2012 the Cooperative received a dividend totalling $50,000,000 from its wholly-owned subsidiary, ShaMaran Petroleum BV.

7. INCOME TAX EXPENSE

The Cooperative was not subject to income tax in The Netherlands for the year ended December 31, 2013 as the Cooperative had no taxable income.

The Cooperative forms part of a fiscal unity for Dutch corporate income tax purposes of which the Cooperative is the parent company. As a consequence, the Cooperative is jointly and severally liable for Dutch corporate income tax liabilities of the fiscal unit.

8. IMPAIRMENT LOSSES / RECOVERY

In 2013 the Coop has recorded a recovery of impairment loss in the amount of $7,114,909 as a result of revaluing to net realisable value the underlying assets of ShaMaran Petroleum BV which is carried as part of investment in subsidiaries. Refer also to note 3.

The impairment loss of $69,548,021 in 2012 represents the excess of the carrying cost over the net realisable value of the investment in subsidiaries.

9. EMPLOYEES

During the year 2013 the Cooperative had no employees (2012: nil).

10. PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

According to Article 19 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of the Members.

11. PROPOSED ALLOCATION OF THE RESULT

The Board proposes to add the result for the year to the accumulated deficit.

12. AUDIT

The annual accounts of the Cooperative have not been audited as there is no obligation to do so as permitted by article 2:396, paragraph 7, of the Dutch Civil Code. Consequently no auditor's report is included.

The financial statements were approved by the Board of Directors on March 13, 2014.

(signed) *"T.J.P. Bosje"*	(signed) *"G.W.M. de Ruiter"*	(signed) *"P. Kabra"*
Mr. T.J.P. Bosje	**Mr. G.W.M. de Ruiter**	**Mr. P. Kabra**
March 13, 2014	March 13, 2014	March 13, 2014

Annual Accounts 2013
ShaMaran Ventures B.V.

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ShaMaran Ventures B.V.
Balance Sheet
(Expressed in United States dollars)

(Presented after proposed appropriation of result)

	Note	As at December 31, 2013	2012
ASSETS			
Non-current assets			
Intangible assets	3	3,000,000	3,000,000
Investment in subsidiary	4	63,458,523	47,526,506
		66,458,523	**50,526,506**
Current assets			
Receivables		1,086	1,055
Cash and cash equivalents		10,316	69,296
		11,402	**70,351**
LIABILITIES			
Current liabilities		2,902,412	7,436,066
		2,902,412	**7,436,066**
Current assets less current liabilities		(2,891,010)	(7,365,715)
Net assets		**63,567,513**	**43,160,791**
SHAREHOLDER'S EQUITY			
Share capital	5	24,824	23,749
Share premium	5	87,981,667	66,843,204
Currency translation reserve	5	(2,000)	(925)
Accumulated deficit	5	(24,436,978)	(23,705,237)
Shareholder's equity		**63,567,513**	**43,160,791**

See accompanying notes to the Financial Statements.

ShaMaran Ventures B.V.
Profit and Loss Account
(Expressed in United States dollars)

	Note	For the year ended December 31, 2013	2012
Operating expenses			
External charges		14,532	14,215
Operating loss on investment in subsidiary	9	717,483	-
Operating income on investment in associate	8	-	(129,000,336)
Impairment loss	10	-	2,946,244
Operating loss / (income)		**732,015**	**(126,039,877)**
Financial (income) / loss		(274)	217
Loss / (income) before taxation		**731,741**	**(126,039,660)**
Income tax expense	7	-	-
Net loss / (income)		**731,741**	**(126,039,660)**
Accumulated deficit, beginning of the year		23,705,237	326,330
Shift between shareholdings of investment	5	-	149,418,567
Accumulated deficit, end of the year		**24,436,978**	**23,705,237**

See accompanying notes to the Financial Statements.

1. NATURE OF OPERATIONS

ShaMaran Ventures B.V. (the "Company") was incorporated on August 9, 2010. The address of the registered office is Amaliastraat 3 – 5, 2514 JC, The Hague, The Netherlands.

The Company wholly owns an asset holding company which is engaged in the business of oil and gas exploration and development and is currently in the pre-production stages of an exploration and development campaign in respect of a petroleum property located in the Kurdistan Region of Iraq ("Kurdistan").

The immediate parent entity of the Company is ShaMaran Petroleum Holdings Coöperatief U.A. and the ultimate parent entity is ShaMaran Petroleum Corp., a company incorporated in British Columbia, Canada, and listed on the TSX Venture Exchange (Canada) and NASDAQ OMX First North Exchange (Sweden) under the symbol "SNM".

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the accounting policies generally accepted in The Netherlands. The principles of valuation and determination of the result remained unchanged compared to the previous year. Consolidated financial statements have not been prepared as permitted by article 407, paragraph 2a, Book 2 of the Dutch Civil Code.

(b) Functional currency

The reporting and functional currency of the Company is United States dollars as this represents the currency of the primary economic environment in which the Company's oil and gas assets operate.

(c) Intangible assets

Intangible assets include the acquisition, exploration and development costs incurred by the Company related to the petroleum property held by the operating company in which the Company holds an interest.

Exploration well costs are initially capitalised and if subsequently determined to have not found sufficient reserves to justify commercial production are charged to exploration expense. Exploration well costs that have found sufficient reserves to justify commercial production, but those reserves cannot be classified as proved, continue to be capitalised as long as sufficient progress is being made to assess the reserves and economic viability of the well or related project.

Intangible assets are carried forward until commercial viability has been established for a contractual area. The intangible assets are then assessed for impairment and the carrying value after any impairment loss is then reclassified as oil and gas assets within Tangible assets. Until commercial viability has been established intangible assets remain capitalised at cost less accumulated amortisation and are subject to the impairment test set out below. Such intangible assets are depreciated on a unit of production basis over the life of the commercial reserves attributed to the cost pool to which they relate.

Producing properties and significant unproved properties are assessed annually or more frequently as economic events dictate for potential impairment. Any impairment loss is the difference between the carrying value of the asset and its fair value. Fair value is calculated as the present value of estimated expected future cash flows from proved, probable and, as appropriate, possible reserves.

Capitalised costs of proved oil and gas properties are depleted using the unit of production method. For purposes of these calculations production and reserves of oil are converted to cubic feet of natural gas on an energy equivalent basis at a ratio of one barrel (bbl) of oil to six thousand cubic feet (mcf) of natural gas.

Successful exploratory wells and development costs are depleted over proved developed reserves. To the extent significant development costs are incurred in connection with proved undeveloped reserves such costs are excluded from depletion until the reserves are developed. Acquired resource properties with proved reserves are depleted over proved reserves. Acquisition costs of probable reserves are not depleted or amortised while under active evaluation for commercial reserves. Costs are transferred to depletable costs as proved reserves are recognised. Costs associated with significant development projects are not depleted until commercial production commences.

(d) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method whereby investments are initially recognized at fair value and subsequently adjusted by the Company's share of the subsidiary's post acquisition profits or losses and other equity movements. Losses of a subsidiary in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred legal or constructive obligations to make payments on behalf of the subsidiary.

Any excess of the cost of the acquisition over the Company's share of the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition is recognized as goodwill.

The Company assesses at each year-end whether there is any objective evidence indicating that the carrying value of its interests in subsidiary may exceed its recoverable amount. If impaired the carrying value of the Company's investment in subsidiaries is written down to its estimated recoverable amount, the higher of the fair value less cost to sell and value in use.

(e) Investments in associates

Associates are entities over which the Company is in a position to exert significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or jointly control those policies.

Investments in associates are accounted for using the equity method whereby investments are initially recognized at fair value and subsequently adjusted by the Company's share of the associate's post acquisition profits or losses and movements in other comprehensive income. Losses of an associate in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred legal or constructive obligations to make payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognized as goodwill.

The Company assesses at each year-end whether there is any objective evidence indicating that the carrying value of its interests in associates may exceed its recoverable amount. If impaired the carrying value of the Company's investment in associates is written down to its estimated recoverable amount, the higher of the fair value less cost to sell and value in use.

(f) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less, if considered necessary, a provision for possible uncollectable amounts.

Receivables denominated in foreign currencies are converted to US dollars at exchange rates prevailing at the balance sheet date.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash with remaining maturities of less than 90 days.

Cash and cash equivalents denominated in foreign currencies are converted to US dollars at exchange rates prevailing at the balance sheet date.

(h) Current liabilities

Current liabilities are valued at amortised cost.

Current liabilities denominated in foreign currencies are converted to US dollars at exchange rates prevailing at the balance sheet date.

(i) Profit and loss account

Income includes the total amounts received and receivable during the year and expenses include the total amounts paid and payable during the year excluding capitalised expenditure.

(Expressed in United States dollars)

Income and expenses in foreign currencies are converted into US dollar at the average exchange rate during the year.

Tax on income is calculated by applying the current income tax rate to the income generated during the financial year taking into account tax losses carry-forward, tax-exempt profit elements and after inclusion of non-deductible costs.

3. INTANGIBLE ASSETS

Intangible assets relate to the interests the Company holds in the Atrush Block production sharing contract ("PSC") located in Kurdistan. At December 31, 2013 the Company has reported $3,000,000 (2012: $3,000,000) intangible assets associated with ongoing operations in Kurdistan.

4. INVESTMENT IN SUBSIDIARY

As at December 31, 2013 the company holds a 100% interest in General Exploration Partners Inc. ("GEP"), a company incorporated in the Cayman Islands. GEP holds a 20.1% working interest in the PSC in respect of the Atrush Block oil and gas exploration area located in Kurdistan.

On March 12, 2013 the Contractor entities to the Atrush Block PSC were notified by the Kurdistan Regional Government that it had exercised its option to acquire a 25% Government Interest in accordance with the terms of the Atrush Block PSC. Prior to this date GEP held a 26.8% working interest in the Atrush Block PSC, thereafter GEP held a 20.1% working interest in the Atrush Block PSC.

5. SHAREHOLDER'S EQUITY

The movements in the shareholder's equity accounts are explained as follows:

	Share capital	Share premium	Currency translation reserve	Accumulated deficit	Total shareholder's equity
Balance as at December 31, 2011	**23,290**	**52,626,704**	**(466)**	**(326,330)**	**52,323,198**
Capital contributions	-	14,216,500	-	-	14,216,500
Currency revaluations	459	-	(459)	-	-
Shift between shareholdings	-	-	-	(149,418,567)	(149,418,567)
Net income for the year	-	-	-	126,039,660	126,039,660
Balance as at December 31, 2012	**23,749**	**66,843,204**	**(925)**	**(23,705,237)**	**43,160,791**
Capital contributions	-	22,638,463	-	-	22,638,463
Capital distributions	-	(1,500,000)	-	-	(1,500,000)
Currency revaluations	1,075	-	(1,075)	-	-
Net loss for the year	-	-	-	(731,741)	(731,741)
Balance as at December 31, 2013	**24,824**	**87,981,667**	**(2,000)**	**(24,436,978)**	**63,567,513**

(a) Share capital

As at December 31, 2013 and 2012 the authorised share capital of the Company amounted to EUR 90,000 and consisted of 90,000 ordinary shares of EUR 1 each. Issued share capital amounted to EUR 18,000 and consisted of 18,000 shares with a nominal value of EUR 1 and was fully paid.

In accordance with Dutch legislation, the issued share capital was converted into US dollars at the exchange rate prevailing at the balance sheet date of USD/EUR 1.3791 (2012: USD/EUR 1.3194). This resulted in a currency translation loss of $1,075 for the year (2012: loss of $459) and share capital of $24,824 (2012: $23,749).

(b) Share premium

Represents net capital contributions from the immediate parent entity.

In November 2013 the Company paid dividends totalling $1,500,000 to its immediate parent entity.

(c) Accumulated deficit

During the year ended December 31, 2012 the Company increased its shareholding interest in GEP from 33.5% to 100% as a result of the repurchase by GEP of all 6,650 shares held by the outgoing shareholder. The shares were repurchased at a premium over book value of $149,418,567 which has resulted in a direct charge to accumulated deficit by this amount.

6. GUARANTEES

On November 13, 2013 GEP closed a $150 million senior secured bond issue. The bonds have a five year maturity without amortization and carry an 11.5% fixed semi-annual coupon and will be used to fund future capital expenditures related to the development of the Atrush Block. The bond includes an unconditional and irrevocable on-demand guarantee on a joint and several basis from the Company and certain other direct and indirect subsidiaries within the ShaMaran group of companies, and, among other arrangements, an equity mortgage over all ordinary shares of GEP as security for GEP's bond related obligations, and an internal credit facility agreement among GEP, the Company, and certain other ShaMaran group companies setting out the terms and conditions for intra-group credit to be made available amongst the parties.

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7. INCOME TAX EXPENSE

The Company was not subject to income tax in The Netherlands for the year ended December 31, 2013 as the Company had no taxable income.

(Expressed in United States dollars)

The Company forms part of a fiscal unity for Dutch corporate income tax purposes of which ShaMaran Petroleum Holdings Coöperatief U.A. is the parent entity. As a consequence, the Company is jointly and severally liable for Dutch corporate income tax liabilities of the fiscal unit.

8. OPERATING INCOME ON INVESTMENT IN ASSOCIATE

The operating income on investment in associate included in the profit and loss account is explained as follows:

	For the year ended December 31,	
	2013	**2012**
Total income of associate	-	385,075,629
Company's share of income of associate	**-**	**129,000,336**

The income on investment in associate relates to the Company's pro-rata portion of the net income of GEP in conducting petroleum operations on the Atrush Block in Kurdistan. The income of associate in 2012 results principally from a gain on the sale of a 53.2% interest in the Atrush Block PSC to TAQA on December 31, 2012. As at December 31, 2012 the Company holds a 100% interest in GEP. Therefore from this date GEP became a subsidiary of the Company. Refer also to notes 4 and 9.

9. OPERATING LOSS ON INVESTMENT IN SUBSIDARY

The operating loss on investment in subsidiary included in the profit and loss account relates entirely to the 2013 loss incurred by the Company's fully owned subsidiary, GEP. Refer also to notes 4 and 8.

10. IMPAIRMENT LOSS

During the year ended December 31, 2012 the Company expensed certain intangible asset costs totalling $2,946,244 which were determined to have no recoverable value from future operations in Kurdistan.

11. EMPLOYEES

During the year 2013 the Company had no employees (2012: nil).

12. PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

According to Article 18 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

13. PROPOSED ALLOCATION OF THE RESULT

The management proposes to add the result for the year to the opening accumulated deficit.

(Expressed in United States dollars)

14. AUDIT

The annual accounts of the company have not been audited as there is no obligation to do so as permitted by article 2:396, paragraph 7 of the Dutch Civil Code. Consequently no auditor's report is included.

These financial statements were approved by the Board of Directors on March 13, 2014.

(signed) *"T.J.P. Bosje"*	(signed) *"G.W.M. de Ruiter"*	(signed) *"P. Kabra"*
Mr. T.J.P. Bosje	**Mr. G.W.M. de Ruiter**	**Mr. P. Kabra**
March 13, 2014	March 13, 2014	March 13, 2014

ISIN NO 0010692882

BOND AGREEMENT

between

General Exploration Partners, Inc.
(Issuer)

ShaMaran Petroleum Corp.
(Ultimate Parent)

and

Norsk Tillitsmann ASA
(Bond Trustee)

on behalf of

the Bondholders

in the bond issue

11.5 per cent General Exploration Partners, Inc. Senior Secured Callable Bond Issue 2013/2018

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This agreement has been entered into on 11 November 2013 between

(1) General Exploration Partners, Inc. (an exempted company existing under the laws of the Cayman Islands with registration number 198520) as issuer (the "**Issuer**"),

(2) ShaMaran Petroleum Corp. (incorporated in British Columbia Canada with incorporation number C0778647 and listed on TSX Venture Exchange (Toronto) and NASDAQ OMX First North (Stockholm)) (the "**Ultimate Parent**"), and

(3) Norsk Tillitsmann ASA (a company existing under the laws of Norway with registration number 963 342 624) as bond trustee (the "**Bond Trustee**").

1 Interpretation

1.1 *Definitions*

In this Bond Agreement, the following terms shall have the following meanings:

"**Account Manager**" means a Bondholder's account manager in the Securities Depository.

"**Accounts**" means the Escrow Account and the Retention Account.

"**Assignment of Group Loans**" means an assignment by way of security to the Bondholders represented by the Bond Trustee, to be executed for any Group Loan established. The assignment agreement to be applied is enclosed to this Agreement as Attachment 3.

"**Assignment of Insurances**" means an assignment of the Issuer's insurances (other than any third party liability insurances).

"**Atrush Block**" means the contract area as defined in the Atrush PSC covering an area of 269 km^2 and located approximately 85 km northwest of Erbil, the capital of the Kurdistan Region of Iraq.

"**Atrush PSC**" means the contract between the Issuer and the Kurdistan Regional Government of Iraq under which the Issuer holds a 20.1% working interest in the Production Sharing Contract in respect of the Atrush Block, being named "Production Sharing Contract, Atrush Block, Kurdistan Region between The Kurdistan Regional Government of Iraq and General Exploration Partners, Inc." and dated 10 November 2007, with "First Amendment" dated 1 August 2010, "TPI Assignment, Novation, and Second Amendment Agreement" dated 20 October 2010 and "Assignment, Novation, and Third Amendment Agreement" dated 31 December 2012.

"**Attachment**" means the attachments to this Bond Agreement.

"**Book Equity**" means the aggregate book value (on a consolidated basis) of the Group's total equity in accordance with IFRS, as set out in the then most recent financial statements (annual or quarterly (as the case may be)) of the Ultimate Parent.

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"**Book Equity Ratio**" means the ratio of Book Equity *to* Total Assets.

"**Bond Agreement**" means this bond agreement, including any Attachments to it, each as amended from time to time.

"**Bond Issue**" means the bond issue constituted by the Bonds.

"**Bondholder**" means a holder of Bond(s), as registered in the Securities Depository, from time to time.

"**Bondholders' Meeting**" means a meeting of Bondholders, as set out in Clause 16.

"**Bonds**" means the debt instruments issued by the Issuer pursuant to this Bond Agreement.

"**Bridge Loan**" shall have the meaning set out in Clause 2.3.

"**Business Day**" means any day on which commercial banks are open for general business and can settle foreign currency transactions in Oslo and New York.

"**Budgeted Cash Call**" means a cash call relevant to the Issuer as specified in a development work program or budget or cash call forecast provided by or on behalf of the operator for the Atrush PSC and JOA, subject to any amendments thereto from time to time, and updated to take into account any cash calls being greater than originally budgeted.

"**Business Day Convention**" means that no adjustment will be made, notwithstanding the period end date occurs on a day that is not a Business Day, and if such date is not a Business Day, payments of interest and/or principal, as the case may be, will be made on the first following day that is a Business Day (*No Adjustments of Business Day*).

"**Calculation Date**" means 30 June and 31 December each year.

"**Call Option**" shall have the meaning set out in Clause 10.2.

"**Change of Control Event**" means:

(i) If persons or entities related to the Lundin family cease to own directly or indirectly 19.50% or more of the outstanding shares and/or voting capital of the Ultimate Parent, save for dilutions resulting directly from mergers or acquisition activities and exercise of incentive options; or

(ii) a group or entity acquiring control over more than 50.00% of the voting share capital in the Ultimate Parent; or

(iii) a de-listing of the Ultimate Parent's shares from a stock exchange.

"**Decisive Influence**" means a person having, as a result of an agreement or through the ownership of shares or interests in another person:

(a) a majority of the voting rights in that other person; or

(b) a right to elect or remove a majority of the members of the board of directors of that other person.

When determining the relevant person's number of voting rights in the other person or the right to elect and remove members of the board of directors, rights held by the parent company of the relevant person and the parent company's Subsidiaries shall be included.

"**Defeasance Pledge**" shall have the meaning given to it in Clause 18.2.

"**Encumbrances**" means any encumbrance, mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Escrow Account**" means an account with the Paying Agent established in the name of the Issuer, to be blocked and pledged in favour of the Bondholders represented by the Bond Trustee as security for the Issuer's obligations under the Finance Documents.

"**Escrow Account Pledge**" means the pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

"**Event of Default**" means the occurrence of an event or circumstance specified in Clause 15.1.

"**Exchange**" means the securities exchange or other reputable regulated market on which the Bonds are listed, or where the Issuer has applied for listing of the Bonds.

"**Face Value**" means the denomination of each of the Bonds, as set out in Clause 2.2.

"**Finance Documents**" means (i) this Bond Agreement, (ii) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2, (iii) the Security Documents (including any notice, acknowledgement and other ancillary documentation relating thereto) and (iv) any other document which the Issuer and the Bond Trustee agree in writing to be a Finance Document.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account); and

(h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above.

"**Financial Statements**" means the audited consolidated and unconsolidated annual financial statements of the Ultimate Parent and the audited unconsolidated annual financial statements of the Issuer for any financial year, drawn up according to IFRS, such accounts to include a profit and loss account, balance sheet, cash flow statement and the Management Discussion and Analysis prepared by management.

"**Floating Charge**" means a Cayman Islands law first priority floating charge over receivables, bank accounts, intercompany claims, insurance policies and other movable assets of the Issuer.

"**Free Cash**" means

(a) unrestricted cash in hand or unrestricted amounts standing to the credit of any current and/or future deposit accounts with a bank,

(b) after the Atrush field comes into production; any positive cash flow as projected by the Issuer for the relevant Liquidity Reporting Date period,

(c) time deposits with banks and certificates of deposit issued provided these are available to meet the Budgeted Cash Calls for the relevant Liquidity Reporting Date period,

(d) amount credited on the Escrow Account available to be disbursed to the Issuer, and

(e) fully committed undrawn, non-temporary credit facilities or equivalent with credit institutions provided these are available to meet the Budgeted Cash Calls for the relevant Liquidity Reporting Date period.

"**GAAP**" means the generally accepted accounting practice and principles in the country in which the Issuer or the applicable Group Company is incorporated including, if applicable, the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

"**Group**" means the Ultimate Parent and all its Subsidiaries from time to time, and a "**Group Company**" means the Ultimate Parent or any of its Subsidiaries.

"**Group Loans**" means any loan or loan stock made or, as the context may require, made available by any Group Company to the Issuer or to the Parent or ShaMaran Services. Group Loans shall not have any amortization or maturity date prior to the

Maturity Date, and shall be fully subordinated to the rights of the Bondholders under the Finance Documents by way of the Subordination Deed and shall have no right to accelerate for as long as the Bonds are outstanding. The Group Loans shall not pay any cash interests prior to the Maturity Date.

"**Guarantees**" means unconditional and irrevocable on-demand guarantees on a joint and several basis from each and all of the Guarantors securing the Issuer's obligations under this Bond Agreement and any other Finance Document, including interest, costs and expenses.

"**Guarantors**" means each of the following entities:

- the Ultimate Parent;
- 0861963 B.C. Ltd (incorporation number BC0861963), incorporated in British Columbia in Canada, being 100% owned by the Ultimate Parent;
- ShaMaran Petroleum Holdings Coöperatief U.A. (trade register number 34361104), incorporated in the Netherlands, being owned 1% by 0861963 B.C. Ltd and 99% by the Ultimate Parent; and
- the Parent.

"**Increased Funding Need**" shall have the meaning set out in Clause 15.1(k).

"**Interest Payment Date**" means 13 May and 13 November each year and the Maturity Date. Any adjustment will be made according to the Business Day Convention.

"**Interim Accounts**" means the unaudited consolidated and unconsolidated quarterly financial statements of the Ultimate Parent and the unaudited unconsolidated semi-annual financial statements of Issuer for the semi-annual periods ending on 30 June and 31 December each year, drawn up according to IFRS.

"**ISIN**" means International Securities Identification Number – the identification number of the Bond Issue.

"**Issue Date**" means 13 November 2013.

"**Issuer's Bonds**" means any Bonds owned by the Issuer, any person or persons who has Decisive Influence over the Issuer, or any person or persons over whom the Issuer has Decisive Influence.

"**Issuer Share Pledge**" means a first priority pledge over 100.00% of the shares in the Issuer.

"**JOA**" means the Joint Operating Agreement between the Issuer and partners in the Atrush PSC named: "*First Amendment to Joint Operating Agreement*" dated 31 December 2012.

"**Liquidity Reporting Date**" means the date falling 30 calendar days after 31 March, 30 June, 30 September and 31 December each calendar year.

“**Manager**” means the manager for the Bond Issue, being Pareto Securities AS.

“**Mandatory Prepayment Event**” means any of the following events:

(a) the Issuer reduces its direct ownership in the Atrush PSC below 20.10%;

(b) the Ultimate Parent ceases to indirectly own 100.00% of the shares in the Issuer or if the Parent ceases to directly own 100.00% of the shares in the Issuer;

(c) the Issuer invests in any assets or enter into any other activities other than solely related to the Atrush Block; or

(d) an Event of Default occurs.

“**Material Adverse Effect**” means a material adverse effect on: (a) the business, financial condition or operations of the Issuer, the Guarantors or the Group taken as a whole, (b) the Issuer’s or any Guarantor’s ability to perform and comply with its obligations under the Finance Documents; or (c) the validity or enforceability of the Finance Documents or the Project Documents.

“**Maturity Date**” means 13 November 2018. Any adjustment will be made according to the Business Day Convention.

“**NOK**” means Norwegian kroner, being the lawful currency of Norway.

“**Obligor**” means the Issuer and any Guarantor.

“**Outstanding Bonds**” means the Bonds not redeemed or otherwise discharged.

“**Parent**” means ShaMaran Ventures B.V. (trade register number 50558234), incorporated in the Netherlands, being 100% owned by ShaMaran Petroleum Holdings Coöperatief U.A.

“**Party**” means a party to this Bond Agreement (including its successors and permitted transferees).

“**Paying Agent**” means DNB Bank ASA, the bank appointed by the Issuer to acts as its paying agent in the Securities Registry with respect to the Bonds.

“**Payment Date**” means a date for payment of principal or interest under this Bond Agreement.

“**Project Documents**” means the Atrush PSC and the JOA.

“**Reporting Date**” means the date falling 60 calendar days after each corresponding Calculation Date.

“**Retention Account**” means an account with the Paying Agent established in the name of the Issuer, to be blocked and pledged in favour of the Bond Trustee (on behalf of the Bondholders) as security for the Issuer’s obligations under the Finance Documents, as further described in Clause 6.7.

"**Retention Account Pledge**" means a first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Retention Account.

"**Securities Depository**" means the securities depository in which the Bond Issue is registered, being Verdipapirsentralen ASA (VPS) in Norway.

"**Security**" means any encumbrance, mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Interests**" means:

(a) the Escrow Account Pledge;

(b) the Retention Account Pledge;

(c) the Floating Charge;

(d) the Assignment of Insurances;

(e) the Issuer Share Pledge;

(f) the Assignment of Group Loans;

(g) the ShaMaran Services Share Pledge; and

(h) the Guarantees.

"**Security Agent**" means the Bond Trustee in its capacity as security agent and/or security trustee pursuant to Clause 17.4.

"**Security and Covenant Defeasance**" shall have the meaning given to it in Clause 18.2.

"**Security Documents**" means, collectively, all the documents evidencing, creating or granting the Security Interests.

"**ShaMaran Services**" means Shamaran Services S.A., a Swiss company owned 100% by ShaMaran Petroleum B.V. which is 100% indirectly owned by the Ultimate Parent.

"**ShaMaran Services Share Pledge**" means a pledge over 100% of the shares in ShaMaran Services.

"**Stamdata**" means the web site www.stamdata.no, maintained by the Bond Trustee.

"**Subordination Deed**" means an agreement to be executed between each relevant Group Company and the Trustee (on behalf of the Bondholders) providing for the total subordination of all monetary claims in respect of any Group Loans, with limitations on repayment, payment of interest, acceleration stop and default restrictions. The Subordination Deed to be executed upon the establishment of any Group Loan is enclosed this Agreement as Attachment 4.

"**Subsidiary**" means a company over which another company has Decisive Influence.

"**Total Assets**" means the aggregate book value (on a consolidated basis) of the Group's total assets treated as assets in accordance with IFRS, as set out in the then most recent financial statements (annual or quarterly (as the case may be)) of the Issuer.

"**Total Loss**" means an event where the Atrush PSC is revoked, rescinded, terminated, cancelled or otherwise cannot be enforced in accordance with its terms.

"**US Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**USD**" means US Dollars, being the legal currency of the United States of America.

"**Voting Bonds**" means the Outstanding Bonds less the Issuer's Bonds.

1.2 *Construction*

In this Bond Agreement, unless the context otherwise requires:

(a) headings are for ease of reference only;

(b) words denoting the singular number shall include the plural and vice versa;

(c) references to Clauses are references to the Clauses of this Bond Agreement;

(d) references to a time is a reference to Oslo time unless otherwise stated herein;

(e) references to a provision of law is a reference to that provision as it may be amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law, including any determinations, rulings, judgments and other binding decisions relating to such provision or regulation;

(f) an Event of Default is "**continuing**" if it has not been remedied or waived; and

(g) references to a "**person**" shall include any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality).

2 The Bonds

2.1 *Binding nature of this Bond Agreement*

2.1.1 By virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of this Bond Agreement and any other Finance Document, without any further action required to be taken or formalities to be complied with, see also Clause 18.1.

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2.1.2 This Bond Agreement is available to anyone and may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that this Bond Agreement is available to the general public throughout the entire term of the Bonds. This Bond Agreement may be published on Stamdata or such other venues as decided by the Bond Trustee.

2.2 *The Bonds*

The Issuer has resolved to issue a series of Bonds in the maximum amount of USD 150,000,000 (U.S. Dollar One Hundred and Fifty Million).

The Face Value is USD 100,000. The Bonds shall rank *pari passu* between themselves.

The Bond Issue will be described as "11.5 per cent General Exploration Partners, Inc. Senior Secured Callable Bond Issue 2013/2018".

The ISIN of the Bond Issue will be NO 0010692882.

The tenor of the Bonds is from and including the Issue Date to the Maturity Date.

2.3 *Purpose and utilization*

The proceeds of the Bonds shall be employed to:

(i) costs, expenses and fees relating to the issue and listing of the Bonds, including but not limited to fees to the Manager, the Trustee and the Paying Agent and legal fees to counsels of the Manager, the Trustee and the Issuer;

(ii) repay a short term loan from the Ultimate Parent to the Issuer of USD 8.2 million (the "**Bridge Loan**") provided in order for the Issuer to meet a cash call on 5th November 2013 under the Atrush PSC;

(iii) fund the Issuer's share of costs related to the financing, development and operation of the Atrush Block;

(iv) service 24 months of interests on the Bonds; and

(v) cover technical, management and administrative services within the Group, limited to USD 6 million per annum however limited to USD 1.5 million for the remainder of 2013.

3 Listing

3.1 The Issuer shall submit an application to list the Bonds on Oslo Stock Exchange.

3.2 If the Bonds are listed, the Issuer shall ensure that the Bonds remain listed until they have been discharged in full.

4 Registration in the Securities Depository

4.1 The Bond Issue and the Bonds shall prior to disbursement be registered in the Securities Depository according to the Norwegian Securities Depository Act (Act 2002/64) and the terms and conditions of the Securities Depository.

4.2 The Issuer shall ensure that correct registration in the Securities Depository is made and shall notify the Securities Depository of any changes in the terms and conditions of this Bond Agreement. The Bond Trustee shall receive a copy of the notification. The registration may be executed by the Paying Agent.

4.3 The Bonds have not been registered under the US Securities Act, and the Issuer is under no obligation to arrange for registration of the Bonds under the US Securities Act.

5 Purchase and transfer of Bonds

5.1 Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with applicable local laws and regulations at its own cost and expense.

5.2 Notwithstanding the above, a Bondholder which has purchased the Bonds in breach of applicable mandatory restrictions may nevertheless utilize its rights (including, but not limited to, voting rights) under this Bond Agreement.

6 Conditions Precedent

6.1 *Pre-Settlement*

Disbursement of the net proceeds of the Bonds to the Escrow Account will be subject to the Bond Trustee having received the documents listed below, in form and substance satisfactory to it, at least two Business Days prior to the Issue Date:

(a) this Bond Agreement, duly executed by all parties thereto;

(b) certified copies of all necessary corporate resolutions of the Issuer to issue the Bonds and to execute the Bond Agreement, the Bond Trustee Fee Agreement and the Escrow Account Pledge;

(c) a power of attorney from the Issuer to relevant individuals for their execution of the relevant Finance Documents, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute the relevant Finance Documents on behalf of the Issuer;

(d) certified copies of (i) the Certificate of Incorporation or other similar official document for the Issuer, evidencing that it is validly registered and existing and (ii) the Articles of Association of the Issuer;

(e) (i) Financial Statements for 2012 (unaudited and unconsolidated) for the Issuer and similar financial statements for each of the Guarantors except the Ultimate Parent, (ii) Financial Statements for 2012 (audited and consolidated) for the Ultimate Parent and (iii) Interim Accounts for 2Q 2013 (unaudited and consolidated) for the Ultimate Parent;

(f) confirmation from the Manager that the requirements set out in Chapter 7 of the Norwegian Securities Trading Act (implementing the EU prospectus directive (2003/71 EC) concerning prospectuses have been fulfilled;

(g) confirmation from the Issuer that no potential or actual Event of Default has occurred or is likely to occur as a result of the issuance of the Bonds;

(h) signed but undated resignation letters and authority to date such letters from the directors/board members of the Issuer (at the Settlement Date) upon an Event of Default;

(i) an irrevocable undertaking from the Parent to immediately appoint new directors/board members in the Issuer upon further instruction from the Bond Trustee upon an Event of Default;

(j) to the extent necessary, any public authorisations required for the Bond Issue;

(k) confirmation from the Paying Agent that the Bonds have been registered in the Securities Depository;

(l) the Bond Trustee Fee Agreement set out in Clause 14.2, duly executed;

(m) copies of any written documentation used in the marketing of the Bonds or made public by the Issuer or the Manager in connection with the Bond Issue;

(n) any statements or legal opinions from counsel in Canada, the Netherlands, the Cayman Islands, Switzerland and Norway, reasonably required by the Bond Trustee, in respect of the Financial Documents referred to in clause 6.1, (including any capacity corporate opinions for each Obligor thereunder and opinions related to the validity, perfection and enforceability of the Escrow Account Pledge);

(o) a copy of the Project Documents as well as satisfactory documentation evidencing that the Project Documents are executed and signed by all relevant parties; and

(p) the Escrow Account Pledge, duly executed by all parties and perfected (including all applicable notices, acknowledgements and consents from the account bank, to the extent required or advisable under the relevant applicable law).

6.2 *Pre-initial Disbursement*

Disbursement of funds from the Escrow Account will be subject to the Bond Trustee having received the documents listed below, in form and substance satisfactory to it, at least two Business Days prior to the disbursement:

(a) A duly executed release notice from the Issuer;

(b) relevant cash calls from the operator of the Atrush PSC or other evidence satisfactory to the Trustee that the amount to be released will be used in accordance with Clause 2.3 (iii) of the Bond Agreement, or confirmation from the Issuer that the amount released will be used in accordance with Clause 2.3(v) of the Bond Agreement;

(c) confirmation from the Issuer that no (potential) Event of Default has occurred and is continuing;

(d) satisfactory documentation evidencing that the Retention Account has been opened;

(e) a certificate from a director of the Issuer confirming that immediately after the first release from the Escrow Account, the Group has no other Financial Indebtedness other than such Financial Indebtedness incurred pursuant to the Finance Documents, the Project Documents or in the ordinary course of business (the Bridge Loan will be repaid in connection with the first release from the Escrow Account by utilizing the net proceeds on the Escrow Account);

(f) satisfactory documentation evidencing that, prior to the Settlement Date, all the issued capital of the Issuer is in the form of fully paid in equity;

(g) necessary corporate resolutions from the Issuer and the Guarantors to execute the Security Documents;

(h) the Security Documents being executed and perfected;

(i) any statements or legal opinions from counsel in Canada, the Netherlands, the Cayman Islands, Switzerland and Norway, reasonably required by the Trustee with respect to the validity, enforceability and perfection of the Security Interests under the Security Documents;

(j) any other Finance Documents in acceptable form and are executed.

6.3 Prior to each disbursement from the Escrow Account after the initial disbursement, the Bond Trustee shall receive the following documents:

(a) relevant invoices, cash call notices, service agreements, management fees or other supporting documentation evidencing that the amount to be released shall be applied in accordance with the Purpose of the Bond Issue; and

(b) confirmation from the Issuer that no (potential) Event of Default has occurred and is continuing.

6.4 The Bond Trustee may, in its reasonable opinion, waive the deadline or requirements for documentation as set out in Clauses 6.1, 6.2 and 6.3.

6.5 Disbursement of the net proceeds from the Bonds to the Escrow Account is subject to the Bond Trustee's written notice to the Issuer, the Manager and the Paying Agent that the documents have been controlled and that the required conditions precedent in Clause 6.1 are fulfilled.

6.6 On the Issue Date, subject to receipt of confirmation from the Bond Trustee pursuant to Clause 6.5, the Manager shall transfer the net proceeds from the Bond Issue to the Escrow Account.

6.7 The Issuer shall upon the first release from the Escrow Account deposit into the Retention Account an amount equal to 24 months interest payable on the Bonds. Such amount shall be used to pay the first four interest payments under the Bond Issue. From the date falling 24 months after the Settlement Date, the Issuer shall transfer on a monthly basis 1/6 of the next interest payment to the Retention Account, and such amounts shall be utilized to serve interest payments.

7 Representations and Warranties

7.1 The Issuer represents and warrants to the Bond Trustee that:

(a) Status

It is an exempted company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

(b) Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

(c) Valid, binding and enforceable obligations

This Bond Agreement and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

(d) Non-conflict with other obligations

The entry into and performance by it of this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

(e) *No Event of Default*

(i) No Event of Default exists or is likely to result from the making of any drawdown under this Bond Agreement or the entry into, the performance of, or any transaction contemplated by, any Finance Document.

(ii) No other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

(f) *Authorizations and consents*

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

(i) to enable it to enter into, exercise its rights and comply with its obligations under this Bond Agreement or any other Finance Document to which it is a party; and

(ii) to carry on its business as presently conducted and as contemplated by this Bond Agreement,

have been obtained or effected and are in full force and effect.

(g) *Litigation*

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it.

(h) *Financial Statements*

Its most recent Financial Statements and Interim Accounts fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

(i) *No Material Adverse Effect*

Since the date of the Financial Statements, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

(j) *No misleading information*

Any factual information provided by it to the subscribers or the Bond Trustee for the purposes of this Bond Issue was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

(k) No withholdings

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under this Bond Agreement.

(l) Pari passu ranking

Its payment obligations under this Bond Agreement or any other Finance Document to which it is a party rank at least *pari passu* as set out in Clause 8.1.

(m) Security

No Security exists over any of the present assets of any Group Company in conflict with this Bond Agreement.

(n) The Project Documents

The Project Documents are in full force and effect and generally capable of being performed. None of the covenants or obligations in the Bond Agreement would breach any of the Project Documents and there are no defaults by the Issuer under the Project Documents.

(o) Atrush PSC

There are no circumstances outstanding that allow or may allow other parties to repurchase the Issuer's interests in the Atrush PSC.

7.2 The representations and warranties set out in Clause 7.1 are made on the execution date of this Bond Agreement, and shall be deemed to be repeated on the Issue Date and on each drawdown date from the Escrow Account.

8 Status of the Bonds and security

8.1 The Bonds shall constitute senior debt obligations of the Issuer. The Bonds shall rank at least *pari passu* with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt.

8.2 The Bonds, including accrued but unpaid interest, costs and expenses, shall be secured by the Security Interests.

8.3 The Issuer shall, prior to any Group Loan being established, ensure that an Assignment of Group Loans and Subordination Deed are executed by the relevant Group Companies.

9 Interest

9.1 The Issuer shall pay interest on the par value of the Bonds from, and including, the Issue Date at a fixed rate of 11.5 per cent (11.5%) per annum (the "**Fixed Rate**").

9.2 Interest payments shall be made in arrears on the Interest Payment Dates each year, the first Interest Payment Date being 13 May 2014. Kh

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9.3 The relevant interest payable amount shall be calculated based on a period from, and including, one Interest Payment Date to, but excluding, the next following applicable Interest Payment Date.

9.4 The day count fraction ("**Fixed Rate Day Count Fraction**") in respect of the calculation of the payable interest amount shall be "30/360", which means that the number of days in the calculation period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-days months (unless (i) the last day of the calculation period is the 31st day of a month but the first day of the calculation period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the calculation period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

9.5 The payable interest amount per Bond for a relevant calculation period shall be calculated as follows:

Interest Amount Fraction	=	Face Value	x	Fixed Rate	x	Fixed Rate Day Count

10 Maturity of the Bonds and Redemption

10.1 *Maturity*

The Bonds shall mature in full on the Maturity Date, and shall be repaid at par (100%) by the Issuer.

10.2 *Call Option*

10.2.1 The Issuer may redeem the Bond Issue in whole (and not in parts) at any time from and including (Call Option):

(i) the date falling 2 years after the Settlement Date to, but not including, the date falling 3 years after the Settlement Date at a price equal to 106.0% of par value (plus accrued interest on redeemed amount);

(ii) the date falling 3 years after the Settlement Date to, but not including, the date falling 4 years after the Settlement Date at a price equal to 104.0% of par value (plus accrued interest on redeemed amount);

(iii) the date falling 4 years after the Settlement Date to, but not including, the date falling 4.5 years after the Settlement Date at a price equal to 101.5% of par value (plus accrued interest on redeemed amount); and

(iv) the date falling 4.5 years after the Settlement Date to, but not included, the Maturity Date at a price equal to 100.75% of par value (plus accrued interest on redeemed amount).

10.2.2 Exercise of the Call Option shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty Business Days prior to the settlement date of the Call Option.

10.2.3 On the settlement date of the Call Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, in respect of each such Bond, the principal amount of such Bond (including any premium as stated above) and any unpaid interest accrued up to the settlement date.

10.2.4 Bonds redeemed by the Issuer in accordance with this Clause 10.2 shall be discharged against the Outstanding Bonds.

10.3 *Change of control*

10.3.1 Upon the occurrence of a Change of Control Event, each Bondholder shall have the right to require that the Issuer redeems its Bonds (a "**Put Option**") at a price of 101% of par plus accrued interest.

10.3.2 The Put Option must be exercised within 60 days after the Issuer has given notification to the Bond Trustee of a Change of Control Event. Such notification shall be given as soon as possible after a Change of Control Event has taken place.

10.3.3 The Put Option may be exercised by each Bondholder by giving written notice of the request to its Account Manager. The Account Manager shall notify the Paying Agent of the redemption request. The settlement date of the Put Option shall be the third Business Day after the end of the 60 day exercise period of the Put Option.

10.3.4 On the settlement date of the Put Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, the principal amount of each such Bond (including any premium pursuant to Clause 10.3.1) and any unpaid interest accrued up to (but not including) the settlement date.

10.4 *Mandatory Prepayment*

Upon a Mandatory Prepayment Event occurring, the Issuer shall, not later than 30 calendar days following the relevant Mandatory Prepayment Event, unless there is an Event of Default in which case it will be promptly, redeem 100.0% of the outstanding Bonds as follows:

(i) from the Settlement Date to, but not including, the Interest Payment Date falling 24 months after the Settlement Date, at a price equivalent to the sum of:

a. the present value of 106.0% of par value as if such payment originally should have taken place on the Interest Payment Date falling 24 months after the Settlement Date;

b. the present value of the remaining interest payments (less any accrued interest) through to and including the Interest Payment Date falling 24 months after the Settlement Date; and

c. accrued interest on the redeemed Bonds, both a. and b. above calculated by using a discount rate of 50 basis points over the comparable U.S. Treasury Rate (i.e. comparable to the remaining duration of the Bonds until the date falling 24 months after the Settlement Date) on the 10th business day prior to the redemption date; and

(ii) from and including the Interest Payment Date falling 24 months after the Settlement Date until, but not including the Maturity Date, such redemption shall take place at the prevailing call premiums.

The redemption notice shall be provided no later than 10 business days prior to the redemption date. For the avoidance of doubt, the redemption price shall be determined based on the date the Mandatory Prepayment Event occurred and not based on the date the repayment is carried out.

Upon a Total Loss, the Issuer shall, on the earlier of (i) the date of receipt of insurance proceeds or (ii) the date occurring 180 days after the date of the Total Loss, redeem 100% of the outstanding Bonds at 101% of par value (plus accrued interest on the redeemed amount).

If the Bonds are redeemed according to this Mandatory Prepayment clause, the entire amount on the Accounts, together with any amounts received under any insurance proceeds may be applied to prepay the Bonds.

11 Payments

11.1 *Covenant to pay*

11.1.1 The Issuer will on any Payment Date (or any other due date pursuant to any Finance Document) unconditionally pay to or to the order of the Bond Trustee all amounts due under this Bond Agreement or any other Finance Document.

11.1.2 The covenant contained in Clause 11.1.1 shall be for the benefit of the Bond Trustee and the Bondholders.

11.2 *Payment mechanics*

11.2.1 If no specific order is made by the Bond Trustee under Clause 11.1.1, the Issuer shall pay all amounts due to the Bondholders under this Bond Agreement or any other Finance Document by crediting the bank account nominated by each Bondholder in connection with its securities account in the Securities Depository.

11.2.2 Payment shall be deemed to have been made once the amount has been credited to the bank which holds the bank account nominated by the Bondholder in question, but if the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question, see however Clause 11.3.

11.2.3 In case of irregular payments, the Bond Trustee may instruct any Obligor or Bondholders of other payment mechanisms than described in Clause 11.2.1 or 11.2.2 above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Depository or Account Managers.

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11.2.4 Subject to Clause 11.3, payment by the Issuer in accordance with this Clause 11.2 shall constitute good discharge of its obligations under Clause 11.1.1.

11.3 *Currency*

11.3.1 If the Bonds are denominated in other currencies than NOK, each Bondholder has to provide the Paying Agent (either directly or through its Account Manager) with specific payment instructions, including foreign exchange bank account details. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, cash settlement may be delayed, and payment shall be deemed to have been made at the date of the cash settlement, provided however, that no default interest or other penalty shall accrue for the account of the Issuer.

11.3.2 Except as otherwise expressly provided, all amounts payable under this Bond Agreement and any other Finance Document shall be payable in the same currency as the Bonds are denominated in. If, however, the Bondholder has not given instruction as set out in Clause 11.3 within five Business Days prior to a Payment Date, the cash settlement will be exchanged into NOK and credited to the NOK bank account registered with the Bondholder's account in the Securities Depository.

11.3.3 Amounts payable in respect of costs, expenses, taxes and other liabilities of a similar nature shall be payable in the currency in which they are incurred.

11.4 *Set-off and counterclaims*

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to this Bond Agreement or any other Finance Document.

11.5 *Interest in the event of late payment*

11.5.1 In the event that any amount due under this Bond Agreement or any Finance Document is not made on the relevant due date, the unpaid amount shall bear interest from the due date at an interest rate equivalent to the interest rate according to Clause 9 plus five per cent (5.00%) per annum.

11.5.2 The interest charged under this Clause 11.5 shall be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.

11.5.3 The unpaid amounts shall bear interest as stated above until payment is made, whether or not the Bonds are declared to be in default pursuant to Clause 15.1(a), cf. Clauses 15.2 - 15.4.

11.6 *Partial payments*

If the Bond Trustee or the Paying Agent receives a payment that is insufficient to discharge all the amounts then due and payable under the Finance Documents, that payment shall be applied in the following order:

(a) first, in or towards payment of any unpaid fees, costs and expenses of the Bond Trustee under the Finance Documents;

(b) secondly, in or towards payment of any accrued interest due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind; and

(c) thirdly, in or towards payment of any principal due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind.

12 Issuer's acquisition of Bonds

The Issuer has the right to acquire and own Bonds (Issuer's Bonds). The Issuer's holding of Bonds may at the Issuer's discretion be retained by the Issuer, sold or discharged.

13 Covenants

13.1 *General*

13.1.1 The Issuer undertakes from the date of this Bond Agreement and until such time that no amounts are outstanding under this Bond Agreement or any other Finance Document, to the Bond Trustee, as further set out in this Clause 13.

13.2 *Information Covenants*

13.2.1 The Issuer shall:

(a) without being requested to do so, promptly inform the Bond Trustee in writing of any Event of Default, any event or circumstance which the Issuer understands or ought to understand may lead to an Event of Default and any other event which may have a Material Adverse Effect;

(b) without being requested to do so, inform the Bond Trustee in writing if the Issuer agrees to sell or dispose of all or a substantial part of its assets or operations, or change the nature of its business;

(c) without being requested to do so, prepare Financial Statements and forward the same to the Trustee as soon as they become available, and not later than 90 days after the end of the financial year;

(d) without being requested to do so, prepare Interim Accounts and forward the same to the Trustee as soon as they become available, and not later than 60 days after the end of the relevant interim period;

(e) at the request of the Bond Trustee, report the balance of the Issuer's Bonds;

(f) without being requested to do so, send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;

(g) on each Liquidity Reporting Date provide the Bond Trustee with a statement that the Free Cash in the Group is sufficient to cover Budgeted Cash Calls for the Atrush PSC and JOA until the next Liquidity Reporting Date;

(h) up to and including the month the earnings from the Atrush PSC starts to accrue, provide to the Trustee semi-annual updates on the progression of the development of the Atrush Block under the Atrush PSC, in a reporting form and content reasonably satisfactory to the Bond Trustee;

(i) if the Bonds are listed on an exchange, without being requested to do so, send a copy to the Bond Trustee of its notices to the Exchange;

(j) if the Issuer and/or the Bonds are rated, without being requested to do so, inform the Bond Trustee of its and/or the rating of the Bond Issue, and any changes to such rating;

(k) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Depository; and

(l) within a reasonable time, provide such information about the Issuer's business, assets and financial condition as the Bond Trustee may reasonably request.

The Bond Trustee may and shall upon request distribute such above-mentioned reports referred to in Clause 13.2.1(c), (d) and (h) to the Bondholders and any other party requesting such report, and the Issuer shall reimburse the Bond Trustee for any reasonable costs incurred therewith.

13.2.2 The Issuer shall in connection with the publication of its financial reports under Clause 13.2.1(c) and (d), confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in this Clause 13, unless the Bond Trustee explicitly waives such requirement. Such confirmation shall be undertaken in a certificate, substantially in the form set out in Attachment 1 hereto, signed by a director of the Issuer (a "**Compliance Certificate**"). In the event of non-compliance, the Compliance Certificate shall describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

13.3 *General Covenants*

(a) Pari passu ranking

The Issuer shall ensure that its obligations under this Bond Agreement and any other Finance Document shall at all time rank at least *pari passu* as set out in Clause 8.1.

(b) Mergers

The Issuer shall not carry out any merger or other business combination or corporate reorganization. m

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(c) De-mergers

The Issuer shall not carry out any de-merger or other corporate reorganization involving a split of the Issuer into two or more separate companies or entities.

(d) Continuation of business

The Issuer shall remain a single-purpose company owning a working interest in the Atrush Block under the Atrush PSC, and not cease to carry on its business or change the general nature of its business.

(e) Disposal of business

The Issuer shall not sell or otherwise dispose of all or a substantial part of its assets or operations, unless the Bonds are redeemed in accordance with the Mandatory Prepayment provisions.

(f) Arm's length transactions

The Issuer shall not, and the Issuer shall ensure that no other Group Company shall, enter into any transaction with any person except on arm's length terms and for fair market value.

(g) Corporate status

The Issuer shall not change its type of organization or jurisdiction of incorporation.

(h) Compliance with laws

The Issuer shall carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations it or they may be subject to from time to time.

(i) Security

The Issuer shall do all acts which may be necessary to ensure that each Security Document remains duly created, enforceable and perfected first priority, at the expense of the Issuer or the relevant security provider (as the case may be).

13.4 *Special covenants*

(a) Obligations related to the Project Documents

The Issuer shall:

(i) At all times honour any and all material obligations related to the Project Documents in a timely manner. In the event that any such material obligation related to the Project Documents are not honoured, or if the Issuer or any Group Company reasonably foresees that it may not be able to honour any such obligations fully and timely the Issuer shall immediately, and without any further delay notify the Bond Trustee of such an event; and

(ii) meet all its obligations and enforce any rights under the Project Documents that it has to ensure that the Atrush Block, under the Atrush PSC, to the best of its knowledge at all times is operated and maintained materially in accordance with the Project Documents, including to perform and observe

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all its covenants and agreements contained in any of the Project Documents, take all necessary action to prevent the termination of any such Project Documents in accordance with the terms thereof or otherwise, and take any and all action as may be reasonably necessary promptly to enforce its rights and to collect any and all sums due to it under the Project Documents.

The Issuer shall not:

(i) in respect of any Project Documents (i) transfer by way of assignment (or otherwise) any of its rights and interests, whether directly or indirectly, under the Project Documents, (ii) amend, supplement, modify or give any consent under any Project Document or exercise any material option thereunder, except for amendments not having any material negative impact on the value of the Atrush PSC or the Issuer's interest in the Atrush PSC as contemplated pursuant to the Project Documents, or (iii) agree to the cancellation or termination of any Project Document or take any legal or administrative action that seeks to rescind or terminate such Project Documents, except in the event that it constitutes a substitution of the said Project Document which is acceptable to the Bond Trustee acting reasonably, or

(ii) agree to or permit the assignment of any rights of the Issuer under the Project Documents.

(b) Dividends and other distributions

The Issuer shall not declare or make any dividend payment, repurchase of shares or make loans or other capital distributions to its shareholders (included but not limited to total return swaps involving any shares issued by any party) save for an aggregate annual amount limited to USD 6 million to cover technical, management and administrative services within the Group (limited to USD 1.5 million for the remainder of 2013).

(c) Constitutional Documents

The Issuer shall not amend its constitutional documents, it being understood that any amendment relating to issuance of new shares to its immediate parent in connection with conversion of debt to equity or otherwise will be permitted, provided that such shares are subject to the Issuer Share Pledge or are otherwise secured in favour of the Bond Trustee.

(d) Financial Indebtedness restrictions

The Issuer shall not incur or permit to remain outstanding any Financial Indebtedness (whether secured or unsecured) other than (i) any Financial Indebtedness arising under the Bond Issue, (ii) currency hedging entered into in the ordinary course of business and limited to a maximum nominal amount of USD 10 million, and (iii) any Group Loans. For the avoidance of doubt, any refinancing of all (but not part) of the Bonds where such Financial Indebtedness arises prior to the redemption of the Bonds for the express purpose of, inter alia, redeeming the Bonds in full shall be permitted where refinancing is assured. Ka

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(e) Negative Pledge

The Issuer shall not create or permit to subsist any Security over any of its current or future assets or revenues or enter into arrangements having a similar effect except for (i) any security contemplated by the Finance Documents from time to time and (ii) any Security arising by operation of law or in the ordinary course of business in connection with the Atrush PSC (including collateral in connection with credit purchases of goods and services). For the avoidance of doubt Security provided in connection with a refinancing of all (but not part) of the Bonds where Security must be provided for technical reasons before the Bonds have been redeemed, shall be permitted where refinancing is assured.

(f) Security restriction

The Issuer shall not make any other financial or other arrangements concerning any of the Security Interests other than provided for in the Finance Documents.

(g) Financial Assistance restrictions

The Issuer shall not grant any loans, guarantees or other financial assistance to any Group Company and/or any third party, except (i) guarantees issued for the benefit of third parties in the ordinary course of business, Group Loans from the Parent to the Issuer and (ii) guarantees required under the Project Documents.

(h) Related party transactions

The Issuer shall not engage directly or indirectly, in any transaction with any related party (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except in the ordinary course of business and pursuant to the reasonable requirement of the Issuer's business and upon fair and reasonable terms that are not less favourable to the Issuer, as the case may be, than those which might be obtained in an arm's length transaction at the time.

(i) Subsequent Security and Subordination Deed

The Issuer shall, prior to any Group Loan being established, ensure that the Assignment of Group Loans and the Subordination Deed with respect to such Group Loan is duly executed by the relevant Group Companies.

13.5 *Ultimate Parent Covenants*

13.5.1 The Ultimate Parent shall

(a) deliver on its own accord the Financial Statements and quarterly Interim Accounts (on an unconsolidated basis) and for the Group (on a consolidated basis), which shall be made available on the Ultimate Parent's website (in addition to sending them to the Bond Trustee) as soon they are available and not later than 180 days after the end of the financial year and not later than 90 days after the end of the relevant interim period. Such reports shall be prepared in accordance with IFRS, and include a profit and loss account, balance sheet, cash flow statement and management commentary or report from the Board of Directors);

(b) have its shares remain listed on TSX Venture Exchange and/or NASDAQ OMX First North or another reputable regulated stock exchange;

(c) not make any dividend payment, repurchase of shares or make loans or other capital distributions to its shareholders (included but not limited to total return swaps involving any shares issued by any party);

(d) not, and procure that no member of the Group shall, enforce and/or accelerate any monetary claim against the Issuer, the Parent or ShaMaran Services without prior written consent of the Bond Trustee and ensure that any monetary claims are subordinated to the Bondholders' claim in an insolvency, and subject to the Subordination Deed;

(e) not, and procure that no member of the Group will, demand any dividend payments or other distributions from the Issuer, other than as allowed by the Bond Agreement;

(f) maintain its 100% indirect control and ownership of the Parent and to ensure that the Parent remains 100% direct ownership and control of the Issuer;

(g) ensure that the Issuer does not sell or dispose of any material assets or operations, unless the Bonds are redeemed in full in accordance with the Mandatory Prepayment provisions;

(h) ensure that the Issuer, the Parent and ShaMaran Services do not de-merge, merge or in any other way restructure their business, and that no other Group Company de-merge, merge or in any other way restructure its business if such transaction has a Material Adverse Effect;

(i) (to the extent applicable) perform and observe all of its, and ensure that each Group Company observes all of its, covenants and agreements contained in any of the Project Documents to which it or any Group Company is or becomes a party, to take all necessary action to prevent the termination of any such Project Documents in accordance with the terms thereof or otherwise, and to take any and all action as may be reasonably necessary promptly to enforce its rights and to collect any and all sums due to it under the Project Documents; and

(j) ensure that the Issuer's Board of Directors consists of 2 directors. Upon an Event of Default, the Parent shall take all steps necessary to ensure that the incumbent directors are removed, or shall resign, from office and are replaced by 2 directors to be nominated by the Bond Trustee. In support of such contractual obligation, the Parent shall procure the delivery to the Bond Trustee of (a) signed but undated resignation letters and authority to date such letters from the current directors and any subsequent directors and (b) an irrevocable undertaking to appointing the new directors upon further instruction by the Bond Trustee upon an Event of Default.

13.5.2 The Bond Trustee may and shall upon request distribute such above-mentioned reports referred to in Clause 13.5.1(a) to the Bondholders and any other party requesting such report, and the Issuer shall reimburse the Bond Trustee for any reasonable costs incurred therewith.

13.6 *Book Equity Ratio*

During the term of the Bond Issue, the Ultimate Parent shall ensure that the Group maintains a Book Equity Ratio of minimum 40.0% at any time.

The Book Equity Ratio will apply for the Group on a consolidated basis, and it will apply at all times and it will be tested on every Calculation Date. The Book Equity Ratio will be reported within every corresponding Reporting Date.

14 Fees and expenses

14.1 The Issuer shall cover all costs and expenses incurred by it or the Bond Trustee (and/or the Security Agent) in connection with this Bond Agreement and the fulfilment of its obligations under this Bond Agreement or any other Finance Document, including in connection with the negotiation, preparation, execution and enforcement of this Bond Agreement and the other Finance Documents and any registration or notifications relating thereto (including any stamp duty), the listing of the Bonds on an Exchange (if applicable), and the registration and administration of the Bonds in the Securities Depository. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from any Obligor or any other person, irrespective of such funds being subject to Security under a Finance Documents, to set-off and cover any such costs and expenses.

14.2 The fees, costs and expenses payable to the Bond Trustee (and/or the Security Agent) shall be paid by the Issuer and are set out in a separate agreement between the Issuer and the Bond Trustee (and/or the Security Agent).

14.3 Fees, costs and expenses payable to the Bond Trustee (or the Security Agent) which, due to the Issuer's insolvency or similar circumstances, are not reimbursed in any other way may be covered by making an equivalent reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee (or the Security Agent) in connection with the restructuring or default of the Bond Issue and the enforcement of any Security.

14.4 Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.

14.5 The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.

14.6 If the Issuer is required by law to withhold any withholding tax from any payment under any Finance Document:

(a) the amount of the payment due from the Issuer shall be increased to such amount which is necessary to ensure that the Bondholders receive a net amount which is (after making the required withholding) equal to the payment which would have been due if no withholding had been required; and

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(b) the Issuer shall at the request of the Bond Trustee deliver to the Bond Trustee evidence that the required tax reduction or withholding has been made.

14.7 If any withholding tax is imposed due to subsequent changes in applicable law after the date of this Bond Agreement, the Issuer shall have the right to call all but not some of the Bonds at par value plus accrued interest. Such call shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty - 30 - Business Days prior to the settlement date of the call.

15 Events of Default

15.1 The Bond Trustee may declare the Bonds to be in default upon occurrence of any of the following events:

(a) Non-payment

The Issuer fails to fulfil any payment obligation due under this Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is likely that such payment will be made in full within five Business Days following the original due date.

(b) Breach of other obligations

The Issuer does not comply with any provision pursuant to this Bond Agreement or any other Finance Document, unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten Business Days after notice thereof is given to the Issuer by the Bond Trustee.

(c) Breach of obligations by Obligors

Any Obligor does not comply with any provision pursuant to any Finance Document binding on such Obligor, unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten Business Days after notice thereof is given to the Issuer by the Bond Trustee.

(d) Cross default

If for any Group Company:

(i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;

(ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);

(iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or

(iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described), Uy always provided that a threshold in the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above of a total of USD 5 million, or the equivalent thereof in other currencies, shall apply.

(e) *Misrepresentations*

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement or any other Finance Document or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

(f) *Insolvency*

(i) Any Obligor is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(ii) The value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities).

(iii) A moratorium is declared in respect of any indebtedness of any member of the Group.

(g) *Insolvency proceedings and dissolution*

If for the Issuer, any corporate action, legal proceedings or other procedure step is taken in relation to:

(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganization;

(ii) a composition, compromise, assignment or arrangement with any creditor, having an adverse effect on the Issuer's ability to perform its payment obligations hereunder;

(iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

(iv) its dissolution,

or any analogous procedure or step is taken in any jurisdiction.

(h) *Creditors' process*

The Issuer has a substantial proportion of the assets impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any Security over any of its assets.

(i) Impossibility or illegality

It is or becomes impossible or unlawful for the Issuer to fulfil or perform any of the terms of any Finance Document to which it is a party.

(j) Material Adverse Change

Any other event or circumstance occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, would have a Material Adverse Effect.

(k) *Increased Funding Need*

In the event the Free Cash in the Group is not sufficient to cover any Budgeted Cash Calls for the Atrush PSC and JOA until the next Liquidity Reporting Date ("**Increased Funding Need**"), and this is not remedied within the earliest of 60 calendar days from the relevant Liquidity Reporting Date and 15 calendar days prior to maturity date for the Budgeted Cash Call for which the Issuer is in shortfall.

(l) Inability to make payments

The inability of the Issuer to make any payment under the Project Documents on its original due date (to which no grace period shall apply).

15.2 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee can, in order to protect the interests of the Bondholders, declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment.

The Bond Trustee may at its discretion, take every measure necessary to recover the amounts due under the Outstanding Bonds, and all other amounts outstanding under this Bond Agreement and any other Finance Document.

15.3 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee shall declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment if:

(a) the Bond Trustee receives a demand in writing that a default shall be declared from Bondholders representing at least 1/5 of the Voting Bonds, and the Bondholders' Meeting has not decided on other solutions, or

(b) the Bondholders' Meeting has with simple majority decided to declare the Outstanding Bonds in default and due for payment.

In either case the Bond Trustee shall take every measure necessary to recover the amounts due under the Outstanding Bonds.

15.4 In the event that the Bond Trustee pursuant to the terms of Clauses 15.2 or 15.3 declares the Outstanding Bonds to be in default and due for payment, the Bond Trustee shall immediately deliver to the Issuer a notice demanding payment of interest and principal due to the Bondholders under the Outstanding Bonds including accrued interest and interest on overdue amounts and expenses.

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16 Bondholders' Meeting

16.1 *Authority of the Bondholders' Meeting*

16.1.1 The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds, and has the power to make all decisions altering the terms and conditions of the Bonds, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.

16.1.2 The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

16.1.3 If a resolution by or an approval of the Bondholders is required, such resolution shall be passed at a Bondholders' Meeting, see however Clause 17.1. Resolutions passed at Bondholders' Meetings shall be binding upon all Bondholders and prevail for all the Bonds.

16.2 *Procedural rules for Bondholders' meetings*

16.2.1 A Bondholders' Meeting shall be held at the written request of:

(a) the Issuer;

(b) Bondholders representing at least 1/10 of the Voting Bonds;

(c) the Exchange, if the Bonds are listed; or

(d) the Bond Trustee.

16.2.2 The Bondholders' Meeting shall be summoned by the Bond Trustee. A request for a Bondholders' Meeting shall be made in writing to the Bond Trustee, and shall clearly state the matters to be discussed.

16.2.3 If the Bond Trustee has not summoned a Bondholders' Meeting within ten Business Days after having received a valid request, then the requesting party may summons the Bondholders' Meeting itself.

16.2.4 The notice of a Bondholders' Meeting shall be dispatched no later than ten Business Days prior to the date of the Bondholders' Meeting. The notice and a confirmation of each Bondholder's holdings of Bonds shall be sent to all Bondholders registered in the Securities Depository at the time of distribution. The notice shall also be sent to the Exchange for publication if the Bonds are listed.

16.2.5 The summons shall specify the agenda of the Bondholders' Meeting. The Bond Trustee may in the summons also set out other matters on the agenda than those requested. If amendments to this Bond Agreement have been proposed, the main content of the proposal shall be stated in the summons.

16.2.6 The Bond Trustee may restrict the Issuer from making any changes in the number of Voting Bonds in the period from distribution of the summons until the Bondholders' Meeting, by serving notice to it to such effect.

16.2.7 Matters that have not been reported to the Bondholders in accordance with the procedural rules for summoning of a Bondholders' Meeting may only be adopted with the approval of all Voting Bonds.

16.2.8 The Bondholders' Meeting shall be held on premises designated by the Bond Trustee. The Bondholders' Meeting shall be opened and shall, unless otherwise decided by the Bondholders' Meeting, be chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting shall be opened by a Bondholder, and be chaired by a representative elected by the Bondholders' Meeting.

16.2.9 Minutes of the Bondholders' Meeting shall be kept. The minutes shall state the numbers of Bondholders and Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the result of the voting. The minutes shall be signed by the chairman and at least one other person elected by the Bondholders' Meeting. The minutes shall be deposited with the Bond Trustee and shall be available to the Bondholders.

16.2.10 The Bondholders, the Bond Trustee and – provided the Bonds are listed – representatives of the Exchange, have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. Bondholders may attend by a representative holding proxy. Bondholders have the right to be assisted by an advisor. In case of dispute the chairman shall decide who may attend the Bondholders' Meeting and vote for the Bonds.

16.2.11 Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters. The Issuer has the right to be present under the voting.

16.3 *Resolutions passed at Bondholders' Meetings*

16.3.1 At the Bondholders' Meeting each Bondholder may cast one vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Depository. The Bond Trustee may, at its sole discretion, accept other evidence of ownership. Whoever opens the Bondholders' Meeting shall adjudicate any question concerning which Bonds shall count as the Issuer's Bonds. Bonds owned by the Issuer or any other Group Company shall not have any voting rights.

For this purpose, a Bondholder that has a Bond that is nominee registered shall be deemed as the Bondholder of such Bond (instead of the nominee) provided that the Bondholder presents relevant evidence stating that the relevant Bondholder is the Bondholder of the Bond and the amount of Bonds held by such Bondholder.

16.3.2 In all matters, the Issuer, the Bond Trustee and any Bondholder have the right to demand vote by ballot. In case of parity of votes, the chairman shall have the deciding vote, regardless of the chairman being a Bondholder or not.

16.3.3 In order to form a quorum, at least half (1/2) of the Voting Bonds must be represented at the meeting, see however Clause 16.4. Even if less than half (1/2) of the Voting Bonds are represented, the Bondholders' Meeting shall be held and voting completed.

16.3.4 Resolutions shall be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in Clause 16.3.5.

16.3.5 A majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of this Bond Agreement.

16.3.6 A person (or group of persons) which directly or indirectly hold or control more than 10 % ownership in the Ultimate Parent (including through derivative structures) shall be restricted from voting for bonds if an Event of Default has occurred and for as long such Event of Default is continuing. Such persons shall in all circumstances be restricted from vetoing any resolutions in Bondholder's Meetings requiring 2/3 majority. For the avoidance of doubt, the prohibition against adopting any resolutions which may give certain Bondholders an unreasonable advantage at the expense of other Bondholders shall continue to apply.

16.3.7 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.

16.3.8 The Bond Trustee shall ensure that resolutions passed at the Bondholders' Meeting are properly implemented, however, the Bond Trustee may refuse to carry out resolutions being in conflict with this Bond Agreement (or any other Finance Document) or any applicable law.

16.3.9 The Issuer, the Bondholders and the Exchange shall be notified of resolutions passed at the Bondholders' Meeting.

16.4 *Repeated Bondholders' meeting*

16.4.1 If the Bondholders' Meeting does not form a quorum pursuant to Clause 16.3.3, a repeated Bondholders' Meeting may be summoned to vote on the same matters. The attendance and the voting result of the first Bondholders' Meeting shall be specified in the summons for the repeated Bondholders' Meeting.

16.4.2 A valid resolution may be passed at a repeated Bondholders' meeting even though less than half (1/2) of the Voting Bonds are represented.

17 The Bond Trustee

17.1 *The role and authority of the Bond Trustee*

17.1.1 The Bond Trustee shall monitor the compliance by the Issuer of its obligations under this Bond Agreement and applicable laws and regulations which are relevant to the terms of this Bond Agreement, including supervision of timely and correct payment of principal or interest, (however, this shall not restrict the Bond Trustee from discussing matters of confidentiality with the Issuer), arrange Bondholders' Meetings, and make the decisions and implement the measures resolved pursuant to this Bond Agreement. The Bond Trustee is not obligated to assess the Issuer's financial situation beyond what is directly set out in this Bond Agreement.

17.1.2 The Bond Trustee may take any step it in its sole discretion considers necessary or advisable to ensure the rights of the Bondholders in all matters pursuant to the terms of this Bond Agreement and is entitled to rely on advice from professional advisors. The Bond Trustee may in its sole discretion postpone taking action until such matter has been put forward to the Bondholders' Meeting. The Bond Trustee is not obliged to take any steps to ascertain whether any Event of Default has occurred and until it has actual knowledge or express notice to the contrary the Bond Trustee is entitled to assume that no Event of Default has occurred.

17.1.3 The Bond Trustee may make decisions binding for all Bondholders concerning this Bond Agreement, including amendments to this Bond Agreement and waivers or modifications of certain provisions, which in the opinion of the Bond Trustee, do not materially and adversely affect the rights or interests of the Bondholders pursuant to this Bond Agreement.

17.1.4 The Bond Trustee may reach decisions binding for all Bondholders in circumstances other than those mentioned in Clause 17.1.3 provided that prior notification has been made to the Bondholders. Such notice shall contain a proposal of the amendment and the Bond Trustee's evaluation. Further, such notification shall state that the Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written protest against the proposal within a deadline set by the Bond Trustee. Such deadline may not be less than five Business Days following the dispatch of such notification.

17.1.5 The Bond Trustee may reach other decisions than set out in Clauses 17.1.3 or 17.1.4 to amend or rectify decisions which due to spelling errors, calculation mistakes, misunderstandings or other obvious errors do not have the intended meaning.

17.1.6 The Bond Trustee may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.

17.1.7 The Issuer, the Bondholders and the Exchange shall be notified of decisions made by the Bond Trustee pursuant to Clause 17.1 unless such notice obviously is unnecessary.

17.1.8 The Bondholders' Meeting can decide to replace the Bond Trustee without the Issuer's approval, as provided for in Clause 16.3.5.

17.1.9 The Bond Trustee may act as bond trustee and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee may delegate exercise of its powers to other professional parties.

17.1.10 The Bond Trustee may instruct the Paying Agent to split the Bonds to a lower denomination in order to facilitate partial redemptions or restructuring of the Bonds or other situations.

17.2 *Liability and indemnity*

17.2.1 The Bond Trustee is liable only for direct losses incurred by Bondholders or the Issuer as a result of gross negligence or wilful misconduct by the Bond Trustee in performing its functions and duties as set out in this Bond Agreement. Such liability is limited to the maximum amount set out in Clause 2.2. The Bond Trustee is not liable for the content of information provided to the Bondholders on behalf of the Issuer.

17.2.2 The Issuer is liable for, and shall indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees, agents and representatives) to fulfil its obligations under the terms of this Bond Agreement and any other Finance Document, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the establishment and performance of this Bond Agreement and any other Finance Document.

17.2.3 The Bond Trustee can as a condition for carrying out an instruction from the Bondholders (including, but not limited to, instructions set out in Clause 15.3(a) or 16.2.1 (b), require satisfactory security and indemnities for any possible liability and anticipated costs and expenses, from those Bondholders who requested that instruction and/or those who voted in favour of the decision to instruct the Bond Trustee. Any instructions from the Bondholders may be put forward to the Bondholders' Meeting by the Bond Trustee before the Bond Trustee takes any action.

17.3 *Change of Bond Trustee*

17.3.1 Change of Bond Trustee shall be carried out pursuant to the procedures set out in Clause 16. The Bond Trustee shall continue to carry out its duties as bond trustee until such time that a new Bond Trustee is elected.

17.3.2 The fees and expenses of a new bond trustee shall be covered by the Issuer pursuant to the terms set out in Clause 14, but may be recovered wholly or partially from the Bond Trustee if the change is due to a breach by the Bond Trustee of its duties pursuant to the terms of this Bond Agreement or other circumstances for which the Bond Trustee is liable.

17.3.3 The Bond Trustee undertakes to co-operate so that the new bond trustee receives without undue delay following the Bondholders' Meeting the documentation and information necessary to perform the functions as set out under the terms of this Bond Agreement.

17.4 *Appointment of Security Agent*

17.4.1 The Bond Trustee is appointed to act as Security Agent for the Bond Issue.

The main functions of the Security Agent may include holding Security on behalf of the Bondholders and monitoring compliance by the Issuer and other relevant parties of their respective obligations under this Bond Agreement and/or the Security Documents with respect to the Security.

Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

17.4.2 The functions, rights and obligations of the Security Agent may be determined by a Security Agent agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other parties to any Security Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters.

Any changes to this Bond Agreement necessary or appropriate in connection with the appointment of a Security Agent shall be documented in an amendment to this Bond Agreement, signed by the Bond Trustee.

17.4.3 If so desired by the Bond Trustee, any or all of the Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

18 Miscellaneous

18.1 *The community of Bondholders*

By virtue of holding Bonds, which are governed by this Bond Agreement (which pursuant to Clause 2.1.1 is binding upon all Bondholders), a community exists between the Bondholders, implying, inter alia, that:

(a) the Bondholders are bound by the terms of this Bond Agreement;

(b) the Bond Trustee has power and authority to act on behalf of, and/or represent; the Bondholders, in all matters, included but not limited to taking any legal or other action, including enforcement of the Bond Issue and/or any Security, opening of bankruptcy or other insolvency proceedings;

(c) the Bond Trustee has, in order to manage the terms of this Bond Agreement, access to the Securities Depository to review ownership of Bonds registered in the Securities Depository; and

(d) this Bond Agreement establishes a community between Bondholders meaning that:

(i) the Bonds rank *pari passu* between each other;
(ii) the Bondholders may not, based on this Bond Agreement, act directly towards the Issuer and may not themselves institute legal proceedings against the Issuer, however not restricting the

Bondholders to exercise their individual rights derived from this Bond Agreement;

(iii) the Issuer may not, based on this Bond Agreement, act directly towards the Bondholders;

(iv) the Bondholders may not cancel the Bondholders' community; and

(v) the individual Bondholder may not resign from the Bondholders' community.

18.2 *Defeasance*

18.2.1 The Issuer may, at its option and at any time, elect to have certain obligations discharged (see Clause 18.2.2) upon complying with the following conditions ("**Security and Covenant Defeasance**"):

(a) the Issuer shall have irrevocably pledged to the Bond Trustee for the benefit of the Bondholders cash or government bonds accepted by the Bond Trustee (the "**Defeasance Pledge**") in such amounts as will be sufficient for the payment of principal (including if applicable premium payable upon exercise of a Call Option) and interest on the Outstanding Bonds to Maturity Date (or redemption upon a exercise of a notified Call Option) or any other amount agreed between the Parties;

(b) no Event of Default shall have occurred and be continuing on the date of establishment of the Defeasance Pledge, or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time during any hardening period applicable to the Defeasance Pledge (or the relevant period for non-Norwegian companies) or any other date agreed between the Parties;

(c) if the Bonds are secured, the Defeasance Pledge shall be considered as a replacement of the Security established prior to the Defeasance Pledge;

(d) the Issuer shall have delivered to the Bond Trustee a certificate signed by its Chief Executive Officer that the Defeasance Pledge was not made by the Issuer with the intent of preferring the Bondholders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others; and

(e) the Issuer shall have delivered to the Bond Trustee any certificate or legal opinion reasonably required by the Bond Trustee regarding the Security and Covenant Defeasance or Defeasance Pledge, including any certificate or legal opinion on (i) the compliance of the conditions of the Security and Covenant Defeasance, (ii) that the Defeasance Pledge constitutes a valid, perfected and enforceable Security in favour of the Bond Trustee for the benefit of the Bondholders which will not be subject to any rights of creditors of each Obligor or any bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally under the laws of the jurisdiction where the Defeasance Pledge was established and the corporate domicile of the Issuer, (iii) any relevant tax issues concerning the Bondholders, (iv) any valuation of any assets or (vii) any other certificate or opinion regarding the Security and Covenant Defeasance or the Defeasance Pledge.

18.2.2 Upon the exercise by the Issuer of its option under Clause 18.2.1:

(a) all Obligors shall be released from their obligations under all provisions in Clause 13, except Clauses 13.2.1(a), (e), (j), (k) and (l), or as otherwise agreed;

(b) the Issuer shall not (and shall ensure that all Group Companies shall not) take any actions that may cause the value of the Security created by this Security and Covenant Defeasance to be reduced, and shall at the request of the Bond Trustee execute, or cause to be executed, such further documentation and perform such other acts as the Bond Trustee may reasonably require in order for the Security to remain valid, enforceable and perfected by the Bond Trustee for the account of the Bondholders;

(c) any Guarantor(s) shall be discharged from their obligations under the Guarantee(s), and the Guarantee(s) shall cease to have any legal effect, or as otherwise agreed;

(d) any Security other than the Defeasance Pledge shall be discharged, and the Bond Trustee shall take all steps reasonably possible for it to cause such discharge to be effected, by way of deletion of the relevant Security Document from the relevant register, notice to third parties or as otherwise required, or as otherwise agreed; and

(e) all other provisions of this Bond Agreement (except (a) – (c) above) shall remain fully in force without any modifications, or as otherwise agreed.

18.2.3 All amounts owed by the Issuer hereunder covered by the Defeasance Pledge shall be applied by the Bond Trustee, in accordance with the provisions of this Bond Agreement, against payment to the Bondholders of all sums due to them under this Bond Agreement on the due date thereof.

Any excess funds not required for the payment of principal, premium and interest to the Bondholders (including any expenses, fees etc. due to the Bond Trustee hereunder) shall be returned to the Issuer.

18.3 *Limitation of claims*

All claims under the Bonds and this Bond Agreement for payment, including interest and principal, shall be subject to the time-bar provisions of the Norwegian Limitation Act of May 18, 1979 No. 18.

18.4 *Access to information*

18.4.1 This Bond Agreement is available to anyone and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee shall not have any obligation to distribute any other information to the Bondholders or others than explicitly stated in this Bond Agreement. The Issuer shall ensure that a copy of this Bond Agreement is available to the general public until all the Bonds have been fully discharged.

18.4.2 The Bond Trustee shall, in order to carry out its functions and obligations under this Bond Agreement, have access to the Securities Depository for the purposes of reviewing ownership of the Bonds registered in the Securities Depository.

18.5 *Amendments*

All amendments of this Bond Agreement shall be made in writing, and shall unless otherwise provided for by this Bond Agreement, only be made with the approval of all parties hereto.

18.6 *Notices, contact information*

18.6.1 Written notices, warnings, summons etc to the Bondholders made by the Bond Trustee shall be sent via the Securities Depository with a copy to the Issuer and the Exchange. Information to the Bondholders may also be published at Stamdata only. Any such notice or communication shall be deemed to be given or made as follows:

(a) if by letter via the Securities Depository, when sent from the Securities Depository; and

(b) if by publication on Stamdata, when publicly available.

18.6.2 The Issuer's written notifications to the Bondholders shall be sent via the Bond Trustee, alternatively through the Securities Depository with a copy to the Bond Trustee and the Exchange.

18.6.3 Unless otherwise specifically provided, all notices or other communications under or in connection with this Bond Agreement between the Bond Trustee any Obligor shall be given or made in writing, by letter, e-mail or fax. Any such notice or communication shall be deemed to be given or made as follows:

(a) if by letter, when delivered at the address of the relevant Party;

(b) if by e-mail, when received; and

(c) if by fax, when received.

18.6.4 The Issuer and the Bond Trustee shall ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.

18.6.5 When determining deadlines set out in this Bond Agreement, the following shall apply (unless otherwise stated):

(a) If the deadline is set out in days, the first day when the deadline is in force shall not be inclusive, however, the meeting day or the occurrence the deadline relates to, shall be included.

(b) If the deadline is set out in weeks, months or years, the deadline shall end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline shall be the last day of such month.

(c) If a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Date.

18.7 *Dispute resolution and legal venue*

18.7.1 This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and any Obligor shall be governed by Norwegian law.

18.7.2 All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and any Obligor, shall, subject to paragraph c) below, be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

18.7.3 Clause 18.7.2 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

18.8 *Process Agent*

The Issuer shall, prior to the Issue Date, nominate a process agent in Norway for the purpose of serving a writ of summons and/or any other act of process in respect of the courts in Norway, or any notices as set out in this Bond Agreement.

*****

This Bond Agreement has been executed in two originals, of which the Issuer and the Bond Trustee retain one each.

Issuer

....

By: Brendan Johnstone

Position: Director

Bond Trustee

....

By:

Position: OLA NYGARD

Ultimate Parent

....

By: DIRECTOR/CEO

Position: PRADEEP KABRA

Attachment 1

COMPLIANCE CERTIFICATE

Norsk Tillitsmann ASA
P.O. Box 1470 Vika
N-0116 Oslo
Norway

Fax: + 47 22 87 94 10
E-mail: mail@trustee.no

[date]

Dear Sirs,

GENERAL EXPLORATION PARTNERS, INC. BOND AGREEMENT 2013/2018 - ISIN 0010692882

We refer to the Bond Agreement for the abovementioned Bond Issue made between Norsk Tillitsmann ASA as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer under which a Compliance Certificate shall be issued. This letter constitutes the Compliance Certificate for the period [PERIOD].

Capitalised terms used herein shall have the same meaning as in this Bond Agreement.

With reference to Clause 13.2.2 we hereby certify that:

1. all information contained herein is true and accurate and there has been no change which would have a Material Adverse Effect on the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you.
2. the covenants set out in Clause 13 are satisfied;
3. all relevant Security is established in accordance with this Bond Agreement,
4. in accordance with Clause 13.6, the Book Equity Ratio as of [date] is [XX]%.

Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed.

Yours faithfully,

General Exploration Partners, Inc.

____
Name of authorized person

Enclosure: [*copy of any written documentation*]

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Attachment 2

RELEASE NOTICE - ESCROW ACCOUNT

Norsk Tillitsmann ASA
P.O. Box 1470 Vika
N-0116 Oslo
Norway

Fax: + 47 22 87 94 10
E-mail: mail@trustee.no

[date]

Dear Sirs,

GENERAL EXPLORATION PARTNERS, INC. BOND AGREEMENT 2013/2018 - ISIN 0010692882

We refer to the Bond Agreement for the abovementioned Bond Issue made between Norsk Tillitsmann ASA as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer.

Capitalised terms used herein as defined in this Bond Agreement.

We hereby give you notice that we on [*date*] wish to draw an amount of [*currency and amount*] from the Escrow Account applied pursuant to the purpose set out in the Bond Agreement, and request you to instruct the bank to release the above mentioned amount. We confirm that [*currency and amount*] of the funds requested to be drawn will be applied to cover technical, management and administrative services within the Group in accordance with Clause 2.3(v) of the Bond Agreement. After the requested amount has been drawn, we have in [*applicable year]* drawn [*currency and amount*] of the total available amount of USD 6 million pursuant to Clause 2.3(v) of the Bond Agreement, which leaves [*currency and amount*] available for the remainder of the current calendar year.

We hereby represent and warrant that (i) no event which constitutes an Event of Default has occurred or is likely to occur, and (ii) we repeat the representations and warranties set out in the Bond Agreement as being still true and accurate at the time hereof.

Yours faithfully,

General Exploration Partners, Inc.

____
Name of authorized person

Enclosure: [*copy of any written documentation evidencing the use of funds*] h

Form 51-101 F1

ShaMaran Petroleum Corp.

Statement of Reserves Data

And Other Oil and Gas Information

As of December 31, 2013

Table of Contents

Part 1 Date of Statement

Item 1.1 Relevant Dates

1.	Date of Statement:	February 28, 2014
2.	Effective Date:	December 31, 2013
3.	Preparation Date:	March 12, 2014

Part 2 Disclosure of Reserves Data

ShaMaran Petroleum Corp., herein after referred to as “ShaMaran” or the “Company”, has as of December 31, 2013 reserves relating entirely to the Company’s 20.1% direct participating interest in the Atrush Block, its sole oil and gas property, which is located in the Kurdistan Region of Iraq (“Kurdistan”). For the purpose of stating the Company’s oil and gas reserves publicly, the Company retained the services of McDaniel & Associates Consultants Ltd. (“McDaniel”), who are independent qualified reserves evaluators appointed by the Company pursuant to NI 51-101, to conduct independent evaluations of all of the Company’s oil and gas properties. McDaniel has provided the Company with an evaluation (the “McDaniel Report”) prepared in compliance with NI 51-101 in respect of the Company’s oil and gas reserves as at December 31, 2013.

The definitions of the various categories of reserves are those set out in NI 51-101 and in the Canadian Oil and Gas Evaluation Handbook (“COGE Handbook”). The Company engaged McDaniel to provide an evaluation of the Company's proved, probable and possible reserves. The following are the definitions of proved, probable and possible reserves as set out in the COGE Handbook:

> "**proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. At least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves is the targeted level of certainty.
>
> "**probable reserves**" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. At least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves is the targeted level of certainty.
>
> "**possible reserves**" are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves. At least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves is the targeted level of certainty.

It should not be assumed that the present worth of estimated future net revenue represents the fair market value of the reserves. There is no assurance that the forecast price and cost assumptions contained in the McDaniel Report will be attained and variances could be material. The reserves and revenue estimates set forth below are estimates only and the actual reserves and realized revenue may be greater or less than those calculated.

Unless otherwise stated herein all currency amounts indicated as “$” in this Statement of Reserves Data are expressed in thousands of United States dollars (“USD”).

Item 2.1 Reserves Data (Forecast Prices and Costs)

Breakdown of Reserves (Forecast Case)

The following table discloses, in the aggregate, the Company's gross and net proved, probable and possible reserves, estimated using forecast prices and costs, by product type.

SUMMARY OF OIL AND GAS RESERVES AS OF DECEMBER 31, 2013
(Forecast Prices & Costs)

	ShaMaran's Interest in Reserves(1)(2)							
	Light and Medium Oil (Mbbl)		**Heavy Oil (Mbbl)**		**Natural Gas (MMcf)**		**Natural Gas Liquids (Mbbl)**	
	Gross(3)	**Net(4)**	**Gross(3)**	**Net(4)**	**Gross(3)**	**Net(4)**	**Gross(3)**	**Net(4)**
Iraq								
Proved developed producing.........	–	–	–	–	–	–	–	–
Proved developed non–producing.	–	–	–	–	–	–	–	–
Proved undeveloped.....................	6,145	4,116	–	–	–	–	–	–
Total proved reserves..................	**6,145**	**4,116**	**–**	**–**	**–**	**–**	**–**	**–**
Probable..	5,549	2,283	–	–	–	–	–	–
Total Proved Plus Probable Reserves	**11,694**	**6,399**	**–**	**–**	**–**	**–**	**–**	**–**
Possible...	10,561	2,904	–	–	–	–	–	–
Total Proved Plus Probable Plus Possible Reserves....................	**22,256**	**9,304**	**–**	**–**	**–**	**–**	**–**	**–**
Total								
Proved developed producing.........	–	–	–	–	–	–	–	–
Proved developed non–producing.	–	–	–	–	–	–	–	–
Proved undeveloped.....................	6,145	4,116	–	–	–	–	–	–
Total proved reserves..................	**6,145**	**4,116**	**–**	**–**	**–**	**–**	**–**	**–**
Probable..	5,549	2,283	–	–	–	–	–	–
Total Proved Plus Probable Reserves	**11,694**	**6,399**	**–**	**–**	**–**	**–**	**–**	**–**
Possible...	10,561	2,904	–	–	–	–	–	–
Total Proved Plus Probable Plus Possible Reserves....................	**22,256**	**9,304**	**–**	**–**	**–**	**–**	**–**	**–**

Notes:

(1) Totals may not add due to rounding.

(2) The definitions of the various categories of reserves and expenditures are those set out in NI 51-101.

(3) “Gross” reserves refer to ShaMaran’s working interest share before deducting royalties.

(4) “Net” reserves refer to ShaMaran’s share of total cost and profit revenues. Note, as the government pays income taxes on behalf of ShaMaran out of the government's profit oil share, the net reserves were based on the effective pre-tax profit revenues by adjusting for the tax rate.

Net Present Value of Future Net Revenue (Forecast Case)

The following table discloses, by country and in the aggregate, the net present value of the ShaMaran’s future net revenue attributable to the reserves categories in the previous table, estimated using forecast prices and costs, before and after deducting future income tax expenses, and calculated without discount and using discount rates of 5%, 10%, 15% and 20%.

SUMMARY OF NET PRESENT VALUE OF FUTURE NET REVENUE
AS OF DECEMBER 31, 2013
(Forecast Prices & Costs)

Reserves Category	Net Present Values of Future Net Revenue[1][2][3][4][5][6] — Before Income Taxes Discounted at (%/year) 0	5	10	15	20	After Income Taxes Discounted at (%/year) 0	5	10	15	20	Unit Value[7] before Income Tax Discounted at 10%/year
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$/bbl
Iraq											
Proved developed producing	–	–	–	–	–	–	–	–	–	–	–
Proved developed non-producing	–	–	–	–	–	–	–	–	–	–	–
Proved undeveloped	99,261	72,458	51,846	35,778	23,103	99,261	72,458	51,846	35,778	23,103	12.59
Total proved reserves	**99,261**	**72,458**	**51,846**	**35,778**	**23,103**	**99,261**	**72,458**	**51,846**	**35,778**	**23,103**	**12.59**
Probable	91,257	73,739	60,877	51,188	43,723	91,257	73,739	60,877	51,188	43,723	26.67
Total Proved Plus Probable Reserves	**190,517**	**146,198**	**112,723**	**86,966**	**66,826**	**190,517**	**146,198**	**112,723**	**86,966**	**66,826**	**17.61**
Possible	97,958	65,261	46,055	34,250	26,676	97,958	65,261	46,055	34,250	26,676	15.86
Total Proved Plus Probable Plus Possible Reserves	**288,476**	**211,459**	**158,778**	**121,216**	**93,501**	**288,476**	**211,459**	**158,778**	**121,216**	**93,501**	**17.07**
Total											
Proved developed producing	–	–	–	–	–	–	–	–	–	–	–
Proved developed non-producing	–	–	–	–	–	–	–	–	–	–	–
Proved undeveloped	99,261	72,458	51,846	35,778	23,103	99,261	72,458	51,846	35,778	23,103	12.59
Total proved reserves	**99,261**	**72,458**	**51,846**	**35,778**	**23,103**	**99,261**	**72,458**	**51,846**	**35,778**	**23,103**	**12.59**
Probable	91,257	73,739	60,877	51,188	43,723	91,257	73,739	60,877	51,188	43,723	26.67
Total Proved Plus Probable Reserves	**190,517**	**146,198**	**112,723**	**86,966**	**66,826**	**190,517**	**146,198**	**112,723**	**86,966**	**66,826**	**17.61**
Possible	97,958	65,261	46,055	34,250	26,676	97,958	65,261	46,055	34,250	26,676	15.86
Total Proved Plus Probable Plus Possible Reserves	**288,476**	**211,459**	**158,778**	**121,216**	**93,501**	**288,476**	**211,459**	**158,778**	**121,216**	**93,501**	**17.07**

Notes:

(1) Totals may not add due to rounding.
(2) The definitions of the various categories of reserves and expenditures are those set out in NI 51-101.
(3) Based on forecast prices and costs at January 1, 2014.
(4) Interest expenses and corporate overhead, etc. were not included.
(5) The net present values may not necessarily represent the fair market value of the reserves.
(6) Government pays income taxes on behalf of ShaMaran out of the government's profit oil share and as such the before and after tax values are identical.
(7) Unit values are calculated using estimated net present value of future net revenue before income taxes using a discount rate of 10%. Unit values are presented on a $/bbl basis for light/medium oil reserves.

Total Future Net Revenue (Undiscounted)

Sub-Item 3b – Breakdown of Future Net Revenue

The following table discloses, by country and in the aggregate, certain elements of the Company's future net revenue attributable to proved reserves, proved plus probable reserves and proved plus probable plus possible reserves, estimated using forecast prices and costs, and calculated without discount.

Reserves Category	Revenue[1]	Royalties[2]	Operating Costs[3]	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes[4]	Income Taxes[5]	Future Net Revenue after Income Taxes
	$000	$000	$000	$000	$000	$000	$000	$000
Iraq								
Total proved reserves	267,639	–	72,686	95,366	327	99,261	–	99,261
Total Proved Plus Probable Reserves......	418,459	–	131,645	95,960	337	190,517	–	190,517
Total Proved Plus Probable Plus Possible Reserves	625,273	–	239,174	97,237	387	288,476	–	288,476
Total								
Total proved reserves	267,639	–	72,686	95,366	327	99,261	–	99,261
Total Proved Plus Probable Reserves......	418,459	–	131,645	95,960	337	190,517	–	190,517
Total Proved Plus Probable Plus Possible Reserves	625,273	–	239,174	97,237	387	288,476	–	288,476

Notes:

(1) Revenue comprises cost oil and profit oil revenue.

(2) Royalties are taken off before determining revenue and so are not included in this table.

(3) Operating costs included bonuses and capacity building value.

(4) Totals may not add or subtract due to rounding.

(5) Government pays income taxes on behalf of ShaMaran out of the government's profit oil share and so income taxes are excluded.

Sub-Item 3c – Total Future Net Revenue by Production Group

The following table discloses, by production group, the net present value and the unit value of the Company's future net revenue attributable to its proved reserves, its proved plus probable reserves and its proved plus probable plus possible reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10% discount rate.

Reserves Category	Production Group	Future Net Revenue before Income Taxes (Discounted at 10%/Year)	Unit Value[(1)]
		$000	($/bbl) ($/Mcf) ($/boe)
Proved Reserves	Light and Medium Crude Oil	51,846	12.59
	Heavy Oil	–	–
	Natural Gas	–	–
	Natural Gas Liquids	–	–
	Total	**51,846**	**12.59**
Proved Plus Probable Reserves	Light and Medium Crude Oil	112,723	17.61
	Heavy Oil	–	–
	Natural Gas	–	–
	Natural Gas Liquids	–	–
	Total	**112,723**	**17.61**
Proved Plus Probable Plus Possible Reserves	Light and Medium Crude Oil	115,778	17.07
	Heavy Oil	–	–
	Natural Gas	–	–
	Natural Gas Liquids	–	–
	Total	**158,778**	**17.07**

Notes:

(1) Unit values are calculated using estimated net present value of future net revenue before income taxes using a discount rate of 10% and the Company net reserves. Unit values are presented on a $/bbl basis for crude oil reserves.

Item 2.2 Supplemental Disclosure

McDaniel has prepared for ShaMaran as of December 31, 2013 an assessment of the crude oil, condensate and natural gas contingent and prospective resources which relate entirely to the Company's participating interest in the Atrush Block.

The resource estimates have been prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and the COGE Handbook.

The Atrush Block crude oil, natural gas and condensate contingent and prospective resources as of December 31, 2013 were estimated to be as follows:

SUMMARY OF CONTINGENT RESOURCES AS OF DECEMBER 31, 2013

	Light & Medium Oil (Mbbl)			Natural Gas (MMcf)			Natural Gas Liquids[6] (Mbbl)		
	Gross	Company Interest		Gross	Company Interest		Gross	Company Interest	
Contingent Resources[1][2][3]	100%	Gross[4]	Net[5]	100%	Gross[4]	Net[5]	100%	Gross[4]	Net[5]
Low Estimate (1C)	388,804	78,150	N/A	90,289	18,148	N/A	0	0	N/A
Best Estimate (2C)	497,833	100,064	N/A	122,585	24,640	N/A	0	0	N/A
High Estimate (3C)	618,027	124,223	N/A	165,857	33,337	N/A	0	0	N/A

Notes:
(1) There is no certainty that it will be commercially viable to produce any portion of the contingent resources.
(2) These are unrisked contingent resources that do not take into account the chance of commerciality.
(3) Based on probabilistic aggregation of zones within the Atrush field and as such do not equal the arithmetic sum.
(4) Company gross interest resources refer to ShaMaran's working interest share before deducting royalties.
(5) Company net interest resources are not available as McDaniel did not undertake a valuation of the resources.
(6) Natural gas liquids are comprised of condensate.

The resources included in the table above are classified as contingent as the associated project(s) are dependent upon the results of the Atrush Phase 1 development; this first phase of development should, together with further appraisal drilling, narrow the uncertainty in the contingent resources estimates and help determine if their development is economic.

SUMMARY OF PROSPECTIVE RESOURCES AS OF DECEMBER 31, 2013

	Light & Medium Oil (Mbbl)			Natural Gas (MMcf)			Natural Gas Liquids[6] (Mbbl)		
	Gross	Company Interest		Gross	Company Interest		Gross	Company Interest	
Prospective Resources[1][2][3]	100%	Gross[4]	Net[5]	100%	Gross[4]	Net[5]	100%	Gross[4]	Net[5]
Unrisked Low Estimate	121,425	24,406	N/A	141,366	28,415	N/A	8,741	1,757	N/A
Unrisked Best Estimate	173,194	34,812	N/A	258,352	51,929	N/A	28,327	5,694	N/A
Unrisked Mean Estimate	180,165	36,213	N/A	289,988	58,288	N/A	36,173	7,271	N/A
Unrisked High Estimate	247,211	49,689	N/A	481,107	96,702	N/A	72,890	14,651	N/A
Risked Mean Estimate	60,479	12,156	N/A	61,445	12,350	N/A	6,766	1,360	N/A

Notes:
(1) There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be economically viable or technically feasible to produce any portion of the resources.
(2) These are partially risked prospective resources that have been risked for chance of discovery, but have not been risked for chance of development.
(3) Based on probabilistic aggregation of zones within the Atrush field and as such do not equal the arithmetic sum.
(4) Company gross interest resources refer to ShaMaran's working interest share before deducting royalties.
(5) Company net interest resources are not available as McDaniel did not undertake a valuation of the resources.
(6) Natural gas liquids are comprised of condensate.

Part 3 Pricing Assumptions

Item 3.2 Forecast Prices Used in Estimates

The following table sets forth the benchmark reference prices, as at December 31, 2013, provided by McDaniel which were McDaniel's then current forecast prices at the effective date of the McDaniel Report.

Year	Brent Crude Oil Price[(1)]	Sales Oil Price[(2)] (Atrush, Iraq)	Inflation Rates
	($/bbl)	($/bbl)	(%/Year)
2013 (actual weighted average)	n/a	n/a	
2014	105.00	63.00	2.00
2015	102.50	61.50	2.00
2016	100.20	65.13	2.00
2017	97.70	68.39	2.00
2018	98.00	73.50	2.00
2019	99.40	74.55	2.00
2020	101.30	75.98	2.00
2021	103.40	77.55	2.00
2022	105.40	79.05	2.00
Inflation after 2022			2.00

Notes:
(1) Brent price forecast based on the McDaniel January 1, 2014 price forecast.
(2) Sales oil price accounts for quality differential, transportation tariffs and marketing fees. Oil pricing is uncertain and any eventual announcement of sales and pricing of exported Kurdish crude during 2014 together with the Kurdish export pipeline becoming fully operational will impact future prices.

Part 4 Reconciliations of Changes in Reserves

Item 4.1 Reserves Reconciliation

The following table provides a reconciliation of ShaMaran's gross reserves as at December 31, 2012 to December 31, 2013 based on forecast prices and costs.

	Light and Medium Oil (Mbbl)			Natural Gas (MMcf)			Natural Gas Liquids (Mbbl)		
	Gross Proved	Gross Probable	Total Gross Proved plus Probable	Gross Proved	Gross Probable	Total Gross Proved plus Probable	Gross Proved	Gross Probable	Total Gross Proved plus Probable
Opening balance[(1)(2)] December 31, 2012	-	-	-	-	-	-	-	-	-
Plus:	-			-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved recovery	-	-	-	-	-	-	-	-	-
Technical revisions	-	-	-	-	-	-	-	-	-
Discoveries	6,145	5,549	11,694	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Less:									
Dispositions	-	-	-	-	-	-	-	-	-
Economic factors	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-
Ending balance – December 31, 2013	6,145	5,549	11,694	-	-	-	-	-	-

Notes:
(1) Gross reserves refer to ShaMaran's working interest share before deducting royalties.
(2) Reserves reconciliation in the AIF for year ended December 31, 2012 was based on forecast prices and costs.

Part 5 Additional Information Relating to Reserves Data

The recognition by the Company of reserves in the year 2013 is, in addition to technical data supporting the recoverable quantities, based on the a number of cumulative commercial developments, most notably the November 2012 declaration of commerciality of the Atrush field, the October 2013 approval by the KRG of the Field Development Plan, the progress towards first oil production scheduled for early 2015, and the announcement in early January 2014 by the KRG of the commencement of the sale of its first shipment of crude oil exported via its new pipeline through Turkey.

Item 5.1 Undeveloped Reserves

The following tables set forth the proved undeveloped gross reserves and the probable undeveloped gross reserves, each by product type, attributed to ShaMaran's assets for the years ended December 31, 2011, December 31, 2012 and December 31, 2013 in the aggregate, and before that time based on forecast prices and costs.

SUMMARY OF COMPANY NET UNDEVELOPED RESERVES
(Forecast Prices & Costs)

	Light/Medium Oil		Natural Gas		Natural Gas Liquids	
Proved Undeveloped	First Attributed	Booked	First Attributed	Booked	First Attributed	Booked
	(Mbbl)	(Mbbl)	(MMcf)	(MMcf)	(Mbbl)	(Mbbl)
Prior to 2011	–	–	–	–	–	–
2011	–	–	–	–	–	–
2012	–	–	–	–	–	–
2013	–	–	4,116	4,116	–	–

Probable Undeveloped	First Attributed	Booked	First Attributed	Booked	First Attributed	Booked
	(Mbbl)	(Mbbl)	(MMcf)	(MMcf)	(Mbbl)	(Mbbl)
Prior to 2011	–	–	–	–	–	–
2011	–	–	–	–	–	–
2012	–	–	–	–	–	–
2013	–	–	2,283	2,283	–	–

Item 5.2 Significant Factors or Uncertainties

McDaniel conducted its independent engineering evaluation on ShaMaran's reserves as at December 31, 2013. The process of establishing reserves requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

As circumstances change and additional data become available, reserves estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserves estimates are accurate, reserves estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserves estimates can arise from changes in year-end oil and gas prices, and reservoir performance.

Item 5.3 Future Development Costs

The following table provides information regarding the development costs deducted in the estimation of future net revenue attributable to the ShaMaran's reserves.

FUTURE DEVELOPMENT COSTS (UNDISCOUNTED)(1)

	Proved Reserves	Proved Plus Probable Reserves	Proved Plus Probable Plus Possible Reserves
	$ millions	$ millions	$ millions
Iraq (and Total)			
Proved Reserves			
2014	63.4	63.4	63.4
2015	11.3	11.3	11.3
2016	15.9	15.9	15.9
2017	4.4	4.4	4.4
2018	0.2	0.2	0.2
Thereafter	0.2	0.8	2.1
Total Future Development Costs	**95.4**	**96.0**	**97.2**

Note:

(1) Future Development Costs shown are associated with booked reserves in the McDaniel Report and do not necessarily represent the Company's full exploration and development budget.

Part 6 Other Oil and Gas Information

Item 6.1 Oil and Gas Properties and Wells

Summary of Producing and Non-Producing Wells

	Light/Medium Oil	Heavy Oil	Natural Gas	Total
	(wells)	(wells)	(wells)	
Iraq (and Total)				
Gross Wells(1)				
Producing(3)	–	–	–	–
Non-producing(4)	3.0	–	–	3.0
Total Gross Wells	**3.0**	**–**	**–**	**3.0**
Net Wells(2)				
Producing(3)	–	–	–	–
Non-producing(4)	0.6	–	–	0.6
Total Net Wells	**0.6**	**–**	**–**	**0.6**

Notes:

(1) “Gross Wells” represent the number of wells in which the Company has a working-interest.

(2) “Net Wells” represent the number of wells obtained by aggregating the Company’s working-interests in each of its Gross Wells.

(3) “Producing” includes wells presently producing and contributing revenue or wells presently producing that are expected to contribute revenue in the foreseeable future through the sale of presently produced oil.

(4) “Non-Producing” includes wells that are presently non-producing or wells presently producing but are not expected to contribute revenue in the foreseeable future through the sale of presently produced oil.

The Company currently holds a 20.1% direct interest in the Atrush Block PSC. Details of the Atrush Block are provided below.

Atrush Block

The Atrush block is located approximately 85 km northwest of Erbil, the capital of the Kurdish administrated part of Iraq, and is 269 km2 (66,471 acres) in area. The topography is mountainous. The Atrush block is situated between the Sarsang block where HKN Energy (“Hillwood”) made discoveries at Swara Tika to the north and the Shaikan oilfield development immediately to the south. GEP acquired 143 km of 2D seismic (covering the Atrush Block) data in 2008. In April 2011 the Atrush structure was confirmed as an oil discovery by the Atrush-1 exploration well.

On August 27, 2010 ShaMaran Ventures BV (“SVBV”), a wholly owned subsidiary of the Company entered into a Subscription Agreement and a Shareholders Agreement with Aspect Energy International, LLC (“Aspect”) to acquire a 33.5% shareholding interest of General Exploration Partners Inc (“GEP”), previously a wholly owned subsidiary of Aspect. GEP then held an 80% direct interest in the Production Sharing Contract (“PSC”) in respect of the Atrush Block Oil and Gas Exploration Area located in Kurdistan. Accordingly, the Company then held an indirect interest in Atrush Block of 26.8%. As part of the GEP purchase the Company funded the first $15.9 million of GEP expenditures on the agreed work program incurred after August 27, 2010. In October 2010 the Kurdistan Regional Government assigned the 20% interest then held to Marathon Oil Corporation (“Marathon”).

On December 31, 2012 GEP completed two principal transactions (the “Transactions”) resulting in the sale of a 53.2% direct interest in the Atrush Block to TAQA Atrush B.V. (“TAQA”), a subsidiary of Abu Dhabi National Energy Company PJSC, and the December 31, 2012 repurchase from Aspect its entire 66.5% shareholding interest in GEP. As a result of the Transactions SVBV became the sole remaining shareholder of GEP, with the Company therefore acquiring control of GEP, and TAQA has assumed operatorship of the Atrush Block.

On March 12, 2013 the KRG exercised its option to participate as a Contractor Entity in the PSC and has acquired a 25% interest in the PSC and assumes its share of the rights and obligations of the Contracting Entities. At the Preparation Date of this Statement of Reserves Data, the Atrush Block was held 39.9% by TAQA, 20.1% by GEP (now 100% owned by SVBV), 15% by Marathon and 25% by the KRG.

The Atrush PSC term includes an exploration period and a development period. The initial exploration period is for five years which in turn is sub-divided into a three-year and a two-year sub-period. The minimum work obligations for the first and second sub-periods included acquiring, processing and interpreting 100 line-km of 2D seismic data, drilling one exploration well to 3,000 meters (of $7.5 million minimum), acquiring, processing and interpreting further seismic data (2D or 3D), and drilling one exploration or appraisal well (of $7.5 million minimum). The minimum work obligations were satisfied by the second of two seismic data acquisition programs (3D) completed in August 2012 and by the drilling the second well in 2012, Atrush-2.

Following Notification of Discovery the work program entered Article 12 of the PSC covering the Appraisal Work Program. The whole block was been retained as the Appraisal Area and the work program included 3D seismic, 2+2 wells, various geological studies, and the installation of an Early Production System (EPS) for long-term testing (LTT) of wells. 3D seismic acquisition commenced in 2011 and was completed in 2012. Drilling plans include the recompletion of Atrush-1 for LTT, the drilling and completion of Atrush-2 for LTT, and the commencement of drilling at Atrush-3.

Following the drilling and testing of the Atrush-2 well, the Ministry of Natural Resources, KRG, was informed on September 12, 2012 of incremental oil discoveries in the Jurassic Adaiyah and Butmah formations. On November 7, 2012 GEP, Operator of the Atrush Block and acting on behalf of the Contractor Group under the Atrush Block PSC, submitted to the Atrush Block Management Committee a Declaration of Commercial Discovery with effect from November 7, 2012. The Operator (TAQA) prepared and in May 2013 submitted a Field Development Plan (“FDP”) to the Atrush Block Management Committee as mandated within 180 days following the Declaration of Commercial Discovery. The FDP was approved by the Ministry of Natural Resources with effective date October 1, 2013, initiating the Development Period as defined in the PSC. With the whole of the Atrush block being incorporated into the FDP as a Development Area, the forward development work program replaced the ongoing Appraisal plan and activity.

The Atrush structure is a complex faulted anticline structure oriented east-west in the Taurus-Zagros mountain trend. The proven and potential stacked oil reservoirs are divided between the hanging wall and footwall of the structure, and comprise the Aqra/Qamchuga and Garagu (potential resources in the Cretaceous footwall), Barsarin (Upper Jurassic reserves in the hanging wall, potential resources in the footwall), Sargelu (Middle Jurassic reserves in the hanging wall, potential resources in the footwall), Alan/Mus, Adiayah and Upper Butmah (Lower Jurassic reserves in the hanging wall, potential resources in the footwall) with both fracture and matrix porosity. Potential resources exist in the deeper Triassic reservoirs of the Kurra Chine formation updip of and below the total depth of the Atrush-1 well in the hanging wall, and within the footwall.

The two discovery notifications are limited to the Jurassic reservoirs that successfully flow tested 22-26.5 degree API oil to surface i.e. the Barsarin, Sargelu, Alan, Mus (collectively known as the BSAM), Adaiyah and Butmah. Pressure data suggests that all the Jurassic reservoirs (BSAM, Adaiyah and Butmah) most likely belong to the same pressure regime with a Free Water Level (FWL) between -408m to -498m msl (deepest proven dry oil and highest proven water flowed by well tests in Atrush-3). The McDaniel Report uses a P50 OWC at -411m msl based on pressure versus depth analysis. Development well Atrush-4 is in progress and preparations to drill development well Atrush-5 were underway at the date of this Statement of Reserves Data.

Exploration well Atrush-1 was fully plugged and abandoned in October 2013 as it was unsuitable for long-term production.

The Phase 1 development of the Atrush field is part of phased, modular and expandable facility. The basis of design consists of:

- Oil Production: 25,000-30,000 bopd (max. 33,000 bopd)
- Water Production: 0-5,000 bwpd (max. 6,000 bwpd)
- Total Liquid Capacity: 30,000 bfpd (max. 33,000 bfpd)
- Gas Production: 10 mmscfd (max. 12 mmscfd)
- H_2S Content: 23 mol% (gas phase)
- CO2 Content: 6 mol%
- Design Life: 20+ years
- Number of Wells: 3 (Atrush-2, Atrush-4, Atrush-5)
- Gathering Flowlines: 10,000 bopd (max. 11,000 bopd)
- Oil Transfer Pipeline: 60,000 bopd
- Water/LPG Pipeline: 10,000 bwpd
- Terminal Storage Capacity: 120,000 barrels
- Export Pipeline: Design in progress at time of reporting

Contract awards for facilities modules were made in December 2013. A number of design specifications for individual elements are in progress at the time of reporting.

Item 6.2 Properties With No Attributed Reserves

The Company held no properties through the year ended December 31, 2013 which have no attributed reserves.

Item 6.3 Forward Contracts

The Company has not entered into any forward contracts.

Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

	Abandonment and Reclamation Costs	
	Undiscounted	Discounted @ 10%
Properties	$000	$000
United States - Gulf of Mexico (one well site)	783	712
Kurdistan Region of Iraq (three wells)	1,755	287

The Company's participating interests at December 31, 2013 in the gross abandonment and reclamation costs have been included in the economic analyses (which do not include any "credits" for equipment salvage). Well and facility abandonment and reclamation costs have been confirmed with the well operators or have been based on industry, annual well and facility abandonment and reclamation cost surveys. Where more detailed information has been acquired, through site specific abandonment and reclamation assessments, the costs are adjusted to reflect the more accurate estimates.

In the year 2013 the Company spent $693 on abandonment and reclamation costs, of which $533 was spent in Kurdistan and $165 was spent in the United States. The Company estimates spending $783 on abandonment and reclamation costs in the United States in the year 2014.

Item 6.5 Tax Horizon

The Company has no foreseeable material tax liabilities associated with its oil and gas operations.

Item 6.6 Costs Incurred

The costs included in the following represent the Company's share of the total costs incurred.

	Costs incurred in the year ended Dec 31, 2013			
Properties in Kurdistan	Acquisition Costs $ millions	Exploration Costs $ millions	Development Costs $ millions	Other Costs* $ millions
Atrush Block	0.0	0.0	39.8	0.0
TOTAL	0.0	0.0	39.8	0.0

Item 6.7 Exploration and Development Activities

During the year ended December 31, 2013 the Atrush-3 appraisal oil well was drilled, tested and suspended. The Atrush-4 development well spudded on October 20, 2013 and was operating at year end in Kurdistan. In October 2013 the Atrush-1 exploration well was fully plugged and abandoned.

At the date of this Statement of Reserves Data the Atrush-4 development well was drilling the reservoir section with testing expected to commence in February/March 2014. Two further Atrush wells are planned for 2014 (Atrush-5 development well and Atrush-6 appraisal well) along with the re-entry and retesting of Atrush-3 (testing incomplete in 2013). Contracts for various production facility modules were awarded in December 2013 with expected delivery and installation in the field in the second half of 2014.

Item 6.8 Production Estimates

As of year-end 2013 the Company has no production estimates for 2014 pending commissioning and start-up of Atrush production facilities. Production in 2014 is expected to be minimal. Estimates for the first year of production in 2015 are provided below:

SUMMARY OF COMPANY GROSS PRODUCTION ESTIMATES
(Forecast Prices & Costs)

	Light and Medium Oil (Mbbl) Year 2015	Natural Gas (MMcf) Year 2015	Natural Gas Liquids (Mbbl) Year 2015
Proved			
Atrush	622.9	-	-
Total	622.9	-	-
Probable			
Atrush	1,490.2	-	-
Total	1,490.2	-	-
Possible			
Atrush	2,088.2	-	-
Total	2,088.2	-	-

Notes:
(1) Estimates are calculated based on the McDaniel Report.
(2) Represents estimated production from January 1, 2015 to December 31, 2015

Item 6.9 Production History

No commercial production has occurred to date in the Atrush Block in Kurdistan.