Company description of

ShaMaran Petroleum Corp.

in conjunction with the admission to trading of the Company's shares on First North 2011

Öhman

E. ÖHMAN J:OR FONDKOMMISSION AB

PRELIMINARY TIME SCHEDULE

Expected first day of trading on First North . . . . June 22, 2011

MISCELLANEOUS

Short name on First North . . . . SNM
ISIN–code for shares intended to be listed on First North. CA8193201024
ISIN-code for shares listed on TSX Venture Exchange CA8193201024
Proposed trading lot on First North 1

DATES OF FINANCIAL REPORTING ON FIRST NORTH

Second quarter interim report, period:
April 1, 2011–June 30, 2011 to be published on or before August 15, 2011

Annual report, period:
January 1, 2011, to December 31, 2011, to be published on or before March 31, 2012

FINANCIAL ADVISOR

Financial advisor in relation to the listing of the shares on the First North list of NASDAQ OMX Stockholm on behalf of ShaMaran is:
E. Öhman J: or Fondkommission AB
P.O. Box 7415
SE-103 95 Stockholm
Sweden
Visiting address: Berzelii Park 9, Stockholm

"ShaMaran" or the "Company"
means ShaMaran Petroleum Corp. (company registration number in British Columbia BC0778647) or the corporate group in which ShaMaran is the parent company depending on the context. "The Shares" means the shares of ShaMaran Petroleum Corp.

"Öhman"
means E. Öhman J: or Fondkommission AB.

IMPORTANT INFORMATION

References to "the Company Description" pertain to this document containing information for investors in conjunction with the Company's application of admission to trading on NASDAQ OMX Stockholm AB's First North list ("First North").

The Company Description has been prepared by the Board of Directors of ShaMaran as information for the holders of the Company's common shares traded on the TSX Venture Exchange and/or holders of the shares intended to be listed on the First North list. The Company Description has not been registered or approved by any governmental or regulatory agency in Sweden. This Company Description is not a prospectus and does not constitute an offering to purchase or to subscribe for share in the Company.

Any and all information in this Company Description shall be carefully considered. Statements in this Company Description regarding future prospects or other future conditions are made by the Company and based on current market conditions and other current factors. Such statements, as all statements regarding the future, are subject to uncertainty. This Company Description also contains information regarding market growth, market development and industry estimates, including information regarding the size of the markets on which the Company is operating. That information is based on the Company's knowledge about its operations and markets and on information compiled by a number of external sources. The Company believes that such external sources are credible, but has not made any independent verification of information provided from them. Therefore, there can be no assurance that such information is accurate or complete.

Some numbers and amounts in this Company description have been rounded up.

Unless otherwise specified, all monetary amounts are in thousands of United States dollars.

As far as the members of the Board of Directors of ShaMaran are aware, no natural or legal persons involved in the listing of ShaMaran's shares on First North have financial or other relevant interests that are of importance to the listing other than as described herein.

Any dispute regarding the contents of this Company Description or any related legal issues shall be subject to Swedish substantive law and be settled exclusively by the Swedish public courts.

FIRST NORTH DISCLAIMER

First North is an alternative marketplace operated by an exchange within the NASDAQ OMX group. Companies on First North are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a Company on First North may therefore be higher than investing in a company on the main market. All companies with shares traded on First North have a Certified Advisor who monitors that the rules are followed. NASDAQ OMX Stockholm AB approves the application for admission for trading.

Design & Production: Sandsnas Communication, 2011

Contents

Executive Summary

THE COMPANY IN BRIEF

ShaMaran is a Canadian incorporated company whose common shares (the "Shares") presently trade on the TSX Venture Exchange in Canada under the symbol "SNM". The Company is an international oil and gas exploration company, engaged in the acquisition, exploration and development of oil and gas resources in the Kurdistan Region of Iraq.

BACKGROUND AND MOTIVE

ShaMaran became a Kurdistan-focused oil development and exploration company in August 2009, after acquiring interests in two production sharing contracts ("PSC"s) and one option to enter into a PSC in the Kurdistan Region of Iraq. Prior thereto, ShaMaran was engaged in oil and gas exploration and development in the Gulf of Mexico, U.S.A. ShaMaran currently has four projects in Kurdistan, namely, the Pulkhana Block appraisal block, the Arbat Block exploration area, the Atrush Block appraisal area and the Block K42 exploration area. The Company is currently in the pre-production stages of its exploration and development program relating to its petroleum properties. ShaMaran will continue with its goal of increasing shareholder value through aggressive work programs planned to convert existing contingent and prospective resources to reserves, and develop, produce and sell the reserves.

A broad shareholder base is valued by the Board of Directors as it will be of great advantage to ShaMaran in exploring and developing its assembled portfolio of exploration properties. Even though the Company's shares have, to-date, only been traded on the TSX Venture Exchange, a number of ShaMaran's Shares are held by Swedish-originated investors and the interest in the Company from the Swedish investor community is growing. The Board of Directors feel that a secondary listing and the ability to trade the Shares on the First North will be beneficial to the liquidity of the Company's shares and will strengthen the Company's shareholder base. In light of this and the promising potential in exploiting the Company's existing Kurdistan properties, the Board of Directors will seek to improve the availability of the Shares to both current and prospective shareholders by providing the possibility to trade ShaMaran's shares on the First North list of NASDAQ OMX Stockholm.

TRADING OF SHARES

The Shares are currently traded in Canadian dollars on the TSX Venture Exchange in Canada under the symbol SNM and the ISIN-code for the shares is CA8193201024. The Company has decided to apply for a listing on First North under the symbol SNM and the ISIN-code for the shares will be CA8193201024. The Shares to be listed on First North will be traded and settled in SEK. Estimated first day of trading on First North is on or about June 22, 2011, assuming First North approves the listing. In connection with the application for listing, the Company has entered into a contract with Öhman to act as market maker and Certified Advisor.

MARKET OVERVIEW

ShaMaran is engaged in the acquisition, exploration and development of oil and gas resources in the Kurdistan Region of Iraq.

The Global Oil Market

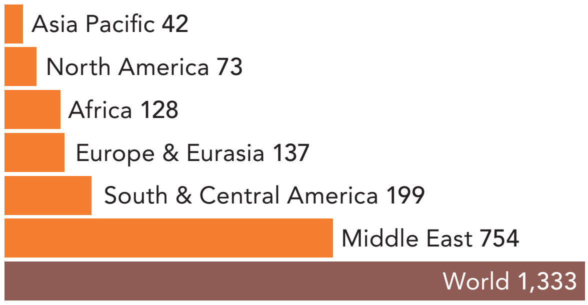
Oil is found on most continents of the world. Global proven oil amounted to 1,476 billion barrels at the end of 2009, including Canadian oil sand reserves, corresponding to 143.3 billion barrels. The Middle East continues to posses the largest oil reserves in the world.

Global oil production amounted to 80.0 million barrels a day in 2009, with the Middle East providing the majority by producing 24.4 million barrels a day. Europe and Eurasia contributed 17.7 million barrels a day, primarily from Russia, Kazakhstan and Norway, followed by North America producing 13.4 million barrels a day. Africa contributed 9.7 million barrels a day, mainly from production in Nigeria, Algeria, Angola and Libya. The Asian Pacific region supplied a modest 8.0 million barrels a day and lastly, South and Central America contributed 6.8 million barrels a day with the majority of the production coming from Venezuela and Brazil.[1]

As of December 31, 2010, global oil consumption had grown by 2.3 Mmbbls/d, aggregating to a total consumption of 86.7 Mmbbls/d, creating a distinct supply/demand imbalance, whereby for every one barrel of oil consumed, only 0.95 barrels of oil was produced to replace the loss.[2]

Not surprisingly now taking the lead in global oil consumption is the Asian Pacific region, consuming more than 26.0 million barrels a day in 2009, vastly outpacing domestic supply necessitating vast quantities of imports to fuel the growing economies within China and India, among others. North America, second in consumption standings for 2009, consumes more than 22.8 million barrels a day. Europe and the Eurasia's daily oil consumption is 19.4 million barrels, with Russia and Germany being the two largest consumers within the region. In a distant fourth place, is the Middle East to be found, consuming only 7.1 million barrels a day. Following the Middle East in consumption is South and Central America, consuming 5.7 million barrels a day. Lastly, in Africa, consumption lags at a mere 3.1 million barrels a day.

Proven world oil reserves at end of 2009
(Billion barrels)



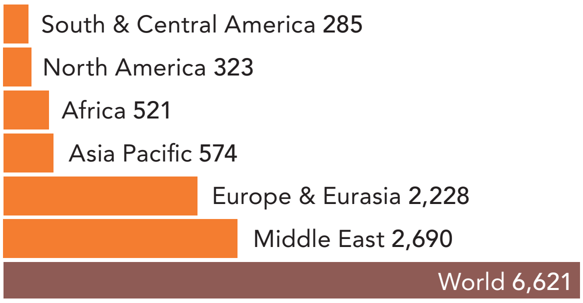
Source: BP Statistical Review of World Energy June 2010

The Global Natural Gas Market

Natural gas remains a key energy source for global industrial development and power generation. The industrial sector consumes 40% of all natural gas, more than any other end-use sector. The industrial sector has faced unfavorable market conditions in recent years and experienced a six percent decline in consumption between 2008 and 2009, but as economic growth improves, global demand for natural gas is likely to rebound. On average, demand is expected to grow by 1.8% per year between 2010 and 2020.[3]

1. BP Statistical Review of World Energy June 2010
2. Short term energy outlook – U.S. Energy Information Administration
3. World Energy Outlook 2009

Proven reserves natural gas at end of 2009
(Trillion cubic feet)



Source: BP Statistical Review of World Energy June 2010

As of December 31, 2009, proven world natural gas reserves were estimated at 6,621 trillion cubic feet – 367 trillion cubic feet higher than the estimate of 6,254 trillion cubic feet for 2008.

Ahead of all other regions in consumption of natural gas were Europe and Eurasia, consuming 1,058.6 billion cubic meters (bcm) in 2009. Russia is second in rank only to the United States in natural gas consumption, consuming 389.7 bcm of gas while the United States consumed 646.6 bcm in 2009. China played a role in the demand dynamics in Asia, with increased consumption growth of 9.1% in 2009 over 2008, consuming almost 88.7 bcm in 2008.[4]

SHAMARAN'S PROJECT PORTFOLIO

The Company holds interests in four petroleum properties located in Kurdistan, Northern Iraq, which lies within the northern extension of the Zagros Folded Belt. The Company is currently in the pre-production stages of its exploration and development program relating to its petroleum properties. These property interests are held under PSCs and an option agreement noted in the table below.

Country	Block	Acreage (km^2)	Working interests[I]	
Iraq (Kurdistan)	Pulkhana	529.58	SNM (Operator)	60%
			KRG[II]	20%
			Petoil[III]	20%
	Arbat	973.5	SNM (Operator)	60%
			KRG	40%
	K42[IV]	505	Oil Search (Operator)	60%
			SNM	20%
			KRG	20%
	Atrush	269	AEI[V]	53.2%
			SNM	26.8%[VI]
			Marathon	20%
			KRG[VII]	

I. Working interest means a percentage of the ownership in an oil and gas PSC granting its owner the right to explore and develop oil and gas from a specific property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.
II. Kurdistan Regional Government of Iraq
III. Petroleum and Petroleum Products International Exploration and Production Inc
IV. Represents an option agreement to enter into a PSC.
V. Aspect Energy International LLC ("AEI") holds its 53.2% interest in the Atrush Block through a $^2/_3$rd interest in the operating company, General Exploration Partners Inc.
VI. Held through a $^1/_3$rd interest in General Exploration Partners Inc.
VII. The KRG has an option to participate as a Contractor in the rights and obligations of the Contractor from 5 to 25% in the PSC. The option is available to the KRG until 180 days has passed after the date of declaration of a commercial discovery.

For further information, see "ShaMaran's Project Portfolio" on page 37.

4. BP Statistical Review of World Energy June 2010

FINANCIAL INFORMATION

Selected Annual Information

(thousands of USD, except for per share data)

	For the year ended December 31, 2010	2009
Continuing operations		
Depreciation	(139)	(6)
General and administrative	(594)	(2,378)
Stock based compensation	(514)	(546)
Guarantee fees	(1,353)	(636)
Interest income	416	310
Loss from investment in company	(27)	–
Foreign exchange gain/(loss)	2,215	4,943
Income tax	(81)	(12)
Net income/(loss) from continuing operations	(77)	1,675
Discontinued operations		
Net revenues	–	1,658
Expenses	(1,044)	(2,041)
Interest income	7	24
Gain on sale of assets	77	1,600
Net income/(loss) from discontinued operations	(960)	1,241
Net income/(loss)	(1,037)	2,916
Deficit, beginning of period	(199,823)	(202,739)
Deficit, end of period	(200,860)	(199,823)
Basic and diluted income, USD per share:		
Continuing operations	0.00	0.005
Discontinued operations	0.00	0.005
	0.00	0.01
Weighted average number of shares outstanding		
Basic and diluted	536,164,313	346,639,367

Consolidated Balance Sheets
(thousands of USD)

	December 31 2010	December 31 2009
Assets		
Current assets		
Cash and cash equivalents	58,684	63,565
Accounts receivable	124	31
Inventory	2,656	–
Prepaid expenses and other assets	447	376
Discontinued operations	74	847
Total current assets	61,985	64,819
Non-current assets		
Investment in company	44,282	–
Property, plant and equipment	150,222	185,180
Total non-current assets	194,504	185,180
Total assets	256,489	249,999
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued expenses	5,142	2,050
Net payable to joint venture partner	14	37
Income taxes payable	103	12
Deferred consideration	12,643	–
Discontinued operations	2,719	2,817
Total current liabilities	20,621	4,916
Non-current liabilities		
Other long-term liabilities	–	170
Discontinued operations	350	350
Total non-current liabilities	350	520
Total liabilities	20,971	5,436
Shareholders' equity		
Share capital	432,506	379,673
Shares to be issued	–	61,349
Contributed surplus	3,867	3,360
Accumulated comprehensive income	5	4
Deficit	(200,860)	(199,823)
Total shareholders' equity	235,518	244,563
Total liabilities and shareholders' equity	256,489	249,999

COMMENTS ON THE FINANCIAL DEVELOPMENT AND SITUATION

Operations update through December 31, 2010

The Company completed the acquisition of 291 km of 2D seismic data regarding the Pulkhana Block in April 2010. The seismic campaign was completed on schedule and within budget. Processing and interpretation of the seismic data was completed in July 2010 in preparation for drilling a well on this Block.

Seismic acquisition of 232 km of 2D seismic data in Block K42 was concluded in May 2010. Processing and interpretation of the data was completed at the end of the year 2010 and resulted in the identification of a significant 4-way dip-closed prospect.

In August 2010, the Company acquired a 33.5% shareholding in General Exploration Partners Inc ("GEP"). GEP is the operator of the Atrush Block PSC, holding an 80% working interest in the Block, with the remaining 20% third party interest ("TPI") being held by the KRG. In October 2010, Marathon Oil Company was assigned the 20% TPI.

The Company completed the acquisition of 429 km of 2D seismic data regarding the Arbat Block in October 2010. The seismic campaign was completed on schedule and within budget. Processing and interpretation of the seismic data was completed in December 2010.

Petroleum properties

(thousands of USD)

	Cost	Accumulated depreciation	Net book value
As of December 31, 2009			
Petroleum properties – Kurdistan	184,953	–	184,953
As of December 31, 2010			
Petroleum properties – Kurdistan	149,692	–	149,692

In August 2010, the Company executed agreements with the Kurdistan Regional Government ("KRG") to amend the Pulkhana Block and the Arbat Block PSCs, waiving the Company of its previous contractual requirement to issue 150 million common shares of the Company to the KRG. Accordingly, an adjustment was made to reduce the carrying value of petroleum properties by $61.3 million, which represented the amount previously capitalized in respect of the previous contractual requirement. Throughout the year 2010 the Company invested a total of $26 million in its Kurdistan petroleum properties. These transactions combined resulted in a decrease of $35.3 million in the net book value of $185.0 million petroleum properties reported at December 31, 2009, to a net book value of $149.7 million reported at December 31, 2010.

Liquidity and capital resources

As of December 31, 2010, the Company had cash of $58.7 million and working capital of $41.4 million, compared to cash of $63.6 million and working capital of $58.6 million at December 31, 2009. The Company's liquidity and capital resource position has been enhanced with the CAD 50.4 million gross proceeds (CAD 49.1 million net of issuance costs) from a private placement in May 2011.

The Company does not currently generate cash flow from its oil exploration and development operations and has relied upon the issuance of common shares to finance its ongoing oil exploration. The Board of Directors and officers believe that the Company's current financial resources are sufficient to fund contractual commitments and working capital requirements under the approved work plan for the next twelve months. Continuing operations are dependent on discovery of economic oil and gas reserves and ultimately on the attainment of profitable operations. However, since the time required to become a profitable oil and gas producer may not be estimated due to the risk inherent in oil and gas exploration, the Company's current working capital position may not provide it with sufficient capital resources to explore, appraise and develop any potentially discovered resources and for general corporate purposes not currently included in the work plan.

To finance its future acquisition, exploration, development and operating costs, ShaMaran may require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout arrangements. 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.

Development in Operations after December 31, 2010

On January 21, 2011, drilling on the Atrush 1 exploration well was completed to a total depth of 3,400 meters. The well was drilled on time, within budget and encountered a 726 meter potential gross oil column in the Lower Cretaceous and Jurassic. Excellent flow rates were established totaling over 6,393 bopd from the three Jurassic horizons.

In March 2011, the Company received a Detailed Property Report which it had commissioned from its third party auditors, McDaniel & Associates Consultants Ltd, and which included 82,461 Mboe as best estimate of Gross Estimated Contingent Resources and 287,555 Mboe as the unrisked best estimate of Gross Estimated Prospective Resources net to ShaMaran for all four of the Company's assets.

On April 3, 2011, the company spudded the well Pulkhana 9, which will be drilled approximately 2,700 meters.

COMMON SHARES

As of December 31, 2010, ShaMaran's registered share capital amounts to USD 432,506 distributed among 623,182,194 common shares without par value. Each of the Company's common shares carries the right to one vote. The shares of the Company commenced trading on the TSX Venture Exchange on July 24, 2003 when the Company was known as "Kit Resources Ltd". The shares of the Company continue to trade on the TSX Venture Exchange under the name "ShaMaran Petroleum Corp" and the ticker symbol "SNM".

The Company had 4,560,000 stock options outstanding as of December 31, 2010.

THE BOARD OF DIRECTORS AND OFFICERS

ShaMaran's Board of Directors consists of six members elected by the shareholders as indicated in the table below:

Name	Born	Nationality
Keith Hill *Chairman, Director*	1959	American and Canadian
Pradeep Kabra *President, Chief Executive Officer, Director*	1956	Indian
Gary S. Guidry *Director*	1956	American and Canadian
Brian D. Edgar *Director*	1950	Canadian
Alexandre Schneiter *Director*	1962	Swiss
J. Cameron Bailey *Director*	1958	Canadian

The Company's officers consist of the senior executives as indicated in the table below:

Name	Born	Nationality
Pradeep Kabra *President, Chief Executive Officer, Director*	1956	Indian
Brenden Johnstone *Chief Financial Officer*	1966	Canadian and Irish
Kevin Hisko *Corporate Secretary*	1958	Canadian

SUMMARY OF RISK FACTORS

All investing in and owning of shares implies a certain measure of risk-taking, and an investment in ShaMaran can be seen as being associated with high risk. A number of risk factors could influence the Company's future exploration and development activities, results and financial position. The majority of ShaMaran's assets are located in Kurdistan. ShaMaran operates in areas which are under foreign governmental sovereignty and is therefore subject to political, economic, and other uncertainties associated with foreign operations, which include (but are not limited to) the exposure of the Company to changes in general government policies and legislation, change in the energy policies or in their administration, changes in fiscal terms of a PSC with the government, inability to export the petroleum produced under contract, adverse determinations or rulings by governmental authorities, nationalization, currency fluctuations and devaluations, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

The risk factors include:

Political Issues: The political and security situation in Iraq is volatile. There are significant outstanding political issues and differences between the various political factions in Iraq. These differences could adversely impact ShaMaran's interests in Kurdistan. In addition, certain borders of Kurdistan remain the subject of final determination, the result of which may have an adverse effect on ShaMaran's assets.

Legislative Issues: All contracts in Kurdistan are issued under the Oil and Gas Law of The Kurdistan Region – Iraq. No federal Iraqi legislation has been enacted by the Iraq Council of Ministers (Cabinet) and Council of Representatives (Parliament). The lack of legislation, or the enactment of federal legislation contradictory to Kurdistan Region legislation, could have a material adverse impact on ShaMaran's interests in the region.

Capital Requirements: 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 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.

Title and License Risks: Although ShaMaran 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 PSCs. Any uncertainty with respect to one or more of the Company's PSCs could have a material adverse effect on the Company's business, prospects and results of operations.

Competition: The petroleum industry is competitive in all its phases. ShaMaran will compete with numerous other participants in the search for the acquisition of oil and natural gas properties and in the marketing of oil and natural gas. Its competitors will include oil companies which have greater financial resources, staff and facilities than those of ShaMaran.

Numerous factors beyond the control of ShaMaran: The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of ShaMaran. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation.

For further information, see "Risk Factors" on page 18.

Background and motive

ShaMaran Petroleum Corporation (previously known as Bayou Bend Petroleum) is a Canadian-listed oil and gas exploration and development company. The Company's long term plan is to increase shareholder value through the exploration and development of oil and gas assets in particularly under-explored geographic areas, in the early phase of the upstream oil and gas life-cycle and appraise and develop these assets. The Company is currently focused on high-impact exploration and development opportunities in the Kurdistan Region of Iraq. Kurdistan is one of the few areas in the world where large conventional oil and gas deposits can be discovered with low to moderate technical risk.

The Company interests are in four blocks that include the Pulkhana and Atrush appraisal blocks and the Arbat and K42 exploration blocks, which are located in the core of the oil and gas plays of Kurdistan and are in the vicinity of large discoveries in the region. The Company has a 60% operated working interest in the Pulkhana and Arbat blocks. The Company also holds a 26.8% net working interest in the Atrush block by way of a 33.5% shareholding in General Exploration Partners Inc which holds an 80% working interest in the Block. The Company has entered into an option agreement with the KRG wherein it can acquire a 20% interest in the K42 Production Sharing Agreement (PSC).

OPERATING HIGHLIGHTS

Atrush Block

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. A comprehensive well testing program consisting of ten drill stem tests (DSTs) commenced on January 30, 2011, and was completed on April 3, 2011. GEP notified the KRG of a major Jurassic oil discovery on April 4, 2011, and is currently engaged in compiling the Discovery Report and Appraisal Work Program & Budget as required by the PSC. GEP has already gone to tender for three dimensional (3D) seismic acquisition over the discovery (to commence in 2011) and is in the planning phase of the first appraisal well.

Pulkhana Block

In April 2010, the Company completed the acquisition of 291 km of two dimensional (2D) seismic data in the Pulkhana Block. On April 3, 2011, the Company spudded its first operated well, the Pulkhana 9 appraisal well, with a planned total depth of approximately 2,700 meters targeting the proven Euphrates/Upper Jaddala and Shiranish oil reservoirs, as well as evaluating further potential reservoirs in the Jeribe & Lower Jaddala. ShaMaran also has Ministry of Natural Resources ("MNR") approval for the Pulkhana-10 appraisal well. The Company is tendering for a workover rig for the planned third quarter workover of Pulkhana-8 and at the same time progressing with the feasibility study and design for the Pulkhana Early Production Facility ("EPF") planned to be installed by the end of the year 2011. The first 3 wells (Pulkhana 8, 9 and 10) will be connected to the EPF, with the possibility to expand as future development wells are drilled.

Arbat Block

In October 2010, the Company completed the acquisition of 429 km of 2D seismic data on the Arbat Block in eastern Kurdistan. The Company has received MNR approval for the location of the first commitment exploration well (designated Arbat-A). Tendering and preparations are underway to enable drilling to commence by the end of the year 2011.

Block K42

The Company has fulfilled all its obligations under the Option Agreement by acquiring and processing 2D seismic data in Block K42 in May 2010. This resulted in the identification of a significant 4-way dip-closed prospect. The Company has exercised its option to enter into a Production Sharing Contract and approval from the KRG is now pending.

Motive for listing

A broad shareholder base is valued by the Board of Directors as it will be of great advantage to ShaMaran in exploring and developing its portfolio of exploration and appraisal properties. Even though the Company's shares have, to-date, only been traded on the TSX Venture Exchange, a number of ShaMaran's Shares are held by Swedish-originated investors and the interest in the Company from the Swedish investor community is growing. The Board of Directors feel that a secondary listing and the ability to trade the Shares on the First North will be beneficial to the liquidity of the Company's Shares and will strengthen the Company's shareholder base. In light of this and the promising potential in exploiting the Company's existing Kurdistan properties, the Board of Directors will seek to improve the availability of the Shares to both current and prospective shareholders by providing the possibility to trade ShaMaran's Shares on the First North list of NASDAQ OMX Stockholm.

This Company Description has been prepared by the Board of Directors of ShaMaran in connection with the pending commencement of trading of the Company's shares on the First North list of NASDAQ OMX Stockholm and the Board of Directors is responsible for the content of the Company Description. The Board of Directors hereby declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omission that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of the board meetings, auditors' records and other internal documents is included in the Company Description.

Vancouver, British Columbia June 1, 2011

ShaMaran Petroleum Corp.
The Board of Directors

Information and Conditions Regarding the Listing

TRADING IN SHARES

The Shares are currently traded on the TSX Venture Exchange in Canada, under the symbol SNM and the ISIN-code for the Shares is CA8193201024. The Shares are denominated in CAD and are traded on the TSX Venture Exchange in CAD. The Company has decided to apply for a listing on First North (the "Listing") under the symbol SNM and the ISIN-code for the Shares will be CA8193201024. The Shares to be listed on First North will be traded and settled in SEK. Estimated first day of trading on First North is on or about June 22, 2011, assuming First North approves the Listing. In connection with the application for listing, the Company has entered into a contract with Öhman to act as market maker, see section "Market maker".

PUBLICATION OF NOTICE REGARDING THE LISTING

Notice regarding the Listing will be made public through a press release in conjunction with approval of listing of ShaMaran's Shares on First North on or about June 16, 2011.

CUSTODY OF SHARES TO BE LISTED ON FIRST NORTH

Shares that are to be listed on First North will be kept in custody in Canada by a global custodian with Euroclear Sweden AB ("Euroclear") as the registered holder. Euroclear will act as a local central securities depository enabling trading and safekeeping for the shares to be listed on First North. The Company is responsible, in accordance with Canadian securities laws, for providing the holders of shares to be listed on First North with information on the following items, among others:

- General and special meetings of shareholders of the Company;
- Procedures of exercising voting rights by proxy;
- Terms and conditions governing dividends and their payment if any; and
- Terms, conditions and instructions pertaining to new share issues.

The Company's responsibilities includes mailing meeting materials, including instruction on how to exercise voting rights by proxy, to its shareholders at least 21 days prior to the meeting.

REGISTRATION OF SHARES WITH EUROCLEAR FOR TRADING ON FIRST NORTH

Only shares registered in the local central securities depository ("LCSD") system with Euroclear will be subject to trade on First North following the Listing. Holders of the Company's Canadian listed shares are entitled to register their shares in the LCSD system with Euroclear in order to trade their shares on First North and vice versa. In order to proceed with such registration, the holders of shares are requested to contact their nominees or their bank. The nominee or the bank may likely charge a fee per each registration of Canadian listed shares in the LCSD system with Euroclear and vice versa. For more information regarding such charges, any prospective investor in the shares is urged to contact his or her nominee or bank.

CONDITIONS FOR THE COMPLETION OF THE LISTING

The Listing is conditional upon ShaMaran meeting First North's ownership distribution requirements and that no circumstances arise where the realization of the Listing could be considered as inappropriate by the Board of Directors in consultation with Öhman.

Such circumstances could for instance be based on economic, financial or political terms and concern domestic as well as foreign issues, and/or due to a determination of the Board of Directors that the holders of shares to be listed on First North is insufficient to provide a regular and liquid trade of ShaMaran's Shares. The intention to complete the Listing can therefore be withdrawn. Notice will in such case be made public promptly through a press release.

MARKET MAKER

ShaMaran has appointed Öhman to be market maker in conjunction with the admission to trading on First North with the objective to promote a good liquidity in the share on this market and ensure a small spread between purchase and sales prices in the ongoing trading. According to the agreement, Öhman shall place a purchase and sales volume corresponding to a value of at least SEK 15,000 each so that there is a maximum difference of four percent between the purchase and sales prices. The assignment shall commence in conjunction with the Company's admission on First North and will last for a minimum of six months.

CERTIFIED ADVISOR ON FIRST NORTH

Öhman will be ShaMaran's Certified Advisor on the First North list.

Risk Factors

All investing and holding in shares is associated with a certain degree of risk, and an investment in the Company's Shares may be considered to be related with high risk. A number of risk factors, including those beyond ShaMaran's control, may influence operations in the Company. The below mentioned risk factors should not be considered exhaustive and are not set forth in any order of priority or probability. Further risk factors, including those that ShaMaran is not currently aware of or deems to be immaterial could also negatively affect the Company's exploration and development plans, and thus, its results, financial position as well as return to shareholders. Consequently, there are no guarantees or certainty that an investment in the Company's shares will generate a positive return. Any investment in the shares should therefore be perceived as speculative and prospective investors should carefully examine and consider the following risk factors as well as other information set out in this Company Description.

The Company's operations are subject to various risks and uncertainties, including, but not limited to, those listed below.

POLITICAL AND COUNTRY RELATED RISKS

International Operations

ShaMaran participates in oil and gas projects located in Kurdistan in northern Iraq. Oil and gas exploration, development and production activities in emerging markets are subject to significant political and economic uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, nationalization, renegotiation or nullification of existing or future licenses and PSCs, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, ability to export, and the imposition of currency controls. These uncertainties, all of which are beyond ShaMaran's control, could have a material adverse effect on ShaMaran's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas PSCs acquired by the Company, ShaMaran could be subject to the jurisdiction of courts other than those of Canada. ShaMaran's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a PSC in which ShaMaran acquires an interest. ShaMaran may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that ShaMaran will be able to obtain all necessary licenses and permits when required.

International Boundary Disputes

There are ongoing political disputes between the KRG and the Republic of Iraq as to both the regional boundaries between them and resulting oil rights.

Political Instability

ShaMaran is highly exposed to the political risk in Kurdistan which regards itself as a semi-autonomous region of northern Iraq. There are a number of outstanding political issues and differences between the various political factions in Iraq. These differences could adversely impact ShaMaran's interests in Kurdistan.

DIFFERENT LEGAL SYSTEM AND LITIGATION

Oil and Gas Regulation in Kurdistan

In August 2007 the Kurdistan National Assembly passed the Kurdistan Regional Oil Law which is declared to be supported by the Iraq Constitution and provides the foundation for economic development of the largely untapped resources of the northern Iraqi region. Under the Kurdistan Regional Oil Law, domestic and international investors in oil and gas can come to the Kurdistan region, generate revenue and provide employment and training opportunities for citizens in the region. Consistent with the Iraqi Constitution, the Kurdistan Regional Oil Law requires Kurdistan to share revenue with the Federal government of Iraq and other regions of Iraq, just as other areas of Iraq will share oil revenues with Kurdistan. The Iraqi government has disputed the validity of oil PSCs entered into by the KRG. The KRG is disputing the claims and have stated that the contracts are compliant with the Iraqi Permanent Constitution.

FINANCIAL RISKS

Capital Requirements

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 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. 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 assets are unable to complete minimum work obligations on its PSCs, the PSCs could be relinquished under applicable production sharing agreements.

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 realize its assets and satisfy its liabilities in the ordinary course of business. ShaMaran's operations to date have been primarily financed by 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.

Shared Ownership and Dependency on Partners

ShaMaran's operations are to a significant degree conducted together with one or more partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance of its partners. If a partner fails 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. The Company and its partners may also from time to time have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute would arise with one or more partners relating to a project, such dispute may have negative effects on the Company's operations relating to such project.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

TITLE AND LICENCE RISKS

Uncertainty of Title

Although ShaMaran 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 PSC. Any uncertainty with respect to one or more of ShaMaran's PSC interests could have a material adverse effect on ShaMaran's business, prospects and results of operations.

Risks Relating to Licenses and Contracts

The Company's operations are based on PSC agreements, licenses and contracts. The rights and obligations under such licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of the Company. In case of a dispute, it cannot be certain that the view of ShaMaran would prevail or that ShaMaran otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on the Company. Also, if ShaMaran or any of its partners were deemed not to have complied with their duties or obligations under a license or contract, it may result in the Company's rights under such licenses or contracts being relinquished in whole or in part.

OTHER RISKS

Early Stage of Development

ShaMaran has conducted oil and gas exploration and development activities in Kurdistan for approximately one and a half years. There is limited financial, operational and other information available with which to evaluate the prospects of ShaMaran in Kurdistan. There can be no assurance that ShaMaran's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

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 and its partners. ShaMaran's ability to increase reserves in the future will depend on its ability to develop its present properties, 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 a material adverse effect on ShaMaran's business, prospects and results of operations.

Risks Inherent in Oil and Gas Exploration and Development

ShaMaran's business is subject to all of the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, 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 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.

Risks Relating to Infrastructure

The Company is dependent on available and functioning infrastructure relating to the properties on which it operates, such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or do 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

Drilling for and production, handling, transporting and disposing of oil and gas and petroleum by-products are subject to extensive regulation under national and local environmental laws, including those of the 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. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures and competitive position of ShaMaran. Any penalties or other sanctions imposed on the Company for non-compliance with environmental regulations could have a material adverse effect on ShaMaran's business, prospects and results of operations.

Availability of Equipment 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 ShaMaran's exploration and development activities.

Conflict of Interests

Certain directors of ShaMaran are also directors or officers of other companies, including oil and gas companies, the interests of which may, in certain circumstances, come into conflict with those of ShaMaran. If and when a conflict arises with respect to a particular transaction, the affected directors must disclose the conflict and abstain from voting with respect to matters relating to the transaction. All conflicts of interest will be addressed in accordance with the provisions of the Business Corporations Act (British Columbia) and other applicable laws.

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 have a material adverse effect on ShaMaran's business, prospects and results of operations. 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 operation and development of its business.

RISKS WITH THE SHARES

Rules and Regulations of First North

The Board of Directors has resolved to apply for admission of the Company's shares to trading on First North – an alternative marketplace[1] operated by NASDAQ OMX Stockholm AB. Companies whose shares or other securities are traded on First North are not obliged to follow the same rules and regulations as stock exchange-listed companies, but instead a less comprehensive set of regulations adapted to primarily small companies and growth companies. An investment in a company whose shares or other securities are traded on First North may therefore imply more risk than an investment in a stock exchange listed company. All companies whose shares or other securities are traded on First North have a Certified Advisor who monitors that the company observes First North's rules and regulations regarding the provision of information to the market and investors. A Certified Advisor examines a company whose shares are to be traded on First North. NASDAQ OMX Stockholm AB approves applications for admission to such trading.

Illiquid Trading

ShaMaran has entered into an agreement with Öhman regarding Öhman's role as market maker for the Company's shares which shall enter into force if the Company is admitted by NASDAQ OMX Stockholm AB to trading on First North. It is not possible to anticipate the degree to which investors' interest in ShaMaran will lead to active trading in its shares or how trading in the shares will function in the future. Should active and liquid trading not materialise, or is not durable, such could imply difficulties for holders of shares to sell their shares, either momentarily without driving down the market price, or even at all.

1. The term "alternative marketplace" means that First North is not what is known as a regulated market – a term used in the EU directive called MiFID, which concerns security brokerage firms and stock exchanges. First North has a less complex set of regulations within the framework of Multilateral Trading Facility (MTF) and the MiFID directive. Issuers on First North must observe First North's rules and regulations, although the legal requirements for listing on a regulated market do not apply. Companies traded on First North are subsequently not stock market companies, and are thereby not subject for example to the Swedish Act concerning Reporting Obligations for Certain Holdings of Financial Instruments (2000:1087) (Sw: *Lag om anmälningsskyldighet för vissa innehav av finansiella instrument*), the Swedish Act on Public Takeover Offers on the Stock Market (Sw: *Lag om offentliga uppköpserbjudanden på aktiemarknaden*), and IFRS.

General Stock Market Risk

A prospective investor should be aware that an investment in the Company's shares is associated with a high degree of risk and that there are no guarantees that the share price, as of the moment trading in the shares has commenced on First North, develops favorably. In addition to the Company's performance, the share price is dependent on a number of factors that neither the Company nor Öhman can influence. Such factors may be the economic climate, market interest rates, the opportunity cost of capital, capital flows, political uncertainties, as well as market and behavioral psychology. Even if the Company's activities develop positively, it cannot be excluded that an investor makes a capital loss upon divestment.

Market Overview

As the Company's business activities are focused on exploration and development of oil and natural gas resources, this section contains an overview of the global crude oil and natural gas markets.

INTRODUCTION TO CRUDE OIL

Crude oil is formed by geological processes from organic matter that is subjected to heat and pressure due to burial deep within the Earth. The expelled hydrocarbon liquid, often associated with gas, becomes trapped in underground rock formations termed reservoirs. The size, depth and quality of these reservoirs are geologically and tectonically dependent. Oil is a finite resource and one day world oil production will reach a peak, after which production will decline.[1]

Historically, oil has been found on land based on surface indications but is increasingly becoming more of a challenge to find and recover, requiring an increased use of technology and exploration in frontier areas. Oil exploration usually involves the acquisition of seismic data that can image the sub-surface structure and together with other remote studies can identify possible reservoirs where oil may be trapped. Oil resources are not considered proven until an exploration well has been drilled and the oil zone(s) have been successfully flow tested to surface. Post-discovery, further data and the drilling of several new wells are the usual parts of an appraisal program. The appraisal program is designed to gather sufficient data to determine if there is an economic case for developing the oil. This depends not only on subsurface reservoir conditions but also the quality of the oil. A field development plan will move the project towards full-scale production, which may require a number of development wells, extensive production and export facilities to provide a commercial project.

Not all oil in a reservoir can be recovered. Potential oil is usually split between discovered and undiscovered resources. Discovered oil is further divided between reserves (oil that can be commercially produced) and contingent resources (oil that may be recovered under certain technical or economic conditions). The technical and economic potential of an oilfield is usually determined by an estimate of the ultimate amount of oil that can be recovered for an assumed investment level. The size of oil in place is not necessarily a guide to how much oil may be recovered or how individual oil wells may produce. For example, a very large pool of oil may have a small amount of oil recovery due to technical limitations while a small pool may have a high recovery due to more favorable sub-surface conditions. A higher oil price outlook usually indicates that more oil can be economically produced, but geology and available technology ultimately places an upper limit on price-dependent reserves growth.[2]

ShaMaran is primarily engaged in upstream oil and gas exploration, seeking good quality crude oil as its primary exploration focus. Iraq is one of the last areas in the world that has not seen the magnitude of oil and gas exploration as seen

1. Peaking of World Oil Production: Impacts Mitigation & Risk Management", Robert L. Hirsch, February 2005.
2. Peaking of World Oil Production: Impacts Mitigation & Risk Management", Robert L. Hirsch, February 2005.

elsewhere. Kurdistan in particular represents the last of the regions where oil is relatively easy to locate as demonstrated by recent results (in large surface anticlines) however the technical challenges for exploration drilling and production schemes remain.

EXPLORATION ACTIVITIES IN KURDISTAN

Iraq is estimated to have one of the largest oil and gas potentials in the world. The country already has proven reserves of 143 billion barrels of crude oil and 112 trillion cubic feet of natural gas. The vast majority of Iraq's oil and gas fields remain undeveloped, undercapitalized and underexplored, mainly due to the country's historical political structure and regional conflicts. Iraq has 73 discovered oil fields, including 6–9 "super-giant" fields (recovering more than 5 billion barrels of oil each) and 22–23 "giant" fields (recovering more than 1 billion barrels per field). Only 15 to 20 of these fields are currently in production.

The Kurdistan Region of Iraq is located in north eastern Iraq, bordering Syria, Turkey and Iran. Like the rest of Iraq, Kurdistan's economy is highly dependent on the production and sale of oil. It is estimated by the US Geological Survey that there are approximately 40 billion barrels of oil and 60 trillion cubic feet of gas in Kurdistan, giving the region the potential to be a significant new global energy player. Although autonomous since 1991, it was not until 2004 that Kurdistan's status was officially recognized by the Transitional Administrative Law and reaffirmed by Article 117 of the Constitution of Iraq (the "Constitution"), approved by the Iraqi people in a referendum on 15 October 2005.

In addition to recognizing Kurdistan, the Constitution also recognizes decisions and contracts issued or entered into by the KRG since 1992. The grandfathering provision in Article 141 of the Constitution states that: "Legislation enacted in the region of Kurdistan since 1992 shall remain in force, and decisions issued by the government of the region of Kurdistan, including court decisions and contracts shall be considered valid unless they are amended or annulled pursuant to the laws of the region of Kurdistan by the competent entity in the region, provided that they do not contradict the Constitution."

Since 2007, the KRG has been using a model PSC for all participants in Kurdistan, based on a model considered reasonable and in line with international practice. Under the PSC, the contracting company (Contractor) has to comply with an initial three-year exploration sub-period (seismic acquisition plus an exploration well commitment, between 1 & 3 wells), followed by a second exploration sub-period of two years can be entered into, with a possible extension granted for further evaluation. Upon discovery, the Contractor enters an approved appraisal period (typically between 2 & 5 years, depending on the complexity of the discovery) which leads to a field development plan. The Contractor can then apply to enter the development phase, which lasts 25 years (with potential extensions). The Contractor has the typical rights and obligations, including (i) recovery of costs; (ii) payment of royalties to the KRG; (iii) sharing of "profit oil"; (iv) bonus payments; and (v) taxes, which are paid from the KRG's share of profit oil.

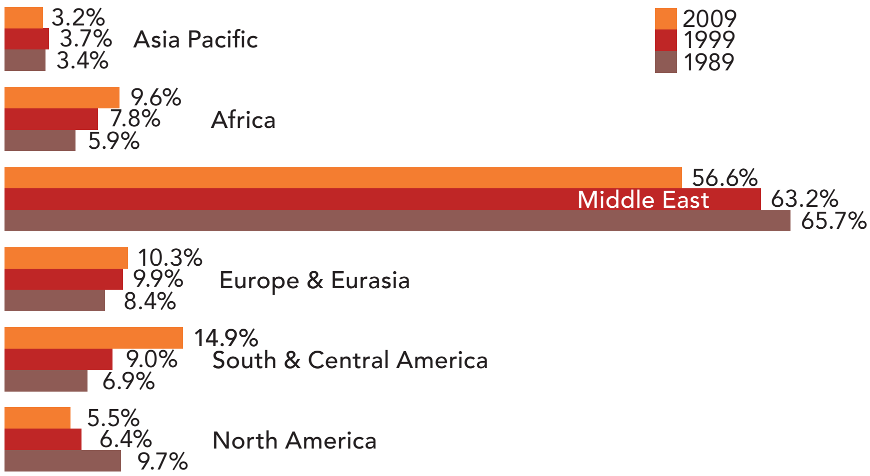
In light of the high oil and gas potential, recognition under the Constitution, attractive model PSC and proven to be relatively stable and secure compared to the remainder of Iraq, Kurdistan has emerged as an attractive region for foreign investment. In 2006, the first new oil well since the invasion of Iraq was drilled in Kurdistan by DNO, and approximately 38 international companies have now been awarded PSCs in Kurdistan. These include Heritage Oil plc, Gulf Keystone Petroleum Ltd., Talisman Energy Inc., WesternZagros, Niko Resources, Sterling Energy plc, Korean National Oil Corporation, the OMV Group, MOL, Sinopec International Petroleum Exploration and Production Corp., Reliance Industries Limited, Marathon Oil, Hunt Oil, and Murphy Oil.

THE GLOBAL OIL MARKET

Oil is found on most continents of the world. Global proven oil amounted to 1,476 billion barrels at the end of 2009, including Canadian oil sand reserves corresponding to 143.3 billion barrels.[3] The Middle East continues to posses the largest oil reserves in the world, even though many of the large fields, such as Ghawar, are suspected to be in decline. Following the Middle East in oil riches, are Europe and Eurasia, the African continent as a whole, and South and Central America. The financial crisis, endured by many nations over the course of 2009 and the subsequent recovery in 2010, visualized a considerable economic relationship between supply, demand and pricing of both conventional oil and natural gas.

A significant plunge in oil and natural gas prices occurred in the second half of 2008, following a decrease in demand due to traumatized economies. This left many drill rigs inactive and high capital expenditure projects suspended. The relationship is further confirmed by the rapid and exhaustive surge in commodity prices in 2010, as the general market conditions improved. Developments in the past years demonstrate how rapid and extreme oil and natural gas price changes can be. Although global financial markets are less distressed, volatility remains as other sources of uncertainty cause changes in the supply/demand balance. Uncertainty about global economies will thus continue to add volatility to the direction of oil prices.

Distribution of proven oil reserves in 1989, 1999 and 2009



Source: BP Statistical Review of World Energy June 2010

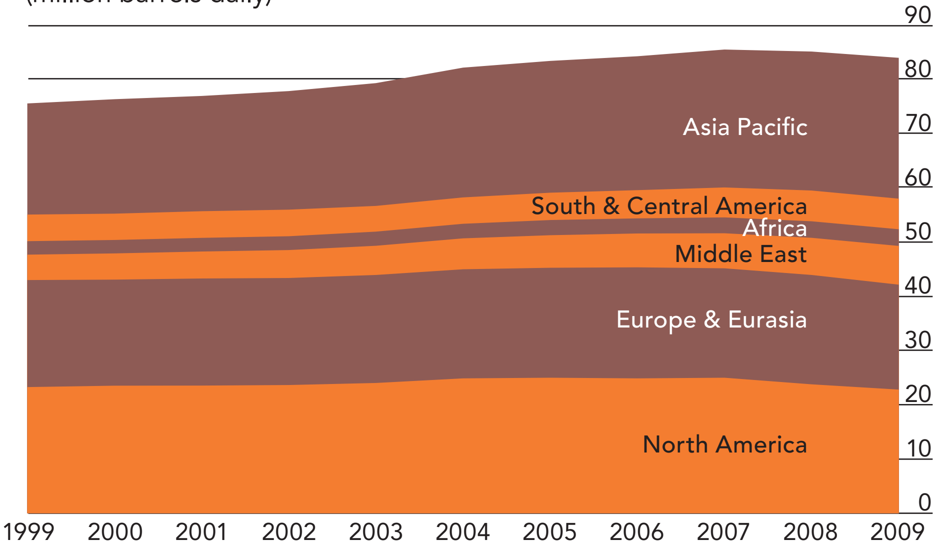
Despite the severe impact of the financial crisis and following economic downturn, global oil production has recuperated promptly. As of December 31, 2010, global oil consumption had grown by 2.3 Mmbbls/d, aggregating to a total consumption of 86.7 Mmbbls/d, a level that surpasses the previous record reached in 2007.[4] As forecasted consumption growth outpaces the increase in supply, the market is expected to tighten. In order to meet the expected growth in demand, the market has to rely on a drawdown in inventory, which does not constitute a sustainable procedure.

To meet global demand, ever-larger volumes of oil will need to be produced, compelling companies to explore in underdeveloped and often politically unstable areas of the globe. Since oil production from individual reservoirs grows to a peak and then declines, new reservoirs must be discovered continually and brought

3. BP Statistical Review of World Energy June 2010
4. Short term energy outlook – U.S. Energy Information Administration

into production to compensate for the depletion of older reservoirs. Many oil experts are of the opinion that the world has reached or is close to "peak oil", the point in time when oil production will outmatch the replacement of reservoirs. This may have a significant impact on supply and pricing in the near term, adding even more volatility to price forecasts. Sustained investment will be needed to offset declines in existing fields which will drop by nearly two thirds by 2030.[5]

Consumption per region 1999–2009
(million barrels daily)



Source: BP Statistical Review of World Energy June 2010

Among the OECD-countries, only the North American region is expected to show growth in oil consumption over the next two years. However, as the emerging markets experience excess growth in economic activity and population, the region will contribute significantly in shaping the global energy market henceforth.[6]

Oil demand is expected to grow continuously over the next 25 years, amounting to 99 Mmbbls/d in 2035. Nearly all of the net growth origins in non-OECD countries, where China, mainly driven by augmented use of transport fuels; constitutes approximately a third of the growth. In 2009, China replaced the United States as the world's largest energy consumer. China's oil demand is forecast to more than double to 21 Mmbbls/d by 2035, led by a sevenfold increase in Chinese car ownership, according to the IEA. India's energy consumption is estimated to double, making it the second-largest contributor to the increase in global demand to 2035, accounting for 18% of the rise.

Simultaneously, the OPEC-production is anticipated to increase, boosting its share of global output to more than 50%. Iraq accounts for a great share of the increase in output. Commensurate with Iraq's vast proven reserves; its crude oil output will equal Iran's by 2015 and is expected to reach seven Mmbbls/d in 2035, corresponding to a total growth close to 200%. Global oil production in 2009 amounted to 80.0 Mmbbls/d, with the Middle East providing the majority of this production at 24.4 Mmbbls/d. Europe and Eurasia contributed 17.7 Mmbbls/d, primarily from Russia, Kazakhstan and Norway, followed by North America producing 13.4 Mmbbls/d. Africa contributes 9.7 Mmbbls/d mainly from production in Nigeria, Algeria, Angola and Libya. The Asian Pacific region supplies a modest 8.0 Mmbbls/d and lastly, South and Central America contributes 6.8 Mmbbls/d with the majority of the production coming from Venezuela and Brazil.

Not surprisingly, now taking the lead in global consumption is the Asian Pacific region, consuming more than 26.0 Mmbbls/d in 2009. Consumption outpaces domestic supply necessitating vast quantities of imports to fuel economic growth in China and India, among others. North America, second in consumption stand-

5. World Energy Outlook http://www.iea.org/speech/2009/Birol_WEO2009_Rome.pdf
6. Short term energy outlook – U.S. Energy Information Administration

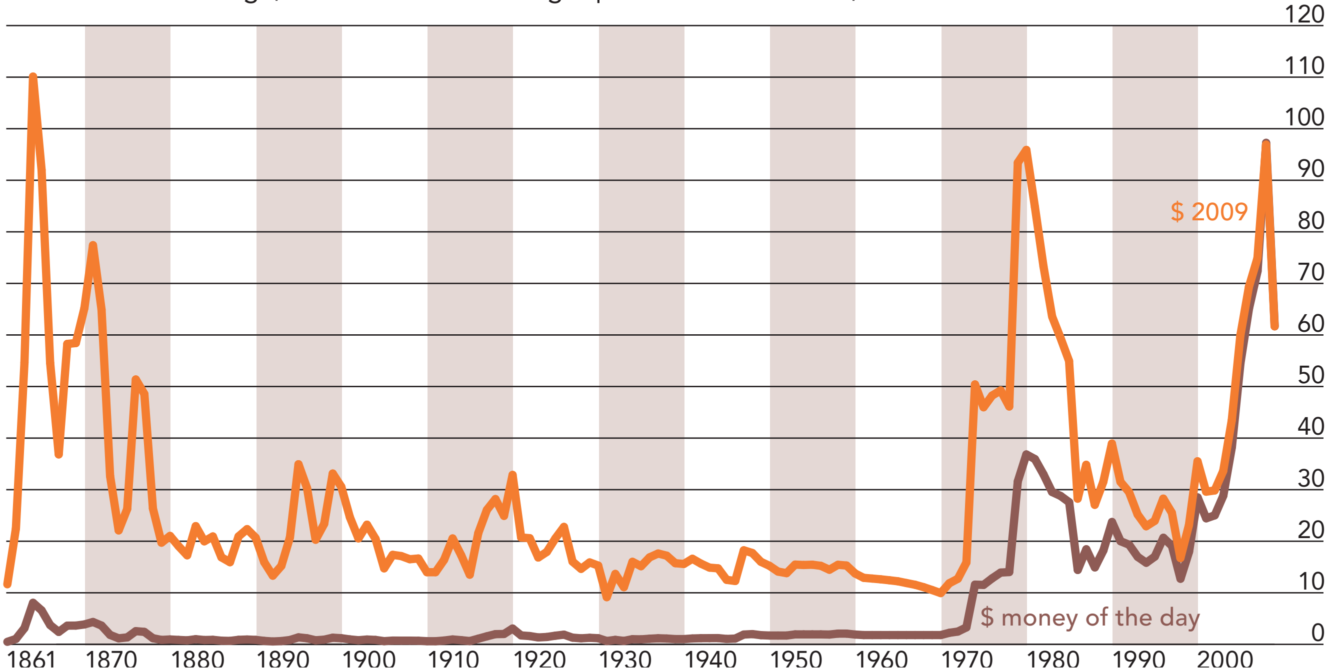
ings for 2009, consumes more than 22.8 Mmbbls/d. Europe and Eurasia's daily oil consumption is 19.4 million barrels, with Russia and Germany being the two largest consumers within the region. In a distant fourth place, is the Middle East to be found, consuming only 7.1 million barrels of oil a day. Following the Middle East in consumption is South and Central America, with 5.7 million barrels of oil a day. Lastly, in Africa, consumption lags at a mere 3.1 Mmbbls/d.[7]

As of December 31, 2010, global oil consumption had grown by 2.3 Mmbbls/d, aggregating to a total consumption of 86.7 Mmbbls/d, creating a distinct supply/demand imbalance, whereby for every barrel of oil consumed, only 0.95 barrels of oil was produced.[8] The spread between consumption and production may have become even greater in 2011 as turmoil in North Africa and the Gulf has limited the supply and possibly forced the oil price to increase.

OIL PRICE DEVELOPMENT

Historically, oil prices have fluctuated widely. Aside from dynamic supply and demand, factors affecting oil prices include global and regional economic and political developments in resource-producing regions as well as the extent to which OPEC and other producing nations influence global production levels. In addition, oil prices are impacted by various factors, such as the prices of alternative fuels, global economic conditions, weather conditions and political uncertainty. The price of oil has experienced major fluctuations during the last three decades primarily due to a number of political events, such as the two oil crises during the 1970s that were caused by OPEC's decreased production levels.

Crude oil prices 1861–2009
(US dollars per barrel)
1861–1944 US average, 1945–1983 Arabian Light posted as Ras Tanura, 1984–2009 Brent dated



Source: BP Statistical Review of World Energy June 2010

7. World Energy Outlook 2010. http://www.worldenergyoutlook.org/docs/weo2010/WEO2010_es_english.pdf
8. BP Statistical Review of World Energy June 2010

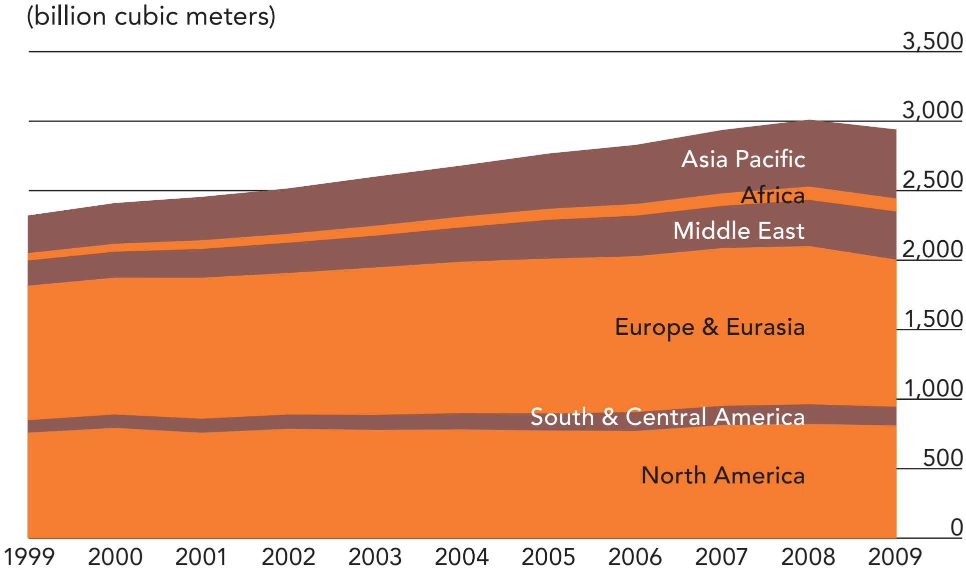
The period following the 1970's was characterized by decreasing oil prices, partly caused by increased investment in production capacity worldwide. In 1990, the price of oil again increased due to the conflict in Kuwait. During the decade starting 2000 to 2008, oil prices were steadily increasing, until the price plunged in late 2008 as the financial crisis struck the market.[9]

In recent years, oil spot prices have experienced significant variability as geopolitical factors continue to plague the market. Aggressive price changes have possibly been caused by macroeconomic instabilities resulting from tumultuousness in the North African region, supply and demand reports from the American Department of Energy as well as the development in monetary and interest rate policies, among others.

THE GLOBAL NATURAL GAS MARKET

Natural gas remains a key energy source for global industrial development and power generation. The industrial sector consumes 40% of all natural gas, more than any other end-use sector. The industrial sector has faced unfavorable market conditions in recent years and experienced a six percent decline in natural gas consumption between 2008 and 2009. As the economic growth improves, global demand for natural gas rebounds. Natural gas origin from a variety of sources which keep prices relatively low and markets well supplied.

Consumption per region 1999–2009
(billion cubic meters)



Source: BP Statistical Review of World Energy June 2010

The rate of decline in production from existing gas fields is the prime factor when determining the amount of new capacity and investment needed to meet projected demand. Based on the assumption that the global economy in 2010 is in the beginning of its recovery, global demand is expected to rebound. On average, demand is expected to grow by 1.8% per year between 2010 and 2020.[10] The Middle East, well endowed with relatively low cost resources, leads the production expansion and is expected to have doubled its output by 2035 to reach 28.3 trillion cubic feet.

As of December 31, 2009, proven world natural gas reserves, as reported by BP, were estimated at 6,621 trillion cubic feet – 367 trillion cubic feet higher than the estimate of 6,254 trillion cubic feet for 2008. Overall world reserves of natural gas have increased dramatically in the last ten years. Since 1999, when global reported reserves were measured at 148.6 trillion cubic meters ("tcm"), proven reserves have increased to 187.5 tcm. In 2009, proven reserves in the Middle East amounted to 76.2 tcm, constituting 41% of global reserves. Proven reserves

9. BP Statistical Review of World Energy June 2010
10. World Energy Outlook 2009

within the area are nearly 40% greater than in 1999. Europe and the Eurasia region reported reserves had decreased by 4.2%, as a percentage of the overall market, over the 1999 reference year, though Russia, Norway and Turkmenistan supplemented the region with increased reserves over the last decade.

In the Asian Pacific region, supply increased to 16.2 tcm, a slight increase of 0.2 tcm over 2008, providing an overall 8.7% of the total natural gas market in 2009. Africa, with an overall market share of 7.9% in 2009, increased its reported reserves by a slight margin to 14.8 tcm from 14.7 tcm in 2008. North America's reserve figures for 2009 comprised only 4.9% of total reserves, with proven reserves actually decreasing in 2009 to 9.16 tcm from the reported 2008 reserve figure of 9,18 tcm. Again the financial crisis played a part in reserve declines as excess in North American supply mitigated the importance of continued exploration activity for replacement reserves.

Trailing as a percentage of global proven reserves were South and Central America, providing a mere four percent of the overall market. Total reserves have grown by 18.4% since 1999, amounting to 8.06 tcm in 2009. Despite significant growth, the area has not kept pace with the growth in the rest of the world.

As the global oil market experienced significant and unprecedented turbulence over 2008 and partly into 2009, the global natural gas consumption decreased by 2.3%. Never in the last decade has global consumption growth been negative. Global production decreased by 2.4%, resulting in a lower replacement ratio than in 2008, though above global consumption. Ahead of all other regions in consumption of natural gas was Europe and the Eurasia markets – both regions consumed a significant 1,058.6 billion cubic meters (bcm) in 2009. Russia is second only in rank to the US in natural gas consumption, consuming 389.7 bcm of gas while the US consumed 646.6 bcm in 2009. Overall, North America consumed 810.9 bcm of natural gas in 2009, resulting in a decrease of 11.1 bcm over reported 2008 figures of 822.0 bcm. The Asia Pacific region increased its consumption of natural gas in 2009, which amounted to 496.6 bcm versus 2008's consumption figures of 481.4 bcm, resulting in an increase of 15.2 bcm or 3.2%. China played a role in the demand dynamics in Asia, with increased consumption growth of 9.1% in 2009 over 2008, reaching almost 88.7 bcm in 2008. Japan was surpassed by China as the top consumer in the region in 2009, consuming 87.7 bcm, in contrast to 2008's consumption numbers of 93.7 bcm. In 2009, the Middle East consumed 345.6 bcm of natural gas, resulting in a 13.8 bcm increase over 2008 consumption, majorly driven by Iran's 12.4 bcm increased consumption. South and Central America experienced a diminishing consumption by 6.3 bcm over 2008 consumption of 134.7 bcm. In Africa consumption decreased by 2.2% over 2008 consumption figures of 96.1 bcm to 94.0 bcm.[11]

On a global scale a significant drawback of natural gas demand is not likely to occur in the future as there will continue to be heavy emphasis on natural gas to power the energy dependency of the planet. With more power plants scheduled for construction in numerous areas of the globe, especially China and India, gas supply will have to intensify when these plants come online.

11. BP Statistical Review of World Energy June 2010

NATURAL GAS PRICE DEVELOPMENT

Natural gas is recognized as a regional commodity owing to the necessity to ship produced gas via pipelines to hubs capable of redirecting and distributing the gas to purchasers. As a result, prices are often responsive to the proximal market space where natural gas is originated. As consumption of natural gas in Europe surpasses the regions production, significant volumes have to be imported. The Nabucco project is a vital part of Europe's attempt to facilitate the natural gas business with Central Asia and reduce the dependence on Russia. The project comprises a 3,900 km long pipeline from Asia to Europe with an annual capacity of 31 bcm. Due to its shared border with Turkey, which is on the pipeline route and one of the six shareholders in the project, the Kurdistan Region is in a prime position to supply the pipeline. The pipeline, expected to be operational in 2015, will increase competition and possibly reduce natural gas prices in the area.[12]

OUTLOOK

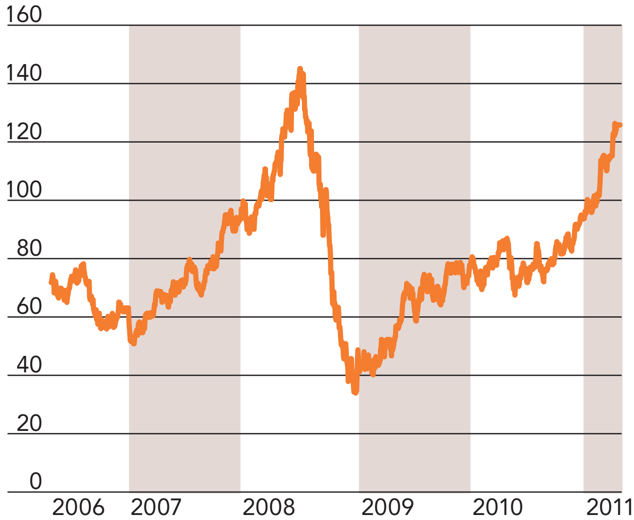
The primary driving force behind the increased demand for oil and natural gas is, and will continue to be, economic growth. To a great extent the world's energy needs are met by fossil fuels, of which oil is dominant for transportation and other industrial needs. However, the abundant supply of natural gas may spur increased reliance on the feedstock to meet power production needs. In developing countries, demand for energy is aligned with economic growth, whereas in industrialized countries the growth in demand is more volatile in comparison with economic growth. As developing nations rise to the standard of living in much of North America and Europe, the race for energy security is not likely to abate. Emerging economies will have to engage in competitive bidding practices and enter into previously unfavorable geopolitical arenas that will undoubtedly create dramatic shifts in alignment of loyalties as the pursuit of hydrocarbon security carries on.

COMPETITION

The petroleum industry is immensely competitive in all of its phases. ShaMaran competes with other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and gas upon production. ShaMaran's competitors include other resource companies which may have greater financial resources, staff and facilities than those of the Company. Competitive factors which may come into play in the future in the distribution and marketing of oil and natural gas include price, and methods and reliability of delivery. ShaMaran believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

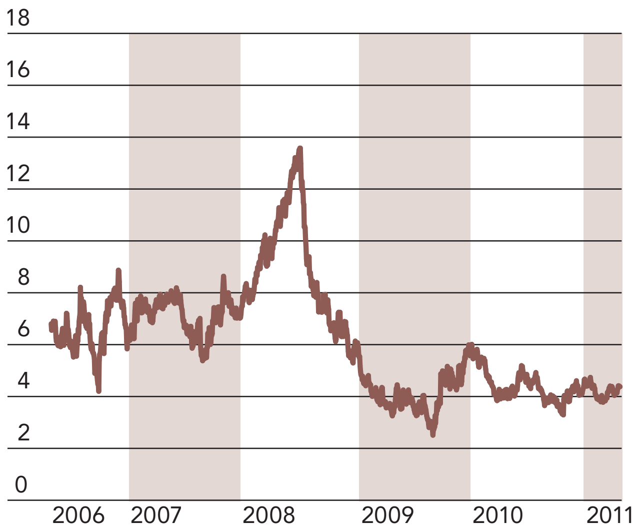
12. www.nabucco-pipeline.com

Dated Brent crude oil price
(April 27, 2006–April 27, 2010, $/bbl)



Source: FactSet

Natural gas price
(April 27, 2006–April 27, 2010, NYM $/btu)



Source: FactSet

TRENDS

Oil prices are clearly dependent on the world economy and the global supply and demand balance for oil. While pricing in the future may reflect supply-demand fundamentals more accurately, it would appear that the current tight supply environment is highly sensitive to political and terrorist risks, as evidenced by the risk premium in the current price structure. The magnitude of this risk premium may change over time. Natural gas prices have been quite stable over the last 12 months, though historically gas prices have been strongly linked to oil prices. However that has not been the case in the past two years when natural gas did not follow the same upward curve of oil prices due to a combination of factors such as increased supply of liquefied natural gas which easily can be transported, the emergence of shale gas and different supply demand balance than for oil.

ShaMaran Petroleum Corp.

THE COMPANY IN BRIEF

ShaMaran is a Canadian incorporated oil and gas company. The Company is engaged in the exploration, acquisition, development and production of oil and natural gas interests with a focus on oil development in the Kurdistan Region of Iraq. The Company's shares are traded on the TSX Venture Exchange under the symbol "SNM".

BACKGROUND

Prior to August 2009, ShaMaran's principal business activities were the acquisition, exploration and development of oil and gas properties in the Gulf of Mexico, U.S.A. The Company sold substantially all of its U.S. oil and gas interests in the Gulf of Mexico in May 2009.

ShaMaran became a Kurdistan-focused oil development and exploration company in mid-2009 after acquiring interests in three PSCs in the Kurdistan Region of Iraq. Today, ShaMaran has four projects in the Kurdistan Region; namely, the Pulkhana Block and the Atrush Block appraisal areas and the Arbat Block and Block K42 exploration areas.

KEY ACCOMPLISHMENTS

On May 28, 2009 the Company closed an asset purchase agreement (the "Purchase Agreement") to sell to Dynamic Offshore Resources LLC ("Dynamic") substantially all of its United States based oil and gas assets.

Effective August 27, 2009 the Company acquired a 100% interest in ShaMaran Petroleum BV ("SPBV") through a Share Purchase Agreement with Lundin Petroleum BV ("LPBV"). At that time SPBV was a shell company with no significant assets or liabilities.

Effective August 28, 2009, SPBV entered into the Pulkhana Block PSC, the Arbat Block PSC and the Block K42 Agreement. These Block Agreements formed the basis of the Company's entry into the oil and gas exploration and development industry in the autonomous region of Kurdistan in Northern Iraq.

On September 28, 2009, the Company completed an equity financing with a syndicate of agents, led by GMP Securities L.P. and including Canaccord Capital Inc. and Raymond James Ltd., of 140 million subscription receipts at a price of CAD 0.75 per subscription receipt, resulting in gross proceeds of CAD 105 million. Each subscription receipt entitled the holder to receive one common share without further payment or action on the part of the holder. The proceeds from the placement were used to fund the Company's acquisition of working interests in each of the Pulkhana Block, the Arbat Block and Block K42, Kurdistan, and for ongoing exploration activities and working capital purposes.

On October 16, 2009, the shareholders of the Company approved the change of the Company's name from Bayou Bend Petroleum Ltd. to ShaMaran Petroleum Corp. The common shares of the Company commenced trading under its new name on the TSX.V and new symbol, "SNM", at market open on October 21, 2009.

In April 2010, the Company completed the acquisition of 291 km of 2D seismic data in the Pulkhana Block. The seismic campaign was completed on schedule and within budget.

Seismic acquisition of 232 km of 2D seismic data in Block K42 was concluded in May 2010. Processing and interpretation of the data was completed at the end of the year 2010 and resulted in the identification of a significant 4-way dip-closed prospect.

In August 2010, the Company acquired a 33.5% stake in GEP, a company which holds an 80% working interest in the Atrush Block Oil and Gas Exploration Area in Kurdistan. As a result ShaMaran has a 26.8% indirect interest in the Atrush Block.

In August 2010, the Company executed agreements to amend the Pulkhana Block and the Arbat Block PSCs, which waive the Company of its previous contractual requirement to issue 150 million common shares to the KRG in exchange for 20% of the Company's profit oil share (produced oil, less royalty and cost oil) from the two PSCs as capacity building payments to the KRG.

The Company raised cash proceeds of CAD 50 million ($47.8 million net of issuance costs) through a private placement in September 2010 of 111 million common shares at CAD 0.45 per share.

In October 2010, the Company completed the acquisition of 429 km of two dimensional ("2D") seismic data on the Arbat Block in eastern Kurdistan.

The first exploration well on the Atrush Block was spudded on October 5, 2010, by the operating company, GEP, and a total depth of 3,400 meters was reached on January 21, 2011. A comprehensive well testing program was commenced on January 30, 2011.

In March 2011, the Company received a Detailed Property Report ("the Report") from its third party auditors, McDaniel & Associates Consultants Ltd. The Report includes 82,461 Mboe as best estimate of Gross Estimated Contingent Resources and 287,555 Mboe as the unrisked best estimate of Gross Estimated Prospective Resources net to ShaMaran for all four of the Company's assets.

On April 3, 2011, the Company spudded its first operated well, Pulkhana 9, with a planned total depth of approximately 2,700 meters and targets the proven Euphrates/Upper Jaddala and Shiranish oil reservoirs, as well as evaluating a further potential reservoir in the Lower Jaddala.

On April 13, 2011, the Company announced a major oil discovery in the Atrush-1 exploration well in Kurdistan. The well flow tested at rates totaling over 6,393 bopd from three Jurassic horizons and well analysis indicated that the intervals are capable of much higher rates when completed for production. The three tests in the middle and upper Jurassic reservoirs produced 26.5 API oil.

In May 2011, the Company raised gross proceeds of CAD 50.4 million cash proceeds ($49.1 million net of issuance costs) through a private placement of 56 million common shares at CAD 0.90 per share.

BUSINESS CONCEPT

ShaMaran's long-term plan is to continue with its goal of increasing shareholder value through aggressive work programs planned to convert existing contingent and potential resources to reserves and production.

MISSION

ShaMaran's mission is to build a leading oil exploration and production company focused on opportunities in oil and gas available in Kurdistan while creating positive economic and social impacts on the local communities and growing shareholder value.

GOALS

ShaMaran will continue with its focus on its existing four PSC interests in the Kurdistan Region of Iraq as well as other new venture opportunities which may arise in the region.

STRATEGY

The primary driver for business growth for ShaMaran is to create growth in reserves, production and cash flow from its operations in the Kurdistan Region of Iraq. To accomplish this, ShaMaran has pursues an integrated growth strategy with active and aggressive exploration and development drilling, together with focused acquisitions and joint venture arrangements. ShaMaran continues 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 Corporation's business parameters.

OIL AND GAS INTERESTS

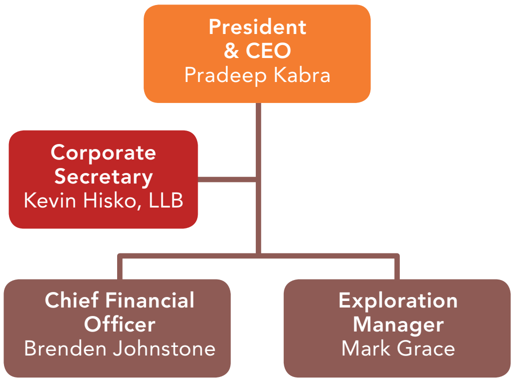
All of the Company's oil and gas interests are located in the Kurdistan Region of Iraq. The following table sets out the Company's current holdings.

Country	Block	Acreage (km^2)	Working interests [I]	
Iraq (Kurdistan)	Pulkhana	529.58	SNM (Operator)	60%
			KRG [II]	20%
			Petoil [III]	20%
	Arbat	973.5	SNM (Operator)	60%
			KRG	40%
	K42 [IV]	505	Oil Search (Operator)	60%
			SNM	20%
			KRG	20%
	Atrush	269	AEI [V]	53.2%
			SNM	26.8% [VI]
			Marathon	20%
			KRG [VII]	

I. Working interest means a percentage of the ownership in an oil and gas PSC granting its owner the right to explore and develop oil and gas from a specific property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.
II. Kurdistan Regional Government of Iraq
III. Petroleum and Petroleum Products International Exploration and Production Inc
IV. Represents an option agreement to enter into a PSC.
V. Aspect Energy International LLC ("AEI") holds its 53.2% interest in the Atrush Block through a ²/₃rd interest in the operating company, GEP.
VI. Held through a ¹/₃rd interest in GEP.
VII. The KRG has an option to participate as a Contractor in the rights and obligations of the Contractor from 5 to 25% in the PSC. The option is available to the KRG until 180 days has passed after the date of declaration of a commercial discovery.

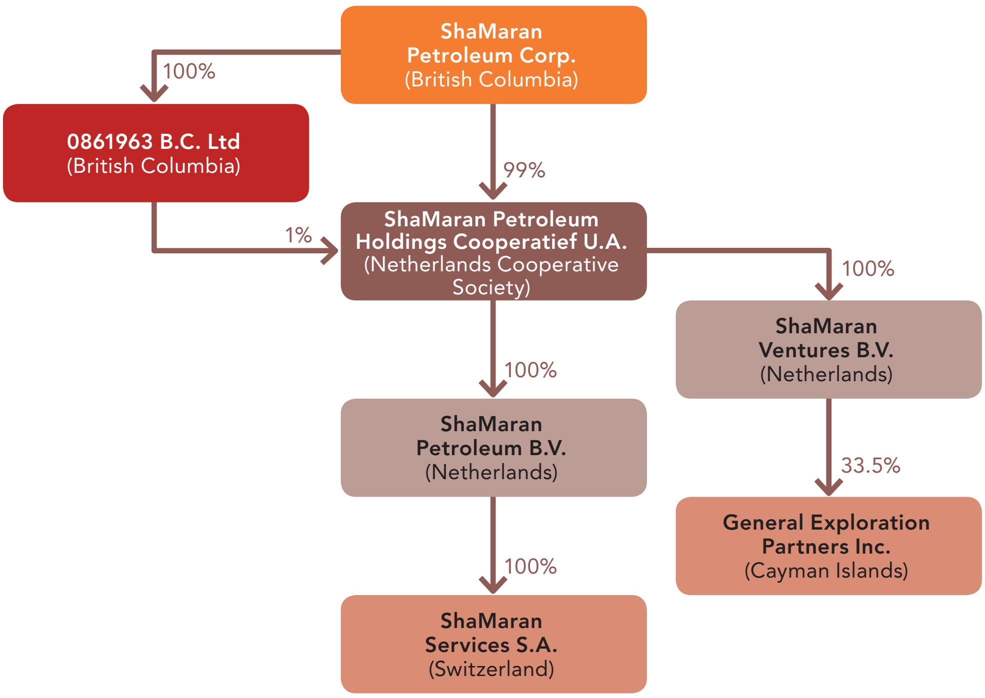
ORGANIZATION

As of December 31, 2010, the Company had a permanent staff of 17 people. In addition, the Company engages a number of independent contractors and consultants which is customary in the international oil and gas industry. The Company's primary organizational chart is shown below:



LEGAL STRUCTURE

The Company conducts most of its business through its subsidiary entities. The following chart illustrates the corporate legal structure of the Company's continuing operations as of December 31, 2010, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are held by the Company either directly or indirectly:



ShaMaran's Project Portfolio

OVERVIEW

ShaMaran Petroleum Corp. is a Kurdistan-focused oil development and exploration vehicle. The four regional projects in the company's portfolio are the Pulkhana appraisal block, the Atrush oil discovery and the Arbat and K42 exploration blocks. These projects are nearby and on trend with existing fields and recent discoveries.

Kurdistan lies within the northern extension of the Zagros Folded Belt. The area is relatively underexplored and is currently undergoing a significant exploration and development campaign by over 30 mid to large size international oil companies.

PROJECTS – KURDISTAN

ATRUSH BLOCK

Summary

On August 27, 2010, ShaMaran Ventures BV, a wholly owned subsidiary of the Company entered into a Subscription Agreement and a Shareholders Agreement with Aspect Energy International, LLC ("Aspect") to acquire 33.5% of the fully-diluted share capital of GEP, a wholly owned subsidiary of Aspect. GEP holds an 80% working interest in the PSC in respect of the Atrush Block Oil and Gas Exploration Area located in Kurdistan.

Accordingly, the Company holds an indirect interest in Atrush Block of 26.8%. As part of the GEP purchase the Company is obliged to fully fund the first US $15.9 million of GEP expenditures on the agreed work program incurred after 27 August 2010. In October 2010, the Kurdistan Regional Government assigned the 20% interest then held to Marathon Oil Corporation ("Marathon").

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 similar to the Shaikan block to the south where Gulf Keystone found oil in 2009. Immediately to the north of Atrush is the Sarsang block where Hillwood International Energy ("Hillwood") is drilling and testing the Swara Tika-1 well.

The Atrush PSC term includes an exploration period and a development period. The initial exploration period is for 5 years which in turn is sub-divided into a 3-year and a 2-year sub-period. The minimum work program for the 1st sub-period includes acquiring, processing and interpreting 100 km of 2D seismic data and the drilling of one exploration well to 3,000 meters (of US $7.5 million minimum). The second sub-period will run until February 2013 and includes the shooting of further seismic and a second exploration well.

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.

The Atrush structure is a complex faulted anticline structure developed along a shallow thrust zone oriented east-west. Several low angle thrust faults were encountered by the Atrush-1 well.

The proven and potential stacked oil reservoirs are the Sarmord & Garagu (Cretaceous), Barsarin (Upper Jurassic), Sargelu (Middle Jurassic), Alan, Mus & Upper Butmah (Lower Jurassic) with both fracture and matrix porosity.

The discovery notification is limited to the Jurassic reservoirs that successfully flow tested 26.5 degree API oil to surface, i.e. the Barsarin, Sargelu, Alan & Mus (collectively known as the BSAM). Good oil shows in the Adaiyah & Butmah, together with the Cretaceous section, will be evaluated in future wells. Pressure data suggests that all the Jurassic reservoirs (BSAM, Adaiyah & Butmah) belong to the same pressure regime with a calculated Free Water Level at -416m msl within the Butmah formation, giving a gross Jurassic oil column of 502m in the Atrush-1 well. An appraisal well, Atrush-2, is currently being planned. The JV is also preparing a detailed Appraisal Work Programme for the Atrush discovery.

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 km^2. 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 2D seismic data. Upper Cretaceous, Aqra-Bekhme carbonates are mostly mapped at surface however locally Qamchuqa sediments may be exposed.

Based on the results of the Atrush-1 ("AT-1") well, the geology appears 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 as they are close to surface, intensively fractured and have no anhydrites or shale present to act as seals.

Atrush Block Stratigraphic Summary – based on the AT-1 well

Age	Epoch	Formation*	Lithology	Reservoir	Source	Seal
Cretaceous	Upper	Kometan	Karstic & Dolomitic Limestone			
		Qamchuqa	Karstic & Dolomitic Limestone			
	Lower	Sarmord	Interbedded Marls, Limestone & Shale			
		Garagu	Limestone			
		Chia Gara	Shales & Marls			
Jurassic	Upper	Barsarin	Shales & Marls over Limestone			
	Middle	Sargelu	Shales & Organic Rich Limestone			
	Lower	Alan	Limestone			
		Mus	Limestone & Dolomite			
		Adaiyah	Predominantly Anhydrite with some Dolomite			
		Butmah	Interbedded Marls, Anhydrite, Limestone, Dolomites & Shale			
		Baluti	Interbedded Marls, Dolomites & Shale			
Triassic	Upper	Kurra Chine A	Anhydrite over Dolomite		?	
		Kurra Chine B	Anhydrite over Limestone & Dolomite		?	

* A wavy line between formations represents an unconformity.

The seismic interpretation shows a large area of closure of up to 70 km^2 on all horizons with a closure height in the range of 400–500 meters. The main axis of the anticline is parallel to an east-west oriented reverse fault interpreted on the south side of the structure which extends to surface. The displacement on this fault is difficult to estimate due to the relatively poor seismic resolution on the up thrown side. Several other east-west faults can be interpreted from the seismic running parallel to the main Zagros Basin trend. The AT-1 well intersects several faults based on dipmeter and structural interpretation.

The present structures began forming in the late Cretaceous when the main Jurassic source rocks were likely at an oil generation stage, suggesting any Cretaceous or Jurassic traps would have been charged with oil.

PULKHANA BLOCK

Summary

The Company through its wholly owned subsidiary, ShaMaran Petroleum B.V. acquired a 60% working interest and the operatorship in a PSC from the Kurdistan's Ministry of Natural Resources in the Pulkhana Block in Northern Iraq on August 28, 2009. Petroleum and Petroleum Products International Exploration and Production Inc ("Petoil") has a 20% interest and the Kurdistan Regional Government holds the remaining 20% interest. The gross area of the block is 529.48 km^2 (130,837 acres) and the production is subject to 10% royalty.

The Pulkhana PSC term includes an exploration period and a development period. The initial exploration period is for 5 years which in turn is sub-divided into a 3-year and a 2-year sub-period. The minimum work program for the 1st sub-period includes acquiring, processing and interpreting 250 km of 2D seismic data and the drilling of three exploration/appraisal wells for a minimum of US $35 million. The Pulkhana block can be relinquished at the end of a sub-period provided the minimum work program commitments have been fulfilled. The second sub-period includes two exploration wells for a minimum of US $25 million.

The Pulkhana Block is located to the south of Kirkuk area (approximately 75 km to the south-east of Kirkuk). An oil discovery was made in the Tertiary Euphrates Formation with a reported test of 2,180 bopd 35 API oil from the Pulkhana-5 (PLK-5) well in 1959. In the same well 27-31 API oil was successfully tested at 500 bopd from fractures in the upper part of the Cretaceous Shiranish formation.

In 2006, Petoil drilled the PPP-1 well (herein referred to as Pulkhana-8 or PLK-8, having been officially re-named). This well was essentially a twin of the PLK-5 well, being only some 150 meters away. However, amid concerns of possible overpressure in the Jeribe Formation, the well was drilled heavily overbalanced through the lower Tertiary section. Although the Euphrates section in this well is at similar depth to that in the PLK-5 well, no oil shows were recorded and no oil is interpreted from log analysis. However, at the top of the Shiranish formation, good oil shows was encountered confirming the result from PLK-5. The PLK-8 well tested 28 to 29 API oil at ~700 bopd during short tests but at ~200 bopd over 46 hours.

The Company has acquired 291 km of 2D seismic data (covering the majority of the Pulkhana structure) in Q1/Q2 2010. The work program is to drill three exploratory wells in the First Sub Period of three years. The first well is planned to be spudded during Q1 2011. In addition the Company plans to workover, drill a further 250 meters of the Shiranish formation and recomplete PLK-8 in Q2/Q3 2010. A long term test is also planned to start during Q4 2011. A second appraisal/development well location, PLK-10, has also been approved by the Ministry.

The Pulkhana Block 10 Contract area contains the undeveloped Pulkhana field. Eight wells have been drilled to date within the Pulkhana block with two of these having been successfully production tested.

ShaMaran has an interest in Pulkhana Block 10 ("Pulkhana Block") located some 300 km south of Erbil the capital of the Kurdish administered part of Iraq. The Pulkhana Block is covered by a PSC that was signed on August 28, 2009 between ShaMaran and Petoil collectively referred to as the "Contractor", and the KRG. ShaMaran has a 60% participating interest, Petoil 20% and the Government 20%. The contract designates ShaMaran to be the operator of the block and responsible for carrying out all petroleum operations.

The Pulkhana Block 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 program for the first sub-period includes acquiring, processing and interpreting 250 km of 2D seismic and the drilling of three exploration or appraisal wells for a minimum of US $25 million. Already in 2010 ShaMaran has acquired more than the required 250 km of 2D seismic. The Pulkhana Block can be relinquished at the end of a sub-period provided the minimum work program commitments have been fulfilled. The five year initial exploration period can also be extended twice each time for one year. If a commercial discovery is made the Contractor shall have the exclusive right to develop and produce the hydrocarbons through a 20 year development period.

Drilling in the Pulkhana area first occurred in 1927 encouraged by an active oil seep which is located directly above the crest of the structure. The first four wells all had problems drilling the Upper Miocene and were not drilled deeper than the Lower Fars. Well P-5, drilled in 1956, was the first successful well testing 35 API oil at 2,180 bopd from the Tertiary, Euphrates-Upper Jaddala formations and 700 bopd of 28.5 API from the Cretaceous Shiranish formation. Well P-6 again suffered mechanical problems and did not drill to the Euphrates. Well P-7 was drilled in 1979 on the SW flank across a potentially major, field bounding thrust fault and found all the prospective horizons water bearing. In 2006 Petoil drilled well P-8 and tested the Shiranish at an initial rate of around 800 bopd (quickly declining to around 200 bopd) and the Jeribe which did not produce.

The P-5 and P-8 well results confirm the presence of two oil bearing zones; one in the Euphrates-Upper Jaddala formation (Tertiary) and one in the Shiranish formation (Upper Cretaceous).

Two more potentially oil-bearing zones, the Jeribe and Lower Jaddala, were identified based on regional data and from oil shows in wells P-5 and P-8. The oil shows in the Jeribe formation are noted to be heavy and bituminous and an open hole drill stem test on the Jeribe in well P-5 produced 800 bpd of water with no oil. The Lower Jaddala formation had traces of oil during drilling both wells P-5 and P-8 but also had significant mud losses. An open hole test in well P-5 across the whole Jaddala interval produced up to 21,000 bpd of water with only traces of oil.

ShaMaran acquired and interpreted 291 km of 2D seismic over the field during 2010. The first well location (designated P-9) spud on 3rd April and is currently drilling.

Regional Geology

The Pulkhana Block is within the Zagros sedimentary basin. For further information about the Zagros sedimentary basin, see “Atrush Block – Regional Geology” on page 38.

Most likely vertical migration charged the structures in the Pulkhana area. The Pulkhana field consists of a faulted anticline structure developed along a thrust fault. The major thrust fault and several small low displacement faults can be interpreted from the seismic with the axis of the anticline oriented in a northwest-southeast direction, parallel to the main Zagros Basin trend. A surface oil seep exists above the crest of the structure. The 2010 2D seismic confirmed the presence of a closed structure in the Mesozoic and Tertiary sections. There are four proven and potential reservoirs identified, three in the Tertiary and one in the Cretaceous. All reservoirs are carbonates and are fractured, with varying degrees of matrix porosity. Oil has been proven by previous wells in the Euphrates/Upper

Jaddala & Shiranish with some upside potential in the Jeribe & Lower Jaddala (the latter as proven in the nearby Shakal discovery).

The upside Jeribe formation is 60m thick and a regionally productive oil reservoir. Any potential is likely to be up-dip of current wells as oil shows in previous wells have failed to produce and is yet to be satisfactorily evaluated. The reservoir has both matrix and fracture porosity.

The Euphrates/Upper Jaddala interval flow tested at 2,180 bopd in the Pulkhana-5 well. The interval includes the Euphrates, the Serikagni and the upper part of the Jaddala formation with gross thickness ranging from 167 to 199 meters. The Euphrates formation consists of layers of white-to-brown marly limestones. The Serikagni formation and the Upper Jaddala interval consist of limestones, marly limestones and silty limestones.

The lower part of the Jaddala formation is also potential upside in the Pulkhana field. The interval has provided oil shows while drilling, but due to significant fluid losses this high permeability zone is yet to be satisfactorily evaluated. The same interval produced oil on test in the nearby Shakal-1 well at a reported test rate of 700 bopd.

The Cretaceous Shiranish formation is of late Campanian to Maastrichtian age and is a regionally developed hydrocarbon-bearing reservoir. The formation has no matrix porosity but is fractured. The formation has been successfully tested in both Pulkhana-5 (at up to 700 bopd) & Pulkhana-8 (at up to 800 bopd). The gross formation thickness is approximately 500 meters and consists of shaley and marly limestones. The oil column height is yet to be established.

ARBAT BLOCK

Summary

Through the Company's wholly owned subsidiary, ShaMaran Petroleum B.V. acquired a 60% working interest and the operatorship in the Production Sharing Contract of the Arbat Block on August 28, 2009. The block is 973.5 km^2 (240,557 acres) in area and the production is subject to 10% royalty.

The Arbat block is located approximately 150 km southeast of Erbil, the capital of the Kurdish administrated part of Iraq. Heritage Oil Plc (LSE: HOIL) has made an oil discovery and gas/condensate discovery (Miran West-1 & Miran West-2) in their Miran block which is located immediate northwest of the Arbat block. The target reservoirs are in early Cretaceous, Jurassic and Triassic formations.

The Arbat PSC term includes an exploration period and a development period. The initial exploration period is for 5 years which in turn is sub-divided into a 3-year and a 2-year sub-period. The minimum work program for the 1st sub-period includes acquiring, processing and interpreting 350 line-km of 2D seismic data and the drilling of two explorations well for an overall minimum of US $26 million. The Arbat block can be relinquished at the end of a sub-period provided the minimum work program commitments have been fulfilled. The 2nd sub-period includes an exploration well for a minimum of US $10 million.

The Company has acquired 429 line-km of 2D seismic data (covering the majority of the Arbat block) from July to October 2010. The first well is planned to be spudded during Q4 2011.

Regional Geology

The Arbat Block is located within the Zagros sedimentary basin. For further information about the Zagros sedimentary basin, see “Atrush Block – Regional Geology” on page 38.

Most likely a combination of vertical and horizontal migration charged the structures in the Arbat Block area. The Arbat Block is located in a highly folded zone close to the border with Iran. The prospects and leads identified to date are associated with this highly complex fold-and-thrust belt. The subsurface geology of the block is uncertain and has been inferred from the surface mapping and regional geology.

Arbat Block Generalized Stratigraphic Summary

Age	Epoch	Formation*	Lithology	Reservoir	Source	Seal
Cretaceous	Upper	Tanjero	Interbedded Sandstones, Shales & Marls with Conglomerates			
		Shiranish	Marls & Limestones			
		Kometan	Karstic & Dolomitic Limestone			
	Lower	Balambo/ Sarmord	Tight Carbonates with some Dolomites			
		Chia Gara	Carbonates & Shales			
Jurassic	Upper	Barsarin	Carbonates			
	Middle	Sargelu	Shales & Organic Rich Carbonates			
	Lower	Alan	Carbonates			
		Mus	Carbonates			
		Adaiyah	Predominately Anhydrite			
		Butmah	Limestones interbedded with Anhydrite			
		Baluti	Limestones interbedded with Shale & Anhydrite			
Triassic	Upper	Kurra Chine	Limestones interbedded with Anhydrite		?	

* A wavy line between formations represents an unconformity.

The main prospective area is located in the middle of the Arbat Block within the fold-and-thrust zone. Anticline structures are interpreted in the Triassic, Jurassic and Cretaceous sections. Prospect A is an anticline structure within what appears to be a conformable Jurassic and Triassic section. A separate structure, in what is interpreted to be a Cretaceous section, is located to the west of Prospect A and is designated Prospect B.

Prospect A was mapped between two thrust type faults and represents a transition step between an uplifted block to the east and a downthrown block to the west. The potential traps in Prospect A are formed by 3-way structural closure and the potential seal against a small back-thrust fault to the east.

Compared to the Miran Block the Jurassic and Triassic reservoirs in Prospect A are interpreted to be at shallower depths (1,800 meters compared to the tested interval in Miran at 3,000 meters) which could mean oil will be present rather than the gas-condensate that was found in the Jurassic at Miran West. The surface geochemistry studies show that over most of the Arbat block oil is currently found close to surface in seeps along major faults in the higher fold belt and in contaminated water wells in the Sharazoor Plain further reducing the risk for gas in the shallower horizons.

Jurassic – Barsarin, Sargelu, Alan and Mus Reservoir Group

The Barsarin, Sargelu, Alan and Mus reservoir group ("BSAM") is a key Jurassic interval and is likely to have a thickness of more than 500 meters within the Arbat Block. The interval has a number of potential intra-formational seals and is also a proven reservoir section at Miran West, Shaikan and Atrush. The Butmah formation is also a key reservoir interval with gross thickness of around 500 meters. It may have slightly lower seal risk than the BSAM as the overlying Adaiyah formation provides an excellent seal comprised predominantly of anhydrite.

Triassic – Kurra Chine Reservoir

The Kurra Chine formation is a proven reservoir at Shaikan and may also have potential in the Arbat block. A number of separate reservoir intervals could be present and this assessment has split the formation into an upper and lower section. The depths of the Upper and Lower Kurra Chine formations are likely to be around 2,800 and 3,500 meters respectively.

BLOCK K42

Summary

Block K-42 lies between the Pulkhana Block to the south-west and the Khor Mor block to the northeast and is 511.0 km^2 (126,271 acres) in area.

During the year 2009 the Company's wholly owned subsidiary, ShaMaran Petroleum B.V, became party to the Amendment and Novation Agreement to the Block 42 Option Agreement "K42 Option Agreement" between the KRG and Oil Search (Iraq) Limited ("OSIL"), which allows an option to the Company and OSIL to enter into with the KRG a PSC relating to the exploration and development of petroleum resources in the Block K42 contract area located in Kurdistan Region of Iraq, the terms of which have been agreed in principle.

In accordance with the K42 Block PSC, OSIL is the operator and, collectively with the Company, represent the "Contractor". Upon exercise of the option, the Company would acquire not less than an undivided 20% interest in the petroleum operations in respect of the K42 Block contract area, with OSIL holding a 60% interest and the KRG holding the remaining 20%. If either the Company or OSIL elect not to exercise its option in respect of the Contract the other party has the option of acquiring the exiting party's rights and obligations.

This K42 Option Agreement requires the Contractor to conduct certain seismic services, including the acquisition of 200 km of seismic surveying, within the option period of 18 months commencing October 1, 2009, which is extendable for a further three months. Provided that the seismic services are completed prior to the expiry of the option period, the option to enter into a PSC may be exercised by providing written notice to the KRG. The Contractor is to pay 100% of all the costs incurred during the option period, 25% of which are to be paid by the Company.

The Contractor acquired 232 line-km of 2D seismic data covering the majority of Block K42 in May 2010. In 1960s two shallow wells (to a depth of 50–100m) were drilled on oil seeps in the eastern area of the K42 block to provide a fuel source.

The interpreted structure from the 2D seismic data has a large closure area (up to 90km^2) on all horizons with a closure height in the range of 150 to 300 meters. Three potential hydrodynamically separate reservoir groups were identified.

Regional Geology

Block K42 is located within the Zagros sedimentary basin. For further information about the Zagros sedimentary basin, see "Atrush Block – Regional Geology" on page 38.

Most likely vertical migration charged the structures in the Block K42 area. Block K42 is located within an intensively thrusted zone close to the Zagros Mountains and is characterized by three major structural elements separated by faults.

The first structural element is a monocline located in the south-west part of the block which rises to the north towards the Jambur field. This area is unlikely to have hydrocarbon potential as there is no evidence for structural trapping.

The second structural element is a downthrown block in the middle of the K42 block which also doesn't appear to have exploration potential.

The third and biggest structural element is associated with an anticline in the northeastern part of the block. The anticline is developed along the up thrown side of a reverse fault. The northern area of the anticline is complicated by a smaller size back-thrust which forms a pop-up style feature.

The main thrust fault on the east side of the anticline was active up to pre-Fars time and does not extend to the surface. The displacement on the thrust is difficult to estimate due to the poor seismic quality on the downthrown side. The axis of the structure is parallel to the main thrust fault. Several other faults can be interpreted from the seismic oriented in a northwest–southeast direction, parallel to the main Zagros Basin trend.

The interpreted structure has a large closure area (up to 90 km^2) on all horizons with a closure height in the range of 150-300 metres. The structure may provide a trap for hydrocarbons across a number of formations which have been divided into three potential hydrodynamically separate reservoir groups: Tertiary-1, Tertiary-2 and Cretaceous. Deeper reservoirs may exist in the Jurassic and Triassic but due to the great depth (more than 4,500 meters) they are not considered viable exploration targets at this time.

All the potential hydrocarbon bearing reservoirs in the K42 block are significantly deeper than in the surrounding fields. For example the top of the Cretaceous, Shiranish formation in the block is interpreted to be below 3,500 meters compared to 1,600–2,100 meters in nearby fields. Similarly the top of the Tertiary, Jeribe formation is interpreted to be below 3,000 meters which compares to 1,000–1,600 meters in the nearby fields. Normally this greater depth may mean there is an increased chance of finding a gas-condensate rather than an oil bearing reservoir, If the source was the deeper Lower Cretaceous/Jurassic intervals. However at this stage in the exploration of the block, the charge and migration history is poorly understood; the block being situated between a low GOR oil field (Pulkhana) to the southwest, a gas field with no reported oil (Khor Mor) to the northeast and on trend to an oil field (Jambur) with a gas gap to the northwest. Recent published material has identified the Palaeocene Aaliji formation as a source rock for the oil in nearby Sarqala and Kurdamir, which significantly increases the chance for oil generation within K42 and may better explain apparent hydrocarbon distribution at surface.

Summary of Financial Information

CONSOLIDATED STATEMENTS OF OPERATIONS

(thousands of USD, except for per share data)

	For the year ended December 31, 2010	For the year ended December 31, 2009
Expenses from continuing operations		
Depreciation	(139)	(6)
General and administrative	(594)	(2,378)
Stock based compensation	(514)	(546)
Operating loss	(1,247)	(2,930)
Other income/(expenses)		
Guarantee fees	(1,353)	(636)
Interest income	416	310
Loss from investment in company	(27)	–
Foreign exchange gain	2,215	4,943
Net other income	1,251	4,617
Net income before income taxes	**4**	**1,687**
Income tax expense	(81)	(12)
Net income/(loss) from continuing operations	(77)	1,675
Discontinued operations		
Loss from operations	(1,037)	(359)
Gain on asset disposal	77	1,600
Net income/(loss) from discontinued operations	(960)	1,241
Net income/(loss)	(1,037)	2,916
Deficit, beginning of the period	(199,823)	(202,739)
Deficit, end of the period	(200,860)	(199,823)
Basic and diluted income, USD per share:		
Continuing operations	0.00	0.005
Discontinued operations	0.00	0.005
Total	0.00	0.01
Weighted avg. number of shares outstanding		
Basic and diluted	536,164,313	346,639,367

CONSOLIDATED BALANCE SHEETS

(thousands of USD)

	December 31 2010	December 31 2009
Assets		
Current assets		
Cash and cash equivalents	58,684	63,565
Accounts receivable	124	31
Inventory	2,656	–
Prepaid expenses and other assets	447	376
Discontinued operations	74	847
Total current assets	61,985	64,819
Non-current assets		
Investment in company	44,282	–
Property, plant and equipment	150,222	185,180
Total non-current assets	194,504	185,180
Total assets	256,489	249,999
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued expenses	5,142	2,050
Net payable to joint venture partner	14	37
Income taxes payable	103	12
Deferred consideration	12,643	–
Discontinued operations	2,719	2,817
Total current liabilities	20,621	4,916
Non-current liabilities		
Other long-term liabilities	–	170
Discontinued operations	350	350
Total non-current liabilities	350	520
Total liabilities	20,971	5,436
Shareholders' equity		
Share capital	432,506	379,673
Shares to be issued	–	61,349
Contributed surplus	3,867	3,360
Accumulated comprehensive income	5	4
Deficit	(200,860)	(199,823)
Total shareholders' equity	235,518	244,563
Total liabilities and shareholders' equity	256,489	249,999

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands of USD)

	For the year ended December 31, 2010	2009
Share capital:		
Balance, beginning of period	379,673	250,899
Private placement, net	47,813	96,250
Corporate acquisition, Kurdistan Assets	5,000	31,966
Exercise of stock options	20	558
Balance, end of period	432,506	379,673
Shares to be issued:		
Balance, beginning of period	61,349	–
Shares due to KRG under PSCs	–	61,349
Amendment to PSC	(61,349)	
Balance, end of period	–	61,349
Contributed surplus:		
Balance, beginning of period	3,360	3,024
Stock based compensation	514	546
Exercise of stock options	(7)	(210)
Balance, end of period	3,867	3,360
Accumulated comprehensive income:		
Balance, beginning of period	4	3,282
Gain (loss) on currency translation of financial statements of a foreign operation	1	4
Reclassification of cumulative foreign currency gain	–	(3,282)
Balance, end of period	5	4
Deficit:		
Balance, beginning of period	(199,823)	(202,739)
Net income (loss) for the period	(1,037)	2,916
Balance, end of period	(200,860)	(199,823)
Shareholders' equity	235,518	244,563

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of USD)

	For the year ended December 31, 2010	2009
Operating activities of continuing operations		
Net (loss)/income from continuing operations	(77)	1,675
Adjustments for non-cash items:		
Depreciation	139	6
Stock-based compensation	514	546
Loss from investment in company	27	–
Exchange gains	(2,215)	(4,943)
Changes in working capital:		
Accounts receivable	(93)	(31)
Short term investments	–	(358)
Prepaid expenses and other assets	(71)	–
Accounts receivables from joint venture partner	–	(126)
Inventories	(2,656)	–
Accounts payable and accrued expenses	3,092	1,850
Net payable to joint venture partner	(23)	–
Income taxes payable	91	12
	(1,272)	(1,369)
Investment activities of continuing operations		
Property, plant and equipment	(26,900)	(91,230)
Investment in company	(26,666)	–
	(53,566)	(91,230)
Financing activities of continuing operations		
Proceeds net of costs on issuance of shares	47,826	96,598
	47,826	96,598
Effect of exchange rate changes on cash and cash equivalents	2,216	4,947
Cash flow from/(used in) continuing operations	(4,796)	8,946
Cash flow from/(used in) discontinued operations	(85)	9,337
Change in cash and cash equivalents	(4,881)	18,283
Cash and cash equivalents, beginning of the year	63,565	45,282
Cash and cash equivalents, end of the year	58,684	63,565

Comments on the Financial Development and Situation

OPERATIONS UPDATE

The paragraphs below summarize the development of ShaMaran's operations in Kurdistan:

Atrush Block

The Atrush Block is a 269 km^2 exploration area in the north of Kurdistan located immediately north of and adjacent to the major Shaikan discovery announced by Gulf Keystone Petroleum Ltd. in January 2010. The Atrush Block is also adjacent to and on trend with the recent Bijeel oil discovery to the east, operated by Kalegran Limited (MOL), and south of the Swara Tika well operated by Hillwood International Energy. The 2D seismic data over the Atrush Block indicates that the Atrush structure is similar to the Shaikan structure. The Shaikan discovery was announced as multiple stacked oil reservoirs in the Cretaceous, Jurassic and Triassic sections.

In August 2010, the Company acquired a 33.5% shareholding in GEP. GEP is the operator of the Atrush Block PSC, holding an 80% working interest in the Block, with the remaining 20% third party interest ("TPI") being held by the KRG. In October 2010, Marathon Oil Corporation was assigned the 20% TPI.

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. A comprehensive well testing program consisting of ten drill stem tests (DSTs) commenced on January 30, 2011, and was completed on April 3, 2011. GEP, the operator, notified the KRG of a major Jurassic oil discovery on April 4, 2011, and is currently engaged in compiling the Discovery Report and Appraisal Work Program & Budget as required by the PSC. GEP has already gone to tender for three dimensional (3D) seismic acquisition over the discovery (to commence in 2011) and is in the early planning phase of the first appraisal well.

Under the terms of PSC, the KRG has 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%. If this option is exercised, the government will become liable for their share of the petroleum costs incurred on or after the first commercial declaration date. Fiscal terms under the PSC include a 10% royalty, a variable profit split, based on a percentage share to the KRG and a capacity building payment equal to 30% of profit oil (produced oil, less royalty and cost oil) to be paid 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.

Pulkhana Block

The Pulkhana Block is a 529 km^2 appraisal/development area located in southern Kurdistan. In 1956 the Pulkhana 5 discovery well entered two fractured carbonate reservoirs and flow tested over 2,900 barrels of oil per day.

In April 2010, the Company completed the acquisition of 291 km of two dimensional (2D) seismic data in the Pulkhana Block. On April 3, 2011, the Company spudded its first well, the Pulkhana 9 appraisal well, with a planned total depth of approximately 2,700 meters targeting the proven Euphrates/Upper Jaddala and Shiranish oil reservoirs, as well as evaluating further potential reservoirs in the Jeribe & Lower Jaddala. ShaMaran also has Ministry of Natural Resources ("MNR") approval for the Pulkhana-10 appraisal well. The Company is tendering for a workover rig for the planned third quarter workover of Pulkhana-8 and at the same time progressing with the feasibility study and design for the Pulkhana Early Production Facility ("EPF") planned to be installed by the end of the year 2011. The first three wells (Pulkhana 8, 9 and 10) will be connected to the EPF, with the possibility to expand as future development wells are drilled.

In August 2012, the Company will have the option to continue on to a further two year exploration phase and, if development is warranted, a development period of up to 20 years with an automatic right to a five year extension.

The Company is the operator of the project with a 60% undivided interest in the PSC. Petoil retains a 20% interest in the PSC and the KRG holds the remaining 20%. The Company is required to pay 100% of the minimum financial commitment in respect of the first exploration phase, following which the Company will pay 75% of the forward costs. Fiscal terms under the PSC include a 10% royalty, a variable profit split, based on a percentage share to the KRG and a capacity building payment equal to 20% of the Company's profit oil share (produced oil, less royalty and cost oil) to be paid to the KRG. The 20% capacity building payment is a result of an amendment made to the PSC in August 2010, relieving the Company of its previous contractual requirement to issue 115 million common shares of the Company to the KRG. The Company has the right to recover costs using up to 40% of the available crude oil (produced oil less royalty oil) and 50% of the produced gas.

Arbat Block

The Arbat Block (formerly Block G) is a 973 km^2 exploration area located in eastern Kurdistan, adjacent to the Miran Block of Heritage Oil Plc. The Block contains both surface anticlines and subsurface structures all identified by recent field work and 2D seismic. The Block also has a number of oil seeps, several of which were discovered during the seismic operations now complete.

In October 2010, the Company completed the acquisition of 429 km of 2D seismic data on the Arbat Block in eastern Kurdistan. The Company has received MNR approval for the location of the first commitment exploration well (designated Arbat-A). Tendering and preparations are underway to enable drilling to commence by the end of the year 2011.

The Company is the operator of the project and holds a 60% undivided interest in the PSC, the KRG holds a 20% interest and the remaining 20% is a third party interest which the KRG has the option to assign to a third party or parties. The Company is required to pay 100% of the minimum financial commitment in respect of the first exploration sub period or until such time as the KRG's reserved 20% interest has been sold, following which the Company will pay 75% of the forward costs and receive a reimbursement for 25% of the costs incurred to that date.

Fiscal terms under the PSC include a 10% royalty, a variable profit split, based on a percentage share to the KRG and a capacity building payment equal to 20% of the Company's profit oil share (produced oil, less royalty and cost oil) to be paid to the KRG. The 20% capacity building payment is a result of an amendment made to the PSC in August 2010, relieving the Company of its previous contractual requirement to issue 35 million common shares of the Company to the KRG. The

Company has the right to recover costs using up to 45% of the available crude oil (produced oil less royalty oil) and 53% of the produced gas.

Block K42

The Company is a party to the K42 Option Agreement between the KRG and Oil Search (Iraq) Limited ("OSIL"), which allows an option to the Company and OSIL to enter into a PSC with the KRG, the terms of which have been agreed in principal, relating to the exploration and development of petroleum resources in the Block K42 contract area located in Kurdistan. Block K42 is a 505 km^2 exploration area located in the South of Kurdistan immediately northeast of the Pulkhana Block, and is on trend with the Jambur field situated to the north west of the Block.

In accordance with the Block K42 PSC, OSIL is the operator and, collectively with the Company, represent the "Contractor". This K42 Option Agreement requires the Contractor to conduct certain seismic services, including the acquisition of 200 km of seismic surveying, within the option period of 18 months commencing November 1, 2009. The option to enter into a PSC may be exercised by providing written notice to the KRG. The Contractor is to pay 100% of all the costs incurred during the option period, 25% of which are to be paid by the Company. Upon exercise of the option, the Company would acquire not less than an undivided 20% interest in the PSC in respect of the Block K42 contract area, with OSIL holding a 60% interest and the KRG holding the remaining 20%.

The Company has fulfilled all its obligations under the Option Agreement by acquiring and processing 232 km of 2D seismic data in Block K42 in May 2010. This resulted in the identification of a significant 4-way dip-closed prospect. The Company has exercised its option to enter into a Production Sharing Contract and approval from the KRG is now pending.

SELECTED ANNUAL INFORMATION

The following is a summary of selected annual financial information for the Company:

(thousands of USD, except for per share data, shares outstanding)

	For the year ended December 31, 2010	2009
Continuing operations		
Depreciation	(139)	(6)
General and administrative expenses	(594)	(2,378)
Stock based compensation	(514)	(546)
Guarantee fees	(1,353)	(636)
Interest income	416	310
Loss from investment in company	(27)	–
Foreign exchange gain/(loss)	2,215	4,943
Income tax	(81)	(12)
Net income/(loss) from continuing operations	(77)	1,675
Discontinued operations		
Net revenues	–	1,658
Expenses	(1,044)	(2,041)
Interest income	7	24
Gain/(loss) on sale of assets	77	1,600
Net income/(loss) from discontinued operations	(960)	1,241
Net income/(loss)	(1,037)	2,916
Basic and diluted income/(loss), USD per share:		
Continuing operations	–	0.005
Discontinued operations	–	0.005
Total	–	0.01
Total assets	256,489	249,999
Working capital surplus	41,364	59,903
Shareholders' equity	235,518	244,563
Common shares outstanding (thousand)	623,182	499,546

The Company spent $26.9 million on property, plant and equipment in 2010 in carrying out the first full year of operations in Kurdistan, consisting primarily of the acquisition of seismic data on three blocks and site preparation and purchase of tangible well equipment for the Pulkhana 9 appraisal well to be drilled in the year 2011. As a result of executing agreements with the KRG in August 2010, to amend the Pulkhana and Arbat Block PSCs, the obligation to issue 150 million shares of the Company to the KRG was waived in lieu a contribution of 20% of the Company's profit oil share resulting in a reduction to equity and assets by $61.3 million, which is the value of shares due to be issued prior to the amendment. In the same month the Company acquired a 33.5% interest in GEP worth $45.1 million in exchange for cash consideration of $24.3 million, 12.5 million shares of the Company valued at $5 million and an obligation to fund in full the subsequent $15.8 million of operational costs of GEP. To finance the acquisition the Company raised funds in September 2010, through issuance of 111 million shares at CAD 0.45 per share, resulting in gross proceeds of CAD 50 million (CAD 49.3 million net of issuance costs). As a result of these developments the total assets, common shares outstanding, and shareholders' equity reported at the end of the year 2010 has increased relative to the amount in 2009. The income and expenses of the Company are explained in detail in the paragraphs below.

Results of Continuing Operations

Depletion, Depreciation and Amortization

Depletion, depreciation and amortization correspond to cost of use of the furniture and IT equipment at the Company's technical and administrative offices located in Switzerland and Kurdistan. As of December 31, 2010, depletion, depreciation and amortization expenses amounted to $0.1 million, compared to $0.0 million at December 31, 2009.

General and Administrative Expenses

(thousands of USD)

	For the year ended December 31, 2010	2009
Salaries and benefits	2,526	279
Management and consulting fees	1,053	494
Sponsorship expense	485	523
General and other office expense	416	63
Listing costs and investor relations	414	136
Travel expense	327	649
Legal, accounting and audit fees	196	660
Expense capitalized as oil and gas assets	(4,823)	(426)
Total general and administrative expense	594	2,378

As of December 31, 2010, general and administrative expenses amounted to $0.6 million, compared to $2.4 million at December 31, 2009. The general increase in the components of general and administrative expenses is due to the increase in support activity associated with a full year of operations in Kurdistan during 2010 relative to approximately four months of activity in the year 2009. However, the reduction in total general and administration expenses is owing to a significant increase in the amount of expense capitalized, as oil and gas assets in the year 2010 compared to the amount capitalized in the year 2009, again corresponding to the increased level of operational activity in Kurdistan.

Stock-Based Compensation

The stock based compensation expense in the years 2010 and 2009 results from the vesting of stock options granted in the years from 2007 to 2010. Stock based compensation during 2010 was $0.5 million, compared to $0.5 million during 2009. A total of 1,390,000 stock options were granted during 2010, compared to 2,085,000 during 2009. The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model.

Foreign Exchange Gain

As of December 31, 2010, foreign exchange gains amounted to $2.2 million, compared to $4.9 million in 2009. The gain in 2010 results primarily from holding cash and cash equivalents denominated in Canadian dollars while the Canadian dollar strengthened during the reporting period against the reporting currency of the Company, the United States dollar.

Guarantee fees

The Company has incurred fees in respect of a guarantee of the minimum financial obligations under the Pulkhana and Arbat PSCs. The guarantee became effective on August 29, 2009, and has been provided to the KRG by a related company on behalf of ShaMaran. As of December 31, 2010, guarantee fees amounted to $1.4 million, compared to $0.6 million at December 31, 2009.

Interest Income

Interest income represents bank interest earned on cash and investments in marketable securities. As of December 31, 2010, interest income amounted to $0.4 million, compared to $0.3 million at December 31, 2009. The increase in the amount relative to the prior year is primarily due to higher interest rates on average throughout the year 2010.

Loss from investment in Company

The loss relates to the Company's pro-rata portion of the net loss incurred by GEP since the Company acquired its 33.5% interest on August 27, 2010.

Tax Expense

The income tax expense in 2010 relates to a provision for income tax on service income generated in the Swiss entity of the Company, which was created in the fourth quarter of 2009. The amount reported in 2010 has increased relative to 2009 as a result of a higher tax base corresponding to the first full year of services.

Results of Discontinued Operations

Prior to August 2009, ShaMaran's principal business activities were the acquisition, exploration and development of oil and gas properties in the Gulf of Mexico, U.S.A. The Company sold substantially all of its U.S. oil and gas interests in the Gulf of Mexico in May 2009, and is now winding up the residual interests.

Net Revenues

(thousands of USD)

	For the year ended December 31,	
	2010	2009
Oil and gas sales	–	2,089
Royalties	–	(431)
Net revenues	–	1,658

In 2010, net revenues were reduced to $0.0 million from $1.7 million in 2009. The decrease in revenues is a result of the termination of all production and corresponding sales coinciding with the sale of substantially all of the Company's United States Gulf of Mexico properties that concluded May 28, 2009.

Expenses

(thousands of USD)

	For the year ended December 31,	
	2010	2009
Asset retirement obligation	340	–
Management and consulting fees	308	455
Legal, accounting and audit fees	246	385
General and other office expense	150	1,072
Operating, exploration and dry hole costs	–	1,592
Salaries and benefits	–	1,160
Depletion, depreciation and amortization	–	447
Impairment	–	200
Accretion	–	12
Foreign exchange gain	–	(3,282)
Total expenses	1,044	2,041

Total expenses for discontinued operations during 2010 were $1.0 million, compared to $2.0 during 2009. The decrease in total expenses relative to the prior year corresponds to the reduction in activity associated with the Company's United States based operations, which follows from the sale in 2009 of substantially all of the properties located there. The $0.3 million asset retirement obligation ("ARO") expense in 2010 is due to an increase in the provision for ARO reported at the year ended December 31, 2009, and is based on the Company's portion of a program approved during the year 2010 to decommission and remediate the relevant property.

Interest Income

Interest income from discontinued operations represents bank interest earned on cash and investments in marketable securities. As of December 31, 2010, interest income from discontinued operations amounted to $7 thousand, compared to $24 thousand at December 31, 2009.

Gain on disposal of assets from discontinued operations

The Company had a gain of $0.1 million in the year 2010 relating to the disposal of all remaining inventories located in the United States. In the year 2009 the Company realized a gain of $1.6 million on the disposal of substantially all oil and gas properties located in the United States.

SELECTED QUARTERLY INFORMATION

The following is a summary of selected quarterly financial information for the Company:

(thousands of USD, except per share information)

	For the quarter ended							
	Dec 31 2010	Sep 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009	Sep 30 2009	Jun 30 2009	Mar 31 2009
Continuing operations								
Depreciation	(43)	(41)	(29)	(26)	(6)	–	–	–
General and administrative expenses	628	(643)	(360)	(219)	(556)	(642)	(595)	(595)
Stock based compensation	(126)	(70)	(114)	(204)	(99)	(366)	(81)	–
Guarantee fees	9	(456)	(448)	(458)	(636)	–	–	–
Interest income	177	99	74	66	76	62	52	129
Income/(loss) from investment in company	46	(73)	–	–	–	–	–	–
Foreign exchange gain/(loss)	1,784	501	(1,764)	1,694	32	4,143	2,214	(1,446)
Income tax	(38)	(16)	(14)	(13)	(12)	–	–	–
Net income/(loss) from continuing operations	2,437	(699)	(2,655)	840	(1,201)	3,197	1,590	(1,912)
Discontinued operations								
Net revenues	–	–	–	–	–	–	943	715
Expenses	(77)	(48)	(729)	(190)	1,459	119	(748)	(2,861)
Interest income	4	–	1	2	3	12	–	–
Gain/(loss) on sale of assets	–	–	–	77	(4)	(173)	1,777	–
Net income/(loss) from discontinued operations	(73)	(48)	(728)	(111)	1,458	(42)	1,972	2,146
Net income/(loss)	2,364	(747)	(3,383)	729	257	3,155	3,562	(4,058)
Basic and diluted income/(loss), USD per share:								
Continuing operations	–	–	(0.01)	–	–	0.01	0.01	(0.01)
Discontinued operations	–	–	–	–	–	–	0.01	(0.01)
	–	–	(0.01)	–	–	0.01	0.02	(0.02)

PETROLEUM PROPERTIES

(thousands of USD)

	Cost	Accumulated depreciation	Net book value
As of December 31, 2009			
Petroleum properties – Kurdistan	184,953	–	184,953
As of December 31, 2010			
Petroleum properties – Kurdistan	149,692	–	149,692

No depletion has been attributed to the costs of petroleum properties located in Kurdistan, as the related operations are currently in the pre-production exploration stage and, currently, there is no corresponding production or reserves.

In August 2010, the Company executed agreements with the Kurdistan Regional Government ("KRG") to amend the Pulkhana Block and the Arbat Block PSCs, waiving the Company of its previous contractual requirement to issue 150 million common shares of the Company to the KRG. Accordingly, an adjustment was made to reduce the carrying value of petroleum properties by $61.3 million, which represented the amount previously capitalized in respect of the previous contractual requirement. Throughout the year 2010 the Company invested a total of $26 million in its Kurdistan petroleum properties. These transactions combined resulted in a decrease of $35.3 million in the net book value of $185.0 million petroleum properties reported at December 31, 2009, to a net book value of $149.7 million reported at December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2010, the Company had $58.7 million in cash and working capital of $41.4 million, compared to cash holdings of $63.6 million and working capital of $58.6 million at December 31, 2009. The Company's liquidity and capital resource position has been enhanced with the CAD 50.4 million gross proceeds (CAD 49.1 million net of issuance costs) from a private placement in May 2011.

Funds used in continuing operations in 2010 were $4.8 million, while there was a net inflow in funds of $8.9 million from continuing operations in the previous year. The primary components of the movement in funds are discussed in the following paragraphs.

The Company had an inflow of funds of $47.8 million from financing activities in continuing operations during the year ended December 31, 2010, compared to a net inflow of funds of $96.6 million in 2009. The substantial portion of the inflow of funds in the year 2010 came from the issuance in September of 111,111,106 common shares at CAD 0.45 per share less brokerage fees and other issuance costs.

Net cash used in investing activities in continuing operations was $53.6 million, compared to funds used in 2009 which amounted to $91.2 million. In 2010, the cash used by investing activities in continuing operations was primarily in funding the investment in General Exploration Partners Inc ("GEP") in the amount of $26.7 million, and $26.9 million used to fund exploration costs associated with the seismic acquisition and drilling programs of the Company's petroleum properties in Kurdistan.

Net cash used in discontinued operations was $0.1 million for year ended December 31, 2010, and net inflow of cash from discontinued operations was $9.3 million for the year ended December 31, 2009. The primary use of funds in 2010 was in payments made towards settling outstanding accounts and for professional and consulting fees relating to the close-out of operations in the United States, while the Company received funds in respect of the sale of all remaining inventories in the United States and in respect of an insurance claim for hurricane damages associated with the Company's discontinued operations.

The Company does not currently generate cash flow from its oil exploration and development operations and has relied upon the issuance of common shares to finance its ongoing oil exploration. The Board of Directors and officers believe that the Company's current financial resources are sufficient to fund its contractual commitments and working capital requirements under the approved work plan for the next twelve months. Continuing operations are dependent on discovery of economic oil and gas reserves and ultimately on the attainment of profitable operations. However, since the time required to become a profitable oil and gas producer may not be estimated due to the risk inherent in oil and gas exploration, the Company's current working capital position may not provide it with sufficient capital resources to explore, appraise and develop any potentially discovered resources and for general corporate purposes not currently included in the work plan.

To finance its future acquisition, exploration, development and operating costs, ShaMaran may require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout arrangements. The Company is actively marketing the opportunity for interested parties to farm in to its operated oil and gas concessions in Kurdistan. 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.

DEVELOPMENTS IN OPERATIONS AFTER DECEMBER 31, 2010

On January 21, 2011, the Atrush 1 exploration well completed drilling to a total depth of 3,400 meters. The well was drilled on time, within budget and encountered a 726 meter potential gross oil column in the Lower Cretaceous and Jurassic. Drilling shows and log results indicate additional potential net pay zones of up to 140 meters in the Upper Butmah and Cretaceous formations. These particular zones will be further tested and evaluated in future wells.

Ten drill stem tests were conducted over horizons in the Cretaceous, Jurassic (main targets of the well) and Triassic to establish reservoir pressure gradients, fluid content and properties and reservoir deliverability. The main targets of the well were the Jurassic fractured carbonate reservoirs proven in neighboring structures. Excellent flow rates were established totaling over 6,393 bopd from the three Jurassic horizons. The flow rate was limited by tubing sizes and testing equipment. Well analyses show that the intervals are capable of higher rates when completed for production. The three tests in the middle and upper Jurassic reservoirs produced 26.5 API oil.

In March 2011, the Company received a Detailed Property Report (“the Report”) from its third party auditors, McDaniel & Associates Consultants Ltd. The Report includes 82,461 Mboe as best estimate of Gross Estimated Contingent Resources and 287,555 Mboe as the unrisked best estimate of Gross Estimated Prospective Resources net to ShaMaran for all four of the Company’s assets. These estimates are based on information prior to the appraisal drilling of Pulkhana and results from the Atrush-1 well.

On April 3, 2011, the Company spudded the well Pulkhana 9, which will be drilled approximately 2.8 km northwest of Pulkhana 5. Planned total depth is approximately 2,700 meters and the well is targeting the proven Euphrates/Upper Jaddala and Shiranish oil reservoirs, as well as evaluating a further potential reservoir in the Lower Jaddala.

The Board, Officers and Auditors

BOARD OF DIRECTORS (As of December 31, 2010)

Name	Born	Nationality	Elected	Committee membership	No. of shares	No. of stock options
Keith Hill *Chairman and Director*	1959	American and Canadian	Feb. 2007	2	2,604,000	1,150,000
Pradeep Kabra *President, CEO and Director*	1956	Indian	May 2010		524,300	1,000,000
J. Cameron Bailey *Director*	1958	Canadian	Sep. 2009	1,3,4	Nil	100,000
Alexandre Schneiter *Director*	1962	Swiss	Sep. 2009	1,2,3,4	150,000	100,000
Gary S. Guidry *Director*	1956	American and Canadian	Feb. 2007	2,4	200,000	350,000
Brian D. Edgar *Director*	1950	Canadian	Mar. 2007	1,3	100,000	250,000

1. Audit Committee
2. Compensation Committee
3. Corporate Governance and Nominating Committee
4. Reserves Committee

Biographies

Keith C. Hill

Director (Chairman)

Born 1959, both an American and Canadian national. Director since February 19, 2007.

Previously Mr. Hill was founder, President and CEO of Valkyries Petroleum Corp., a publicly traded oil and gas company which was the subject of an $800 million takeover. Mr. Hill previously served as General Manager of Lundin Oil AB's operations in Malaysia and Sudan. Mr. Hill has over 25 years experience in the oil industry including international new venture management and senior exploration positions at Occidental Petroleum and Shell Oil Company. In addition, Mr. Hill was a senior director of Tanganyika Oil which was the subject of a $2 billion takeover by Sinopec. His education includes a Master of Science degree in Geology and Bachelor of Science degree in Geophysics from Michigan State University as well as an MBA from the University of St. Thomas in Houston.

Pradeep Kabra

Director (President and CEO)

Born 1956, Indian national. Director since May 27, 2010.

Mr. Kabra has over 24 years experience in the oil industry including senior operational and international new venture management positions at Addax Petroleum, Lundin Oil and International Petroleum. He is a Chartered Accountant from India and has a Bachelors degree in Law from the University of Delhi, India. He has also completed his LLM in Petroleum Law and Policy from the University of Dundee, UK. Prior to his joining ShaMaran Petroleum, Mr. Kabra was working as the General Manager Kurdistan in Addax Petroleum and was involved in the development of the Taq Taq field. He was also the director of Taq Taq Operating Company Limited, the operator of the Taq Taq / Kewa Chirmila PSC in Kurdistan.

J. Cameron Bailey

Director

Born 1958, Canadian national. Director since September 10, 2009.

Mr. Bailey is a Chartered Financial Analyst with a Bachelor of Commerce degree from the University of Calgary. He has worked in the energy investment business, specifically investment banking for the past 19 years. Mr. Bailey was a Managing Director of Network Capital; prior thereto he was a Managing Director of Corporate Finance at Peters & Co. Limited, a Calgary based investment firm specializing in oil and gas. He is the founder of, and has organized, the initial public offerings for a number of oil and gas exploration, production and oilfield services companies. Mr. Bailey has assisted in many growing and start-up oil and gas companies by providing advisory services, primarily for mergers and acquisitions. Mr. Bailey presently is President and CEO of Fortress Energy Inc. and also serves on the Board of Directors for Africa Oil Corporation, Phoenix Technology Income Fund and Crystal Lake Resources.

Gary S. Guidry

Director

Born 1956, both an American and Canadian national. Director since February 19, 2007.

Mr. Guidry has over 25 years experience in the oil and gas industry at senior management levels. Mr. Guidry has an extensive background and proven track record in international petroleum development and project execution. A Petroleum Engineer by training, he is an Alberta-registered Professional Engineer with expertise in diverse environments ranging from deep-water West Africa and the Gulf of Mexico, South American rainforests to the deserts of the Middle East. Most recently, Mr. Guidry was President of Tanganyika Oil where he led the company from an early stage oil development project in Syria to a $2 billion takeover by Sinopec International Petroleum in late 2008. Mr Guidry is currently President and CEO of Orion Oil and Gas Corporation.

Brian D. Edgar

Director

Born 1950, Canadian national. Director since March 27, 2007.

Mr. Edgar has been active in public markets for over 25 years. A graduate of the University of British Columbia law school, Mr. Edgar practiced corporate and securities law in Vancouver for 16 years before retiring in October 1992 to establish Rand Edgar Investment Corp., an investment/banking, venture capital company in the business of providing early stage venture capital to high growth companies and in providing advisory services concerning corporate structuring, finance, business strategies, private and public securities offerings and relations with regulatory authorities, lawyers, accountants and technical consultants. Mr. Edgar serves on the Board of a number of public companies.

Alexandre Schneiter

Director

Born 1962, Swiss national. Director since September 10, 2009.

Mr. Schneiter is a graduate of the University of Geneva were he obtained a degree in Geology and a masters degree in Geophysics. Since 1993, Mr. Schneiter has worked within the Lundin Group of Companies and is currently Executive Vice President and Chief Operating Officer of Lundin Petroleum AB. As COO, he leads an experienced team of oil and gas professionals who are responsible for Lundin Petroleum's worldwide exploration and production operations. Over the years, Mr. Schneiter has been instrumental in the discovery of several major oil fields for the Lundin Group, including, among others, in Libya, Sudan and Malaysia. Mr. Schneiter also serves on the Board of Directors for Enquest PLC.

OFFICERS (As of December 31, 2010)

Name	Born	Nationality	Appointed	No. of shares	No. of stock options
Pradeep Kabra *President, CEO and Director*	1956	Indian	Dec. 14, 2009	See "Board of Directors" above.	See "Board of Directors" above.
Brenden Johnstone *Chief Financial Officer*	1966	Canadian	Dec. 14, 2009	350,000	100,000
Kevin Hisko, LLB *Corporate Secretary*	1958	Canadian	Sep. 15, 2009	Nil	350,000

Biographies

Pradeep Kabra

(See "Board of Directors" above).

Brenden Johnstone

Chief Financial Officer

Born 1966, a Canadian national. Chief Financial Officer of the Company since December 14, 2009.

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.

Kevin Hisko

Corporate Secretary

Born 1958, a Canadian national. Corporate Secretary of the company since September 15, 2009.

Mr. Hisko is a Partner with McCullough O'Connor Irwin LLP. He was a staff member at the BC Securities Commission from 1994 to 1996, a member of the BC Securities Commission's Securities Law Advisory Committee in 2000–2001 and Chair of the Securities Subsection of the CBA in 2001–2002. He was the Corporate Secretary of Lundin Mining Corporation from July 31, 2007, to May 15, 2009.

Mr. Hisko obtained an LL.B. from Queen's University at Kingston and an M.B.A. from the University of British Columbia. He has been practicing corporate finance and mergers and acquisitions law relating to the mining sector for over 15 years.

Mr. Hisko has significant experience working as legal advisor to, and as part of the management team of, several operating mining and oil and gas development companies. Mr. Hisko's clients include producing mining companies and exploration companies listed on the Toronto Stock Exchange, the TSX Venture Exchange, the New York Stock Exchange in addition to First North. His past work experience also involves significant financing and corporate acquisition transactions. He is currently counsel and Corporate Secretary of Africa Oil Corp.

AUDITOR

PricewaterhouseCoopers LLP
London, UK

SUPPLEMENTARY INFORMATION REGARDING THE BOARD OF DIRECTORS AND THE OFFICERS

Remuneration

As shown in the "Board of Directors" and "Officers" tables above, certain Directors and officers of ShaMaran have a financial interest in the Company through ownership of shares and/or stock options. Currently, no Director or officer of the Company has undertaken to restrict their possibilities regarding the decision right of disposing of shares in ShaMaran within a specific period of time.

The following table sets forth a summary of the annual and other compensation for executive services, paid for the two most recently completed financial years to individuals who served as, or were acting in a capacity similar to, a Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of ShaMaran and the three most highly compensated executive officers whose compensation was greater than CAD 150,000 (the "Named Executive Officers").

(thousands of USD)

Name and principal position	Year	Salary[I]	Option-based awards[II]	All other compensation	Total compensation
Pradeep Kabra	2010	403	111	265	779
President & CEO[III]	2009	66	303	8	377
Brenden Johnstone	2010	230	121	86	437
Chief Financial Officer[IV]	2009	32	Nil	1	33
John Ashbridge	2010	144	Nil	8	152
Former Chief Operating Officer[V]	2009	38	225	74	337

I. Salaries for the NEOs are paid in Swiss Francs and converted to United States dollars for reporting purposes in the Summary Compensation Table for the financial year ended 2010 using an average exchange rate of USD 1.00 = CHF 0.9589, being the average annual exchange rate. Salaries were paid in Swiss Francs and converted for reporting purposes for the financial year ended 2009 using an average exchange rate of USD 1.00 = CHF 1.0598.

II. These amounts represent the value of stock options granted to the respective NEO. The methodology used to calculate these amounts was the Black-Scholes model. This is consistent with the accounting values used in the Company's financial statements. The dollar amount in this column represents the total value ascribed to the stock options; however, all of these stock options are subject to vesting as to one-third on the date of grant, one-third one year from the date of grant and the remaining one-third two years from the date of grant.

III. Mr. Kabra became President and Chief Executive Officer on December 14, 2009.

IV. Mr.Johnstone was appointed as Chief Financial Officer on December 14, 2009.

V. Mr. Ashbridge was appointed as Chief Operating Officer on December 14, 2009 and resigned from this position on April 9, 2010.

There were no other executive officers at the end of the most recently completed financial year whose salaries and bonuses exceeded CAD 150,000 per year.

Cease Trade Orders

In the five years preceding the date of this Company Description, none of the Directors, officers, or insiders of the Company are or have been a director or officer of any other issuer that, while acting in such capacity, was subject to any corporate cease trade orders or bankruptcies.

Penalties or Sanctions

No proposed Director has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed Director.

Personal Bankruptcies

During the five years preceding the date of this Company Description, no Director, officer or shareholder holding a sufficient number of shares of the Company to affect materially the control of the Company, or a personal holding company of any such person, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold his or her assets.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective Directors, officers and any control shareholder of the Company individually.

Conflicts of Interest

The Company's Directors and officers may serve as directors or officers of other 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 participate, the Directors of the Company 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 Company's Directors, a Director who has such a conflict will abstain from voting for or against the approval of such a participation, or the terms of such participation. From time to time, several companies 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 company 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 accordance with the laws of Canada, the Directors or the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the Directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

The Directors and officers of the Company are aware of the existence of laws governing the accountability of Directors and officers for corporate opportunity and requiring disclosure by the Directors of conflicts of interest and the Company will rely upon such laws in respect of any Directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its Directors and officers. All such conflicts will be disclosed by such Directors or officers in accordance with the Business Corporations Act (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the Directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

Other

Each Director of the Company holds office until the next annual general meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the by-laws of the Company or he becomes disqualified to act as a Director. There are no family ties between the Directors or officers of the Company.

Shares and Ownership Structure

THE COMMON SHARES OF SHAMARAN

ShaMaran is authorized to issue an unlimited number of common shares without par value. Each of the Company's common shares carries the right to one vote. All shares outstanding are common shares and holders of the Company's common shares are entitled to participate ratably in any dividends that may be declared by the Board of Directors. In the event of a liquidation, dissolution or winding-up, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company to its shareholders for the purpose of winding-up its affairs, the holders of common shares are entitled to share in the Company's assets on a pro rata basis, after payment of all of the liabilities and obligations of the Company.

SHARE CAPITAL

As of December 31, 2010, ShaMaran's registered share capital amounted to USD 432,506 distributed among 623,182,194 common shares without par value. The Company's share capital has developed as shown below.

Year	Transaction	Change in number of shares	Total number of shares	Price per share (USD)	Increase of share capital (USD)	Total share capital (USD)
2006	Balance as at December 31, 2006		83,238,550			47,141
2007	Private placement of shares, net	166,666,667	249,905,217	0.98	163,114	210,255
2007	Property acquisition, Gulf of Mexico Assets	10,000,000	259,905,217	2.48	24,764	235,019
2007	Warrants exercised	38,785,000	298,690,217	0.11	4,433	239,452
2007	Options exercised	750,000	299,440,217	1.05	790	240,242
2007	Corporate acquisitions, USA Assets	8,815,871	308,256,088	1.20	10,593	250,835
2007	Balance as of December 31, 2007	–	308,256,088	–	–	250,835
2008	Warrants exercised	500,000	308,756,088	0.13	64	250,899
2008	Balance as of December 31, 2008	–	308,756,088	–	–	250,899
2009	Private placement of shares, net	140,000,000	448,756,088	0.69	96,250	347,149
2009	Corporate acquisition, Kurdistan Assets	50,000,000	498,756,088	0.64	31,966	379,115
2009	Options exercised	790,000	499,546,088	0.71	558	379,673
2009	Balance as of December 31, 2009	–	499,546,088	–	–	379,673
2010	Corporate acquisition, Kurdistan Asset	12,500,000	512,046,088	0.40	5,000	348,673
2010	Private placement, net	111,111,106	623,157,194	0.43	47,813	432,486
2010	Options exercised	25,000	623,182,194	0.80	20	432,506
2010	Balance as of December 31, 2010	–	623,182,194	–	–	432,506

OWNERSHIP STRUCTURE

As of March 31, 2011, the top 20 registered shareholders of the Company based on the registered list of shareholders maintained by the Company's Registrar and Transfer Agent, Computershare Investor Services Inc., are shown in the table below:

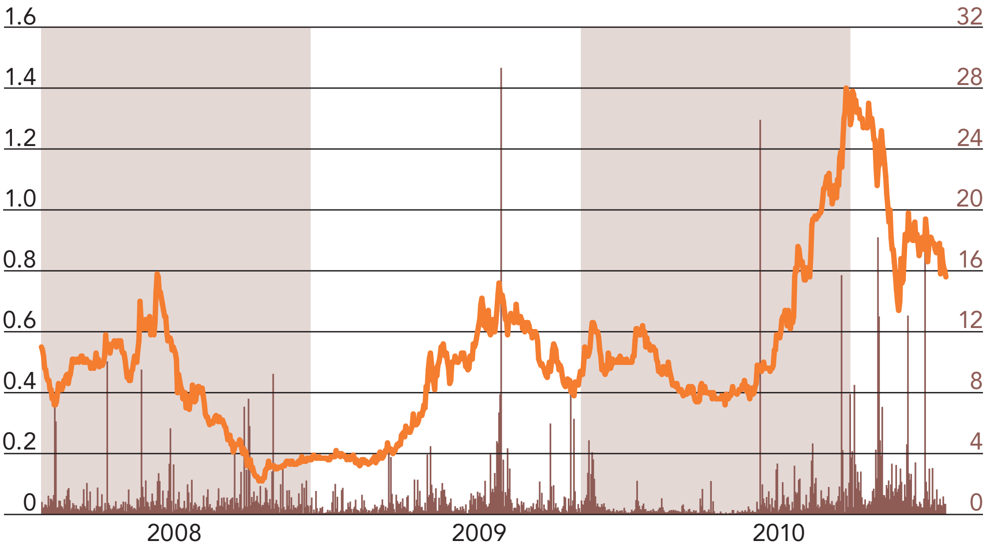
Rank	Name	Number of Shares	% Ownership
1	Cds & Co	606,845,190	97.36
2	Aspect Energy International Llc	12,500,000	2.01
3	Henderson European Absolute Return	2,500,000	0.40
4	Pfeffer Investments Inc	393,267	0.06
5	Lma Spc For And On Behalf Of Map 102 Segregated Portfolio	200,000	0.03
6	Emma Louise Alexandra Carpenter	180,000	0.03
7	William R Sack	125,000	0.02
8	Marquette Debary	100,666	0.02
9	Robin T Tait	100,000	0.02
10	Pfeffer Investments LLC	61,130	0.01
11	The Kenney Corporation	56,607	0.01
12	Lasher Investments Inc	50,000	0.01
13	The Discovery Foundation	37,500	0.01
14	The Dixon Water Foundation	37,500	0.01
15	Judee Fayle	35,000	0.01
16	Tom Seveland Ttee Thomas W Seveland Living Trust U/A Dtd 4/19/05	16,000	0.00
17	The Discovery Foundation	12,500	0.00
18	Lukas H Lundin	10,000	0.00
19	Naz Holdings Ltd	6,000	0.00
20	Robert A Cardwell	5,000	0.00
	Top Holders Balance	623,273,860	100.00
	Total Remaining Holders Balance	NIL	0.00

Note: The directors and officers of the Company are not aware of the beneficial ownership of the shares held in CDS & Co., nominee for the Canadian Depository for Securities Limited, Canada's central depository for securities, except for common shares which are registered in the name of CDS & Co. and owned by Lundin Petroleum BV, Lorito Holdings S.a.r.l. and Zebra Holdings and Investments S.a.r.l., as to 50,000,000, 77,500,000 and 33,608,100 shares, respectively. To the knowledge of the directors and officers of the Company, Royal Bank of Canada and State Street Trust, who hold 249,795,724 and 98,861,600 shares, respectively, are the only CDS participants that hold more than 10% of the issued shares of the Company. The directors and officers of the Company are not aware of the beneficial ownership of the shares held by these participants.

TRADING

On July 24, 2003, the shares of the Company commenced trading under the name of Kit Resources Ltd. on the TSX Venture Exchange – symbol "KIT". On February 9, 2007, the shares of the Company commenced trading on the TSX Venture Exchange under the symbol "BBP" following the change of the Company's name from Kit Resources Ltd. to Bayou Bend Petroleum Ltd. On Octo-

ShaMaran Petroleum:
3 year share price development and daily turnover to May 12, 2011
Share price in CAD (left-hand scale), turnover in million shares (righ-hand scale)



Source: Bloomberg

ber 21, 2009, the shares of the Company commenced trading under the name ShaMaran Petroleum Corp. under the symbol "SNM". The graph below shows the development of the share price and the volume of shares traded from January 2, 2008 up until May 12, 2011.

STOCK OPTIONS OUTSTANDING

The Company has a "rolling" stock option plan (the "Plan") for Directors, officers, consultants and employees of the Company and its subsidiaries. The Plan is administered by the Board of Directors and, pursuant to the policies of the TSX Venture Exchange, the Plan requires annual reconfirmation by the shareholders of the Company. The Plan reserves a rolling maximum of 10% of the issued shares of the Company at the time of a stock option grant. In accordance with the policies of the TSX Venture Exchange, the option exercise price, when granted, reflects current trading values of the Company's shares. The exercise period of the options is fixed by the Board of Directors and is not to exceed the maximum period permitted by the TSX Venture Exchange. Vesting rights are determined at the discretion of the Board of Directors.

Outstanding at December 31, 2010, there were a total of 4,560,000 stock options exercisable at a weighted average price of CAD 0.65 per share. The exercise of all outstanding options would result in a 0.73% dilution. For further information about the distribution of the granted and outstanding stock options under the Plan, see under "The Board, Officers and Auditors" on pages 64, 66 and 68.

Date of Grant	No. of Stock Options	Weighted average exercise price per share (CAD)	Expiry date	Maximum dilution
April 24, 2008	1,210,000	0.48	April 24, 2011	0.19%
January 18, 2007	300,000	1.20	January 18, 2012	0.05%
March 27, 2007	150,000	2.15	March 27, 2012	0.02%
September 10, 2009	875,000	0.67	September 10, 2014	0.14%
September 30, 2009	710,000	0.64	September 30, 2014	0.11%
January 3, 2010	600,000	0.47	January 3, 2015	0.10%
March 25, 2010	100,000	0.60	March 25, 2015	0.02%
May 11, 2010	75,000	0.43	May 11, 2015	0.01%
August 9, 2010	75,000	0.43	August 9, 2015	0.01%
September 22, 2010	315,000	0.54	September 22, 2015	0.05%
October 1, 2010	125,000	0.64	October 1, 2015	0.02%
October 20, 2010	25,000	0.78	October 20, 2015	0.01%
Total Number of Outstanding Stock Options	4,560,000	0.65		0.73%

DIVIDEND POLICY

ShaMaran has not paid dividends to date on its common shares, and at present, the Company does not intend to declare or pay dividends in the near future. If and when any dividends are declared, the Company shall use all reasonable efforts to enter into appropriate arrangements with Euroclear in order to enable distribution of dividends to holders. Distribution to holders is subject to such arrangements being put in place and would be payable net of applicable withholding taxes.

DISCLOSURE POLICY

The Company maintains a disclosure policy to ensure that communications to the investing public about the Company are (i) timely, factual and accurate and (ii) broadly disseminated in accordance with all applicable legal and regulatory requirements. The disclosure policy extends to all employees, consultants and the Boards of Directors of the Company and its subsidiaries and those individuals authorized to speak on behalf of the Company or its subsidiaries.

The disclosure policy is administered by the CEO who may at any time request the assistance or advice of other officers of the Company or third parties in the administration and interpretation of the policy. The CFO is the corporate officer responsible for overseeing the financial review of all disclosure documents to ensure they fairly present financial information.

The Company designates a limited number of spokespersons responsible for communication with the investment community, regulators or the media. The CEO, or the CEO's designate, shall be the official spokesperson for the Company.

Legal and Supplementary Information

THE COMPANY

The Company was incorporated under the laws of the Province of British Columbia on October 3, 1991, 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 7, 2000, in order to facilitate the business combination of Kit and Wheaton River Minerals Ltd. ("Wheaton River"), Kit was continued from the CBCA to 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 7, 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. 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.

The Company's registered and records office is located at Suite 2610 Oceanic Plaza, 1066 West Hastings Street, Vancouver, BC, V6E 3X1. The Company is a reporting issuer in each of the Provinces of British Columbia, Alberta and Ontario, Canada.

INTER-CORPORATE RELATIONSHIPS

The Company underwent significant corporate restructuring as a result of the disposition of substantially all of the Company's United States oil and gas interests in early May 2009, and the acquisition of its Kurdistan projects thereafter. As a result, the Company now executes its continuing operations through five wholly-owned subsidiaries; namely, 0861963 B.C. Ltd., ShaMaran Petroleum Holdings Cooperatief U.A., ShaMaran Petroleum B.V., ShaMaran Services SA and ShaMaran Ventures B.V, as well as through the branch offices of ShaMaran Petroleum B.V. located in the Kurdistan Region of Iraq. 0861963 B.C Ltd. is incorporated under the laws of British Columbia, Canada, ShaMaran Services SA is incorporated under the laws of Switzerland and the other subsidiaries are incorporated under the laws of the Netherlands. The diagram on page 36, illustrates the corporate legal structure of the Company's continuing operations. The Company also has three fully owned subsidiaries which were incorporated in the United States of America which hold its discontinued operations there as follows, Bayou Bend Petroleum USA Ltd (Nevada), Bayou Bend Offshore Ltd (Nevada) and Summit Energy Company LLC (Louisiana).

SIGNIFICANT AGREEMENTS

ShaMaran is a party to the following significant agreements:

Pulkhana Block PSC and PSC Amendment

The Effective Date of the Pulkhana Block PSC is August 28, 2009. In accordance with the terms of the Pulkhana Block PSC and Pulkhana Block PSC Amendment, ShaMaran Petroleum BV ("SPBV") paid an aggregate of $42.5 million to the KRG, being a signature bonus of $2.5 million and a capacity building bonus of $40 million. In addition, pursuant to the terms of the Pulkhana Block PSC Amendment, SPBV agreed to contribute 20% of its future Profit Petroleum share for the capacity building of the Kurdistan Region in consideration of it being relieved of its obligation to issue an additional 115 million common shares.

The Pulkhana Block PSC contract term is comprised of an Exploration Period and a Development Period. The Exploration Period is for an initial term of five years which is extendable on a yearly basis to a maximum of seven years. The initial five year Exploration Period is 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.

The Development Period commences upon the determination of a Commercial Discovery and is for a period of 20 years, with an automatic right for a five-year extension, during which time the Contractor shall have the exclusive right to develop and produce the Commercial Discovery, in accordance with the Pulkhana Block PSC.

During the First Sub-Period the Contractor Group, being SPBV and Petoil, is required to:

(a) carry out geological and geophysical studies, including the compilation of a technical database, the performance of a remote sensing study and a field visit to verify initial geological and geophysical work and to plan for 2D seismic acquisition;
(b) carry out a data search for existing data specific contract area, comprising raw data and seismic data;
(c) perform field work;
(d) acquire, process and interpret 250 km of 2D seismic data (commitment for this purpose is a minimum financial amount of $5 million); and
(e) drill three exploration wells or appraisal wells (commitment for this purpose is a minimum financial amount of $30 million).

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

(a) acquire, process and interpret further seismic data (either 2D or 3D), if required; and
(b) drill two exploration wells or appraisal wells (commitment for this purpose is a minimum financial amount of $25 million).

Under the terms of the Pulkhana Block PSC the KRG shall have the right to terminate the contract 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 in certain circumstances where one of the Contractor Group entities is subject to a change of control.[1]

Any time prior to the Development Period the Contractor Group has the right to terminate the Pulkhana Block PSC by surrendering the entire contract area. During the Development Period, the Contractor Group has the right to terminate the Pulkhana Block PSC at any time by surrendering all Production areas provided its current obligations have been satisfied in accordance with the terms of the Pulkhana Block PSC.

Arbat Block PSC and Arbat Block PSC Amendment

The Effective Date of the Arbat Block PSC is August 28, 2009. Pursuant to the terms of the Arbat Block PSC and the Arbat Block PSC Amendment, SPBV paid an aggregate of $20 million to the KRG, being a signature bonus of $2.5 million and a capacity building bonus of $17.5 million. In addition, pursuant to the terms of the Arbat Bock PSC Amendment, SPBV agreed to contribute 20% of its future Profit Petroleum share for the capacity building of the Kurdistan Region in consideration of it being relieved of its obligation to issue an additional 35 million common shares.

The Arbat Block PSC contract term is comprised of an Exploration Period and a Development Period. The Exploration Period is for an initial term of five years which is extendable on a yearly basis to a maximum of seven years. The initial five year Exploration Period is 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.

The Development Period commences upon the determination of a Commercial Discovery and is for a period of 20 years, with an automatic right for a five-year extension, during which time the Contractor (SPBV) shall have the exclusive right to develop and produce the Commercial Discovery, in accordance with the Arbat Block PSC.

During the First Sub-Period the Contractor is required to:

(a) carry out geological and geophysical studies, including the compilation of a technical database, the performance of a remote sensing study and a field visit to verify initial geological and geophysical work and to plan for 2D seismic acquisition;

(b) carry out a data search for existing data specific contract area, comprising raw data and seismic data;

(c) perform field work;

(d) acquire, process and interpret 350 km of 2D seismic data (commitment for this purpose is a minimum financial amount of $6 million); and

(e) drill two exploration wells or appraisal wells (commitment for this purpose is a minimum financial amount of $20 million).

1. The PSC refers to termination of a contractor entity's interest in the PSC if that contractor entity undergoes a change of control without the KRG's approval. For the purposes of the PSC, a contractor entity undergoes a change of control if: (i) there is a change to the person who controls more than 50% of the contractor entity; and (ii) at the time of the change, the value of contractor entity's interest in the PSC represents more than 75% of the total market value of the assets of the contractor entity and its affiliates.

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

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

(b) drill one exploration well or appraisal well (commitment for this purpose is a minimum financial amount of $10 million).

Under the terms of the Arbat Block PSC, the KRG shall have the right to terminate the contract in the event that the Contractor 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 in certain circumstances where one of the Contractor Group entities is subject to a change of control.[2]

Any time prior to the Development Period, the Contractor has the right to terminate the Arbat Block PSC by surrendering the entire contract area. During the Development Period, the Contractor shall have the right to terminate the Arbat Block PSC at any time by surrendering all Production areas provided its current obligations have been satisfied in accordance with the Arbat Block PSC.

Block K42 Agreement

The Block K42 Agreement, made August 28, 2009, amends certain provisions of the Block K42 Option Agreement, made July 11, 2009, between the KRG and OSIL, to provide for SPBV becoming a party to the Block K42 Option Agreement.

Under the Block K42 Option Agreement the KRG granted OSIL an option to enter into a PSC in respect of the area known as Block K42. The Block K42 Agreement extend that right to include SPBV and provides that SPBV accepts all of the rights and obligations of a party to the Block K42 Option Agreement, including the right:

(a) to carry out certain seismic services for a period (the "Option Period") of 18 months from October 1, 2009. The Option Period is extendable for a further 3 months; and

(b) to exercise the option by providing written notice to the KRG requesting to enter into the PSC.

Pursuant to the Block K42 Agreement SPBV acquired an option to enter into a PSC, together with OSIL, with the KRG relating to the development of the petroleum resources in the Block K42 Area. Upon exercising the option, SPBV will acquire not less than an undivided 20% interest in the petroleum operations in respect of the contract area. The balance of the interest in the petroleum operations will be held by OSIL (as to 60% and the KRG as to 20%). If either SPBV or OSIL elect not to exercise its option in respect of the PSC the other party has the option of acquiring the exiting party's rights and obligations.

Pursuant to the terms of the Block K42 Agreement SPBV paid to the KRG a capacity building bonus of $5 million, as consideration for the grant of the option.

2. The PSC refers to termination of a contractor entity's interest in the PSC if that contractor entity undergoes a change of control without the KRG's approval. For the purposes of the PSC, a contractor entity undergoes a change of control if: (i) there is a change to the person who controls more than 50% of the contractor entity; and (ii) at the time of the change, the value of contractor entity's interest in the PSC represents more than 75% of the total market value of the assets of the contractor entity and its affiliates.

Upon the exercise of the option, SPBV will be obligated to pay a further $20 million to the KRG, comprised of a $2.5 million signing bonus and a $17.5 million capacity building bonus.

The Company has fulfilled all its obligations under the Option Agreement by acquiring and processing 2D seismic data in Block K42 in May 2010. In addition, the Company has exercised its option to enter into a Production Sharing Contract and approval from the KRG is now pending.

Term of Block K42 Option Agreement

The Block K42 Option Agreement, as amended by the Block K42 Agreement, provides for the 18 month Option Period, which is extendable for a further three months, commencing October 1, 2009. During the Option Period the Contractor Group shall be entitled to conduct certain seismic services. Provided that the seismic services are completed prior to the expiry of the Option Period, the Contractor Group, or either one of them, may provide notice to the KRG that it wishes to enter into the PSC.

The Block K42 Agreement terminates in accordance with its terms if the Contractor Group (being SPBV and OSIL) exercise the Option by notice in writing. The Block K42 Agreement shall also be terminated in the event that it is determined by the KRG that the Option Area has been determined to be outside the boundaries of the Kurdistan Region or will not be determined within the boundaries of the Kurdistan Region part of the Option Period.

Atrush Block PSC and Related Agreements

Shareholder and Subscription Agreements

Pursuant to the terms of the GEP Shareholder Agreement and GEP Subscription Agreement (collectively the "GEP Agreements"), the Company subscribed for and acquired from Aspect Energy Inc ("AEI") 3,350 common shares of GEP representing 33.5% of outstanding shares on a fully-diluted basis. In consideration for the GEP shares, the Company paid $24.16 million in cash and issued 12.5 million of its common shares, having an approximate contribution date fair value of $5.0 million. In addition, the Company committed to contribute an additional $15.8 million of cash to fund existing drilling obligations in respect of the Atrush Block PSC, in which GEP holds an 80% participating interest.

The Agreements allow for the Company's 33.5% interest in GEP to be converted into an undivided 26.7% participating interest in GEP's then current rights and obligations under the Atrush Block PSC, subject to the consent of the KRG, and to the Company entering into a joint operating agreement with GEP.

Upon receipt of payments from the sale of hydrocarbons for the recovery of petroleum costs, as defined by the Atrush Block PSC, distributions shall be made to the Company and AEI, as shareholders of GEP, in accordance with the GEP Agreements.

Additionally, the GEP Shareholder Agreement includes a put provision, whereby prior to GEP becoming irrevocably committed under the Atrush Block PSC to proceed with the Second Sub-Period, as defined by the Atrush Block PSC, either AEI or the Company may deliver a put notice to withdraw from GEP. This put provision i) assigns the putting party's shares to the other shareholder free of cost and without any compensation, ii) ensures that the shareholder exercising the put remains liable for all other obligations and liabilities incurred prior to the effective date the put was exercised, and iii) provides that its exercise is contingent upon the approval of the KRG.

Atrush Block PSC

The Effective Date of the Atrush Block PSC is November 10, 2007. The PSC provides for an initial exploration term of five years (comprised of two sub-periods of three and two years), 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 upon satisfying certain conditions, 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 relinquished at the end of the second one-year renewal term. All acreage is set to be relinquished in November of 2014 if there is no commercial discovery by that time. GEP has certain minimum work obligations for each of the two sub-periods during the initial five-year exploration term. During the first three-year sub-period, GEP is obligated to incur the lesser of i) the costs to acquire, process, and interpret 100 km of two dimensional seismic data within the PSC area, or ii) $2.0 million of such seismic operations. As of December 31, 2010, GEP had fulfilled this obligation through the performance of the required seismic activities. In addition, during the first three-year sub-period, GEP is obligated to incur 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.

On August 1, 2010, GEP and the KRG executed the first amendment agreement relating to the Atrush Block PSC (the "First Amended PSC"). The First Amended PSC i) extended the first sub-period to February 10, 2011, ii) 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 is to receive reimbursement of petroleum costs, excluding bonuses, iii) requires GEP to make monthly payments to the KRG of an additional 30% of GEP's share of after-payout oil and gas production, and iv) requires GEP 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.

On October 20, 2010, GEP and the KRG executed the Third-Party Participant, Novation and Second Amendment Agreement to the PSC (the "Second Amended PSC"). The Second Amended PSC nominated Marathon Petroleum KDV BV ("Marathon") as the KRG's Third-Party Participant to hold up to the maximum 20% working interest. As prescribed under the terms of the Atrush Block PSC, as amended by the First Amended PSC and the Second Amended PSC, 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 Second Amended PSC. These amounts were disproportionately distributed to AEI and the Company, as shareholders of GEP, during the year ended December 31, 2010. Upon closing of the Second Amended PSC, GEP and Marathon have an 80% and 20% undivided interest, respectively, in the Atrush Block property defined in the Atrush Block PSC. Subsequent to the Second Amended PSC, GEP and Marathon are required to pay petroleum costs proportionate to their respective interest.

Other Agreements

SPBV Share Purchase Agreement

On October 22, 2009, the Company completed the acquisition of SPBV from LPBV in consideration of $1.00 in cash and 50 million common shares of the Company issued at a deemed price of CAD0.67 per share, for a total purchase price of $31,965,000. At that time, SPBV was a shell company with no significant assets or liabilities. Prior to the acquisition by the Company of all of the issued and outstanding shares of SPBV, LPBV had been involved in negotiating the terms of the Block Agreements with the KRG. An additional 50 million common shares of the Company are issuable to LPBV at such time as a development plan on one of the petroleum properties covered by the Block Agreements is approved.

Under the Pulkhana Block PSC and the Arbat Block PSC, the Company is required to submit to the KRG, on behalf of SPBV, a corporate guarantee in respect of the minimum financial commitments for the First Sub-Period. By a side letter agreement made August 28, 2009, Lundin Petroleum AB, the parent of LPBV, agreed that it would guarantee to the KRG that the Company would have, or would obtain, sufficient financial or other resources to fulfill certain minimum financial obligations under the Arbat and Pulkhana PSCs, which initially aggregated $61 million (see "Overview of Production Sharing Contracts and Related Agreements - Pulkhana Block PSC and Arbat Block PSC" for details). At December 31, 2010, the Company had executed the seismic programs on the Pulkhana and Arbat Blocks which correspond to $11 million of the minimum financial commitment.

Petoil Participation Agreement

The Petoil Participation Agreement, made August 28, 2009, was entered into between SPBV and Petoil. The agreement relates to the Pulkhana Block PSC and provides that SPBV's opportunity to participate in the Pulkhana Block PSC, as to a 60% undivided interest, arose as a result of Petoil's willingness to reduce its previously negotiated undivided interest from an 80% undivided interest to a 20% undivided interest.

Pursuant to the Petoil Participation Agreement, and in recognition of Petoil's past consideration and their agreement to allow SPBV to participate in the Pulkhana Block PSC, SPBV agreed to pay to Petoil, within 60 days following the Effective Date, the sum of US$15 million. SPBV further agreed to a "carry" whereby it would cover 100% of Petoil's future joint operating agreement costs for work programs and budgets associated with the performance of Minimum Work Obligations for the First Sub-Period, as those terms are defined in the Pulkhana Block PSC. SPBV will be entitled to recover those costs from Petoil's share of Available Petroleum and Profit Petroleum.

TRANSACTIONS WITH RELATED PARTIES

During the fiscal year ended December 31, 2010, none of the insiders of the Company nor any proposed nominee for election as Director, nor any associate or affiliate of said persons has had any material interest, direct or indirect, in any transaction, which has materially affected or will materially affect the Company or any of its subsidiaries.

LITIGATION AND OTHER LIABILITY PROCEEDINGS

Neither the Company nor its material subsidiaries and material properties are subject to any material legal proceedings or regulatory actions.

INSURANCE

The Management of the Company believes that the Company maintains insurance coverage which is sufficient for risks related to the operations of the Company and consistent with industry practice. However, as indicated under the section Risk Factors, some risks are such that they may not be fully insurable or that policy limits may be exceeded in case of significant damage.

ENVIRONMENTAL

Generally, the oil and natural gas business presents environmental risks and hazards and is subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation to which ShaMaran is subject provides for, among other things, restrictions and prohibitions on spills, releases and emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require ShaMaran to incur costs to remedy such discharge.

Articles

On March 6, 2000 Kit Resources Ltd. and 1395896 Ontario Inc. amalgamated and continued as Kit Resources Inc. (the "Company"), an Ontario Corporation. On December 29, 2006 the Company was continued into British Columbia from Ontario under the Business Corporations Act (British Columbia) and adopted new articles under the Business Corporations Act (British Columbia). On February 9, 2007 the Company changed its name to Bayou Bend Petroleum Ltd.; on October 21, 2009 the Company changed its name to ShaMaran Petroleum Corp.

The provisions of the current Articles of the Company are summarized as follows:

- Class and maximum number of shares that the Company is authorized to issue – an unlimited number of common shares.
- Minimum number of Directors at three, so long as it is a public company, and the maximum shall be the number of Directors set by ordinary resolution of the shareholders.
- Other provisions – the Directors may appoint one or more Directors who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, provided that the total number of Directors so appointed may not exceed one-third of the number of Directors elected at the previous annual meeting of shareholders.

The principle aspects of the Articles of the Company are as follows:

- The Company, if authorized by the directors, may:
  - (i) Borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
  - (ii) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
  - (iii) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
  - (iv) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.
- The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in the Articles, or in such other manner, if any, as may be prescribed by ordinary resolution, to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, at least 21 days before the meeting.
- The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than 21 days.

- The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.
- If a meeting of shareholders is to consider special business as described in the Articles, the notice of meeting must:
  (i) state the general nature of the special business; and
  (ii) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders.
- At a meeting of shareholders, the following business is special business:
  (1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;
  (2) at an annual general meeting, all business is special business except for the following:
    (a) business relating to the conduct of or voting at the meeting;
    (b) consideration of any financial statements of the Company presented to the meeting;
    (c) consideration of any reports of the directors or auditor;
    (d) the setting or changing of the number of directors;
    (e) the election or appointment of directors;
    (f) the appointment of an auditor;
    (g) the settling of the remuneration of an auditor;
    (h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
    (i) any other business which, under the Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.
- The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.
- Subject to special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons present in person or represented by proxy.
- The directors, the president, the secretary, the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.
- A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

- The directors are entitled to the remuneration for acting as directors, as the directors may from time to time determine. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director. The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.
- A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.
- Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.
- A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other.
- The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be a majority of the directors then in office or, if the number of directors is set at one, is deemed to be set at one, and that director may constitute a meeting.
- The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.
- Subject to the *Business Corporations Act*, the Company must indemnify a director, former director or alternate director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding.
- The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:
  (i) is or was a director, alternate director, officer, employee or agent of the Company;
  (ii) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
  (iii) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
  (iv) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

  against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.
- Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

The foregoing is a summary of the principle aspect of the Articles only and should not be construed to constitute the Articles in their entirety.

Taxation in Sweden

The following summary of certain tax issues that may arise as a result of holding shares in the Company is based on current Swedish tax legislation and is intended only as general information for shareholders, who are resident or domiciled in Sweden for tax purposes, if not otherwise stated. The presentation does not deal comprehensively with all tax consequences that may occur in this context. Neither does it cover the specific rules on so-called qualified shares in closely held companies or cases where shares are held by a partnership or are held as current assets in a business operation. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, mutual funds and persons who are not resident or domiciled in Sweden. Each shareholder is recommended to consult a tax adviser for information with respect to the special tax consequences that may arise as a result of holding shares in the Company, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules, which may be applicable.

DISPOSAL OF SHARES

Individuals

Individuals and estates of deceased Swedish individuals, who sell their shares, are subject to capital gains tax. The current tax rate is 30% of the gain. The capital gain is calculated to equal the difference between the sales proceeds, after deduction for sales expenses, and the shares' acquisition cost for tax purposes. The acquisition cost is determined according to the so-called average-method. This means that the costs for all shares of the same type and class are added together and determined collectively, with respect to changes to the holding. Alternatively, the so-called standard rule according to which the acquisition cost is equal to 20% of the net sales price may be applied on the disposal of listed shares. As a main rule, 70% of a capital loss is deductible against any other taxable income derived from capital. Capital losses on listed shares and listed securities taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables) are, however, fully deductible against taxable capital gains on such assets or on non-listed shares in Swedish limited liability companies and foreign legal entities. If capital losses pertain to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. Any excess amount is deductible according to the main rule of five sixths of 70% if the capital loss relates to non-listed shares. Capital losses on listed shares in mutual funds containing only Swedish receivables are currently fully deductible in the income of capital category. If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business, as well as the tax on real estate, is allowed. The tax reduction allowed amounts to 30% of any deficit not exceeding SEK 100,000 and 21% of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a later fiscal year.

Legal entities

Limited liability companies and other legal entities, except for estates of deceased Swedish individuals, are taxed on all income as income from business activities at a flat rate of 26.3%. Regarding the calculation of a capital gain or loss and the acquisition cost, see section "Individuals". A capital loss on shares incurred by a corporate shareholder may be offset only against gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may, under certain circumstances, also be deductible against capital gains on such securities within the same group of companies, provided the requirements for group contributions are met. Capital losses on shares or other such securities, which have not been deducted from capital gains within a certain year, may be carried forward and be offset against similar capital gains in future years without any limitation in time. For limited liability companies and economic associations, capital gains on shares in limited liability companies and economic associations, including foreign equivalents, held for business purposes are tax-exempt and capital losses on such shares are non-deductible. Unlisted shares are always considered held for business purposes. Listed shares are considered to be held for business purposes provided that the holding represents at least 10% of the voting rights. Furthermore, capital gains on listed shares are only tax-exempt if they are held not less than one year from the day they became held for business purposes. Consequently, capital losses on listed shares of the same type and class have been acquired at different dates, shares acquired later are considered to have been sold prior to shares that were acquired earlier (last in first out). When applying the so-called average method, shares that have been held for one year and participations that have not, are not considered to be of the same type and class.

CASH DIVIDENDS

Individuals

In general, dividends on shares are taxed in Sweden at a rate of 30% as income from capital for individuals. Additionally, dividends from a limited company resident in Canada, such as the Company, are generally subject to Canadian withholding tax at a rate of 25%. However, under the tax treaty between Sweden and Canada, the tax rate is normally reduced to 15 % for dividends beneficially owned by a person resident in Sweden for the purpose of the treaty. The treaty rate is only applied if sufficient information regarding the tax residency of the shareholder is available. The Company assumes responsibility for deducting tax in relation to the dividends where required. Since the dividend is generally taxable in both Sweden and Canada, double taxation may occur. However, Canadian withholding tax levied can be credited from Swedish tax to the extent Swedish tax is attributable to foreign income (overall credit). If the foreign tax should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years. Alternatively, the foreign tax may be deducted as a cost for the recipient.

Legal entities

In general, dividends on shares to limited liability companies are taxed in Sweden at a rate of 26.3% as ordinary income from business activities. Special rules apply to certain corporate entities. Limited liability companies and economic associations, except for investment companies, and some other legal entities may receive dividend free of tax on shares in limited liability companies and economic associations, including foreign equivalents, held for business purposes (for definition of shares held for business purposes, see section "Disposal of shares – Legal entities"). Furthermore, dividends on listed shares held for business purposes are only tax exempt if the shares are not disposed of within one year from the day they were deemed to be held for business purposes. The shares must, however, not have been held continuously for one year at the date of distribution. However, if the holding period requirement is not fulfilled later on, the dividend will be subjected to tax. Dividends from a limited company resident in Canada, such as the Company, are generally subject also to Canadian withholding tax at a rate of 25%. However, under the tax treaty between Sweden and Canada, the tax rate is normally reduced to 15% for dividends beneficially owned by a legal entity resident in Sweden for the purpose of the treaty. If such legal entity owns at least ten percent of the votes or 25% of the capital in the Canadian company, the tax rate is reduced to five percent. Since the dividend is generally taxable in both Sweden and Canada, double taxation may occur. However, Canadian withholding tax levied can be credited from Swedish tax to the extent Swedish tax is attributable to foreign income (overall credit). If the foreign tax should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years. Alternatively, the foreign tax may be deducted as a cost for the recipient.

TAX CONSIDERATIONS FOR SHAREHOLDERS RESIDING OUTSIDE OF SWEDEN

Individual shareholders who are not resident in Sweden are subject to Swedish capital gains taxation upon disposal of shares in non-Swedish corporate entities that were acquired during residence in Sweden if they have been residents of Sweden at any time during the calendar year of disposal or ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation. Foreign legal entities are not in general liable to pay tax on capital gains on shares, unless if such gains do arise from a permanent establishment in Sweden. Furthermore, if a permanent establishment exists, the rules concerning tax-exempt dividends and capital gains and non-deductible capital losses are applicable with certain limitations.

Abbreviations and Definitions

CURRENCY ABBREVIATIONS

CAD	Canadian dollar
SEK	Swedish krona
USD or $	U.S. dollar

OIL AND NATURAL GAS RELATED TERMS AND MEASUREMENTS

Bbl	Barrel
Bbls	Barrels
Bcfpd	Billion cubic feet per day
Boe	Barrels of oil equivalent. All references to boe's are based on a 6 to 1 conversion ratio. Boe's may be misleading particularly if used in isolation. A boe conversion of 6 mcf: bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.
Boepd	Barrels of oil equivalent per day
Bopd	Barrels of oil per day
Mbbls/d	Thousand barrels (in Latin mille) per day
Mmbbls	Million barrels of oil
Mmbbls/d	Million barrels of oil per day
STB	Stock tank barrels

OTHER DEFINITIONS

API	The density of petroleum products is defined in terms of API gravity
Barrel	One barrel is equivalent to 159 litres
Basin	A depression of large size in which sediments have accumulated.
Depletion	An accounting term for allocating the cost of a natural resource based on the rate of extraction and production.
Development	The preparation of a mineral deposit for commercial production, including construction of access and extraction facilities.
Development costs	Expenses incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas.
Exploration	The identification and examination of areas that may contain oil and gas reserves.
Exploration costs	Expenses directly identifiable with exploration activities, including support equipment and facilities, depreciation and applicable operating costs. May be incurred before acquiring a property (sometimes called prospecting costs) or after its acquisition.
Hydrocarbons	Naturally occurring organic substances composed of hydrogen and carbon. They include crude oil, natural gas and natural gas condensate.
Production costs	Expenses incurred to operate and maintain wells and related equipment and facilities, including depreciation, applicable operating costs of support equipment and facilities, and others. Also known as "lifting costs", they are part of the cost of oil and gas produced.
Seismic	A method of geophysical prospecting involving the interaction of sound waves and buried rocks.
WI	Working interest.

Documents incorporated by reference

Investors should read all information which is incorporated in the Company Description by reference.

The information set forth below shall be regarded as incorporated into the Company Description.

- The Company's annual report for 2010
- The Company's annual report for 2009
- The Company's consolidated financial statements for the years ended December 31, 2010, 2009
- The Company's management's discussion and analysis for the years ended December 31, 2010, 2009

Information to which reference is made shall be read as a part of the Company Description. This information is available on the Company's website, www.shamaranpetroleum.com or on SEDAR at www.sedar.com.

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